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May 24, 2019

**Closing Date: Thursday, June 13, 2019
at 6:00 p.m.**

FROM: Vice President and Corporate Secretary

Ethiopia- Climate Action through Landscape Management Program for Results

Project Appraisal Document

Attached is the Project Appraisal Document regarding a proposed grant to Ethiopia for a Climate Action through Landscape Management Program for Results (IDA/R2019-0157/1), which is being processed on an absence-of-objection basis.

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PROGRAM APPRAISAL DOCUMENT
FOR
A PROPOSED GRANT
IN THE AMOUNT OF SDR 360.9 MILLION
(US\$500 MILLION EQUIVALENT)
TO THE
FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA
FOR A
CLIMATE ACTION THROUGH LANDSCAPE MANAGEMENT
PROGRAM FOR RESULTS

May 21, 2019

Environment and Natural Resources Global Practice
Africa Region

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CURRENCY EQUIVALENTS
(Exchange Rate Effective April 30, 2019)

Currency Unit = Ethiopian Birr (ETB)

ETB 28.76 = US\$1

SDR 0.7216 = US\$1

FISCAL YEAR
July 8 – July 7

Regional Vice President: Hafez M. H. Ghanem

Practice Group Vice President: Laura Tuck

Country Director: Carolyn Turk

Practice Manager: Iain G. Shuker

Task Team Leader(s): Paul Jonathan Martin, Ross Hughes

ABBREVIATIONS AND ACRONYMS

| | |
|--------|---|
| ACG | Anti-Corruption Guidelines |
| ATVETC | Agricultural Technical and Vocational Education Training College |
| BoA | Bureau of Agriculture |
| BoF | Bureau of Finance |
| BLAU | Bureau of Land Administration and Use |
| CALM | Climate Action through Landscape Management |
| CBPWD | Community-Based Participatory Watershed Development |
| CDP | Commune Development Program |
| COPCD | Channel One Program Coordination Directorate |
| CPF | Country Partnership Framework |
| CRGE | Climate Resilient Green Economy |
| CSA | Central Statistical Agency |
| CRI | Corporate Results Indicator |
| CWMU | Community Watershed Management and Utilization |
| CWT | Community Watershed Team |
| DA | Development Agent |
| DFID | Department for International Development of the United Kingdom |
| DLI | Disbursement-linked Indicator |
| DRDIP | Development Response to Displacement Impacts Project |
| EFA | Economic and Financial Analysis |
| EFY | Ethiopian Fiscal Year |
| EIAR | Ethiopian Institute of Agricultural Research |
| EIO | Ethiopian Institution of the Ombudsman |
| ENPV | Economic Net Present Value |
| ESAP | Ethiopia Social Accountability Program |
| ESIF | Ethiopia Strategic Investment Framework |
| ESMS | Environmental and Social Management System |
| ESPES | Enhancing Shared Prosperity through Equitable Services |
| ESSA | Environmental and Social Systems Assessment |
| FAO | Food and Agriculture Organization |
| FEACC | Federal Ethics and Anti-Corruption Commission |
| FSA | Fiduciary Systems Assessment |
| FTC | Farmer Training Center |
| GDP | Gross Domestic Product |
| GHG | Greenhouse Gas |
| GIZ | German Development Agency (<i>Gesellschaft für Internationale Zusammenarbeit</i>) |
| GoE | Government of Ethiopia |
| GPG | General Purpose Grant |
| GRM | Grievance Redress Mechanism |
| GRS | Grievance Redress Services |
| GTP | Growth and Transformation Plan |
| HH | Household |
| IGFT | Intergovernmental Fiscal Transfers |

| | |
|---------|---|
| IPCC | Intergovernmental Panel on Climate Change |
| IPF | Investment Project Financing |
| IRR | Internal Rate of Return |
| KPI | Key Performance Indicators |
| LIFT | Land Investment for Transformation Project |
| M&E | Monitoring and Evaluation |
| MIS | Management Information System |
| MoA | Ministry of Agriculture |
| MoF | Ministry of Finance |
| MoU | Memoranda of Understanding |
| NDC | Nationally Determined Contribution |
| NDVI | Normalized Difference Vegetation Index |
| NPV | Net Present Value |
| NRLAIS | National Rural Land Administration Information System |
| NRMD | Natural Resource Management Directorate |
| OFAG | Office of the Federal Auditor General |
| ORAG | Office of the Regional Auditor General |
| OPRC | Operations Procurement Review Committee |
| PAD | Project Appraisal Document |
| PAP | Program Action Plan |
| PBS | Promoting Basic Services Program |
| PDO | Program Development Objective |
| PEFA | Public Expenditure and Financial Accountability |
| PES | Payment for Environmental Services |
| PforR | Program for Results |
| PFM | Public Financial Management |
| PLLUP | Participatory Local Land Use Plan |
| PSNP | Productive Safety Net Program |
| RARI | Regional Agricultural Research Institute |
| REACC | Regional Ethics and Anti-Corruption Commission |
| RED&FS | Rural Economic Development and Food Security |
| REILA | Responsible and Innovative Land Administration |
| RLAS | Rural Land Administration System |
| RLAU | Rural Land Administration and Use |
| RLAUD | Rural Land Administration and Use Directorate |
| RLLP | Resilient Landscapes and Livelihoods Project |
| SAIP | Social Accountability Implementing Partners |
| SDG | Sustainable Development Goal |
| SLLC | Second Level Landholding Certification |
| SLM | Sustainable Land Management |
| SLMP-I | Sustainable Land Management Project Phase-I |
| SLMP-II | Sustainable Land Management Project Phase-II |
| SMS | Short Message Service |
| SNNPR | Southern Nations, Nationalities, and Peoples' Region |
| SPG | Specific Purpose Grant |
| TA | Technical Assistance |

| | |
|--------|---|
| UNFCCC | United Nations Framework Convention on Climate Change |
| USAID | United States Agency for International Development |
| WMP | Watershed Management Plan |
| WoANR | Woreda Office of Agriculture and Natural Resources |
| WoFED | Woreda Office of Finance and Economic Development |
| WoLAU | Woreda Office of Land Administration and Use |
| WsUA | Watershed User Association |

BASIC INFORMATION

Is this a regionally tagged project?

Financing Instrument

No

Program-for-Results Financing

Bank/IFC Collaboration

Does this operation have an IPF component?

No

No

Proposed Program Development Objective(s)

The Program Development Objective (PDO) is to increase adoption of sustainable land management practices and to expand access to secure land tenure in non-rangeland rural areas.

Organizations

Borrower : Ministry of Finance

Implementing Agency : Ministry of Agriculture

COST & FINANCING

SUMMARY (USD Millions)

| | |
|--------------------------------|----------|
| Government program Cost | 2,523.90 |
| Total Operation Cost | 1,675.70 |
| Total Program Cost | 1,675.70 |
| Total Financing | 1,675.70 |
| Financing Gap | 0.00 |

Financing (USD Millions)

| | |
|----------------------------|-----------------|
| Counterpart Funding | 1,175.70 |
| Borrower/Recipient | 1,175.70 |

| | |
|--|---------------|
| International Development Association (IDA) | 500.00 |
| IDA Grant | 500.00 |

Expected Disbursements (USD Millions)

| Fiscal Year | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|-------------------|--------|--------|--------|--------|--------|--------|
| Absolute | 150.00 | 118.20 | 80.40 | 62.00 | 53.90 | 35.50 |
| Cumulative | 150.00 | 268.20 | 348.60 | 410.60 | 464.50 | 500.00 |

INSTITUTIONAL DATA

Practice Area (Lead)

Environment & Natural Resources

Contributing Practice Areas

Agriculture
Governance
Social Protection & Jobs

Climate Change and Disaster Screening

Yes

Private Capital Mobilized

No

Gender Tag

Does the program plan to undertake any of the following?

a. Analysis to identify Project-relevant gaps between males and females, especially in light of country gaps identified through SCD and CPF

Yes



b. Specific action(s) to address the gender gaps identified in (a) and/or to improve women or men's empowerment

Yes

c. Include Indicators in results framework to monitor outcomes from actions identified in (b)

Yes

SYSTEMATIC OPERATIONS RISK-RATING TOOL (SORT)

| Risk Category | Rating |
|---|---------------|
| 1. Political and Governance | ● Substantial |
| 2. Macroeconomic | ● Moderate |
| 3. Sector Strategies and Policies | ● Moderate |
| 4. Technical Design of Project or Program | ● Moderate |
| 5. Institutional Capacity for Implementation and Sustainability | ● Substantial |
| 6. Fiduciary | ● Substantial |
| 7. Environment and Social | ● Substantial |
| 8. Stakeholders | ● Moderate |
| 9. Other | ● Substantial |
| 10. Overall | ● Substantial |

COMPLIANCE

Policy

Does the program depart from the CPF in content or in other significant respects?

☐ Yes ☒ No

Does the program require any waivers of Bank policies?

☐ Yes ☒ No



Safeguard Policies Triggered

| Safeguard Policies | Yes | No |
|--|-----|----|
| Projects on International Waterways OP/BP 7.50 | | ✓ |
| Projects in Disputed Areas OP/BP 7.60 | | ✓ |

Legal Covenants

Sections and Description

Schedule 2, Section I, B.1 The Recipient shall carry out the Program Action Plan, or cause the Program Action Plan to be carried out, in accordance with the schedule set out in the said Program Action Plan and in a manner satisfactory to the Association.

Sections and Description

Schedule 2, Section I, B.2 (a) The Recipient shall:

(a) Appoint, and thereafter maintain at all times during the implementation of the Program, independent verification agents under terms of reference acceptable to the Association ("Verification Agents"), including that verifiers have qualifications, experience and expertise relevant to the specific DLI being verified, to verify the data and other evidence supporting the achievement of one or more DLIs as set forth in the table in Section IV.A.2. of this Schedule 2 and recommend corresponding payments to be made, as applicable.

Sections and Description

Schedule 2, Section I, B.3 The Recipient shall furnish to the Association for approval the terms of reference for independent audit of ESMS implementation, and upon approval of the Association, have in place by September 30, 2019, a contract for said audit.

Sections and Description

Schedule 2, Section III The Recipient shall furnish to the Association each Program Report not later than two (2) months after the end of each six-month period, January 8 through July 7, and July 8 through January 7 covering the six-month period.

Sections and Description

Schedule 2, Section I, C.1 (a and b) The Recipient shall: within three (3) months from the Effective Date:

(a) prepare and furnish to the Association for its review and approval, a manual setting out, inter alia, the procedure and criteria, for verifying achievement of DLRs and DLIs and reporting on the same ("Verification Manual"); and



(b) adopt such Verification Manual, as shall have been approved by the Association.

Conditions

| Type | Description |
|--------------|--|
| Disbursement | <p>Schedule 2, Section IV, B.1 (a and b) Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made:</p> <p>(a) on the basis of DLRs achieved prior to the Signature Date, except that withdrawals up to an aggregate amount not to exceed SDR 21,654,000 may be made on the basis of DLRs achieved under DLI #1 and DLI #4 prior to this date but on or after February 28, 2019; and/or</p> <p>(b) for any DLR until and unless the Recipient has furnished evidence satisfactory to the Association that said DLR has been achieved, including verification reports from the Verification Agent, based on reports prepared by the Recipient certifying the achievement of the DLRs in accordance with the Verification Manual.</p> |
| Type | Description |
| Disbursement | <p>Schedule 2, Section IV, B.2 Notwithstanding the provisions of Part B.1(b) of this Section, the Recipient may withdraw: (i) an amount not to exceed SDR 85,000,000 as an advance; provided, however, that if any DLR, in the opinion of the Association, is not achieved (or only partially achieved) by the Closing Date, the Recipient shall refund such advance (or portion of such advance as determined by the Association in accordance with the Formula) to the Association promptly upon notice thereof by the Association. Except as otherwise agreed with the Recipient, the Association shall cancel the amount so refunded. Any further withdrawals requested as an advance under any Category shall be permitted only on such terms and conditions as the Association shall specify by notice to the Recipient.</p> |

TASK TEAM

Bank Staff

| Name | Role | Specialization | Unit |
|-----------------------|--|------------------------------|-------|
| Paul Jonathan Martin | Team Leader(ADM Responsible) | Natural Resources Management | GENA1 |
| Nigel Ross Hughes | Team Leader | Natural Resources Management | GENA1 |
| Demelash Demssie | Procurement Specialist(ADM Responsible) | Procurement | GGOPA |
| Meron Tadesse Techane | Financial Management Specialist(ADM Responsible) | Financial management | GGOAE |



| | | | |
|-------------------------------|---|--------------------------------|-------|
| Abiy Demissie Belay | Financial Management Specialist | Financial management | GGOAE |
| Mekdim Hailu Yemane | Financial Management Specialist | Financial management | GGOAE |
| Rafika Chaouali | Financial Management Specialist | Financial management | GGOAE |
| Samuel Lule Demsash | Social Specialist(ADM Responsible) | Social standards | GSU07 |
| Yacob Wondimkun Endaylalu | Environmental Specialist(ADM Responsible) | Environmental standards | GENA1 |
| Addis Bekele Simie | Social Specialist | Social development | GENA1 |
| Ahmed Alkadir Mohammed | Team Member | Operations Analyst | GENA1 |
| Anders Jensen | Team Member | Senior M&E Specialist | GENOS |
| Asha Nequia Johnson | Team Member | Operations Adviser | GENA1 |
| Assaye Legesse | Team Member | Agricultural Specialist | GFA13 |
| Berhanu Legesse Ayane | Team Member | Governance Specialist | GGOAE |
| Daniel C. Monchuk | Team Member | M&E Specialist | GENA1 |
| Elsa Araya | Team Member | Governance Specialist | GGOAE |
| Esther Bea | Team Member | Program Assistant | GENA1 |
| Garo J. Batmanian | Team Member | Lead Environmental Specialist | GENGE |
| George Ferreira Da Silva | Team Member | Finance Officer | WFACS |
| Grazia Atanasio | Team Member | Communications Specialist | ECRAC |
| Herbert Francisco Curry Arceo | Team Member | Operations Analyst | GENA3 |
| Hild Rygnestad | Team Member | Economist | GPSJB |
| Jean O Owino | Team Member | Finance Officer | WFACS |
| Margaret Png | Counsel | Legal | LEGAM |
| Million Alemayehu Gizaw | Team Member | NRM Specialist | GENA1 |
| Nadege Orlova | Team Member | Land Administration Specialist | GSULN |
| Netsanet Ayalew Belete | Team Member | Program Assistant | AFCE3 |
| Nevena Ilieva | Team Member | Operations Advisor | GENA1 |



| | | | |
|--------------------------|-------------------|---------------------------------|-----------------|
| Shewakena Aytenfisu Abab | Team Member | Land Administration Specialist | GENA1 |
| Simon Sottsas | Social Specialist | Social development | GSU07 |
| Sisay Nune Hailemariam | Team Member | NRM Specialist | GENA1 |
| Sofia Said | Team Member | Program Assistant | AFCE3 |
| Susan Tambi Matambo | Team Member | Senior Environmental Specialist | GCCRA |
| Wendmsyamregne Mekasha | Team Member | Social Development Specialist | GSP01 |
| Zena Afework Demissie | Team Member | Communications Specialist | GENA1 |
| Extended Team | | | |
| Name | Title | Organization | Location |



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I. STRATEGIC CONTEXT

A. Country Context

1. **Located in the Horn of Africa, Ethiopia covers an area of 1.1 million km², and is the second most populous country in Sub-Saharan Africa, with an estimated population of about 100 million,¹ of which 80.5 percent are rural dwellers.** With *per capita* income of US\$708 in 2018,² Ethiopia has achieved substantial progress in economic, social, and human development over the past decade. Growth has averaged nearly 11 percent per year since 2004 and extreme poverty³ fell from 55 percent in 2000 to 26.7 percent in 2016, one of the most impressive poverty reduction results recorded globally. Low levels of inequality have largely been maintained but vulnerability to returning to poverty remains high, especially for those engaged in rain-fed agriculture. The natural resource base remains the foundation for most livelihoods and is subject to considerable environmental and climate risks.
2. **The Government of Ethiopia (GoE) has embarked on a structural transformation of the economy and society, completing the first phase of the Growth and Transformation Plan (GTP-I) in 2015.** GTP-II is under implementation for the period 2015–2020, and puts a strong emphasis on industrialization, urbanization, and export promotion. Public infrastructure investment has been at the center of the country's economic strategy, financed by domestic and external public financing. Recent announcements indicate the GoE's renewed commitment to a shift toward private sector led investment,⁴ and recent appointments have underscored the Government's commitment to women benefiting from and participating in the overall economic, political, and decision-making processes in Ethiopia.⁵
3. **Land degradation affects millions of rural Ethiopians and reduces their resilience to climate change and even existing levels of climate variability.** The minimum estimated annual cost of land degradation in Ethiopia is 2-3 percent of agricultural gross domestic product (GDP), before accounting for downstream effects such as increased flood risk. By reducing soil fertility and agricultural yields, land degradation undermines livelihood security. However, sustainable land management (SLM) practices offer an opportunity to build resilience, mitigate climate change and boost local livelihoods. Ethiopia has made significant progress over the past 10 years in restoring degraded watersheds, but the challenge that remains is enormous. Successful remediation has been achieved through improved natural resource management and resource rights, livelihood diversification, and gender outreach in targeted degraded watersheds. Restoration and improved management of land at the watershed level also yields climate co-benefits, by increasing vegetative cover and soil carbon content, reversing years of carbon loss through

¹ 2015 estimate.

² Macro Poverty Outlook for Sub-Saharan Africa, World Bank, 2019

³ Extreme poverty is measured as consuming less than US\$1.90 (2011 Purchasing Power Parity) a day.

⁴ See for example the Prime Minister's address to the World Economic Forum in Davos, January 23, 2019, and the Finance Minister's address to the UN Economic Commission for Africa-World Bank Roundtable Workshop on Jobs and Economic Transformation, March 6, 2019:

- <https://www.ena.et/en/2019/01/23/ethiopia-working-enhance-private-sector-engagement-in-economy-pm/>
- <https://newbusinessethiopia.com/ethiopias-reforms-aim-boosting-private-sector-participation/>

⁵ In 2018 women were appointed to half of the GoE cabinet positions as well as the Presidency of the Federal Democratic Republic of Ethiopia.



carbon sequestration.⁶ This also helps mitigate national carbon emissions and builds resilience, by diversifying livelihood options, increasing soil fertility, reducing soil loss and by addressing rural energy security needs by boosting biomass wood fuel supply.

4. **Ethiopia is among the most vulnerable countries to climate change and variability.** It is exposed to severe climate impacts, its economy is highly climate-sensitive, and its adaptive capacity is low. Against the backdrop of a changing climate, reductions in the poverty headcount since 2000 are very fragile. Over the past three decades, Ethiopia has experienced many localized drought events and seven major droughts. The most prominent observed climate change trend has been a tendency toward lower rainfall during the main growing seasons (March–May and December–February). Meteorological records also show that mean annual temperatures increased by 1.3°C between 1960 and 2006, with a marked increase in the number of hot days and a decline in the number of cold days.

B. Sectoral and Institutional Context

5. **Land degradation in Ethiopia** represents a significant drag on rural growth and poverty reduction. Approximately 80 percent of the country's land surface is prone to moderate or severe soil degradation. Today, approximately 27 million hectares (ha) are considered to be significantly eroded. This comprises almost 50 percent of highland areas and affects about one in five people in Ethiopia.⁷ Of the total area degraded, 14 million ha are seriously eroded, with over 2 million ha beyond reclamation that makes economic sense. For highland areas, estimates of erosion rates as measured by soil loss in tons per ha per year (t/ha/yr) vary considerably across different studies, with the literature indicating an average of 29.9 tons/ha/yr.⁸ This work also identified land tenure insecurity, limited technical support, poor community participation, and weak research–extension linkages as barriers to the adoption of soil and water conservation practices. Reinforcing the identification of the significant role played by land tenure security, separate research finds that Ethiopia's land certification program has increased land related investments.^{9,10}

6. **Climate change will bring increasing risks and uncertainty for development.** By aggravating land degradation, future climate change will complicate efforts to increase food production and improve food security for a rapidly expanding population. Addressing sensitivity to climate change is an important consideration for the government's program to address land degradation, as more than 80 percent of Ethiopians are engaged in subsistence rain-fed agriculture, and farms are already under significant climate stress. In the highlands, most global climate models project an increase in precipitation, but studies using more detailed regional climate models indicate that expected precipitation change is uncertain. Temperatures will likely continue to increase for the next few decades at a rate similar to that seen in

⁶ 50 percent of all forestry-related GHG emissions are caused by deforestation on agricultural land according to Ethiopia's Climate Resilient Green Economy (CRGE) Strategy, Federal Democratic Republic of Ethiopia, 2011.

⁷ Bai, Z. G., Dent, D. L., Olsson, L., and Schaepman, M. E. (2008), "Global assessment of land degradation and improvement. 1. Identification by remote sensing". Wageningen, The Netherlands: International Soil Reference and Information Centre.

⁸ Haregeweyn, N et al. (2015). Soil erosion and conservation in Ethiopia: A review. *Progress in Physical Geography* p1-25.

⁹ Deininger, K., Ali, D.A and Alemu, T (2011). Impacts of land certification on tenure security, investment, and land market participation: Evidence from Ethiopia land. *Economics* 87(2):312–334.

¹⁰ Holden, S and Shiferaw, B and Pender, J (2004) *Non-farm income, household welfare and sustainable land management in a less-favoured area in the Ethiopian highlands*. Food Policy, 29 (4). pp. 369-392



recent years. Although one recent modeling study indicates that under future climate scenarios, average agronomic conditions for maize, wheat and sorghum may actually improve,¹¹ projected increases in the inter-annual variability of precipitation in combination with this warming will likely lead to more frequent droughts, with heavy rains and floods projected to increase as well.

7. The projected increase in seasonal variability and intensity of rainfall events highlights the importance of scaling-up SLM.

These practices (outlined in box 1) will help capitalize on any broader improvement in conditions, by capturing rainfall for groundwater recharge and slowing runoff to limit the potential for higher rates of soil erosion. Analysis by the Water and Land Resource Center of Addis Ababa University indicates that soil erosion is expected to increase by 7-10 percent per year, and, in the more extreme scenarios could increase by as much as 40-70 percent per year, further underscoring the need to place a high priority on SLM as an adaptation strategy.

Box 1. SLM a Definition

SLM is defined by the Food and Agriculture Organization (FAO) as the use of land resources, including soils, water, animals and plants, for the production of goods to meet changing human needs, while simultaneously ensuring the long-term productive potential of these resources and the maintenance of their environmental functions. Some typical SLM practices include: physical soil and water conservation practices; flood control and drainage practices; water harvesting and runoff management for multiple use practices; soil fertility management and biological soil conservation practices; agro-forestry, forage development and forestry practices; and gully control practices.

8. Low adaptive capacity also contributes to high vulnerability in the proposed project communities. Most of the watersheds targeted by GoE's program to tackle land degradation are situated in regions that have low capacity to adapt to climate change. Communities in these areas depend on traditional energy sources (mostly woodfuels), suffer high levels of food insecurity and have high under-5 mortality rates. One study of vulnerability in the Tigray Region found that climate vulnerability was inextricably linked to social and economic development.¹²

9. In addition to reducing vulnerability to climate change, SLM is also the principal intervention required to enable Ethiopia to meet its national targets for climate change mitigation. If current practices prevail, greenhouse gas (GHG) emissions in Ethiopia will more than double from 150 Mt CO₂e to 400 Mt CO₂e in 2030 and will exceed targets set-out in Ethiopia's Nationally Determined Contribution (NDC) submission to the United Nations Framework Convention to Combat Climate Change (UNFCCC). GHG-emissions from agriculture and forestry account for 50 percent and 37 percent respectively of Ethiopia's total emissions and also account for by far the highest abatement potential (forestry 51 percent and agriculture 36 percent).¹³

10. The GoE has made gender inclusion in natural resource management a priority as women in Ethiopia remain vulnerable to economic, social, and environmental risks. Understanding gender aspects

¹¹ Thomas, T, Dorosh, P., and Robertson, R. (2019). *Climate Change Impacts on Crop Yields in Ethiopia*. Strategy Support Program Working Paper 130. IFPRI Ethiopia and Ethiopian Development Research Institute.

¹² Gebrehiwot, T. and A. van der Veen (2013). Climate Change Vulnerability in Ethiopia: disaggregation of Tigray Region. In *Journal of Eastern African Studies*, Vol. 7, Issue 4: 607.

¹³ Ethiopia's CRGE: Green Economy Strategy, Federal Democratic Republic of Ethiopia, 2011.



of natural resources management is an entry point for reversing environmental and land degradation. In Ethiopia, women farmers produce on average 23 percent less than their male counterparts.¹⁴ This is mainly due to inequitable access to and control of resources such as land, technologies and information, and lower levels of female participation in decision-making from local to national levels, despite the significant recent steps taken by GoE to promote women in positions of authority.¹⁵ Various manifestations of climate change, such as drought, exacerbate fuelwood and water scarcity and add more to the domestic burden of women as they are primarily responsible for homestead crops, and collection of fuel wood and water. Female-headed households (HH) (26 percent of all rural HHs) remain particularly vulnerable to climate shocks and face multiple challenges such as lower levels of landholding and weaker tenure rights.

11. **The proposed Climate Action Through Landscape Management (CALM) Program (hereafter referred to as ‘the Program’), will help Ethiopia address international and national policy commitments that seek to address climate resilience and mitigation goals, and promote the sustainable management of natural resources.** These include:

- **The Sustainable Development Goals (SDGs)**, particularly Goals 1 (Ending poverty), Goal 5 (Gender Equality and Women’s Empowerment), Goal 13 (Urgent action to tackle climate change and its impacts) and Goal 15 (Protect, restore and promote sustainable use of terrestrial ecosystems, including forests and to address land degradation and halt biodiversity loss).
- **Ethiopia’s commitments to address climate change are included in the NDC, submitted to the UNFCCC in 2017.**¹⁶ Ethiopia’s NDC intends to undertake adaptation initiatives to reduce the climate vulnerability of its population and economy by building on existing good practices including mainstreaming and scale-up of large-scale sustainable land and natural resource management initiatives. On mitigation, Ethiopia has committed to an emissions reduction target of 255 MtCO₂e or 64 percent compared to ‘business-as-usual’ emissions by 2030, which includes 90 MtCO₂e from agriculture and 130MtCO₂e from forestry. This target implies that economic growth from 2010-2030 would be carbon neutral. Ethiopia’s long-term vision is to attain middle-income status while becoming carbon neutral. On both mitigation and adaptation, the Program responds to calls for ambitious action through the use of ecosystem-based adaptation and restoration approaches proposed recently by the Intergovernmental Panel on Climate Change (IPCC).¹⁷

¹⁴World Bank. 2014. ONE Campaign, Levelling the Field: Improving Opportunities for Women Farmers in Africa. Washington, DC, World Bank.

¹⁵ See footnote #5.

¹⁶ <http://www4.unfccc.int/ndcregistry/PublishedDocuments/Ethiopia%20First/INDC-Ethiopia-100615.pdf>

¹⁷ IPCC (2018). Summary for Policymakers. In: *Global Warming of 1.5°C: An IPCC Special Report on the impacts of global warming of 1.5°C above pre-industrial levels and related global greenhouse gas emission pathways in the context of strengthening the global response to the threat of climate change, sustainable development, and efforts to eradicate poverty*. Intergovernmental Panel on Climate Change and World Meteorological Organization, Geneva, Switzerland. 32 pp.



- **Other national policies.** These include the *Ethiopia Strategic Investment Framework (ESIF) for SLM* (described in detail in paras 17-23),¹⁸ the *Climate Resilience Strategy for Agriculture and Forestry (2015)*,¹⁹ the *National Adaptation Plan to Address Climate Change (2017)*,²⁰ the emerging *National Forest Sector Strategy and National REDD+ Strategy*,²¹ and sector strategies for energy, water, and agriculture. The Government also targets 22 million ha for broader landscape restoration by 2030, in line with the Climate Resilient Green Economy (CRGE) ambition and the *Bonn Challenge*, the *Africa 100*, and the *New York Declaration on forests*.

C. Relationship to the CPF and Rationale for Use of Instrument

12. **The proposed Program is closely aligned with the Ethiopia Country Partnership Framework (CPF).**²² Specifically, the proposed Program will align with *Focus Area 2: Building Resilience and Inclusiveness*. This Focus Area includes the objective of enhancing the management of natural resources and climate risks through improved natural resources and forest management, scaling-up the GoE's SLM program and addressing land tenure through the issuance of land use certificates. During the CPF period, the total area of reforested land, and the number of land use certificates issued, are each targeted to double. The World Bank is well-positioned to help address this objective based on the wealth of experience and expertise developed through support for the first Sustainable Land Management Project Phase I (SLMP-I, 2008–2013)²³ and the subsequent SLMP-II (2013–2018)²⁴ and the ongoing Resilient Landscapes and Livelihoods Project (RLLP).²⁵ There are also a number of other projects in Ethiopia with significant natural resource management components.²⁶

13. **The Program will also address the World Bank's high-level corporate priorities on climate change which aim to increase the level of ambition and commitments on both adaptation and resilience.**²⁷ The Program will make a substantial contribution to addressing priorities of the World Bank's *Africa Climate Business Plan*²⁸ now in its fourth year of implementation. In particular, the Program will contribute to "Scaled-up and transformational investments in key sectors and areas" which places a strong

¹⁸ Federal Democratic Republic of Ethiopia (2010). *Ethiopian Strategic Investment Framework for Sustainable Land Management*. Ministry of Agriculture, March 2010.

¹⁹ <http://www.agcrge.info/files/Vision/CRGE.pdf>

²⁰ https://www.slideshare.net/NAP_Global_Network/strategic-priorities-of-Ethiopia-national-adaptation-plan

²¹ REDD+ stands for countries' efforts to reduce emissions from deforestation and forest degradation, and foster conservation, sustainable management of forests, and enhancement of forest carbon stocks. See <https://ethiopiareddplus.gov.et/redd-readiness/redd-national-strategy/>

²² World Bank (2017). *Country Partnership Framework for the Federal Democratic Republic of Ethiopia for the Period FY18-FY22*. May 22, 2017. Country Management Unit AFCE3, Africa Region. Report No. 119576-ET.

²³ Grant H377-ET, P107139.

²⁴ Credit 5318-ET, P133133.

²⁵ Credit 6312-ET, P163383.

²⁶ Including, for example support for public works through the Productive Safety Net Program (P120957) and SLM activities under the Development Response to Displacement Impacts Project (P161067).

²⁷ Additions to IDA Resources: Eighteenth Replenishment – Towards 2030: Investing in Growth, Resilience and Opportunity, World Bank, 2017.

²⁸ World Bank. 2018. *Accelerating Climate-Resilient and Low-Carbon Development: The Africa Climate Business Plan*. May 2018.



emphasis on support for climate resilient landscape management and comprises one of four emerging strategic priorities.

14. **Implementation of the recently-launched World Bank Action Plan on Climate Change Adaptation and Resilience²⁹ will also be supported at scale by this Program.** The Action Plan prioritizes the mainstreaming of climate action through programmatic operations. Among the high potential areas identified, are support for (a) integrated landscape management approaches, (b) “triple-win” approaches such as climate-smart agriculture and afforestation that seek to capture benefits from development, emissions reduction, and enhanced resilience, and (c) nature-based solutions (also referred to as ecosystem-based adaptation approaches) that reduce risks, protect environmental services and generate income-generation co-benefits.

15. **Over the last 10 years, IDA Investment Project Financing (IPF) support under SLMP-I and SLMP-II has helped restore productive capacity and build resilient livelihoods in 135 major watersheds in Ethiopia’s highlands.** Through soil and water conservation structures and enclosures to limit free grazing, and afforestation or reforestation of more than 80,000 ha, these activities have led to an average 9 percent increase in vegetation cover in treated watersheds. Complementing these physical interventions, IDA financing through SLMP-II has strengthened the Ministry of Agriculture’s (MoA) support for land rights through the issuance of landholding certificates to over 300,000 households, including more than 200,000 women who have received titles either individually or jointly with their husbands, and more than 7,000 landless youth who have received titles to communal holdings in exchange for restoring land. IPF support for watershed development and rural land administration will continue over the period 2019-2024 under the RLLP, which will include piloting of approaches to link SLM with local value chains and to promote payment for environmental services (PES).

16. **The Program for Results (PforR) instrument is appropriate to strengthen GoE’s ambitious program to address land degradation for a number of reasons:**

- **Scaling up for transformative impact.** IPF support for SLM over the last 10 years has allowed the development of approaches for watershed management and land administration that are now well-tested, but have relatively limited geographic reach. IPF support allows MoA to pilot approaches that are not sufficiently tested for PforR support, in particular (i) promotion of income-generating activities and value-chain linkages associated with SLM activities, (ii) establishing Payments for Ecosystem Services (PES) arrangements with private sector beneficiaries of watershed management, and (iii) new technologies in land administration, including the use of drones for surveying. The use of the PforR instrument will then enable scaling-up of SLM support at a transformative national scale - in this case to all woredas and watersheds included in the scope of the operation.
- **Consolidating gains through institutional reform.** The PforR instrument provides a mechanism to incentivize the rollout of institutional reforms for participatory watershed management and land administration that are proposed by the MoA as a basis for the third phase of ESIF (ESIF-3) (FY20–FY24). The scope to incentivize such institutional reforms

²⁹ World Bank. 2019. *The World Bank Group Action Plan on Climate Change Adaptation and Resilience*. January 2019.



through the PforR instrument is significantly greater than would be possible through an IPF operation.

- **Focusing on results.** The PforR instrument provides a better means than IPF for incentivizing the achievement of results in national efforts to address land degradation, through the use of disbursement-linked indicators (DLIs). These shift the focus for SLM from inputs to scaleable results. Participatory watershed management and improved local-level land administration are well-suited to a scaleable results-based approach to deliver climate-smart, SLM. Importantly, the MoA is committed to ensuring that the results-based approach is effective at the local level by providing rewards and incentives to community institutions for the adoption of SLM practices. Support delivered through the PforR instrument will help GoE introduce and strengthen such incentives.
- **Complementing ongoing support.** Results-based financing will complement ongoing IPF and technical assistance (TA) operations for SLM financed by a range of development partners, including the World Bank. While these initiatives will continue to play an important role in developing and piloting innovative approaches, and in providing access to international expertise and best practice, the PforR instrument provides a mechanism to incentivize the application and scale-up of practices that have already proven effective in arresting and reversing land degradation.

II. PROGRAM DESCRIPTION

A. Government Program

17. **The ESIF was adopted by the GoE in September 2010 to provide a long-term strategic framework to align financing and stakeholder support for the prioritization, planning and implementation of SLM investments.** Its overarching objective is to address the inter-related challenges of poverty, vulnerability, land degradation and declining productivity of agricultural lands. Since its inception in 2010, ESIF has guided GoE's large-scale efforts to address land degradation, reduce vulnerability to climate shocks, provide land tenure security, address institutional, knowledge and capacity constraints, and provide a planning, financing and implementation framework for SLM at local, regional and national levels. The ESIF is structured over three phases of five years each, starting in 2010, with the third phase scheduled to start in 2019, running to 2024.³⁰ ESIF-3 provides the operational program for meeting the GTP-II targets for SLM.

18. **ESIF implementation has progressed well over the last 10 years through both development partner-financed projects and mainstream GoE programs.** Over the first two phases of ESIF, development partner support for SLM has covered 209 woredas with financing from the World Bank, Canada, Germany, Sweden, the European Union and the International Fund for Agricultural Development. At the same time, mainstream GoE programs have supported SLM interventions in some 500 woredas, primarily through

³⁰ Federal Democratic Republic of Ethiopia (2010). *Ethiopian Strategic Investment Framework for Sustainable Land Management*. Ministry of Agriculture, March 2010.



Mass Mobilization (an annual initiative led by the MoA to organize voluntary community labor during the agricultural low season), and through the public works supported by the Productive Safety Net Program (PSNP). Despite this progress, the MoA is concerned that the scale and quality of the achievements so far do not match the ambitious targets of GTP-II. At design, ESIF envisaged funding requirements to be nearly US\$6.7 billion over the 15 year program period - or approximately US\$446 million per annum. While ESIF has been successful in helping GoE to mobilize domestic and international financing, the amounts have been less than originally envisaged. This partly explains why the ESIF has fallen short of reaching its ambitious targets. In response, MoA is requesting programmatic support for the third phase of the ESIF that will build on the lessons and methodological approaches developed during the first two phases, apply them at scale through the mainstream GoE initiatives for SLM, while reforming the regulatory framework to provide durable institutions for watershed management and rural land tenure security.

19. **ESIF-3 is expected to deliver sustainable watershed management in five thousand community watersheds with an estimated area of 2.5 million ha³¹ (or 9.3 percent of the 27 million ha estimated to be degraded), and strengthen rural land tenure security in 280 woredas.³²** To achieve this, ESIF-3 will facilitate through extension services the establishment of Watershed User Associations (WsUAs), the preparation and regular update of participatory Watershed Management Plans (WMPs), and support to ensure these WsUAs are effective, their plans implemented through a participatory process, and their efforts monitored. Under ESIF-3, the government will also scale up its support for land titling, through the provision of Second-Level Landholding Certificates (SLLCs), and the establishment of a digital land registry, the National Rural Land Administration Information System (NRLAIS), to ensure security of land records and facilitate provision of land title information services.

20. **Implementation of the ESIF is led by the MoA**, with a number of other ministries and agencies also playing relevant roles. For example, the Ministry of Women and Children Affairs leads in defining and monitoring the policy and regulatory framework for economic and social empowerment of women and girls. The Environment, Forest and Climate Change Commission is responsible for ensuring the forestry objectives and principles indicated in the forestry policy of Ethiopia are implemented. The Ministry of Water, Irrigation, and Electricity is responsible for the development and management of water and energy resources in a sustainable manner.

21. **The government program to be supported by this operation will continue a strong focus on targeting gender priorities to advance resilient livelihoods at multiple scales**, in particular by ensuring (a) the participation of women in WsUAs; (b) the provision of joint land certificates for married couples, and individual land titles for female-headed households; and (c) women's access to extension services for climate smart interventions that will improve yields, boost income, reduce labor and enhance value-added opportunities for women. These will contribute to improved gender equality and inclusive development.

³¹ Based on data from ESIF-2 and 3 which indicate the average area of community watersheds is approximately 500 ha.

³² Including watersheds and woredas that graduate from support under RLLP (P163383), which covers all watersheds and woredas included in SLMP-1 (P107139) and SLMP-2 (P133133), as well as watersheds and woredas not covered by this or previous World Bank-financed IPF operations supporting SLM.



22. **To provide a sound regulatory foundation for ESIF-3, two national proclamations³³ will be promulgated in 2019 that support enhanced efforts for SLM.** The Community Watershed Management and Utilization (CWMU) Proclamation will provide the regulatory basis for establishment and operation of WsUAs at the community level, while the Rural Land Administration and Use (RLAU) Proclamation will provide the legal foundation for the introduction and operation of the NRLAIS. These regulatory initiatives will be accompanied by an enhanced policy framework, including updates to the existing Community-based Participatory Watershed Development (CBPWD) guidelines, and a guideline for the establishment and operation of WsUAs. The existing guidelines already represent good practice - they are comprehensive, provide in-depth technical guidance and provide for participatory approaches for watershed management. However, they will require updating for consistency with the forthcoming new CWMU Proclamation. To help ensure the quality of SLM activities under ESIF-3, MoA also proposes measures to increase emphasis on natural resource management in Agricultural Technical and Vocational Education Training Colleges (ATVETCs), and to reinforce a multi-disciplinary approach to natural resource management research through the national system of agricultural research institutes, with an enhanced focus on SLM.

23. **ESIF-3 also introduces a significant and progressive change of course in the way in which labor is mobilized to achieve SLM objectives.** It notes that participatory community labor input is essential for sustainable watershed development, management and use, and the MoA intends to replace the current program of Mass Mobilization with participatory community planning and implementation for watershed development and management. It will ensure that community labor for SLM activities is provided on a voluntary basis in a participatory manner, meeting the following requirements:³⁴

- Provision of labor will be based on WMPs, WsUA bylaws, and WsUA annual work plans prepared with and agreed on by WsUAs including their General Assemblies.
- Labor incentives will be provided in the form of (a) investments by the woreda in community infrastructure, to be identified in WMPs through a community-driven development approach and (b) increased income from the sustainable use under WsUA bylaws of a more productive natural resource base. In addition, the CWMU Proclamation makes provision for the implementation of WMPs to be incentivized through payments that may be made by kebele³⁵ administrations into accounts held and managed by WsUAs.
- Unpaid labor for implementation of WMPs will only be provided by members of the respective WsUA.
- Membership in WsUAs is on a voluntary basis.

³³ Proclamations come below the Constitution in the hierarchy of laws in Ethiopia. They are acts of parliament, discussed and voted on in the House of People's Representatives and signed by the President of Ethiopia.

³⁴ Detailed assessment of these reforms to labor mobilization is undertaken in the environmental and social assessment.

³⁵ A kebele is the smallest administrative unit in Ethiopia similar to a 'ward.'



- Provision of labor for watershed development and management activities shall not negatively affect anyone's ability to sustain their immediate or long-term livelihood, and should lead to direct or indirect benefits for the participating households.
- Special provisions will be established for vulnerable households to ensure inclusion into the program with exceptions on labor input requirements.
- The voluntary nature of the provision of labor will be documented and amounts of labor inputs by household disclosed publicly on an annual basis.

24. **These provisions will be reflected in the update to the CBPWD guidelines, and supported by the CWMU Proclamation.** A potential additional source of incentives for the implementation of WMPs is created by the CWMU Proclamation's provision that WsUAs may enter into agreements with non-governmental organizations and private sector stakeholders to achieve their goals. This provision will allow for further testing of approaches to PES, to be piloted under the RLLP.

B. PforR Program Scope

25. **The Program will deliver performance-based financing for the ESIF program (figure 2).** Support will be provided over a five-year period (FY20–FY24) contiguous with ESIF-3, and for an amount equivalent to 29.8 percent of GoE's expenditures on the program after exclusions.

26. **The ESIF program elements identified for support under the Program were selected in consultation with the MoA based on three considerations:** (a) the likelihood of a selected activity contributing to measurable SLM outcomes within the Program period; (b) successful experience with proven practices ready for large-scale application; and (c) activities amenable to results-based financing, rather than TA, or pilot initiatives better supported through IPF. Based on these considerations, the Program will provide results-based financing to support selected elements of each of the ESIF's six program areas, covering (a) field based investments to scale up SLM, (b) improvements to land tenure security, (c) capacity building for SLM, (d) the policy framework for SLM, (e) building the SLM knowledge base, and (f) management of the ESIF. Examples of ESIF elements that are not included in the Program include conservation of areas representative of Ethiopia's biodiversity, meeting rural energy needs, mitigating impacts of infrastructure development, land valuation, and strengthening financial service providers. While these and the other ESIF elements not included in the Program contribute to SLM objectives, they do not meet the three criteria identified above, and are better supported through alternative forms of TA or project financing.

27. **The Program is divided into two Results Areas, and consists of the following:**

- **Results Area 1 - Participatory watershed management:** the Program will provide results-based support to incentivize field-based interventions to scale up participatory watershed management activities to reduce land degradation. The Program will also support (a) development of capacity at the federal, regional and woreda levels for participatory watershed management; (b) SLM-related research at the federal and regional levels; (c) strengthening of the policy, institutional and regulatory framework for SLM; (d) building the



SLM knowledge base; and (e) management, monitoring and reporting of ESIF interventions for watershed management.

- **Results Area 2 - Rural land administration:** the Program will provide results-based support for improved rural land tenure security by incentivizing: (a) the preparation of SLLCs and their issuance (which includes quality assurance, verification against first level landholding certificates, and issuance to landholders) and (b) the installation and operation of the NRLAIS at the federal, regional and woreda levels. The Program will also support (a) development of capacity at the federal, regional and woreda levels for rural land administration; (b) the strengthening of the policy, institutional and regulatory framework for rural land administration; and (c) management, monitoring and reporting of ESIF interventions for improved rural land tenure security.

28. **The Theory of Change for the Program is shown in figure 2.** Under Results Area 1, the short-term outcome of participatory watershed management will be achieved through the establishment WsUAs and the participatory preparation and implementation of WMPs, addressing the current constraints of (a) a lack of legally constituted, participatory local institutions for watershed management and (b) a top-down process of organizing SLM interventions, lacking ownership by the affected communities. Under Results Area 2, the short-term outcome of secure land tenure will be achieved through the issuance of SLLCs and the secure digitization of these in NRLAIS, addressing the current constraints of (a) rural land tenure reliant on first-level certification lacking precise definition and (b) recording of certificates in insecure paper-based or ad hoc digital forms. The combination of participatory watershed management and secure land tenure is expected to lead to increased adoption of SLM practices, reducing land degradation, increasing carbon sequestration, and delivering more resilient and sustainable livelihoods.



Figure1. ESIF Program Elements Supported by the CALM Program³⁶

| Components of ESIF | Sub-components of ESIF programme | ESIF programme Outcomes |
|---|--|--|
| Component 1: Investment in field-based projects and programs for promoting and scaling-up SLM | <p>1.1 Community-based participatory watershed management in high potential areas</p> <p>1.2 Community-based watershed management in food in-secure areas</p> <p>1.3 Community-based SLM safety-net /disaster mitigation</p> <p>1.4 Community-based participatory development of pastoral areas</p> <p>1.5 Community-based participatory communal forest/woodland resource</p> <p>1.6 Community-based participatory development of water resources for irrigation and /or fisheries</p> <p>1.7 Protection and restoration of critical areas representative of Ethiopian natural biodiversity and key habitats for endemic and/or globally endangered areas</p> <p>1.8 Conservation and commercialization of Ethiopia's crop plant diversity</p> <p>1.9 Meeting rural energy needs (solar etc.)</p> <p>1.10 Promoting SLM within large scale commercial land use enterprises</p> <p>1.11 Mitigating the potential negative environmental impact of mining, infrastructure development, and settlement construction</p> <p>1.12 Development of a land suitability assessment expert system for guiding the development of land policies and plans</p> <p>1.13 Formulation of Federal and Regional policies and woreda level land use plans</p> | <p>An overall reduction in rural poverty and vulnerability, as a result of adopting SLM practices</p> <p>An overall reduction in the area of land affected adversely by land degradation</p> |
| Component 2: Improving the administration and tenure of Ethiopia's land resources | <p>2.1 Completion and updating of the first stage land certification process</p> <p>2.2 Registering traditional use and property rights and responsibilities for the use and management of communal land resources</p> <p>2.3 Development and initiation of the second stage land certification process</p> <p>2.4 Building the capacity of the Federal, Regional and Woreda level land institutions, the Ethiopian Mapping Agency (EMA)</p> <p>2.5 Development of public information and administration (PIA) programs</p> <p>2.6 Improving legal recourse for tenure security and dispute resolution</p> <p>2.7 Land Valuation</p> | The removal of key barrier of insecure land tenure/user rights |
| Component 3: Building the capacity of public and private sector SLM planning, advisory, and other support service providers | <p>3.1 Building the capacity of the policy makers, development planners, development practitioners and the land users</p> <p>3.2 Building the capacity of advisory (extension) service providers</p> <p>3.3 Building the capacity of research support service providers</p> <p>3.4 Strengthening input supply service providers</p> <p>3.5 Strengthening market service providers</p> <p>3.6 Strengthening credit/ financial service providers</p> | Improved capacity of the planning, advisory and other essential support services at the federal, regional, woreda and community levels |
| Component 4: Improving the enabling policy, institutional, and financial environment for SLM | <p>4.1 Review, improvement and support the implementation of the policy environment for SLM</p> <p>4.2 Review and improvement of the institutional environment for SLM</p> <p>4.3 Review and improvement of the legislative environment including enforcement of policies for SLM</p> <p>4.4 Identification of alternative financial mechanisms for finding SLM interventions</p> | Improved federal, regional and woreda level enabling policy, institutional, legal, and financial environment for the promotion and scaling up of SLM |
| Component 5: Building the SLM knowledge base | <p>5.1 Establishing Ethiopian SLM Information System (ESLMIS)</p> <p>5.2 Documenting successful SLM technologies and approaches</p> <p>5.3 Monitoring and assessment of land degradation within Ethiopia</p> | Enhanced knowledge base contributing to the effective promotion and scaling up of the SLM within Ethiopia |
| Component 6: Management and implementation of ESIF | <p>6.1 Building the federal, regional and woreda SLM Platforms</p> <p>6.2 Management support to the coordination and implementation of the ESIF</p> <p>6.3 Monitoring and evaluation of the ESIF</p> <p>6.4 Sharing experiences of the ESIF within Ethiopia, other countries and international partners</p> | Enhanced knowledge base contributing to the effective promotion and scaling up of the SLM within Ethiopia |

Areas highlighted in green are within the scope of CALM Program support

³⁶ Note that the technical assessment provides further information on the reasons for exclusion of some ESIF activities from support under the Program.



29. **In FY19, the budget for the activities to be included in the Program before exclusions amounted to US\$364.4 million, and US\$241.6 million after exclusions** (see table 1). Based on budget trends over the period FY16–FY19, and a projected annual exchange rate depreciation of 6 percent, CALM Program expenditures over the five-year program period are estimated at US\$2,523.9 million, amounting to US\$1,675.7 million after exclusions.

30. **The Program will provide support for all components of the ESIF program.** However, three broad elements of GoE expenditures on the Program are excluded from support. First, capital expenditures related to irrigation are excluded at the request of GoE, and other capital expenditures are excluded based on the recommendations of the Environmental and Social Systems Assessment (ESSA), as these may include significant new construction. Second, activities in predominantly rangeland areas (including the Afar and Somali Regions) will be excluded because (a) watersheds are less suitable as planning units given the physical and social characteristics of these rangelands and (b) provisions for issuance of communal pastoral land rights are at an earlier stage of development. These important challenges are being addressed through separate development partner-supported projects. For example, the World Bank is preparing a separate IPF operation, the Lowlands Livelihood Resilience Project (P164336) to support rangeland management, including in the Afar and Somali Regions, and the United States Agency for International Development (USAID) will support development of the institutional framework for securing customary land rights in other pastoral areas. Thirdly, expenditures already financed by World Bank-supported IPF operations and other development partners are excluded, as are expenditures under the World Bank-supported Enhancing Shared Prosperity through Equitable Services (ESPES) PforR operation (Credit 6131-ET, Grant D229-ET, P161373). While the Program will scale up support to all non-rangeland rural areas, RLLP focuses on 152 major watersheds, and only selected microwatersheds within these, and therefore has a much more limited geographical scope. To avoid any potential overlap, results achieved in RLLP microwatersheds will not be included as part of the results reporting for the Program.



Figure 2. Theory of Change

The Project Development Objective (PDO) is to increase adoption of sustainable land management practices and to expand access to secure land tenure in non-rangeland rural areas.

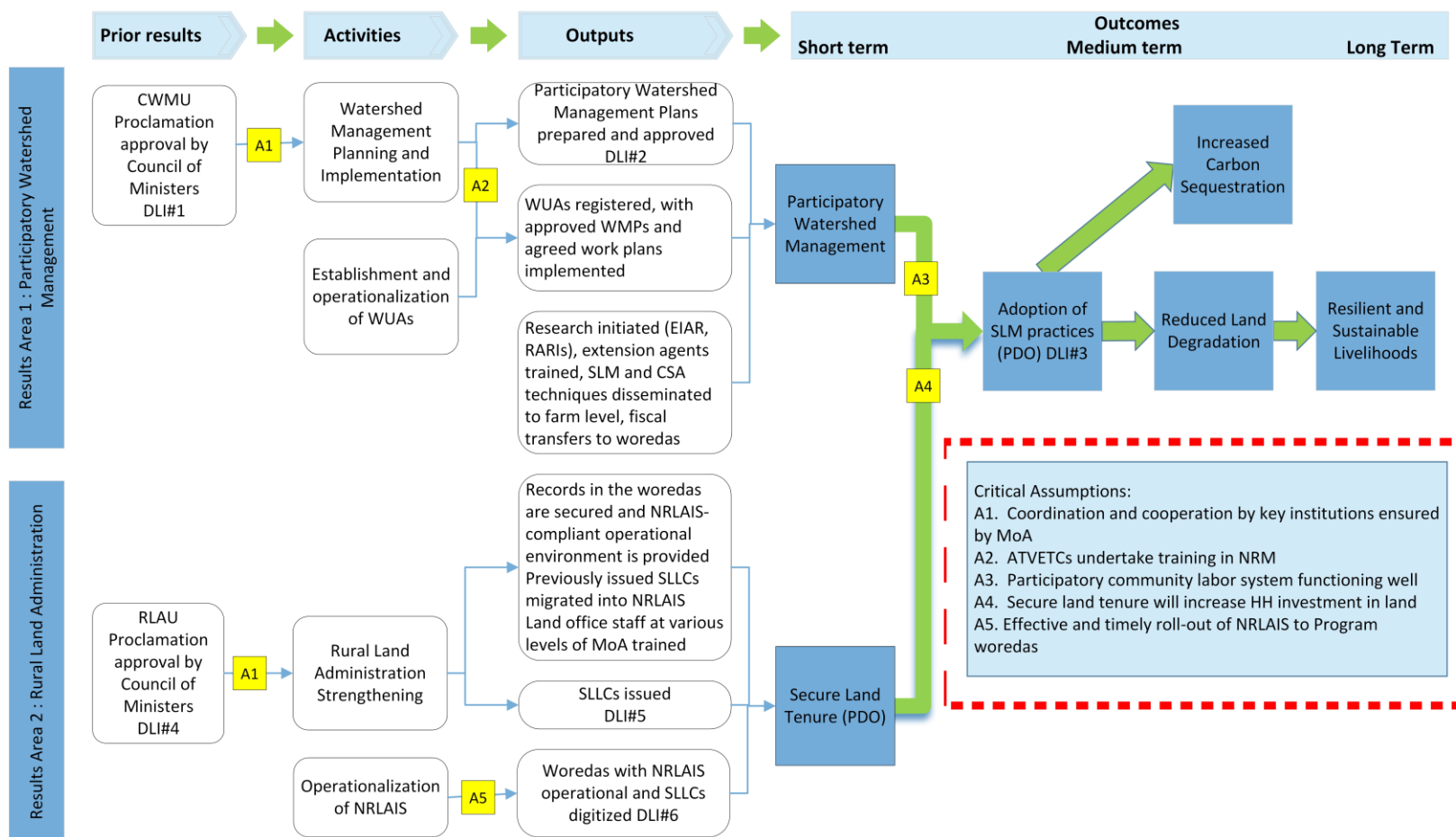




Table 1. Expenditures on ESIF Subcomponents included in the CALM Program
(Indicating exclusions from support by the Program)

| ESIF Sub-Component | | | Expenditure US\$m | | | | Forecast (US\$m) | | | | | Total |
|---|--|-----------|-------------------|-------|-------|-------|------------------|-------|-------|-------|-------|---------|
| # | Activity | Financing | 2016 | 2017 | 2018 | 2019 | FY20 | FY21 | FY22 | FY23 | FY24 | FY20-24 |
| | Results Area 1: Participatory Watershed Management | | | | | | | | | | | |
| 1.1, 1.2, 1.5 | Predominantly rangeland areas (Afar and Somali) | Excluded | 25.0 | 36.1 | 36.4 | 36.8 | 37.1 | 37.5 | 37.9 | 38.2 | 38.6 | 189.3 |
| 1.1, 1.2, 1.5 | Development partner financed (including RLLP and AGP-II) | Excluded | 49.2 | 39.2 | 39.6 | 40.0 | 40.4 | 40.7 | 41.1 | 41.6 | 42.0 | 205.8 |
| 1.1, 1.2, 1.5 | ESPES-financed | Excluded | 35.8 | 37.8 | 40.3 | 42.9 | 45.7 | 48.7 | 51.8 | 55.2 | 58.8 | 260.2 |
| 3.2 | MoA Extension Dir. Capital (may include construction) | Excluded | 0.0 | 0.0 | 0.0 | 0.0 | 2.8 | 2.8 | 2.9 | 2.9 | 3.0 | 14.3 |
| 3.3 | EIAR and RARI Capital (may include construction) | Excluded | 0.0 | 0.0 | 0.0 | 0.0 | 5.1 | 5.4 | 5.8 | 6.2 | 6.6 | 29.1 |
| 1.1, 1.2, 1.5 | BoAs Capital (may include irrigation) | Excluded | 0.0 | 0.0 | 0.0 | 0.0 | 19.5 | 20.8 | 22.1 | 23.6 | 25.1 | 111.1 |
| 1.1, 1.2, 1.5 | Watershed development and management | Recurrent | 97.0 | 105.9 | 112.8 | 120.1 | 122.2 | 124.3 | 126.4 | 128.6 | 130.8 | 632.2 |
| | | Capital | 15.0 | 16.1 | 17.2 | 18.3 | - | - | - | - | - | - |
| | | SPG | - | - | - | - | 20.8 | 31.9 | 51.0 | 70.1 | 81.3 | 255.0 |
| 3.2 | Building extension service capacity | Recurrent | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.4 |
| | | Capital | 1.7 | 2.4 | 2.5 | 2.7 | - | - | - | - | - | - |
| | | SPG | - | - | - | - | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 | 12.5 |
| 3.3 | Building research capacity for SLM | Recurrent | 13.6 | 15.8 | 16.8 | 17.9 | 18.2 | 18.6 | 18.9 | 19.2 | 19.5 | 94.4 |
| | | Capital | 4.2 | 4.2 | 4.5 | 4.8 | - | - | - | - | - | - |
| | | SPG | - | - | - | - | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 | 12.5 |
| 3.1, 4.1, 4.2, 4.3 | Policy, institutional, regulatory environment | Recurrent | 10.0 | 9.0 | 9.6 | 10.2 | 10.9 | 11.6 | 12.4 | 13.2 | 14.0 | 62.2 |
| | | SPG | - | - | - | - | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 | 12.5 |
| 5.1, 5.2, 5.3, 6.4 | Building the SLM knowledge base | Recurrent | 10.0 | 9.0 | 9.6 | 10.2 | 10.9 | 11.6 | 12.4 | 13.2 | 14.0 | 62.2 |
| | | SPG | - | - | - | - | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 | 12.5 |
| 6.1, 6.2, 6.3 | Management, monitoring and reporting of ESIF | Recurrent | 10.0 | 9.0 | 9.6 | 10.2 | 10.9 | 11.6 | 12.4 | 13.2 | 14.0 | 62.2 |
| | | SPG | - | - | - | - | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 | 12.5 |
| Sub-total | | | 271.6 | 284.6 | 299.0 | 314.4 | 357.0 | 378.1 | 407.6 | 437.7 | 460.4 | 2040.9 |
| Sub-total after exclusions | | | 161.6 | 171.6 | 182.8 | 194.7 | 206.5 | 222.2 | 246.0 | 270.1 | 286.3 | 1231.1 |
| Results Area 2: Rural Land Administration | | | | | | | | | | | | |
| 2.2-2.6 | Predominantly rangeland areas (Afar and Somali) | Excluded | 0.3 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 | 2.6 |
| 2.2-2.6 | Development partner financed (including RLLP, REILA, LIFT) | Excluded | 2.8 | 2.5 | 2.6 | 2.6 | 2.6 | 2.7 | 2.7 | 2.7 | 2.7 | 13.4 |
| 2.2-2.6 | BoLAUs Capital (may include construction) | Excluded | 0.0 | 0.0 | 0.0 | 0.0 | 1.0 | 1.1 | 1.2 | 1.3 | 1.3 | 6.0 |
| 3.2 | MoA Extension Dir. Capital (may include construction) | Excluded | 0.0 | 0.0 | 0.0 | 0.0 | 2.9 | 3.1 | 3.3 | 3.5 | 3.7 | 16.5 |
| 2.2-2.6 | Improving land tenure and administration | Recurrent | 25.2 | 30.3 | 32.3 | 34.4 | 36.7 | 39.0 | 41.6 | 44.3 | 47.2 | 208.8 |
| | | Capital | 0.8 | 0.9 | 0.9 | 1.0 | - | - | - | - | - | - |
| | | SPG | - | - | - | - | 24.0 | 24.6 | 28.4 | 32.1 | 35.9 | 145.0 |
| 3.2 | Building extension service capacity | Recurrent | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.5 |
| | | Capital | 1.7 | 2.4 | 2.5 | 2.7 | - | - | - | - | - | - |
| | | SPG | - | - | - | - | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 | 12.5 |
| 3.1, 4.1, 4.2, 4.3 | Policy, institutional, regulatory environment | Recurrent | 3.2 | 3.8 | 4.1 | 4.4 | 4.6 | 4.9 | 5.3 | 5.6 | 6.0 | 26.4 |
| | | SPG | - | - | - | - | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 | 12.5 |
| 6.1, 6.2, 6.3 | Management, monitoring and reporting of ESIF | Recurrent | 3.2 | 3.8 | 4.1 | 4.4 | 4.6 | 4.9 | 5.3 | 5.6 | 6.0 | 26.4 |
| | | SPG | - | - | - | - | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 | 12.5 |
| Sub total | | | 37.3 | 44.4 | 47.2 | 50.0 | 84.6 | 88.5 | 95.7 | 103.3 | 111.0 | 483.0 |
| Subtotal after exclusions | | | 34.2 | 41.3 | 44.0 | 46.9 | 77.5 | 81.1 | 88.1 | 95.3 | 102.7 | 444.6 |
| | | | | | | | | | | | | |
| Total | | | 308.9 | 329.0 | 346.2 | 364.4 | 441.6 | 466.5 | 503.4 | 541.0 | 571.3 | 2523.9 |
| Total after exclusions | | | 195.8 | 212.9 | 226.8 | 241.6 | 284.0 | 303.3 | 334.1 | 365.3 | 389.0 | 1675.7 |

Note: The CALM program will be on budget at the federal level through the government's allocation of resources for recurrent expenditure to the MoA, and on budget at the regional and woreda levels through the General Purpose Grant (GPG) (see para 45). It will also be on budget at the federal level through the Specific Purpose Grant (SPG) (para 45) to ensure that all implementing entities at federal, regional and woreda levels receive resources for the implementation of the program.



Table2. CALM Program Financing

| Source | Amount (US\$, Millions) | % of Total |
|-------------------------|----------------------------|------------|
| Government | 1,175.7 | 70.2 |
| IDA | 500.0 | 29.8 |
| Total Program Financing | 1,675.7 | 100 |

C. Program Development Objective(s) (PDO) and PDO-level Results Indicators

31. **The Program Development Objective (PDO)** is to increase adoption of sustainable land management practices and to expand access to secure land tenure in non-rangeland rural areas.

32. **SLM practices are climate-smart**, not only increasing agricultural productivity, but also building resilience to climate change and reducing GHG emissions.

33. **The PDO-level results indicators** are as follows:

- PDO 1: Land area under sustainable landscape management practices³⁷ (DLI3) (CRI) (ha)
- PDO 2: Project area showing an increase in the Normalized Difference Vegetation Index (NDVI)³⁸ correcting for short-term weather effects (ha)
- PDO 3: Area of landholdings³⁹ in targeted areas that are securely registered (ha)
- PDO 4: Share of securely registered landholdings held by a woman either individually or jointly with a man (Percent)

34. **The Corporate Results Indicator (CRI) relevant for the adoption of SLM practices is “Land area under sustainable landscape management practices.”** World Bank guidance indicates that this refers to a combination of at least two technologies and approaches to increase land quality and restore degraded land.⁴⁰ MoA’s CBPWD guidelines for the preparation and implementation of WMPs includes the following practices (described in detail in the Technical Assessment⁴¹) which are aligned with World Bank guidance:

- Physical soil and water conservation practices;
- Flood control and drainage practices;

³⁷ Sustainable landscape management practices are the same as SLM practices.

³⁸ The NDVI uses the visible and near-infrared bands of the electromagnetic spectrum to analyze remote sensing measurements to determine the extent to which a target contains live green vegetation. Increase in NDVI should be at least 4 percent for the area to count against this indicator.

³⁹ A landholding is an administrative term used in the rural land administration system (RLAS) to refer to a collection of land parcels within a single kebele held by an individual, or jointly with a spouse. SLLCs are issued at the parcel level, so a landholding may include more than one SLLC. An individual may also have landholdings in other kebeles, or more than one landholding within a single kebele if these are held differently.

⁴⁰ CRIs, OPCS, World Bank, 2016.

⁴¹ World Bank (2019). *Climate Action through Landscape Management Program for Results. Technical Assessment*. May 2019



- Water harvesting and runoff management for multiple use practices;
- Soil fertility management and biological soil conservation practices;
- Agro-forestry, forage development and forestry practices;
- Gully control practices.

35. **These SLM practices are also climate-smart**, a term used to describe an approach to agriculture that has three pillars: (a) sustainably increasing agricultural productivity and incomes; (b) adapting and building resilience to climate change; and (c) reducing and/or removing GHGs emissions, where possible.⁴² These pillars are captured in the stated aim of the CBPWD guidelines, which is to (a) guide the preparation and implementation of WMPs that increase land quality and restore degraded land; (b) reduce the impact of climate-related hazards on priority resources and support adjustments to existing livelihood activities to reduce their sensitivity to climate impacts; and (c) where possible contribute to the reduction of net GHG emissions. The updated CBPWD guidelines will include guidance and tools to incorporate a climate analysis in the watershed planning process and develop corresponding interventions. Climate screening of the proposed operation has determined that 100 percent of the IDA financing will contribute to meeting the World Bank Group's corporate objectives for climate change, with 50 percent of the IDA financing allocated for adaptation to climate change, and 50 percent allocated for climate change mitigation.

D. Disbursement Linked Indicators and Verification Protocols

36. **The DLIs and financing allocated are presented in table 2, with further details provided in annex 2.** Two prior results which have been allocated relatively small amounts of financing will incentivize approval of the CWMU and RLAU Proclamations that will provide the necessary regulatory foundation for achievement of the subsequent results. The objectives of the CWMU Proclamation are to (a) ensure the active participation of watershed users in watershed management; (b) provide a regulatory framework for sustainable natural resource use; and (c) establish the right of WsUAs to manage and utilize these resources. In particular, the CWMU Proclamation provides the regulatory basis for creation of WsUAs, the development of WMPs, and their implementation. The objectives of the RLAU Proclamation are to (a) provide for the establishment by regional governments of unified organizational structures for rural land administration; (b) clarify mandates and procedures for cadastral surveying, rural land registration, and issuance of land holding certificates; and (c) provide for the establishment of a federal land information system and definition of its linkages with regional rural land information systems. Furthermore, the Proclamation should be materially consistent with the relevant provisions of the Voluntary Guidelines on the Responsible Governance of Tenure of Land, Fisheries and Forests in the Context of National Food Security (FAO, 2012) which have been endorsed by the Government of Ethiopia.

37. **The bulk of the financing is allocated to incentivize activities directly leading to achievement of the results targeted in the PDO, namely the adoption of SLM practices, and the expansion of access to secure land titles.** DLIs #2 and #3 incentivize the formation of WsUAs, the participatory preparation of WMPs, and the expansion of land area under sustainable landscape management practices, constituting the key steps in the adoption and implementation of SLM practices. DLI #5 incentivizes the issuance of

⁴² FAO (Food and Agriculture Organization).2013. *Climate-Smart Agriculture Sourcebook*. Retrieved from <http://www.fao.org/docrep/018/i3325e/i3325e.pdf>



SLLCs, while DLI #6 incentivizes registration of these certificates in NRLAIS and the effective operation of NRLAIS, together expanding access to secure land tenure. Approximately one third of the financing each is allocated to DLIs #2 and #3, reflecting the broad level of commitment, vertically across levels of government, and horizontally across an estimated 5,000 kebeles, required to achieve the target for WsUAs with approved WMPs under annual implementation. The remaining third of the financing is allocated to incentivize the issuance of SLLCs, and ensure the NRLAIS is operational in a target 280 woredas.

Table 3. DLIs

| DLI | Rationale for Selection of DLIs | Financing Allocated (US\$, millions) | Share of Financing Amount (%) |
|--|--|--------------------------------------|-------------------------------|
| Result Area 1: Participatory Watershed Management | | | |
| DLI#1: Community Watershed Management and Utilization (CWMU) Proclamation approved by Council of Ministers (Yes/No) | The CWMU proclamation is a necessary step to provide the regulatory basis for establishment and operation of WsUAs at community level. | 15 | 3 |
| DLI#2: Area of program watersheds with Watershed User Associations (WsUAs) registered, with approved Watershed Management Plans (WMPs) prepared in a participatory manner (ha) | To incentivize and reward progress to expand registration of WsUAs with approved WMPs prepared in a participatory manner. | 160 | 32 |
| DLI#3: Land area under sustainable landscape management practices (ha) | Main outcome of the project and also measuring the PDO. Through this DLI, the participatory implementation of approved WMPs is incentivized. | 160 | 32 |
| Result Area 2: Rural Land Administration | | | |
| DLI#4: Rural Land Administration and Use (RLAU) Proclamation approved by Council of Ministers (Yes/No) | The RLAU proclamation is a necessary step as this provides the legal foundation for the introduction and operation of the NRLAIS. | 15 | 3 |
| DLI#5: Second-Level Landholding Certificates (SLLCs) issued (number) | To incentivize and reward progress for expanding the area of degraded watersheds covered by land titles. | 66 | 13 |
| DLI#6: Program woredas covered by operational National Rural Land Administration Information System (NRLAIS) with Second Level-Landholding Certificates (SLLCs) digitized (number) | To incentivize and reward progress toward expanding the area of degraded watersheds covered by land titles secured through NRLAIS. | 84 | 17 |



III. PROGRAM IMPLEMENTATION

A. Institutional and Implementation Arrangements

38. **Institutional responsibility for leading and coordinating action on SLM is the responsibility of the MoA.** These activities are summarized in section IV.A and described in further detail in the (Summary) Technical Assessment (annex 3). Under the MoA, the Natural Resource Management Directorate (NRMD) and Rural Land Administration and Use Directorate (RLAUD) are instrumental in leading implementation of the ESIF. At regional and local level, support is channeled and delivered by regional Bureaus of Agriculture (BoAs) and Bureaus of Land Administration and Use (BLAUs), and administrations at the woreda (equivalent to district) level. At the federal level, the existing institutional mechanisms already established to provide oversight and policy direction on SLM will be continued. These are the Rural Economic Development and Food Security (RED&FS) Platform, the National SLM Steering Committee and the National SLM Technical Committee, all hosted by MoA, bringing together representatives of relevant GoE agencies and development partners. The National SLM Steering Committee, chaired by the State Minister for Natural Resources Management in MoA, is responsible for the following tasks: (a) providing policy guidance, oversight and overall supervision for program implementation; (b) reviewing and approving annual work plans and budgets; (c) reviewing and approving annual performance reports, and overseeing the execution of any corrective actions that may be designed.

39. **At the regional level, implementation of the ESIF is supported by regional SLM steering and technical committees, which oversee execution of annual regional work plans and achievement of results.** The regional BoAs and BLAUs serve as the link between the federal, zonal and woreda institutions, reviewing and consolidating annual work plans and budgets submitted by the woredas. BoAs and BLAUs also review and approve implementation progress reports originating from the woredas.

40. **At the woreda and kebele levels, planning and execution of activities under the Program is undertaken jointly by the woreda offices of agriculture and land administration, Development Agents (DAs) and communities.** A woreda-level SLM core team is responsible for, among others: (a) participating in the selection and prioritization of watersheds in the woreda; (b) organizing orientation and training of DAs in watershed planning and implementation; and (c) assisting DAs in the establishment of WsUAs, preparation of WMPs, and in the review of their implementation. With the implementation of the RLAS (see summary of technical assessment), the effectiveness of the land administration process will be enhanced based on the principle of kebele land administration offices providing front-office functions, and the woreda land administration office fulfilling a back-office role. Kebele land administration offices also lead the development of Participatory Local Land Use Plans (PLLUPs), which, where available, provide an important input to WMPs.

41. **At the community level, Community Watershed Teams (CWTs) are responsible for the implementation of WMPs developed in a participatory manner by the community, DAs and the Woreda SLM core team.** Once the CWMU Proclamation is issued, it is anticipated that the CWTs will be replaced by duly constituted WsUAs, with a greater role in the design and implementation arrangements for WMPs, helping ensure that these are more participatory in nature, better reflecting local priorities, rather than the current process through which targets are established through a top-down process.



B. Results Monitoring and Evaluation

42. **The Results Framework (annex 1) provides key measures of Program achievements against its stated objectives, indicates the Program's contribution to achievement of ESIF-3 objectives, and provides evidence for decision making and policy formulation.** The MoA will have overall responsibility for Program results monitoring and evaluation (M&E). NRMD and RLAUD will aggregate M&E data provided by regional BoAs and BLAUs, collected at the woreda and zonal levels, providing evidence of progress on the Results Framework indicators, with particular emphasis on results related to DLIs, and compliance with Program Action Plan (PAP) requirements. The Central Statistical Agency (CSA) will verify the approval and content of the CWMU and RLAU Proclamations by the Council of Ministers under DLIs #1 and #4 using in-house legal capacity supported by independent legal advice as may be required. Independent verification of the other DLIs will also be the responsibility of the CSA, which will sub-contract independent third party verification service providers to undertake field surveys to verify the achievement of the indicators. CSA verification reports will be sampled and checked for robustness during implementation support missions. MoA will provide six-monthly Program progress reports, and an Annual Program Report based on compiled M&E data, identifying challenges to Program implementation and recommending solutions, that will be presented to the National SLM Steering Committee for validation. MoA will submit the Annual Program Report to the World Bank not later than 60 days after the end of the Ethiopian Fiscal Year, and the progress report six months later. The Program reports will provide the basis for the World Bank's implementation support missions, as well as the Program midterm review.

43. **Arrangements for M&E will build on the existing system supported by Subcomponent 6.3 of the ESIF.** The NRMD M&E system receives reports on a weekly, quarterly, biannual, and annual basis (depending on the type of financing) from the regional BoAs, which receive and compile reports from woreda or zonal offices. At the field level, data are generated by DAs, and provided to Woreda Offices of Agriculture and Natural Resources (WoANRs). In addition to the reports generated through this system, NRMD conducts frequent supervision missions and assessment events. Assessment events chaired by the State Minister for Natural Resource Management are conducted every four months jointly with regional BoAs to review implementation progress by institution. As the NRLAIS has not yet been rolled out, the M&E system employed by RLAUD currently focuses on the processes involved in issuing SLLCs. Further, since the majority of SLLCs issued to date have been supported through development partner-financed projects, the M&E systems are predominantly project-based.

44. **A number of initiatives are under way led by MoA's Planning and Programming Directorate to modernize M&E systems and to ensure data quality, including timeliness and reliability through the operationalization of a Management Information System (MIS).** The M&E system for the Program will be upgraded as part of this initiative to establish a system that is (a) fully compatible with the MoA MIS; (b) provides timely and accurate reporting on Program and ESIF-3 indicators; (c) responsive to the needs and capacities of stakeholders at different levels; and (d) where appropriate, leverages improved technologies (for example, tablets, smartphones, Short Message Service (SMS) and web-based reporting). As part of the MoA M&E system modernization, the RLAUD M&E system will be strengthened to track both SLLCs, and NRLAIS rollout, in a harmonized manner across development partner-financed projects and the mainstream government program. Emphasis will also be given to the communication and use of



data, and ensuring that data and information on Program implementation and outcomes is available and accessible to decision makers.

C. Disbursement Arrangements

45. **Disbursements under the Program will follow PforR procedures and will disburse against DLIs.** Program funds will be disbursed from IDA to the Ministry of Finance (MoF) upon achievement of the DLIs into a designated account to be opened by the MoF at the National Bank of Ethiopia. The government funds the Program through two modalities: (a) the allocation of resources for federal expenditures and the General Purpose Grant (GPG)⁴³ for expenditures at the regional and woreda levels and (b) a Specific Purpose Grant (SPG)⁴⁴ to the implementing entities of the Program. The disbursement will be managed by the Channel One Program Coordination Directorate (COPCD) within the MoF.⁴⁵ Further disbursement from MoF to federal level implementing entities and regions' Bureaus of Finance (BoFs) will be based on (a) the regular allocations for federal expenditures and the GPG and (b) the annual work plan and program to be prepared for the SPG by the MoA. BoFs are responsible for disbursing resources to regional implementing entities and woredas.

46. **The GoE has requested an advance of US\$120 million**, equivalent to 7.2 percent of total Program financing and 24 percent of IDA financing for the Program. The advance is requested for the activities and investments necessary to support achievement of the DLI results in the initial years of the Program and to address a potential mismatch in the timing of availability of funds before the GoE resources budgeted for the new fiscal year are made available at regional level. The draft Public Expenditure and Financial Accountability (PEFA) assessment for 2018 identifies delays regarding the actual disbursement of grants to regional governments, mainly due to cash flow challenges, noting that delays of up to three months are encountered. Provision of the advance will allow the GoE to overcome such cash flow challenges resulting from the revenue collection cycle, with revenue collection lower particularly in the first quarter of the fiscal year.

47. **The advance will be made available throughout Program implementation on a revolving basis.** The advance consists of (a) the estimated Year 1 SPG expenditures⁴⁶ of US\$64.8 million and (b) US\$55.2 million required to meet the estimated federal and GPG expenditures during the first three months of FY20. In addition, for each of the two DLIs that may be achieved prior to the date of the IDA Grant Agreement, disbursements of US\$15 million (3 percent of the grant amount) will be made available. These prior result DLIs are described in section II.D (above) and comprise the approval of the RLAU and CWMU Proclamations by the Council of Ministers. Proceeds from the advance and prior result DLIs are essential to facilitate and accelerate achievement of the targeted results both for participatory watershed

⁴³ The GPG provides resources to subnational governments (federal to state and state to woreda) with the amount based on an approved formula, and are granted on an unconditional basis, leaving states and woredas to allocate these resources accordingly.

⁴⁴ An SPG is earmarked for particular activities and is disbursed subject to performance and entails reporting requirements.

⁴⁵ Channel One funds represent resources channeled directly through MoF, with expenditures captured in the approved budget and budget execution reports. Channel Two funds represent resources transferred by donors to sector ministries, which are in charge of the financial management of the projects.

⁴⁶ It is anticipated that over the five years of the Program, the expenditures through the SPG will amount to US\$500 million equivalent.



management, and for rural land administration. The advance will be used to cover expenditures in four areas: (a) staff salaries and the hiring of expertise to support the creation of WsUAs and the preparation of WMPs; (b) support for SLLC issuance, including salary and contractor costs associated with mapping and digitization work; (c) the establishment and operationalization of NRLAIS, including the improvement of facilities, equipment, staffing and contractor costs; and (d) expenditures on training, research, and strengthening M&E.

D. Capacity Building

48. **The ESIF-3 update identifies several areas for capacity building to ensure effective delivery of the program's outcomes.** The constraints identified and relevant to participatory watershed management include the need for improvements in: (a) applied research into watershed management practices, and their effectiveness in reducing and reversing land degradation, as well as delivering climate change adaptation, mitigation and livelihood benefits; (b) training and enabling extension agents for the promotion of effective watershed management practices; and, (c) the dissemination of watershed management and climate-smart agricultural practices to farmers. The principal constraint relevant to rural land administration is the need for permanent capacity to train officials at the regional level and below in land certification and administration, including the operation and maintenance of NRLAIS.

49. **The main governmental institutions involved in addressing these capacity constraints are the Ethiopian Institute of Agricultural Research (EIAR), the Regional Agricultural Research Institutes (RARIs), ATVETCs, and regional BoAs and BLAUs.** As part of ESIF-3, EIAR intends to increase the emphasis on its natural resource management research program, with a focus on watershed management and climate-smart agriculture. In doing so, EIAR will reinforce collaboration with the RARIs, in particular to strengthen field data collection to evaluate the impacts of SLM interventions.

50. **ATVETCs play the leading role in training extension agents (principally DAs), as well as kebele and woreda level land administration officials.** Under ESIF-3, the Agricultural Extension Directorate of MoA plans to reinforce the role of ATVETCs in this regard by (a) updating the natural resource management curriculum, assessment tool, and teaching materials; (b) providing related training materials to the four federal ATVETCs; (c) providing related training for natural resource management instructors at federal and regional ATVETCs; (d) establishing a natural resource management center of excellence for the highland areas in Agarfa ATVETC; (e) expanding provision of the Rural Cadaster and Land Registration Services curriculum at ATVETCs; and (f) supporting the further development of the Assosa ATVETC as a center of excellence for land administration. In addition to the federal and regional budget allocations under ESIF-3 for these purposes, the strengthening of ATVETCs will also be supported through TA from development partners, in particular *Gesellschaft für Internationale Zusammenarbeit* (German Development Agency, GIZ) for watershed management, and Responsible and Innovative Land Administration (REILA) Project for land administration. Collaboration between universities and ATVETCs will also be pursued, particularly for the delivery of land administration training.

51. **To improve the dissemination of watershed management and climate-smart agriculture practices to farmers, and enhance the quality of local land administration services,** an essential complement to the training received by DAs and land administration officials is the provision of related resources by regional BoAs, BLAUs, and woreda administrations. These allow, for example, the functioning



of farmer training centers and facilities for the operation of NRLAIS. These elements of the capacity building to be provided under ESIF-3 will be ensured through regional and woreda budget allocations.

IV. ASSESSMENT SUMMARY

A. Technical (including program economic evaluation)

52. **Ethiopia faces enormous challenges in addressing land degradation and this issue reduces resilience to climate change, contributes significant GHG emissions and undermines livelihoods.** However, Ethiopia has also accrued considerable experience over the two preceding phases (ESIF-1 and ESIF-2) through successful remediation by improved natural resource management and resource rights, livelihood diversification, and gender outreach in targeted degraded watersheds. Restoration and improved management of land at the watershed level has also yielded climate co-benefits by increasing vegetative cover and soil carbon content, with the resulting carbon sequestration reversing years of carbon loss through land degradation.

53. **ESIF-3 is technically assessed as a sound program to deliver and prioritize support for addressing land degradation at transformative scale.** Support under the ESIF program over the last decade has demonstrated that investment in watershed management and land administration can increase production and productivity and generate substantial climate co-benefits. This success has been achieved through a combination of development partner-financed projects (including the World Bank-financed SLMP-I and SLMP-II) and mainstream government programs through which local communities have been organized to undertake SLM interventions.

54. **Development challenges in watershed management.** Under development partner-financed projects more than a million hectares of degraded land have been brought under SLM practices based on watershed development and management plans prepared with and agreed by local communities, benefiting some three million households. Under mainstream government programs, local communities have been mobilized on an annual basis to undertake SLM activities in more than 500 woredas, representing an area of approximately 5 million ha. The proposed operation is designed to build on the respective advantages of each approach, and introduce the establishment of WsUAs with ownership of the WMP preparation and implementation process to address the challenge of long-term sustainability.

55. **Development challenges in rural land administration.** Without secure long-term rights to use their land resources, landholders have less incentive to invest in SLM practices because of uncertainty as to whether they will be the ones to benefit. The RLAS provides the basis for rural land tenure security. To achieve such security implies not only certification of landholdings, but also a durable system to sustain the registration of land use rights. Lack of financial resources and other operational constraints have persisted with significant implications for the reliability of the data in the land register, and consequently critical negative implications for the long-term sustainability of the RLAS. Complete registration of land transactions can only be achieved if the land holders are confident in the land administration system and realize the benefits of formally registering land transactions. To address these challenges, the Program will support the continued provision of SLLCs, and the digitization of these rights in the NRLAIS.



56. **The operation is not expected to pose a risk to fiscal sustainability**, with Program GPG expenditures reflecting allocations to the relevant budget lines over recent years, and fiscal policy remaining relatively prudent. SPG expenditures are expected to cover the one-time investments necessary to establish WsUAs, prepare WMPs, issue SLLCs and install NRLAIS. With a fiscal deficit of 3.4 percent of GDP in FY17 and 3 percent in FY18, fiscal policy at the general government level continued to be relatively prudent. Official gross international reserves increased from US\$2.8 billion in June 2018 to about US\$4 billion in December 2018, with import coverage of gross official reserves improving from 2.1 to 2.4 months, based on the authorities' computations. Public debt moderated in the first quarter of FY19 declining from 57 percent of GDP in June 2018 to 54 percent. The Non-Concessional Borrowing Policy for FY19 is being observed with zero new non-concessional borrowing.⁴⁷ Following the deceleration in FY18, growth is projected to pick up to 8.8 percent in FY19, aided by recovery in industrial activities (including manufacturing) and continued strong performance of agriculture and services, stabilizing at around 8.9 percent over the medium term. Inflation is expected to continue its declining trend and reach single digit levels by the end of FY19. Given the current growth projections, combined with the continued political commitment to decentralized service delivery and a strong record of predictability in transfers to federal programs, regions and woredas, the country's fiscal position is not expected to pose a risk to the Program.

57. **Economic assessment.** In the 30-year net benefit analysis using a 5 percent discount rate, the Program yields an economic net present value (ENPV) of US\$12.3 billion (US\$410 million per year), with a benefit cost ratio of 2.7 and an economic internal rate of return (IRR) of 35 percent. With these incremental net benefits and additional potential net benefits that could not be quantified, the Program investment is expected to yield considerable returns when accompanied by a strong risk management plan. As part of the risk management plan, the focus needs to be on ensuring that the main decision makers (farmers, other land/resource users, and local institutions) receive the necessary technical advice, land tenure security, and institutional support so that they are able and can afford to make long-term decisions.

58. **Rationale for public provision and financing.** There is a strong rationale for public intervention as proposed by the Program because it supplies public goods, internalizes externalities, and corrects market failures. The current costs of land degradation justify targeted public investments to ensure that farmers, smallholders and other private sector entities are able to adopt SLM practices for long-term benefits. The financial analysis shows that estimated farm-level gross margins may increase as a result of Program investments by on average US\$60 annually per person (including the value of production used for home consumption), which is 54 percent of the national food poverty line.⁴⁸ In addition to this direct contribution to poverty reduction, by building resilience to climate change, the Program will reduce the risk to households of falling back into poverty as a result of climate-related shocks, and will contribute to economic stability by reducing the impact of extreme weather events, including both droughts and flooding.

59. **World Bank value-added.** Successful interventions to prevent or control land degradation require integrated and cross-sectoral approaches to SLM. The World Bank is well-positioned to support the

⁴⁷ As was the practice in the past, placement of deposits at the National Bank of Ethiopia (NBE) and borrowings by the Ethiopian Airlines are excluded from the Non-Concessional Borrowing Policy.

⁴⁸ The national food poverty line is US\$112/person/year in 2020 terms.



Program based on the wealth of technical, operational and institutional experiences and lessons learned through prior and current investment projects. The World Bank contributions are further focused by the Africa Climate Business Plan, now in its fourth year of implementation, and the recently-launched Action Plan on Climate Change Adaptation and Resilience.

B. Fiduciary

60. **An integrated Fiduciary Systems Assessment (FSA) of the Program was carried out in 2019** (see annex 4 for further details) on Federal, Regional and Local Government entities that will implement the Program consistent with the World Bank's policy and directive on PforR Financing. The review assessed financial management and procurement system rules and procedures and their application, including oversight mechanisms at the program implementing entities as well as Fraud and Corruption and complaint handling mechanisms.

61. **Public Financial Management reform in Ethiopia has shown some progress.** Over the last 16 years, the GoE has been implementing a comprehensive Public Financial Management (PFM) reform through the Expenditure Management and Control sub-program of the Government's Civil Service Reform Program. At the national level, the PEFA ratings of 2014 have placed Ethiopia in the top tier of countries in the Africa Region for PFM. Nevertheless, a number of gaps remain, which form the focus of the detailed risk assessment under the FSA. To address these risks, mitigation measures are proposed as part of the PAP.

62. **Public procurement is governed by the procurement and property administration Proclamations, Directives and supporting documents issued by the federal and respective regional states.** The procurement legal framework, inter alia, organizes public procurement under procurement operation and oversight functions. The procurement operational function in turn is organized in a decentralized structure (except at the local level where procurement is centralized in the Woreda Office of Finance and Economic Development (WoFED) mandating public bodies at federal and regional level to carry out their own procurement activities with segregated decision-making authority among different players. The public procurement system in Ethiopia has undergone many years of reform and capacity strengthening endeavors. However, although progress has been made in improving the public procurement system, the remaining gaps and future directions have not been independently assessed and documented. Most importantly, procurement expenditure in the agriculture sector is significant, and the long-term project objective requires, among other things, improved procurement systems in support of sustainable watershed and land management practices.

63. **In general, the procurement capacity assessment revealed that the implementing agencies in the Program have adequate capacity to implement the procurement of goods, works, consulting and non-consultancy services required under the program.** The procurement regulatory bodies are also delivering on their key responsibilities of procurement oversight through regular audit with improved coverage through time. The likelihood of a single contract amounting to or exceeding more than 25 percent of the program expenditure is very low for this PforR Program. Further follow-up and monitoring of procurement activities will be carried out to ensure that no procurement contract exceeding the Operations Procurement Review Committee (OPRC) threshold will be carried out under the Program. To address gaps and capacity limitations, risk mitigation measures are proposed in the PAP.



64. **To address fraud and corruption, and complaint handling risks, the Program will be aligned with the Anti-Corruption Guidelines (ACG) as well as the National Complaint Handling Proclamation.** The Memorandum of Understanding (MoU) signed between the World Bank's Integrity Vice Presidency (INT) with the Federal Ethics and Anti-Corruption Commission (FEACC) on October 3, 2011, provides the framework for cooperation and sharing of information on fraud and corruption allegations, investigations and actions taken on the Program, including on procurement. The MoU will provide the World Bank with the basis for expanding the existing working relationship to cover future cooperation in investigation under the Program when needed, and for helping to ensure that the GOE and the FEACC can implement their commitments under the ACG. FEACC will accomplish the tasks in cooperation with the Federal Office of the Attorney General, Regional Ethics and Anti-Corruption Commissions (REACCs) and others concerned. The National Complaint Handling Proclamations and the institutional level operational guidelines clearly define the procedures to follow under corruption offenses as well as for administrative complaints. The ACG will also be applied to the Program. Accordingly, information on fraud and corruption and complaints regarding the Program will be collected at the Woreda and Regional level and shared with the FEACC which will in turn share with the World Bank.

C. Environmental and Social

65. **An ESSA has been completed, consistent with the World Bank's policy and directive for PforR Financing.** Preparation of the ESSA involved an extensive program of stakeholder consultations at federal, regional and watershed level, including roundtable meetings and field discussions. These were undertaken in a sample of four regions and nine watersheds. Activities to be financed by the proposed Program are not expected to directly create negative environmental or social impacts, provided respective risks are managed appropriately. The Program is expected to deliver significant positive environmental and social outcomes, in the form of (a) reduced land degradation, and rehabilitation of degraded land; (b) carbon sequestration through increased vegetation and soil carbon; and (c) a transformation from top-down watershed planning and management to participatory community-based preparation and implementation of WMPs. While the regulatory and institutional framework is adequate for the Program, potential shortcomings in implementation, particularly at the woreda level, present risks associated with (a) lack of experience and capacity in the establishment of WsUAs; (b) inconsistent application of guidelines and procedures (for example the CBPWD guidelines) across woredas and regions; (c) lack of coordination between different sector offices at the woreda level (for example, between the WoANR and the woreda environmental protection unit, generally part of the Woreda Office of Land Administration and Use [WoLAU]); and (d) limited budget for environmental and social management at the woreda level.

66. **To help address these risks, the Program will reinforce and extend the coverage of measures supported by the ongoing ESPES Program at woreda level** that are designed to strengthen woreda capacity for management of environmental and social risks, as follows:

- The appointment, training and performance assessment of environmental and social management specialists at woreda level.
- Citizen engagement through (a) training in financial transparency and accountability and Grievance Redress Mechanisms (GRMs), (b) appointment of woreda-level GRM officers, and



(c) engagement at woreda-level of Social Accountability Implementing Partners (SAIPs) from civil society.

- woreda staff will screen projects for their environmental and social effects, and monitor the implementation of any mitigation measures, based on the ESMS Operational Manual developed under ESPES.
- For woredas where the Commune Development Program (CDP) is still under implementation, training for woreda-based staff and DAs in the application of the screening tool and guideline that has been agreed with GoE to manage potential risks from the interface between World Bank-supported operations and the CDP.⁴⁹

67. **Participatory community planning and implementation.** A key element of the Program is the transformation from mass mobilization to participatory community planning and implementation, based on the establishment of WsUAs and the application of the principles for voluntary provision of community labor indicated above, reflected in the update to the CBPWD guidelines, and supported by the CWMU Proclamation. This transformation will require (a) the successful application of the principle of voluntarism and (b) inclusion of vulnerable households (for example landless, people with disabilities, elderly). A mix of policy adaptations, institutional accountability and transparency, and economic support measures will address this risk as outlined in the PAP.

68. **Security of land tenure.** The RLAS is designed to improve security of land tenure through the issuance of SLLCs and their digitization in NRLAIS. Support through the Program and application of the provisions of the RLAU Proclamation will help mitigate risks associated with this process, including those of (a) female household heads losing landholding rights through leasing or renting to sharecroppers; (b) potential risks to married women of not sharing in land tenure with their husbands; and (c) meeting the high demand for land demarcation.

69. **Labor and working conditions.** The civil works under this Program are likely to be very small scale and likely to be associated with small scale work on masonry work and gabions⁵⁰ where these skills are not available at the local community level. The wages paid to such workers will be monitored as will risks of cultural misunderstandings or exploitation, and possible sexual exploitation due to workers' relations with local women or girls. Identified mitigation measures could include: (a) ensuring equitable project benefits for women and girls; (b) promoting prevention, mitigation and referral services to address risks of sexual exploitation and abuse via the Bureaus of Women, Children, and Youth Affairs; (c) promotion of fair treatment, non-discrimination and equal pay for equal work for all workers; and (d) having a code of conduct on relationships with the local community incorporated into bidding documents, including labor management procedures to prevent and address sexual harassment and intimidation or exploitation of members of the local community. It is also important that for voluntary labor, standard occupational health and safety provisions are implemented, and that standards of non-discrimination and prevention

⁴⁹ CDP is a GoE program that aims at restructuring settlement patterns, service infrastructure and livelihoods, including farming systems.

⁵⁰ Gabions are wire baskets, filled with rocks and stones and which are commonly-used to reinforce slopes and prevent further erosion, especially in erosion gullies.



of gender-based violence equally apply. Provisions will be included in the WsUAs' bylaws and thereby be applicable to all WsUA members.

70. **The ESSA identified a number of measures to strengthen environmental and social risk management measures at local level** and these will be implemented as part of the Program. Dates for the completion of these measures are included in the Program Action Plan (PAP - annex 6). MoF will engage an independent firm or civil society organization reporting to the Steering Committee of the Ethiopia Social Accountability Program (ESAP) with terms of reference acceptable to the World Bank to review awareness-raising on the Program's environmental and social risk management system, and to audit its functioning, with a particular focus on the prevention of forced labor and land-grabbing. These Terms of Reference will establish criteria for evaluating the significance of shortcomings in the functioning of the Program's environmental and social risk management system, and will require that remedial measures to address such shortcomings are defined, monitored and reported. Verification protocols for DLIs #2 and #3 include measures to ensure the participatory preparation and implementation of WMPs, including interviews with randomly selected WsUA members to ensure the voluntary provision of labor. The protocol for DLI #2 will also include verification that the environmental and social screening requirements for WMPs have been followed, as set out in the CBPWD guidelines. In addition, the verification protocols for DLIs #3 and #5 include measures to determine if significant shortcomings in the implementation of relevant aspects of the Program's environmental and social risk management system have been reported by the audit of the system's functioning. MoA will promote institutional capacity building and awareness creation for the management of environmental and social risks at all levels, including for communities.

71. **The ESPES PforR financed by the World Bank has supported the establishment of a national GRM**, and all regional governments have established their respective GRM structures down to woreda level. Operation of this GRM is based on a manual approved by the Ethiopian Institution of the Ombudsman (EIO), which is accountable to the Parliament of Ethiopia, and provides capacity building for regional and woreda GRM offices with continued support from the ESPES PforR. At the woreda level, assigned GRM officers report to the woreda administrator, who in turn provides regular consolidated reports to the GRM office at the regional level. The head of the regional GRM office is accountable to the chief administrator, and also provides regionally consolidated reports to the EIO. While the rollout and functionality of the GRM mechanism is variable, it is a robust and functional mechanism setting procedures for the receipt, registration, response and documentation of complaints. The Program will draw on and strengthen this mechanism by using it to provide data on Program-related complaints in regional reports to the MoA, and in the MoA's regular reporting of Program implementation to the World Bank.

72. **World Bank Grievance Redress.** Communities and individuals who believe that they are adversely affected as a result of a World Bank-supported PforR operation, as defined by the applicable policy and procedures, may submit complaints to the existing program grievance redress mechanism or the World Bank's Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed in order to address pertinent concerns. Affected communities and individuals may submit their complaint to the World Bank's independent Inspection Panel which determines whether harm occurred, or could occur, as a result of World Bank non-compliance with its policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to the World Bank's attention, and World



Bank Management has been given an opportunity to respond. For information on how to submit complaints to the World Bank's corporate Grievance Redress Service (GRS), please visit www.worldbank.org/grs. For information on how to submit complaints to the World Bank Inspection Panel, please visit www.inspectionpanel.org.

D. Risk Assessment

73. **The risk rating for the proposed operation is assessed as Substantial**, driven by the substantial political and governance risks, and those associated with institutional capacity for implementation and sustainability, fiduciary, and environmental and social risks. Risks associated with achievement of the DLIs are also rated as substantial (see table 4).

Table 4. Systematic Operations Risk Rating Tool (SORT)

| Risk | Rating |
|--|--------------------|
| Political and Governance | Substantial |
| Macroeconomic | Moderate |
| Sector Strategies and Policies | Moderate |
| Technical Design of Program | Moderate |
| Institutional Capacity for Implementation and Sustainability | Substantial |
| Fiduciary | Substantial |
| Environmental and Social | Substantial |
| Stakeholders | Moderate |
| Other: Disbursement-Linked Indicators | Substantial |
| Overall | Substantial |

74. **Political and governance risk is rated Substantial**. Although the situation has stabilized since the nomination of a new Prime Minister in April 2018, there remains a risk that implementation of the proposed operation could be negatively impacted should civil disturbances recur. While the extent to which project-specific measures can mitigate this risk is limited, the Program will adopt the approach of other World Bank-financed operations, including: (a) careful planning of implementation support missions emphasizing security; (b) strategic communication and outreach; (c) sound safeguards monitoring; and (d) enhanced transparency and civil engagement in activities supported by the Program. The Program will also contribute to alleviating some of the drivers of civil unrest, including natural resource degradation, rural landlessness, and joblessness.

75. **Institutional capacity for implementation and sustainability risk is rated Substantial**, due to a number of issues including: (a) while a number of PforR operations are under implementation in Ethiopia, the approach is new to MoA; (b) the CWMU and RLAU Proclamations represent significant revisions to the regulatory framework, requiring adjustments to approach and capacity at all levels of government for participatory watershed management and rural land administration; and (c) the challenge of implementing a reliable and cost-effective M&E system. These risks will be mitigated through (a) close support from the World Bank team for management and monitoring of the Program; (b) preparation by the MoA of an annual work plan and budget for the SPG to support all levels of government in achieving Program objectives and adopting effective M&E systems; and (c) coordination between development partners, particularly for the provision of TA, through the RED&FS platform of the Ministry of Agriculture



and Livestock Resource, and its Technical Committee on SLM.

76. **Fiduciary risk is rated Substantial.** The FSA indicates that the examined program financial management and procurement systems are adequate to provide reasonable assurance that the financing proceeds will be used for intended purposes, with due attention to principles of economy, efficiency, effectiveness, transparency and accountability, and for safeguarding Program assets, once the proposed mitigation measures have been implemented. Appropriate systems to handle fiduciary risks including fraud and corruption, with effective complaint handling mechanisms, have been agreed on and established. Mitigation measures for the identified risks have been agreed with Government and included in the PAP to help improve efficiency and performance monitoring.

77. **Environmental and social risk is rated Substantial.** While the environmental risk is rated Moderate, the potential social risks are rated Substantial, giving an overall environmental and social risk rating of Substantial. Potential social risks encompass inadequacy of community participation and voice, social and administrative pressure affecting nominally voluntary choices, and limited access to raise grievances. Risk mitigation measures are included in the PAP and DLI verification protocols and include training, the introduction of social and environmental auditing at woreda and watershed level and requirements to ensure operationalization of the ESMS at woreda level.

78. **Risks associated with achievement of the DLIs are rated Substantial,** as these are critically dependent on new or significantly enhanced initiatives to: (a) take decentralized action at the kebele and woreda levels of local government to achieve the targets agreed for participatory watershed management and rural land administration; (b) to effectively monitor these results, led by MoA; and (c) independently verify these achievements in an effective and timely manner. These risks will be mitigated through: (a) preparation by the MoA of an annual work plan and budget for the SPG to support achievement of Program objectives and establish effective M&E systems and (b) use of Independent Verification Agencies (IVAs) with experience of Bank-supported PforR operations (see paragraph 42), reinforced with TA for which GoE is currently in discussion with GIZ.

ANNEX 1. RESULTS FRAMEWORK MATRIX

Results Framework

COUNTRY: Ethiopia

ETHIOPIA CLIMATE ACTION THROUGH LANDSCAPE MANAGEMENT PROGRAM FOR RESULTS

Program Development Objective(s)

The Program Development Objective (PDO) is to increase adoption of sustainable land management practices and to expand access to secure land tenure in non-rangeland rural areas.

Program Development Objective Indicators by Objectives/Outcomes

| Indicator Name | DLI | Baseline | End Target |
|---|-------|------------|--------------|
| Adoption of sustainable land management practices | | | |
| Land area under sustainable landscape management practices (CRI, Hectare(Ha)) | DLI 3 | 0.00 | 2,500,000.00 |
| Project area showing an increase in Normalized Difference Vegetation Index (NDVI) correcting for short-term weather effects (Hectare(Ha)) | | 0.00 | 500,000.00 |
| Access to secure land titles | | | |
| Area of landholdings in targeted areas that are securely registered (Hectare(Ha)) | | 155,561.00 | 3,000,000.00 |
| Share of securely registered landholdings held by a woman either individually or jointly with a man (Percentage) | | 81.00 | 81.00 |

Intermediate Results Indicator by Results Areas

| Indicator Name | DLI | Baseline | End Target |
|--|-------|---------------|---------------|
| Participatory Watershed Management | | | |
| Community Watershed Management and Utilization (CWMU) Proclamation approved by the Council of Ministers (Yes/No) | DLI 1 | No | Yes |
| Area of Program watersheds with Watershed User Association (WsUA) registered, with approved Watershed Management Plan (WMP) prepared in a participatory manner (Hectare(Ha)) | DLI 2 | 0.00 | 2,500,000.00 |
| Rural Land Administration | | | |
| Rural Land Administration and Use (RLAU) Proclamation approved by Council of Ministers (Yes/No) | DLI 4 | No | Yes |
| Second Level Landholding Certificates (SLLC) issued (Number) | DLI 5 | 10,800,000.00 | 18,800,000.00 |
| Program woredas covered by operational National Rural Land Administration Information System (NRLAIS) with Second Level Land Holding Certificates (SLLCs) digitized (Number) | DLI 6 | 10.00 | 280.00 |

| Monitoring & Evaluation Plan: PDO Indicators | | | | | |
|--|------------------------|---|---|---|------------------------------------|
| Indicator Name | Definition/Description | Frequency | Datasource | Methodology for Data Collection | Responsibility for Data Collection |
| Land area under sustainable landscape management practices | | Annual (the annual target values for this indicator are annual, not cumulative) | Field survey as part of verification protocol | See verification protocol for data collection methodology. The Corporate Results Indicator (CRI) relevant for the adoption of Sustainable Land Management (SLM) practices is “Land area under sustainable landscape management practices”. Bank guidance indicates that this refers to a combination of at least two technologies and approaches to increase land quality and restore degraded land (Corporate Results Indicators, OPCS, World Bank, 2017). MoA’s CBPWD Guideline for the preparation and implementation of WMPs includes the following practices (see further details in | MoA |

| | | | | | |
|--|--|--|--|--|--|
| | | | | Technical Assessment) which are aligned with Bank guidance: 1. Physical soil and water conservation practices; 2. Flood control and drainage practices; 3. Water harvesting and run-off management for multiple use practices; 4. Soil fertility management and biological soil conservation practices; 5. Agro-forestry, forage development and forestry practices; 6. Gully control practices. <i>Note: because this is a Corporate Results Indicator it is not possible to enter this</i> | |
|--|--|--|--|--|--|

| | | | | | |
|---|---|---------|-----------------------|---|-----|
| | | | | information under "Definition/Description of Indicator" as this field is blocked. | |
| Project area showing an increase in Normalized Difference Vegetation Index (NDVI) correcting for short-term weather effects | <p>This indicator captures the results of adoption of SLM practices in Program watersheds by measuring the increase in vegetation cover corrected for short-term weather effects (e.g. prolonged dry period) through the NDVI. The NDVI uses the visible and near-infrared bands of the electromagnetic spectrum to analyze remote sensing measurements to determine the extent to which a target contains live green vegetation. The increase in NDVI for a given micro watershed to count towards the target for this indicator should be at least 4%, correcting for short-term weather effects.</p> | Annual. | Remotely sensed data. | <p>NDVI for the project area will be adjusted for short-term weather effects based on methodology developed under RLLP.</p> | MoA |

| | | | | | |
|---|--|--------|--------|---|-----|
| | | | | | |
| Area of landholdings in targeted areas that are securely registered | Secure landholdings will be measured as SLLCs digitized in NRLAIS. | Annual | NRLAIS | Area of SLLCs recorded in NRLAIS will be calculated through use of standard reporting. | MoA |
| Share of securely registered landholdings held by a woman either individually or jointly with a man | <p>Secure land rights are measured as SLLCs digitized in NRLAIS. This indicator measures at the landholding level the share that are held by women either individually or jointly with their husband.</p> <p>The baseline value is the share of registered landholdings held by women, individually or jointly, in the 10 NRLAIS pilot woredas, which is 81 percent. This share is expected to be maintained as NRLAIS is rolled-out to other woredas.</p> | Annual | NRLAIS | SLLCs digitized in NRLAIS will be aggregated at the landholding level, and the share of landholdings for which the rights are held by women, either individually or jointly with a man, will be calculated through use of standard reporting. | MoA |

| Monitoring & Evaluation Plan: Intermediate Results Indicators | | | | | |
|--|--|--------------|---|---------------------------------|------------------------------------|
| Indicator Name | Definition/Description | Frequency | Datasource | Methodology for Data Collection | Responsibility for Data Collection |
| Community Watershed Management and Utilization (CWMU) Proclamation approved by the Council of Ministers | Community Watershed Management and Utilization (CWMU) Proclamation approved by the Council of Ministers. The objectives of the CWMU Proclamation are to: (i) ensure the active participation of watershed users in watershed management; (ii) provide a regulatory framework for sustainable natural resource use; and (iii) establish the capacity of WsUAs to manage and utilize these resources. In particular, the CWMU Proclamation provides the regulatory basis for creation of WsUAs, the development of WMPs, and their implementation. | Once | Minutes of Council of Ministers and Proclamation. | See verification protocol. | MoA |
| Area of Program watersheds with Watershed User Association (WsUA) registered, with approved Watershed Management Plan (WMP) prepared in a participatory manner | This indicator measures the combined area of the watersheds in non-rangeland areas of Ethiopia for which WsUAs have | Six-monthly. | WoANR register of WsUAs. | See verification protocol. | MoA |

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|--|--|--|--|--|--|
| | <p>been registered by the relevant WoANR, and for which, as a necessary part of that registration, WMPs have been prepared in a participatory manner and approved by the relevant WoANR. The target number of WsUAs to be established under the CALM Program is 5,000. WMPs will be prepared in accordance with the CBPWD Guidelines (as these may be updated from time to time), which specifies that WMPs should (i) cover a five-year period, (ii) indicate SLM practices that will be developed and/or maintained, and (iii) provide a timeline, budget, and estimated labor and other input requirements. Prepared in a participatory manner means (i) prepared by the WsUA Executive Committee, (ii) endorsed by the WsUA General Assembly, and (iii) that WsUA membership is voluntary.</p> | | | | |
|--|--|--|--|--|--|

| | | | | | |
|--|---|--------------|---|----------------------------|-----|
| | The target annual values for this indicator are cumulative. | | | | |
| Rural Land Administration and Use (RLAU) Proclamation approved by Council of Ministers | Rural Land Administration and Use (RLAU) Proclamation approved by Council of Ministers. The objectives of the RLAU Proclamation are to: (i) improve the rural land administration system; (ii) guarantee land use rights; (iii) establish a modern land information system; and, (iv) bring about change in natural resource use by strengthening tenure security. To help achieve these goals, the RLAU Proclamation provides for the establishment of rural land registration and surveying institutions by regional governments. | Once | Minutes of Council of Ministers and Proclamation. | See verification protocol. | MoA |
| Second Level Landholding Certificates (SLLC) issued | This indicator measures the combined total of SLLCs issued in non-rangeland areas of Ethiopia. Issuance refers to: (i) the validation of the SLLC by the WoLAU; (ii) the entry of the SLLC by | Six-monthly. | WoLAU registers of land titles and SLLC distribution books. | See verification protocol. | MoA |

| | | | | | |
|--|--|--------|-------------------|----------------------------|-----|
| | <p>the WoLAU into the land registry maintained by the WoLAU; and (iii) the issuance of the certificate to the land-holder. The annual target values for this indicator are cumulative.</p> | | | | |
| <p>Program woredas covered by operational National Rural Land Administration Information System (NRLAIS) with Second Level Land Holding Certificates (SLLCs) digitized</p> | <p>This indicator measures the number of woredas each year in which NRLAIS is operational, with all SLLCs issued in the woreda digitized and registered in NRLAIS. The operability of NRLAIS will be determined by the ability of a member of the WoLAU to perform selected operations in NRLAIS that will be defined in the verification manual. The number of SLLCs digitized and registered in NRLAIS will be compared against the number of SLLCs recorded as issued in a given woreda. The target values for this indicator are annual targets, not cumulative.</p> | Annual | WoLAUs and NRLAIS | See verification protocol. | MoA |

ANNEX 2. Disbursement Linked Indicators, Disbursement Arrangements and Verification Protocols

| Disbursement Linked Indicators Matrix | | | | |
|---------------------------------------|---|-----------------|------------------------------|--------------------------------|
| DLI 1 | Community Watershed Management and Utilization (CWMU) Proclamation approved by the Council of Ministers | | | |
| Type of DLI | Scalability | Unit of Measure | Total Allocated Amount (USD) | As % of Total Financing Amount |
| Process | No | Yes/No | 15,000,000.00 | 3.00 |
| Period | Value | | Allocated Amount (USD) | Formula |
| Baseline | No | | | |
| Prior Results | Yes | | 15,000,000.00 | |
| Fiscal year-end 2020 | Yes | | 0.00 | |
| Fiscal year-end 2021 | Yes | | 0.00 | |
| Fiscal year-end 2022 | Yes | | 0.00 | |
| Fiscal year-end 2023 | Yes | | 0.00 | |
| Fiscal year-end 2024 | Yes | | 0.00 | |

| | | | | |
|----------------------|--|------------------------|-------------------------------------|---------------------------------------|
| DLI 2 | Area of Program watersheds with Watershed User Association (WsUA) registered, with approved Watershed Management Plan (WMP) prepared in a participatory manner | | | |
| Type of DLI | Scalability | Unit of Measure | Total Allocated Amount (USD) | As % of Total Financing Amount |
| Intermediate Outcome | Yes | Hectare(Ha) | 160,000,000.00 | 32.00 |
| Period | Value | | Allocated Amount (USD) | Formula |
| Baseline | 0.00 | | | |
| Prior Results | 0.00 | | 0.00 | |
| Fiscal year-end 2020 | 625,000.00 | | 40,000,000.00 | US\$64 per additional hectare |
| Fiscal year-end 2021 | 1,250,000.00 | | 40,000,000.00 | US\$64 per additional hectare |
| Fiscal year-end 2022 | 1,875,000.00 | | 40,000,000.00 | US\$64 per additional hectare |
| Fiscal year-end 2023 | 2,500,000.00 | | 40,000,000.00 | US\$64 per additional hectare |
| Fiscal year-end 2024 | 2,500,000.00 | | 0.00 | |
| DLI 3 | Land area under sustainable landscape management practices | | | |
| Type of DLI | Scalability | Unit of Measure | Total Allocated Amount (USD) | As % of Total Financing Amount |
| Outcome | Yes | Hectare(Ha) | 160,000,000.00 | 32.00 |
| Period | Value | | Allocated Amount (USD) | Formula |
| Baseline | 0.00 | | | |
| Prior Results | 0.00 | | 0.00 | |

| | | | | |
|----------------------|--|------------------------|-------------------------------------|---------------------------------------|
| Fiscal year-end 2020 | 0.00 | | 0.00 | |
| Fiscal year-end 2021 | 625,000.00 | | 16,000,000.00 | US\$25.60 for each hectare annually |
| Fiscal year-end 2022 | 1,250,000.00 | | 32,000,000.00 | US\$25.60 for each hectare annually |
| Fiscal year-end 2023 | 1,875,000.00 | | 48,000,000.00 | US\$25.60 for each hectare annually |
| Fiscal year-end 2024 | 2,500,000.00 | | 64,000,000.00 | US\$25.60 for each hectare annually |
| DLI 4 | Rural Land Administration and Use (RLAU) Proclamation approved by Council of Ministers | | | |
| Type of DLI | Scalability | Unit of Measure | Total Allocated Amount (USD) | As % of Total Financing Amount |
| Process | No | Yes/No | 15,000,000.00 | 3.00 |
| Period | Value | | Allocated Amount (USD) | Formula |
| Baseline | No | | | |
| Prior Results | Yes | | 15,000,000.00 | |
| Fiscal year-end 2020 | Yes | | 0.00 | |
| Fiscal year-end 2021 | Yes | | 0.00 | |
| Fiscal year-end 2022 | Yes | | 0.00 | |
| Fiscal year-end 2023 | Yes | | 0.00 | |
| Fiscal year-end 2024 | Yes | | 0.00 | |

| | | | | |
|----------------------|---|------------------------|-------------------------------------|---|
| DLI 5 | Second Level Landholding Certificates (SLLCs) issued | | | |
| Type of DLI | Scalability | Unit of Measure | Total Allocated Amount (USD) | As % of Total Financing Amount |
| Intermediate Outcome | Yes | Number | 66,000,000.00 | 13.00 |
| Period | Value | | Allocated Amount (USD) | Formula |
| Baseline | 10,800,000.00 | | | |
| Prior Results | 0.00 | | 0.00 | |
| Fiscal year-end 2020 | 12,400,000.00 | | 13,200,000.00 | US\$8.25 for each additional SLLC issued. |
| Fiscal year-end 2021 | 14,000,000.00 | | 13,200,000.00 | US\$8.25 for each additional SLLC issued. |
| Fiscal year-end 2022 | 15,600,000.00 | | 13,200,000.00 | US\$8.25 for each additional SLLC issued. |
| Fiscal year-end 2023 | 17,200,000.00 | | 13,200,000.00 | US\$8.25 for each additional SLLC issued. |
| Fiscal year-end 2024 | 18,800,000.00 | | 13,200,000.00 | US\$8.25 for each additional SLLC issued. |
| DLI 6 | Program woredas covered by operational National Rural Land Administration Information System (NRLAIS) with Second Level Land Holding Certificates (SLLCs) digitized | | | |
| Type of DLI | Scalability | Unit of Measure | Total Allocated Amount (USD) | As % of Total Financing Amount |
| Intermediate Outcome | Yes | Number | 84,000,000.00 | 17.00 |
| Period | Value | | Allocated Amount (USD) | Formula |

| | | | |
|----------------------|--------|---------------|--|
| Baseline | 10.00 | | |
| Prior Results | 0.00 | 0.00 | |
| Fiscal year-end 2020 | 56.00 | 5,600,000.00 | US\$100,000 for each woreda with NRLAIS operational annually |
| Fiscal year-end 2021 | 112.00 | 11,200,000.00 | US\$100,000 for each woreda with NRLAIS operational annually |
| Fiscal year-end 2022 | 168.00 | 16,800,000.00 | US\$100,000 for each woreda with NRLAIS operational annually |
| Fiscal year-end 2023 | 224.00 | 22,400,000.00 | US\$100,000 for each woreda with NRLAIS operational annually |
| Fiscal year-end 2024 | 280.00 | 28,000,000.00 | US\$100,000 for each woreda with NRLAIS operational annually |

Verification Protocol Table: Disbursement Linked Indicators

| | |
|----------------------------|---|
| DLI 1 | Community Watershed Management and Utilization (CWMU) Proclamation approved by the Council of Ministers |
| Description | Approval by the Council of Ministers of a Proclamation to promote the active participation of watershed users in the management of their watersheds, including principles that: (i) provide for the creation of Watershed User Associations (WsUAs) on a voluntary basis; (ii) establish that at least 30 percent of the members of the WsUA Executive Committee should be women; (iii) require the General Assembly of the Founding Members of each WsUA to prepare and adopt through a participatory process a Watershed Management Plan (WMP) to promote Sustainable Land Management (SLM), and establish that these WMPs should be subject to approval by the woreda office responsible for agriculture and natural resources; (iv) establish that labor for the implementation of WMPs will be provided by members of the respective WsUAs, membership of which shall be voluntary, based on annual work plans agreed by the General Assembly of the WsUA, with the provision that such labor shall not be detrimental to the livelihoods of the participating households. |
| Data source/ Agency | Prime Minister's Office |
| Verification Entity | Central Statistical Agency (CSA) |
| Procedure | The verifier will verify that the CWMU Proclamation has been approved by the Council of Ministers, and that the CWMU Proclamation as approved includes provisions equivalent to those indicated in the description of this DLI provided above. This DLI will be verified once. |
| DLI 2 | Area of Program watersheds with Watershed User Association (WsUA) registered, with approved Watershed Management Plan (WMP) prepared in a participatory manner |
| Description | This indicator measures the combined area of the watersheds in non-rangeland areas of Ethiopia for which WsUAs have been registered by the relevant WoANR, and for which, as a necessary part of that registration, WMPs have been prepared in a participatory manner and approved by the relevant WoANR. The target number of WsUAs to be established under the CALM Program is 5,000. WMPs will be prepared in accordance with the CBPWD Guidelines (as these may be updated from time to time), which specifies that WMPs should (i) cover a five-year period, (ii) indicate SLM practices that will be developed and/or maintained, and (iii) provide a timeline, budget, and estimated labor and other input requirements. Prepared in a participatory manner means (i) prepared by the WsUA Executive Committee, (ii) endorsed by the WsUA General Assembly, and (iii) that WsUA membership is voluntary. The target annual values for this indicator are cumulative. |

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| Data source/ Agency | Natural Resource Management Directorate (NRMD) |
| Verification Entity | Central Statistical Agency (CSA) |
| Procedure | <p>The verifier will visit a sample of the Program watersheds reported to have achieved this DLI in the reporting period. On site, the verifier will verify the following aspects as they relate to the sample watershed:</p> <ul style="list-style-type: none"> • That a WsUA is duly registered in compliance with the CWMU Proclamation; • That a WMP incorporating two or more SLM practices has been duly approved by the Woreda Office of Agriculture and Natural Resources (WoANR) in accordance with the CWMU Proclamation and the CBPWD Guideline (as this may be updated from time to time), including environmental and social screening, and environmental and social clearance by the competent woreda office; • That the area reported for the WMP corresponds to the area shown on the WMP map; • That the WMP was prepared in a participatory manner. This will be verified by: (i) reviewing the minutes of the meeting of the General Assembly of the Founding Members of the WsUA at which the WMP was adopted; and (ii) interviews with at least 10 members of the General Assembly of Founding Members of the WsUA selected at random, of which at least 4 will be women. <p>A random sample of at least 10 percent of the Program watersheds reported to have achieved this DLI in the reporting period will be taken, with selected watersheds stratified by region in proportion to reported regional achievement of this DLI. At least 30 watersheds will be selected by region annually. If the reported number of watersheds for a region is less than 30, the verifier will select all reported watersheds.</p> <p>Disbursement will be made based on a linearly scalable formula, whereby each hectare of a Program watershed for which it is verified that a WsUA is registered, with an approved WMP prepared in a participatory manner, will result in a one-time disbursement of US\$64.00.</p> <p>This DLI will be verified every six months. The minimum DLI#2 achievement to trigger DLI payment in each reporting period will be 100,000 hectares. When the achievement is below this total, the reported results will be added to the next period's reported total for disbursement. When the achievement is above the allocated amount estimated for a fiscal year, disbursement will be made for the full amount achieved, up to the cumulative maximum amount allocated for this DLI.</p> |

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| DLI 3 | Land area under sustainable landscape management practices |
| Description | |
| Data source/ Agency | Natural Resource Management Directorate (NRMD) |
| Verification Entity | Central Statistical Agency (CSA) |
| Procedure | <p>The Corporate Results Indicator (CRI) relevant for the adoption of Sustainable Land Management (SLM) practices is “Land area under sustainable landscape management practices”. Bank guidance indicates that this refers to a combination of at least two technologies and approaches to increase land quality and restore degraded land (Corporate Results Indicators, OPCS, World Bank, 2017). MoA’s CBPWD Guideline for the preparation and implementation of WMPs includes the following practices (see further details in Technical Assessment) which are aligned with Bank guidance:</p> <ul style="list-style-type: none"> • Physical soil and water conservation practices; • Flood control and drainage practices; • Water harvesting and run-off management for multiple use practices; • Soil fertility management and biological soil conservation practices; • Agro-forestry, forage development and forestry practices; • Gully control practices. <p><i>Note: because this is a Corporate Results Indicator it is not possible to enter this information under "Description of DLI" as this field is blocked.</i></p> <p>The verifier will visit a sample of the Program watersheds reported to have achieved this DLI in the reporting period. On site, the verifier will verify the following aspects as they relate to the sample watershed:</p> <ul style="list-style-type: none"> • That a WsUA is duly registered in compliance with the CWMU Proclamation; • That a WMP incorporating two or more SLM practices (as identified in the Technical Assessment) has been duly approved in accordance with the CWMU Proclamation and the CBPWD Guideline (as this may be updated from time to time); • That an annual work plan for implementation of the approved WMP was prepared in a participatory manner and that the provision of labor for its implementation was voluntary. This will be verified by reviewing the minutes of the meeting of the WsUA General Assembly at which the annual work plan specifying labor inputs was adopted, supported by interviews with at least 10 members of the WsUA General Assembly selected at random, of which at |

least 4 will be women.

- The percentage achievement of the annual targets for adoption in the watershed of the SLM practices included in the WMP.

In addition, the verifier will review reports submitted during the reporting period by the independent firm or civil society organization engaged by MoF to audit the functioning of the Program's environmental and social risk management system. The verifier will determine if any significant shortcomings have been reported regarding the voluntary nature of labor provision, access to land or resources, occupational health and safety, or the operationalization of the Program's environmental and social risk management system.

A random sample of at least 10 percent of the Program watersheds reported to have achieved this DLI in the reporting period will be taken, with selected watersheds stratified by region in proportion to each region's reported achievement of this DLI. At least 30 watersheds will be selected by region annually. If the reported number of watersheds for a region is less than 30, the verifier will select all reported watersheds.

Disbursement will be made based on a linearly scalable formula based on percentage achievement of the annual targets for adoption in the watershed of the SLM practices included in the WMP. The area of a Program watershed proportional to the percentage achievement of the annual targets for the adoption of SLM practices (as identified in the Technical Assessment) that are included in the WMP will be counted towards achievement of the target for this indicator and will result in a disbursement of US\$25.60 per hectare.

If the audit of the functioning of the Program's environmental and social risk management system reports significant shortcomings on the issues listed above for a Program watershed, the area of that watershed will be deducted from the achievement of the target for this indicator in that reporting period. The area of the concerned watershed may be counted towards achievement of the target for this indicator in subsequent reporting periods, provided the independent firm or civil society organization engaged by MoF to audit the functioning of the Program's environmental and social risk management system confirms that adequate remedial actions have been taken.

This DLI will be verified annually. The minimum DLI#3 achievement to trigger DLI payment in each reporting period will be 100,000 hectares. When the achievement is below this total, the reported results will be added to the next period's reported total for disbursement. When the achievement is above the allocated amount estimated for a fiscal year, disbursement will be made for the full amount achieved, up to the cumulative maximum amount allocated for this DLI.

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| DLI 4 | Rural Land Administration and Use (RLAU) Proclamation approved by Council of Ministers |
| Description | Approval by the Council of Ministers of a Proclamation to improve rural land administration and guarantee use rights, including principles that: (i) provide for the establishment by regional governments of unified organizational structures for rural land administration; (ii) clarify mandates and procedures for cadastral surveying, rural land registration, and issuance of land holding certificates; and (iii) provide for the establishment of a federal land information system and definition of its linkages with regional rural land information systems. Furthermore, the Proclamation should be materially consistent with the relevant provisions of the Voluntary Guidelines on the Responsible Governance of Tenure of Land, Fisheries and Forests in the Context of National Food Security (FAO, 2012) which have been endorsed by the Government of Ethiopia. |
| Data source/ Agency | Prime Minister's Office (PMO) |
| Verification Entity | Central Statistical Agency (CSA) |
| Procedure | The verifier will verify that the RLAU Proclamation has been approved by the Council of Ministers, and that the RLAU Proclamation as approved includes provisions equivalent to those indicated in the description of this DLI provided above. This DLI will be verified once. |
| DLI 5 | Second Level Landholding Certificates (SLLCs) issued |
| Description | This indicator measures the number of SLLCs issued in non-rangeland areas of Ethiopia. Issuance refers to: (i) the validation of the SLLC by the WoLAU; (ii) the entry of the SLLC by the WoLAU into the land registry maintained by the WoLAU; and (iii) the issuance of the certificate to the land-holder. The annual target values for this indicator are cumulative. |
| Data source/ Agency | Rural Land Administration and Use Directorate (RLAUD) |
| Verification Entity | Central Statistical Agency (CSA) |
| Procedure | The verifier will visit a sample of the Program woredas reported to have achieved this DLI in the reporting period. On site, the verifier will verify the land register maintained by the WoLAU, to determine the number of SLLCs authenticated in the reporting period, and will verify the completeness of a sample of at least 30 SLLCs selected at random. The verifier will also review the SLLC distribution books of at least 3 kebeles selected at random within each sampled woreda, to verify the number of SLLCs issued to landholders. In addition, the verifier will review reports submitted during the reporting period by the independent firm or civil society |

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| | <p>organization engaged by MoF to audit the functioning of the Program's environmental and social risk management system. The verifier will determine if any significant shortcomings have been reported regarding exclusion from the land certification process or land-grabbing.</p> <p>A random sample of at least 10 percent of the Program woredas reported to have achieved this DLI in the reporting period will be taken, with selected woredas stratified by region in proportion to each region's reported achievement of this DLI. At least 30 woredas will be selected by region annually. If the reported number of woredas for a region is less than 30, the verifier will select all reported woredas.</p> <p>Disbursement will be made based on a linearly scalable formula, whereby each SLLC that is verified to have been issued will result in a one-time disbursement of US\$8.25.</p> <p>If the audit of the functioning of the Program's environmental and social risk management system reports significant shortcomings on the issues listed above for a Program woreda, the number of SLLCs issued in that woreda during the reporting period will be deducted from the achievement of the target for this indicator in that reporting period. SLLCs issued in the concerned woreda may be counted towards achievement of the target for this indicator in subsequent reporting periods, provided the independent firm or civil society organization engaged by MoF to audit the functioning of the Program's environmental and social risk management system confirms that adequate remedial actions have been taken.</p> <p>This DLI will be verified every six months. The minimum achievement in the reporting period to trigger payment against this DLI will be 200,000 SLLCs. When the achievement is below this total, the reported results will be added to the next period's reported total for disbursement. When the achievement is above the allocated amount estimated for a fiscal year, disbursement will be made for the full amount achieved, up to the cumulative maximum amount allocated for this DLI.</p> |
| DLI 6 | Program woredas covered by operational National Rural Land Administration Information System (NRLAIS) with Second Level Land Holding Certificates (SLLCs) digitized |
| Description | <p>This indicator measures the number of woredas each year in which NRLAIS is operational, with all SLLCs issued in the woreda digitized and registered in NRLAIS. The operability of NRLAIS will be determined by the ability of a member of the WoLAU to perform selected operations in NRLAIS that will be defined in the verification manual. The number of SLLCs digitized and registered in NRLAIS will be compared against the number of SLLCs recorded as issued in a given woreda. The target values for this indicator are annual targets, not cumulative.</p> |
| Data source/ Agency | Rural Land Administration and Use Directorate (RLAUD) |

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| Verification Entity | Central Statistical Agency (CSA) |
| Procedure | <p>The verifier will visit a sample of the Program woredas reported to have achieved this DLI in the reporting period. On site, the verifier will verify the following:</p> <ul style="list-style-type: none"> • that NRLAIS is installed and functional with an operational back-up system, and that a WoLAU staff member can operate the system, including completion of a transaction or query. • the number of SLLCs digitized in NRLAIS, against the number reported as issued in the woreda. • a sample of 10 SLLCs selected at random to confirm that they are appropriately migrated into NRLAIS. <p>A random sample of 10 percent of the Program woredas reported to have achieved this DLI in the reporting period will be taken, with selected woredas stratified by region in proportion to each region's reported achievement of this DLI. At least 30 woredas will be selected by region annually. If the reported number of woredas for a region is less than 30, the verifier will select all reported woredas.</p> <p>Disbursement will be made based on a linearly scalable formula, whereby each woreda in which it is verified that NRLAIS is operational with all SLLCs digitized in NRLAIS will result in a disbursement of US\$100,000. When less than 90 percent of the SLLCs issued have been migrated into NRLAIS, the value of the disbursement will be reduced in proportion to the share of SLLCs issued that have been migrated into NRLAIS.</p> <p>This DLI will be verified annually. The minimum achievement to trigger DLI payment will be 25 woredas. When the achievement is below this total, the reported results will be added to the next period's reported total for disbursement. When the achievement is above the allocated amount estimated for a fiscal year, disbursement will be made for the full amount achieved, up to the cumulative maximum amount allocated for this DLI.</p> |

ANNEX 3. (SUMMARY) TECHNICAL ASSESSMENT

COUNTRY : Ethiopia

ETHIOPIA: CLIMATE RESILIENT LANDSCAPE MANAGEMENT PROGRAM FOR RESULTS

I. Strategic Relevance

1. **The proposed operation will support the ESIF to address land degradation, enhance rural livelihoods and deliver substantial climate co-benefits.** In so doing, it will contribute to broader national development priorities. The development challenges to be addressed by the Program and their relevance are discussed below, complementing the description of the strategic context provided in section I of the Program Appraisal Document (PAD).

A. Development Issues in SLM that the Program will Address

2. **Land degradation affects millions of rural Ethiopians and reduces their resilience to climate change and even existing levels of climate variability.** By reducing soil fertility and agricultural yields, land degradation undermines livelihood security. Ethiopia has made significant progress over the past 10 years in restoring degraded watersheds, but the challenge that remains is substantial. Approximately 27 million ha is considered to be significantly eroded and 2 million ha beyond reclamation. Climate change will bring increasing risks, with soil erosion expected to increase by 7-10 percent per year and, in the more extreme scenarios, could increase by as much as 40-70 percent per year. This strongly suggests a need to place a high priority on SLM as an adaptation strategy. SLM is also the principal intervention required to enable Ethiopia to meet its national targets for climate change mitigation, as GHG emissions from agriculture and forestry account for 50 percent and 37 percent respectively of total emissions, and account for by far the highest abatement potential (forestry 51 percent and agriculture 36 percent).

B. Development Challenges in Watershed Management

3. **Support for SLM in the highlands of Ethiopia over the last decade has demonstrated that investment in watershed development and management can increase production and productivity through preventing and reversing land degradation.** Under partner-financed projects development of more than a million hectares of degraded land have been brought under SLM practices. Under mainstream government programs, local communities have been mobilized on an annual basis to undertake SLM activities covering an area of approximately 5 million ha. However, experience has shown that local institutions need to be strengthened to sustain this process and maintain restored landscapes in the long term. The Program is designed to address this shortcoming. In addition, the Program will incentivize MoA's initiatives to improve the quality of research, training and extension for SLM practices, helping ensure the good practices developed under development partner-financed projects are disseminated more broadly through mainstream government programs.

C. Development Challenges in Rural Land Administration

4. **Land resource users without secure long-term rights have little incentive to invest in SLM practices.** Largely through development partner-financed support, GoE has made significant progress in

providing such rights, with some 10.8 million SLLCs issued. Nonetheless, this represents only about 20 percent of the total number of SLLCs estimated to be required. While development partner support can finance part of the cost of preparing SLLCs, such assistance is limited both in scale, and because validation and issuance of SLLCs remains a function of woreda BLAUs. A further challenge is that the tenure security provided by SLLCs is put at risk by the lack of a national database in which these can be digitized and recorded securely. This challenge was recognized in the conclusions of the Land Governance Assessment⁵¹ completed in 2016 which recommended that (a) vertical and horizontal organizational structures for land management should be clarified; (b) mandates for the regulation and management of the land sector should be clarified; and (c) the establishment of a computerized land information system should be accelerated. The Program will address these challenges by incentivizing (a) regulatory enhancements to address these concerns; (b) the issuance of further SLLCs by woreda BLAUs, and (c) the rollout and operationalization of the NRLAIS, which are key elements of the GoE's RLAS.

D. Relevance to Natural Resource Management and National Development Strategies

5. **The Program will support ESIF-3 for SLM,⁵² described in section II.A of the PAD.** The relevance of the Program to national development strategies and commitments is described in section I.B of the PAD, and includes support for policy priorities identified in the Second Growth and Transformation Plan (GTP-II), the CRGE Strategy launched by the GoE in 2011, as well as the SDGs and Ethiopia's international climate commitments. The goals for natural resource management set out in GTP-II include an additional 19 million ha to be treated with physical soil and water conservation structures, an increase in national forest coverage from 15 to 20 percent, and the provision of land use certificates to more than 7 million households. Longer-term, the Government targets 22 million ha for broader landscape restoration by 2030. If implemented effectively, these policy goals will deliver a wide range of development and climate co-benefits. For example, the World Bank has estimated that Ethiopia could generate substantial numbers of new jobs and contributions to GDP with investments in forest plantations and processing facilities, consistent with the government's landscape restoration program.⁵³

6. **The RLAS is strongly linked to the objectives of GTP-II, contributing to the objective of increasing the productive capacity and efficiency of the agricultural sector by providing landholders with security of tenure.** RLAS also enables these landholders to access credit using their land titles as collateral, and will facilitate more efficient tax collection, contributing to the resource mobilization required to achieve national development objectives.

7. **By providing land rights jointly to husband and wife couples, female-headed households, and marginalized groups,** RLAS also contributes to the GTP-II objective of supporting the position of women and other vulnerable groups. The GoE has made gender inclusion in natural resource management a priority as women in Ethiopia remain vulnerable to economic, social, and environmental risks. In Ethiopia, women farmers produce on average 23 percent less than their male counterparts. This is mainly due to inequitable access to, and control of resources such as land, technologies and information, and a lower level of participation, from local to national level decision-making. Women are also primarily responsible

⁵¹ Land Governance Assessment Framework Implementation in Ethiopia: Final Country Report, supported by World Bank, 2016

⁵² Federal Democratic Republic of Ethiopia (2010). *Ethiopian Strategic Investment Framework for Sustainable Land Management*. Ministry of Agriculture, March 2010.

⁵³ World Bank (2016). *Ethiopia Programmatic Forest Country Note. Deep Dive into Forest Smart Investments*. November 2016.

for collection of fuel wood and water, resources that SLM initiatives are designed to make more available through reforestation and practices that promote groundwater recharge. The Program will incentivize (a) the participation of women in local institutions for watershed management, (b) the provision of joint land certificates for married couples, and individual land titles for female-headed households; and (c) women's access to natural resource management extension services for climate smart interventions that improve yields, boost income, reduce labor and enhance value-added opportunities for women.

E. Alignment with CPF and World Bank Corporate Priorities

8. **The Program is closely aligned with the Ethiopia CPF,**⁵⁴ specifically Focus Area 2 on 'Building Resilience and Inclusiveness', and the World Bank's high-level corporate priorities on climate change which aim to increase the level of ambition for both climate change adaptation and mitigation. This alignment is described in section I of the PAD.

II. Technical Soundness

9. **Over the past 10 years, IDA IPF has helped restore productive capacity and build resilient livelihoods in 135 major watersheds in Ethiopia's highlands through support for SLM practices.** Through soil and water conservation structures, enclosures to limit free grazing, and afforestation or reforestation of more than 80,000 ha, these activities have led to an average 9 percent increase in vegetation cover in treated watersheds. IDA financing for the SLM Program has also strengthened MoA's support for land rights through the issuance of landholding certificates to over 300,000 households, including more than 200,000 women who have received titles either individually or jointly with their husbands, and more than 7,000 landless youth who have received titles to communal holdings in exchange for restoring land. Such IPF support will continue until 2024 under the RLLP, which will include piloting of approaches to link SLM with local value chains and to promote PES.

10. **The Program for Results (PforR) instrument provides a means of strengthening the government's ambitious program for addressing SLM at a transformative scale.** The ESIF is being updated for its third phase (ESIF-3), providing an opportunity to adopt lessons derived from previous phases of support. These include the need to strengthen institutional arrangements at watershed level, adopting locally-driven participatory approaches, and improving service delivery in support of strengthening land tenure. The PforR instrument provides a mechanism to incentivize measures to ensure the longer-term sustainability of the national SLM program, and to scale up investments to meet the ambitious national targets for SLM. Results-based financing will create strong incentives to meet national targets, will help GoE to mobilize domestic financing to address critical capacity constraints at federal, regional and woreda levels, and will also provide leverage for policy reform.

11. **The Program will provide support for all components of ESIF (see figure 1, main text).** However, selected subcomponents are excluded for support for a number of reasons, as summarized in table 3.1.

⁵⁴ World Bank. 2017. *Country Partnership Framework for the Federal Democratic Republic of Ethiopia for the Period FY18-FY22*. May 22, 2017. Country Management Unit AFCE3, Africa Region.

Table 3.1. Justification for Non-inclusion of Selected ESIF Subcomponents

| Component | Subcomponent | Justification for Non-inclusion |
|---|--|--|
| C1: Investments in field -based projects and programs to scale up SLM | Community-based SLM safety nets. | World Bank provides support for social safety nets through the PSNP 4 (P146883). |
| | Community-based participatory development of pastoral areas. | Pastoral areas are excluded from the expenditure framework for this operation for reasons provided in section II.B (Program scope) |
| | Community-based participatory development of water resources, irrigation and/or fisheries. | Water resources and irrigation investments are excluded from the expenditure framework for this operation for reasons provided in section II.B (Program scope) |
| | Protection of critical areas representative of natural biodiversity and key habitats for endangered species. | These areas require a different approach to SLM as compared with approaches to be adopted in non-pastoral agricultural areas. They are therefore excluded from the expenditure framework for this operation. Under the RLLP (P163383), the World Bank is using Trust Fund resources to pilot approaches to developing green corridors to improve connectivity between areas of significant biodiversity. |
| | Meeting rural energy needs (solar etc) | This has been excluded since the World Bank provides support for rural energy through a number of other operations, including (a) a credit for market development of renewable energy and energy efficient products under the Electricity Network Reinforcement and Expansion Project (P155563) and (b) testing of market-based approaches under RLLP (P163383) for the production and sale of improved cook-stoves. |
| | Promoting SLM with large-scale commercial land use enterprises. | This is a broader objective being tested under RLLP (P163383) through the piloting of approaches to incentivize PES. |
| | Mitigating potential negative environmental impacts of mining, infrastructure, and settlement construction. | Mitigation measures such as these would be associated specific project investments and the responsibility of specific private sector or state entities. These are therefore beyond the scope of this operation and hence excluded from the expenditure framework. |
| | Development of land suitability expert system. | Strengthening expertise in land use planning is being supported by the World Bank with Trust Fund resources under the CRGE Programmatic Advisory Services (P151294). |
| Improving land administration | Completion and updating of the first stage land certification process. | First stage land certification has been completed since the ESIF was prepared in 2010. |
| | Land valuation. | TA for development of the rural land market is being provided by other development partners, including GIZ, Government of Finland (REILA) and DFID (LIFT). |
| Service provider capacity | Strengthening input supply, market and credit/financial service providers. | TA and other forms of support in these areas are being provided by other development partners. |

Note: DFID = Department for International Development of the United Kingdom; LIFT = Land Investment for Transformation Project

III. Participatory Watershed Management

12. **A key aspect of the Program design is the provision of incentives for the establishment and legalization of WsUAs to plan, develop and manage climate-smart watershed interventions at the local level.** Through the World Bank-supported SLMP-II IPF, in collaboration with TA from GIZ, the functionality of WsUAs has been piloted in Amhara Regional State, producing encouraging results. Amhara Regional State launched the first initiative in Ethiopia to legalize WsUAs at community watershed level by issuing a regional proclamation and subsequent directives on WsUA formation and functions. In February 2018, the World Bank assessed the pilot WsUAs in Amhara, noting strong community support, and their role in building long-term community commitment to sustainable watershed management. Drawing on this experience, MoA has prioritized approval of the Community Watershed Management and Use (CWMU) Proclamation as a national regulatory framework to promote the large scale creation of WsUAs as durable institutions for watershed management, building on the community watershed committees previously formed on an ad-hoc basis for watershed management activities.

13. **The purpose of the CWMU Proclamation is indicated as being to** (a) ensure active participation of users in the management and utilization of watersheds; (b) create a conducive legal environment for the sustainable and continuous use and management of the natural resources under private or public properties; and (c) increase the capacity of WsUAs to manage and utilize assets created by themselves. The principles supported by the CWMU Proclamation are that (a) the management, administration and maintenance of development activities within the watershed should be implemented by the beneficiaries with the active participation of the community and (b) natural resource development in watersheds should give due emphasis to equitable use and sustainability. To achieve these goals, the CWMU Proclamation indicates that it is the responsibility of the agency responsible for natural resource management at the woreda level to organize WsUAs based on the needs and interest of the watershed users, and that these WsUAs should have their own byelaws and be granted legal personality by the woreda administration. It further establishes that each watershed should have a plan supported by a map, and that watershed beneficiaries should participate in natural resource development and maintenance activities based on the program developed by the WsUA. Approval of this proclamation by the Council of Ministers, which constitutes a prior result DLI for the Program, is expected in 2019, and will be accompanied by a guideline to be issued by MoA regarding the creation and functioning of WsUAs.

14. **The principal technical document guiding the design and application of SLM interventions under the ESIF are the CBPWD guidelines prepared by MoA.** Based on the experience gained during ESIF Phases 1 and 2, this guideline is now undergoing a process of revision and update, with a particular focus on the processes and template for preparing WMPs and annual work plans for their implementation. SLM practices in the CBPWD guidelines are being practiced widely in areas targeted under ESIF. They are described in further detail in Attachment 1 of the Technical Assessment, and include

- Physical soil and water conservation practices;
- Flood control and drainage practices;
- Water harvesting and runoff management for multiple use practices;
- Soil fertility management and biological soil conservation practices;

- Agro-forestry, forage development and forestry practices; and
- Gully control.

15. **The ESIF-3 update emphasizes the need to strengthen research, training and extension for SLM,** with a focus on the roles of the EIAR and RARIs, and the ATVETCs. Responding to this challenge, the Program will support the research institutes in strengthening their natural resource management programs, emphasizing coordination between EIAR and RARIs, and collaboration among organizations and development partners. This effort will include a particular focus on adaptive research based on field data collection for the evaluation of the impacts of SLM practices on key biophysical parameters, such as soil erosion, surface water runoff and sediment load, groundwater recharge, vegetation cover and soil fertility.

16. **Under the National Technical and Vocational Education and Training Strategy adopted in 2002 and revised in 2008, the federal and regional ATVETCs have a core role in disseminating agricultural knowledge and skills.** The main target group of the training programs for natural resource management are DAs, extension workers employed by the government at the kebele level, expected to play a primary role in improving farmers' knowledge and skills through the provision of up-to-date information, including on SLM practices. An assessment conducted by the MoA in 2019 found, however, that most DAs lack adequate training in natural resource management practices. In response MoA has proposed a set of interventions to be supported by the Program, discussed in more detail below, that focus on reinforcing the role of ATVETCs in building the capacity of DAs and WoANR staff to guide the design and implementation of SLM interventions.

17. **In addition to drawing on experience under the first two phases of the ESIF, the Program also reflects lessons drawn from SLM operations in other countries.** In Malawi, the Shire River Basin Management Project (P117617) is piloting innovative approaches for integrated watershed management, and has demonstrated the value of watershed management planning to identify strategic areas for investments, and for the development of concrete action plans that villagers can implement. In Nigeria, the Bank-supported Erosion and Watershed Management Project (P145212) has demonstrated the importance of addressing gully erosion as part of a larger catchment management plan, including investments in soil and water conservation both at gully sites and upstream to reduce further erosion, as well as in pioneering the use of vegetative interventions as part of the solution. The award-winning Karnataka Watershed Development Project (P067216) in India has demonstrated the value of research and impact evaluation to inform evidence-based project investments. Finally, the CWMU Proclamation and the establishment of WsUAs provide a mechanism to initiate PES in Ethiopian watersheds. International experience, for example with local community contracts for reforestation and watershed management in Mexico, have demonstrated the potential of PES approaches to mobilize additional resources for SLM. A first example of this approach in Ethiopia was provided by the MoU signed in 2018 by Raya Brewery-BGI Ethiopia for investment in SLM activities to protect their water-source. ESIF-3 includes provision for PES to capitalize on further private sector interest in this approach.

IV. Land Administration Interventions for Security of Rural Land Tenure

18. **The RLAS in Ethiopia focuses on the establishment and maintenance of the land register.** This will be populated by SLLCs, and supported by a computerized system (NRLAIS), providing continuous updating of land records from land use rights' transactions, as well as land information services. The sustainable development of the RLAS will be based on the RLAU Proclamation, and will require a high level of penetration and use of the related information services. This requires a functional RLAS and NRLAIS, as well as complete registration of land transactions, which can only be achieved if landholders are confident in the system and realize its benefits. In turn, this requires that the system ensures effective recording of land data and is easy to use to provide related services. Following two years of development, NRLAIS is currently being piloted in a sample of 10 woredas, before broader rollout with the support of the Program.

19. **The institutional sustainability of the RLAS is based on the ownership of the system by government,** providing financial support as well as political support for the maintenance of the policy and legal land frameworks. Operational sustainability will be achieved through the effective maintenance of the NRLAIS to capture and process land transactions on a continuous basis, and efficiently provide land administration services. In addition to budgetary support, financial sustainability over the longer term will be enhanced by the capability of the land administration system to generate revenues from land information services, helping finance the recurrent costs of the system.

20. **Although land administration has country-specific characteristics (for example, tenure system, level of technology and human resource development, resource allocation system),** general principles for best practice may be derived from international experience.^{55,56,57,58,59} Four separate implementation assessments have been conducted of RLAS,⁶⁰ providing country-specific lessons on organizational management and practice, service levels, and operations. These have been used to define mandates and budget allocations, functions of woreda and kebele land administration officials, and service performance indicators. Key features include

- **Simplified and standardized procedures:** land administration procedures must be transparent, efficient, affordable and easy to understand, to ensure everyone can use the services,⁶¹
- **Effective service delivery:** providing an efficient, transparent and affordable system to register new titles and transfer existing ones is an important step toward guaranteeing secure access to land and improving access to credit,⁶²

⁵⁵ *Good Governance in Land Administration; Principles and Best Practices*; W. Zakout, B. Wehrmann, P. Törhönen; 2006

⁵⁶ *Good Governance in Land Administration*; K. Bell; 2007

⁵⁷ *Improving Sustainability of Land Administration through Decentralized Service Provision: Evidence from Rwanda*; D. Ali, K. Deininger, M. Duponchel; 2016

⁵⁸ *Benchmarking for Regional Best Practice -Comparative Evaluation of Land Administration Systems in Namibia, South Africa and Zimbabwe*; D. Chimhamhiwa; 2006

⁵⁹ *Toolkit to support Transparency in Land Administration*; GLTN/UN-Habitat; 2013

⁶⁰ *RLAS Implementation Assessment, LIFT*; September 2017/February 2018/September 2018/January 2019

⁶¹ *Land Administration, why? Swedish National Land Survey*; February 2008

⁶² *Registering property*; World Bank Doing Business, 2014

- **Application of service standards:** service standards are needed to guide efficiency, transparency, accountability, equity, security and effectiveness, to minimize corruption and satisfy customers in completing land transactions;⁶³
- **Customer orientation:** a culture of customer service is an important element of good service delivery.⁶⁴

V. Institutional Arrangements

21. **Institutional responsibility for leading and coordinating action on SLM is the responsibility of the MoA.** Attachment 2 to the Technical Assessment provides further details. Under the MoA, the NRMD and RLAUD are instrumental. At regional and local level, SLM initiatives are delivered by regional BoAs and BLAUs, and administrations at the woreda level (equivalent to district).

A. Federal and Regional Institutions for SLM

22. **At the federal level, existing institutional mechanisms to provide oversight, policy direction, and coordination of SLM initiatives developed and used during the first two phases of ESIF will be continued for ESIF-3.** These are the RED&FS Platform, the National SLM Steering Committee and the National SLM Technical Committee. The RED&FS Platform, chaired by the Minister for Agriculture, has high-level representation from concerned ministries and development partners supporting agriculture, natural resource management, food security and disaster risk management. RED&FS is serviced by a secretariat comprising MoA staff and a coordinator financed by development partners. Under the RED&FS, the National SLM Steering Committee, chaired by the State Minister for Natural Resources Management in MoA, comprises high-level representation from agencies and development partners engaged in SLM. The Steering Committee is responsible for (a) providing policy guidance, oversight and overall supervision for program implementation; (b) reviewing and approving annual work plans and budgets; and (c) reviewing and approving annual performance reports, and overseeing the execution of any corrective actions that may be designed. The National SLM Technical Committee, also chaired by the State Minister for Natural Resource Management in MoA, is responsible for providing technical advice to MoA on SLM, and is made up of senior technical staff from relevant agencies, development partners supporting SLM initiatives, and civil society organizations engaged in SLM activities.

23. **At regional and zonal levels, implementation of the ESIF is supported by regional SLM steering and technical committees, which oversee execution of annual regional work plans and achievement of results.** The regional BoAs and BLAUs serve as the link between the federal, zonal and woreda institutions, reviewing and consolidating annual work plans and budgets submitted by the woredas. BoAs and BLAUs also review and approve implementation progress reports originating from the woredas.

B. Local Institutions for SLM

24. **At the woreda and kebele levels, planning and execution of SLM activities are undertaken by woreda, kebele and community institutions.** These include the WoANRs, WoLAUs, DAs and community

⁶³ *Good Governance in LA; principles and good practices. World Bank-FAO, 2006*

⁶⁴ *Delivering land administration services at scale; LA Authority Lesotho, 2017*

groups. At the woreda level an SLM core team is responsible for, among others: (a) participating in the selection and prioritization of watersheds in the woreda; (b) organizing orientation and training of DAs in watershed planning and implementation; and (c) assisting DAs in the establishment of CWTs, preparation of WMPs and annual work plans, and reviewing their implementation. At the kebele level, CWTs have been responsible for the implementation of WMPs, which have been developed largely by DAs and the Woreda SLM core team.

25. **Once the CWMU Proclamation is issued, it is anticipated that WsUAs will replace the CWTs.** The WsUAs are expected to play a greater role in the design and implementation arrangements for WMPs, helping to ensure that these are more participatory in nature, better reflecting local priorities, rather than targets established through a top-down process. There is significant experience with this more participatory approach under development partner-supported initiatives, including the IDA-financed SLM Projects.⁶⁵ However, building on this experience to transform the approach to watershed planning and management in other woredas will be an important challenge for the Program, requiring a concerted effort to train WoANR officials and DAs in WsUA creation and participatory planning techniques. ATVETCs play the leading role in training extension agents. Under ESIF-3, the Agricultural Extension Directorate of MoA plans to reinforce the role of ATVETCs in this regard by (a) updating the natural resource management curriculum, assessment tool, and teaching materials; (b) providing related training materials to the four federal ATVETCs; (c) providing related training for natural resource management instructors at federal and regional ATVETCs; and (d) establishment of a natural resource management center of excellence for the highland areas in Agarfa ATVETC. In addition to the federal and regional budget allocations under ESIF-3 for these purposes, the strengthening of ATVETCs will also be supported through TA from development partners, in particular GIZ for watershed management.

26. **The legal land administration framework will be extended with the introduction of the RLAU Proclamation, which will provide the legal basis for implementation of the RLAS.**⁶⁶ At the local level, the effectiveness of the land administration process will be enhanced based on the principle of kebele land administration offices providing front-office functions, and the WoLAU fulfilling a back-office role. In addition, kebele land administration offices will continue to play a lead role in the development of PLLUPs, which provide valuable input to WMPs. Effective implementation of the RLAS will require updated and strengthened training for kebele and woreda land administration officials, for which ATVETCs play a leading role. Under ESIF-3, the Agricultural Extension Directorate of MoA plans to reinforce the role of ATVETCs in this regard by (a) expanding provision of the Rural Cadaster and Land Registration Services curriculum at ATVETCs and (b) supporting the further development of the Assosa ATVETC as a center of excellence for land administration. In addition, the strengthening of ATVETCs for training in land administration will be supported through TA from development partners, in particular through the REILA Project supported by the Government of Finland. Collaboration between universities and ATVETCs will also be pursued for the delivery of land administration training.

⁶⁵ SLMP-I (Grant H377-ET, P107139) and SLMP-II (Credit 5318-ET, P133133)

⁶⁶ *Ethiopia Rural Land Administration Legal and Institutional Framework; A Review on Completeness and Homogeneity; LIFT, February 2017.*

VI. Program Expenditure Framework

27. The Program will finance a subset of GoE's expenditures on ESIF-3, as summarized in table 3.2.

Table 3.1. Expenditure Framework for the Program

| ESIF Sub-Component | | | Expenditure US\$m | | | | Forecast (US\$m) | | | | | Total |
|---|--|-----------|-------------------|-------|-------|-------|------------------|-------|-------|-------|-------|---------|
| # | Activity | Financing | 2016 | 2017 | 2018 | 2019 | FY20 | FY21 | FY22 | FY23 | FY24 | FY20-24 |
| | Results Area 1: Participatory Watershed Management | | | | | | | | | | | |
| 1.1, 1.2, 1.5 | Predominantly rangeland areas (Afar and Somali) | Excluded | 25.0 | 36.1 | 36.4 | 36.8 | 37.1 | 37.5 | 37.9 | 38.2 | 38.6 | 189.3 |
| 1.1, 1.2, 1.5 | Development partner financed (including RLLP and AGP-II) | Excluded | 49.2 | 39.2 | 39.6 | 40.0 | 40.4 | 40.7 | 41.1 | 41.6 | 42.0 | 205.8 |
| 1.1, 1.2, 1.5 | ESPEs-financed | Excluded | 35.8 | 37.8 | 40.3 | 42.9 | 45.7 | 48.7 | 51.8 | 55.2 | 58.8 | 260.2 |
| 3.2 | MoA Extension Dir. Capital (may include construction) | Excluded | 0.0 | 0.0 | 0.0 | 0.0 | 2.8 | 2.8 | 2.9 | 2.9 | 3.0 | 14.3 |
| 3.3 | EIAR and RARI Capital (may include construction) | Excluded | 0.0 | 0.0 | 0.0 | 0.0 | 5.1 | 5.4 | 5.8 | 6.2 | 6.6 | 29.1 |
| 1.1, 1.2, 1.5 | BoAs Capital (may include irrigation) | Excluded | 0.0 | 0.0 | 0.0 | 0.0 | 19.5 | 20.8 | 22.1 | 23.6 | 25.1 | 111.1 |
| 1.1, 1.2, 1.5 | Watershed development and management | Recurrent | 97.0 | 105.9 | 112.8 | 120.1 | 122.2 | 124.3 | 126.4 | 128.6 | 130.8 | 632.2 |
| | | Capital | 15.0 | 16.1 | 17.2 | 18.3 | - | - | - | - | - | - |
| | | SPG | - | - | - | - | 20.8 | 31.9 | 51.0 | 70.1 | 81.3 | 255.0 |
| 3.2 | Building extension service capacity | Recurrent | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.4 |
| | | Capital | 1.7 | 2.4 | 2.5 | 2.7 | - | - | - | - | - | - |
| | | SPG | - | - | - | - | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 | 12.5 |
| 3.3 | Building research capacity for SLM | Recurrent | 13.6 | 15.8 | 16.8 | 17.9 | 18.2 | 18.6 | 18.9 | 19.2 | 19.5 | 94.4 |
| | | Capital | 4.2 | 4.2 | 4.5 | 4.8 | - | - | - | - | - | - |
| | | SPG | - | - | - | - | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 | 12.5 |
| 3.1, 4.1, 4.2, 4.3 | Policy, institutional, regulatory environment | Recurrent | 10.0 | 9.0 | 9.6 | 10.2 | 10.9 | 11.6 | 12.4 | 13.2 | 14.0 | 62.2 |
| | | SPG | - | - | - | - | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 | 12.5 |
| | | | | | | | | | | | | |
| 5.1, 5.2, 5.3, 6.4 | Building the SLM knowledge base | Recurrent | 10.0 | 9.0 | 9.6 | 10.2 | 10.9 | 11.6 | 12.4 | 13.2 | 14.0 | 62.2 |
| | | SPG | - | - | - | - | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 | 12.5 |
| 6.1, 6.2, 6.3 | Management, monitoring and reporting of ESIF | Recurrent | 10.0 | 9.0 | 9.6 | 10.2 | 10.9 | 11.6 | 12.4 | 13.2 | 14.0 | 62.2 |
| | | SPG | - | - | - | - | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 | 12.5 |
| Sub-total | | | 271.6 | 284.6 | 299.0 | 314.4 | 357.0 | 378.1 | 407.6 | 437.7 | 460.4 | 2040.9 |
| Sub-total after exclusions | | | 161.6 | 171.6 | 182.8 | 194.7 | 206.5 | 222.2 | 246.0 | 270.1 | 286.3 | 1231.1 |
| Results Area 2: Rural Land Administration | | | | | | | | | | | | |
| 2.2-2.6 | Predominantly rangeland areas (Afar and Somali) | Excluded | 0.3 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 | 2.6 |
| 2.2-2.6 | Development partner financed (including RLLP, REILA, LIFT) | Excluded | 2.8 | 2.5 | 2.6 | 2.6 | 2.6 | 2.7 | 2.7 | 2.7 | 2.7 | 13.4 |
| 2.2-2.6 | BoLAUs Capital (may include construction) | Excluded | 0.0 | 0.0 | 0.0 | 0.0 | 1.0 | 1.1 | 1.2 | 1.3 | 1.3 | 6.0 |
| 3.2 | MoA Extension Dir. Capital (may include construction) | Excluded | 0.0 | 0.0 | 0.0 | 0.0 | 2.9 | 3.1 | 3.3 | 3.5 | 3.7 | 16.5 |
| 2.2-2.6 | Improving land tenure and administration | Recurrent | 25.2 | 30.3 | 32.3 | 34.4 | 36.7 | 39.0 | 41.6 | 44.3 | 47.2 | 208.8 |
| | | Capital | 0.8 | 0.9 | 0.9 | 1.0 | - | - | - | - | - | - |
| | | SPG | - | - | - | - | 24.0 | 24.6 | 28.4 | 32.1 | 35.9 | 145.0 |
| 3.2 | Building extension service capacity | Recurrent | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.5 |
| | | Capital | 1.7 | 2.4 | 2.5 | 2.7 | - | - | - | - | - | - |
| | | SPG | - | - | - | - | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 | 12.5 |
| 3.1, 4.1, 4.2, 4.3 | Policy, institutional, regulatory environment | Recurrent | 3.2 | 3.8 | 4.1 | 4.4 | 4.6 | 4.9 | 5.3 | 5.6 | 6.0 | 26.4 |
| | | SPG | - | - | - | - | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 | 12.5 |
| 6.1, 6.2, 6.3 | Management, monitoring and reporting of ESIF | Recurrent | 3.2 | 3.8 | 4.1 | 4.4 | 4.6 | 4.9 | 5.3 | 5.6 | 6.0 | 26.4 |
| | | SPG | - | - | - | - | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 | 12.5 |
| Sub total | | | 37.3 | 44.4 | 47.2 | 50.0 | 84.6 | 88.5 | 95.7 | 103.3 | 111.0 | 483.0 |
| Subtotal after exclusions | | | 34.2 | 41.3 | 44.0 | 46.9 | 77.5 | 81.1 | 88.1 | 95.3 | 102.7 | 444.6 |
| | | | | | | | | | | | | |
| Total | | | 308.9 | 329.0 | 346.2 | 364.4 | 441.6 | 466.5 | 503.4 | 541.0 | 571.3 | 2523.9 |
| Total after exclusions | | | 195.8 | 212.9 | 226.8 | 241.6 | 284.0 | 303.3 | 334.1 | 365.3 | 389.0 | 1675.7 |

28. The Program Expenditure Framework for the proposed operation is based on Government expenditures on program goals at the federal, regional and woreda levels that are specific to watershed development and land administration. At federal level, the expenditure framework includes expenditures by MoA on Agricultural Extension Advisory and Training, Agricultural Technical and Vocational Training, Agricultural Technical and Vocational Training, Natural Resource Development and Protection, Rural Land Administration and Utilization Management, and EIAR Management and Administration. Subnational level expenditures, where the bulk of financing under the Program is focused, includes recurrent (both salary and operational costs) and capital expenditures at regional and woreda

agricultural offices, regional and woreda offices of Land Administration, and regional level spending on RARIs. Table 3.3 presents further details of the attribution of the expenditures shown in table 3.2 to GoE agencies and budget lines.

Table 3.2. Attribution of Program Expenditures

| ESIF Sub-Component | | | Total | Budget Codes | | | | |
|----------------------------|---|-----------|---------|----------------------|----------------|-----------|------------|---|
| # | Activity | Financing | FY20-24 | Federal/ Regional | Public Body | Prog . | Agenc y | Comments |
| | Results Area 1: Participatory Watershed Management | | | | | | | |
| 1.1, 1.2, 1.5 | Predominantly rangeland areas (Afar and Somali) | Excluded | 189.3 | Regional | 211 | | | BoAs expenditures in Afar and Somali Regions |
| 1.1, 1.2, 1.5 | Development partner financed | Excluded | 205.8 | Federal | 211 | | | Including for RLLP and AGP-II |
| 1.1, 1.2, 1.5 | ESPEs-financed | Excluded | 260.2 | Regional | 211 | | | 20% BoA recurrent expenditures |
| 3.2 | MoA Extension Dir. Capital (may include construction) | Excluded | 14.3 | Federal | 211 | 03 | 01 | MoA Extension Dir: 5% capital expenditures |
| 3.3 | EIAR and RARI Capital (may include construction) | Excluded | 29.1 | Federal/ Regional | 213/213 | 03/- | 01/- | EIAR and RARI capital expenditures |
| 1.1, 1.2, 1.5 | BoAs Capital (may include irrigation) | Excluded | 111.1 | Regional | 211 | | | BoAs: 30% capital expenditures |
| 1.1, 1.2, 1.5 | Watershed development and management | Recurrent | 632.2 | Regional | 211 | | | BoAs: 56% recurrent expenditures |
| | | Capital | - | Regional | 211 | | | - |
| | | SPG | 255.0 | SPG | - | - | - | SPG |
| 3.2 | Building extension service capacity | Recurrent | 0.4 | Federal | 211 | 02 | 04 | MoA Extension Dir: 50% recurrent expenditures |
| | | Capital | - | Federal | 211 | 03 | 01 | - |
| | | SPG | 12.5 | SPG | - | - | - | SPG |
| 3.3 | Building research capacity for SLM | Recurrent | 94.4 | Regional | 213 | | | RARI recurrent expenditures |
| | | Capital | - | Federal/ Regional | 213/213 | 03/- | 01/- | - |
| | | SPG | 12.5 | SPG | - | - | - | SPG |
| 3.1, 4.1, 4.2, 4.3 | Policy, institutional, regulatory environment | Recurrent | 62.2 | Federal/ Regional | 211 | 03/- | 02/- | MoA NRMD: 33% recurrent expenditures, plus BoAs: 4.67% recurrent expenditures |
| | | SPG | 12.5 | SPG | - | - | - | SPG |
| 5.1, 5.2, 5.3, 6.4 | Building the SLM knowledge base | Recurrent | 62.2 | Federal/ Regional | 211 | 03/- | 02/- | MoA NRMD: 33% recurrent expenditures, plus BoAs: 4.67% recurrent expenditures |
| | | SPG | 12.5 | SPG | - | - | - | SPG |
| 6.1, 6.2, 6.3 | Management, monitoring and reporting of ESIF | Recurrent | 62.2 | Federal/ Regional | 211 | 03/- | 02/- | MoA NRMD: 33% recurrent expenditures, plus BoAs: 4.67% recurrent expenditures |
| | | SPG | 12.5 | SPG | - | - | - | SPG |
| Sub-total | | | 2040.9 | | | | | |
| Sub-total after exclusions | | | 1231.1 | | | | | |
| | Results Area 2: Rural Land Administration | | | | | | | |
| 2.2-2.6 | Predominantly rangeland areas (Afar and Somali) | Excluded | 2.6 | Regional | 219 | | | BoLAUs expenditures in Afar and Somali |
| 2.2-2.6 | Development partner financed | Excluded | 13.4 | Federal | 211 | | | Including RLLP, REILA, LIFT |
| 2.2-2.6 | BoLAUs Capital (may include construction) | Excluded | 6.0 | Regional | 219 | | | BoLAUs: 20% capital expenditures |
| 3.2 | MoA Extension Dir. Capital (may include construction) | Excluded | 16.5 | Federal | 211 | 03 | 01 | MoA Extension Dir: 5% capital expenditures |
| 2.2-2.6 | Improving land tenure and administration | Recurrent | 208.8 | Regional | 219 | | | BoLAUs: 80% recurrent expenditures |
| | | Capital | - | Regional | 219 | | | - |
| | | SPG | 145.0 | SPG | - | - | - | SPG |
| 3.2 | Building extension service capacity | Recurrent | 0.5 | Federal | 211 | 02 | 04 | MoA Extension Dir: 50% recurrent expenditures |
| | | Capital | - | Federal | 211 | 03 | 01 | - |
| | | SPG | 12.5 | SPG | - | - | - | SPG |
| 3.1, 4.1, 4.2, 4.3 | Policy, institutional, regulatory environment | Recurrent | 26.4 | Federal/ Regional | 213/219 | 09/- | 01/- | MoA RLAUD: 50% recurrent expenditures, plus BoLAUs: 10% recurrent expenditures |
| | | SPG | 12.5 | SPG | - | - | - | SPG |
| 6.1, 6.2, 6.3 | Management, monitoring and reporting of ESIF | Recurrent | 26.4 | Federal/ Regional | 213/219 | 09/- | 01/- | MoA RLAUD: 50% recurrent expenditures, plus BoLAUs: 10% recurrent expenditures |
| | | SPG | 12.5 | SPG | - | - | - | SPG |
| Sub total | | | 483.0 | | | | | |
| Subtotal after exclusions | | | 444.6 | | | | | |
| | | | | | | | | |
| Total | | | 2523.9 | | | | | |
| Total after exclusions | | | 1675.7 | | | | | |

29. **Expenditure framework boundary definition:** The ESPES PforR expenditure framework currently captures all regional and woreda level recurrent expenditures on agriculture, although the results related to agriculture workers under ESPES do not require that level of expenditure. Noting the high importance of regional and woreda level recurrent expenditures on agriculture to the achievement of the CALM PforR objectives, 70 percent of these expenditures are related to results under the CALM PforR and will therefore be included in its expenditure framework; 20 percent of the same budget line are related to results under ESPES and therefore will be reported under the expenditure framework for ESPES. This allocation of expenditures reflects the realistic distribution of resources needed to achieve the different results under each of the two operations and will avoid any overlap between these two operations in terms of results, DLIs and expenditures. The ESPES expenditure framework will be modified accordingly and the next ESPES Implementation Status and Results report will also document this revision, and subsequent financial reports of both programs will report expenditures in accordance with the agreed shares of expenditures for each of the Programs. The Financing Agreement also includes a specific clause to exclude expenditures financed by ongoing operations.⁶⁷

A. Expenditure Governance and Spending Structure

30. **Expenditure on the Program is governed by the Intergovernmental Fiscal Transfer (IGFT) System, funded through an annual budgeting process.** This involves both bottom-up and top-down planning processes. In the top-down process, the federal government announces grants to the regional states annually and ensures that allocations are in accordance with the nationally agreed-upon equity formula. The regional governments in turn set the GPGs for woredas and the woreda councils subsequently make sectoral allocations of the grants received from their respective regional BoF. The woreda sector offices then distribute the allocations to sector programs. The bottom-up process, on the other hand, ensures that each of the woreda's sector offices engage communities in preparing their respective plans, at the same time ensuring that their allocations and program targets are aligned with national programs and goals. During the planning and consultation process, each woreda takes into consideration available block grant financing for the fiscal year which includes the budget ceiling provided by the woreda council and estimated in-kind transfers from the relevant sector ministry and other resources at the woreda level, including user fees. Around 80 percent of the block grants go to recurrent costs—mainly salaries and operational costs for government staff at regional and woreda levels.

31. **The FY2017/18 budget indicates that recurrent spending takes up around 76 percent of ESIF expenditures while the remaining 24 percent was spent on capital costs.** Moreover, the bulk of Program eligible expenditures are spent at subnational level. The total regional level spending on Program eligible expenditures is more than 90 percent, while the remaining expenditures (less than 10 percent) are spent at federal level.

32. **As an indication of the political commitment to sustain and improve on decentralized service delivery, the amounts of total block grant allocations are envisaged to increase over the medium term.** In line with this increase, allocations to federal and regional levels on Program expenditures are forecast to grow substantially over the ESIF-3 five-year period. For instance, between Ethiopian Fiscal Year (EFY) 2008 and EFY 2009, GoE expenditures included in the Program expenditure framework increased

⁶⁷ Schedule 2, Section IV A c. excludes “expenditures financed by Ongoing Operations.”

substantially in nominal Birr terms. Adjusting for annual Birr depreciation, these expenditures increased by 10 percent in dollar terms over the two-year period. Assuming at least a similar growth trend holds for the five-year ESIF-3 implementation period, GoE's Program expenditures are expected to total approximately US\$1.68 billion after exclusions over the five-year implementation period.

B. Financial Sustainability and Funding Predictability

33. **Predictability has been the cornerstone of the IGFTs.** Apart from small deviations in the Afar and Somali regions, the predictability of transfers to federal programs, regional states, and from regions to woredas is 100 percent. Similarly, over the past several years, budget execution for the IGFTs equaled if not exceeded budgeted amounts, demonstrating high-quality planning and follow-through on commitments.

34. **The operation is not expected to pose a risk to fiscal sustainability, with Program federal and GPG⁶⁸ expenditures reflecting allocations to the relevant budget lines over recent years, and fiscal policy remaining relatively prudent.** SPG⁶⁹ expenditures equivalent to the IDA financing for the Program are expected to cover the one-time investments necessary to establish WsUAs, prepare WMPs, issue SLLCs and install NRLAIS. With a fiscal deficit of 3.4 percent of GDP in FY17 and 3 percent in FY18, fiscal policy at the general government level continued to be relatively prudent. Official gross international reserves increased from US\$2.8 billion in June 2018 to about US\$4 billion in December 2018, with import coverage of gross official reserves improving from 2.1 to 2.4 months, based on the authorities' computations. Public debt moderated in the first quarter of FY19 declining from 57 percent of GDP in June 2018 to 54 percent. The Non-Concessional Borrowing Policy for FY19 is being observed with zero new non-concessional borrowing.⁷⁰ Following the deceleration in FY18, growth is projected to pick up to 8.8 percent in FY19, aided by recovery in industrial activities (including manufacturing) and continued strong performance of agriculture and services, stabilizing at around 8.9 percent over the medium term. Inflation is expected to continue its declining trend and reach single digit levels by the end of FY19. Given the current growth projections, combined with the continued political commitment to decentralized service delivery and a strong record of predictability in transfers to federal programs, regions and woredas, the country's fiscal position is not expected to pose a risk to the Program.

C. Effectiveness of the IGFT System in Fund Transfer

35. **The IGFTs are embedded in the constitution, which commits all levels of government to disburse allocations to planned programs by transferring through the existing administrative tiers.** The IGFT system has put in place accountability and supervision mechanisms using independent agencies at the federal and regional levels. The Office of the Federal Auditor General (OFAG) and the Offices of the Regional Auditor Generals (ORAGs) are a key part of the IGFT system that ensures the integrity of decentralized administrative bodies in performing their responsibilities. Consequently, the IGFT system is subject to strict fiduciary probity. Financial controls on salary payments, which constitute a majority of

⁶⁸ The GPG provides resources to subnational governments (federal to state and state to woreda) with the amount based on an approved formula, and are granted on an unconditional basis, leaving states and woredas to allocate these resources accordingly.

⁶⁹ An SPG is earmarked for particular activities and is disbursed subject to performance and entails reporting requirements.

⁷⁰ As was the practice in the past, placement of deposits at the NBE and borrowings by the Ethiopian Airlines are excluded from the Non-Concessional Borrowing Policy.

federal and regional level expenditure on the Program, are strict and difficult to bypass. In addition, the decentralized nature of this economic governance system helps ensure that woreda and kebele officials use funds to maintain and expand service delivery, including for ESIF objectives, as officials are held accountable to their constituents.

VII. Results Framework, Monitoring, and Evaluation

36. The Results Framework for the proposed operation is presented in annex 1 and constitutes a set of PDO-level indicators and Intermediate Results indicators. Arrangements for monitoring and reporting on achievement of these indicators will build on the existing M&E system set out in Subcomponent 6.3 of the ESIF. This subcomponent establishes an M&E system to enable those responsible for implementing the ESIF to monitor and evaluate the results and update the ESIF as needed in the light of experience gained from its implementation. The M&E systems utilized by NRMD and the RLAUD are detailed below.

A. Results, Monitoring and Evaluation for Watershed Management

37. The NRMD M&E system receives reports on a weekly, quarterly, biannual, and annual basis depending on type of financing, from the regional BoAs. In turn, the regional BoAs receive and compile reports from woreda or zonal agriculture offices. At the field level, data are generated by DAs, and provided to woreda agriculture offices. In addition to the reports generated through this system, NRMD conducts frequent supervision missions and assessment events. Assessment events chaired by the State Minister for Natural Resource Management are conducted every four months jointly with regional BoAs to review implementation progress by institution.

38. Initiatives are under way in MoA to upgrade M&E systems, in particular to support development partner project financing for PSNP and SLM. Both project coordination units are working closely with MoA's Planning and Programming Directorate to modernize M&E systems and operationalize a MIS compatible with the larger MoA. Recognizing that existing M&E systems need to be strengthened to support the monitoring and reporting required for the Program, MoA intends to use a portion of Program support channelled through the SPG to strengthen monitoring and reporting systems from kebele to federal level. The M&E system under ESIF-3 will be upgraded as part of this initiative to establish a system that is (a) fully compatible with the MoA MIS; (b) provides timely and accurate reporting on ESIF-3 indicators; (c) is responsive to the needs and capacities of stakeholders at different levels; and (d) where appropriate, leverage improved technologies (for example, tablets, smartphones, SMS and web-based reporting) to improve the accuracy and quality of information while reducing the burden of reporting. In particular, the ESIF-3 M&E system upgrade for watershed management will focus on the following:

- **Review and correction.** Currently there is no mechanism to identify incorrect or false reports;
- **Evaluation.** Implementation takes place in the absence of a well-designed strategy to evaluate program outcomes (both biophysical and socio-economic);
- **Roles and responsibilities.** There is a lack of clarity on the roles and responsibilities at different levels of reporting, and a lack of understanding on how to use this information (for

example through analysis and targeted feedback to improve performance and address problem areas);

- **Consolidated database.** The lack of a consistent, harmonized M&E database limits the capacity of NRMD to query the M&E information for both regular and ad-hoc reporting.

B. Results, Monitoring and Evaluation for Land Administration

39. **As the NRLAIS has not yet been rolled out, the M&E system employed by RLAUD currently focuses on the processes involved in issuing SLLCs.** Further, since the majority of SLLCs issued to date have been delivered through development partner-financed projects, the M&E systems are predominantly project-based. Strengthening of the RLAUD M&E system to track both SLLCs, and NRLAIS rollout, in a harmonized manner across development partner-financed projects and the mainstream government program will draw on the report “Draft Development of MIS, Performance of MIS, Performance Monitoring Report and Resource Planning” prepared for RLAUD to support the SLLC process.⁷¹ Noting that the reporting hierarchy cascades upwards from kebele to woreda through zone to region, and finally RLAUD, the report recommends strengthening the M&E function at the zonal level in particular, as zonal offices are sufficiently close to woreda offices to conduct effective monitoring, with sufficient capacity to consolidate results for reporting to regional offices.

VIII. Economic Analysis

40. **The economic and financial analysis (EFA) is included as Attachment 3 to the Technical Assessment.** Its key points are summarized below.

41. **Program intervention.** Without the Program intervention, beneficiaries will continue to struggle to establish or maintain their livelihoods. Continued soil erosion, water insecurity and land insecurity leads to land degradation with direct losses to those that rely on local natural resources for food, livelihood and energy needs. With the IDA investment in the Program, future SLM will be built on strong institutions, participatory management, and secure tenure rights.

42. **Program costs.** After the 5-year Program costs of US\$1.7 billion including US\$500 million from IDA, based on the ESIF-3 update the analysis assumes that the GoE extends its Program into the future. In total, 10,000 microwatershed plans are assumed to be implemented over a 10-year period covering 5 million ha. Program costs estimated for a 30-year period amounts to US\$9.4 billion including US\$729 million for community labor (an average of 14 million person days per year).

43. **Economic analysis.** To assess the ex ante efficiency of the Program investment, a 30-year cost benefit model is used. Annual cost and benefit flows are estimated as the difference between without program and with program net benefits for direct beneficiaries. In the 30-year net benefit analysis using a 5 percent discount rate, the Program yields an ENPV of US\$12.3 billion, with a benefit cost ratio of 2.7 and an economic IRR of 35 percent.⁷² Most of the Program benefits are captured on non-cropland (53 percent), through reduced GHG emissions (19 percent), and cropland (15 percent), with the remaining

⁷¹ ORGUT Consulting AB 2018.

⁷² The payback period is 7 years. In economic terms the net present value (NPV) is US\$410 million per year over 30 years.

benefits captured through improved livestock production (6.5 percent) and avoided soil erosion (6.5 percent).

44. **Economic analysis excluding GHG emissions.** When excluding the social value of reduced GHG emissions (sometimes referred to as the social value of carbon), the Program yields an economic IRR of 27 percent.⁷³

45. **Financial analysis.** The financial IRR of 26 percent exceeds the 12 percent average cost of capital.⁷⁴

46. **Increased resilience.** The financial analysis shows that estimated farm-level gross margins can increase by on average US\$60 annually per person (including the value of production used for home consumption), which is 54 percent of the national food poverty line.⁷⁵ This is a direct measure of increased resilience in the Program area.

47. **Informing the risk management plan.** With the incremental net benefits estimated in this analysis and the additional potential net benefits that could not be quantified, the Program investment is expected to yield considerable returns when accompanied by a strong risk management plan. As part of the risk management plan, the focus needs to be on ensuring that the main decision makers (farmers, other land/resource users, and local institutions) receive the necessary technical advice, land tenure security, and institutional support so that they are able and can afford to make long-term decisions. To avoid increased costs due to Program delays and prolonged implementation periods, close monitoring is necessary so as not to lose momentum after the Program is complete. Considerations should be made for the equitable inclusion of all beneficiaries in the WsUAs including vulnerable groups such as landless, youth, elderly, and female-headed households. For example, landless people may suffer from conservation interventions that include restricted access and use of communal lands. Also, restriction on livestock grazing in some areas may lead to increased erosion in other areas unless cut-and-carry systems, stocking rates and grazing rotation are incorporated in WMPs.

48. **Rationale for public provision and financing.** There is a strong rationale for public intervention as proposed by the Program because it supplies public goods, internalizes externalities, and corrects market failures. The current costs of land degradation justify targeted public investments to ensure that farmers, smallholders and other private sector entities are able to adopt SLM practices for long-term benefits. In addition to the direct effect on poverty reduction of the expected increase in farm-level gross margins indicated above, by building resilience to climate change the Program will reduce the risk to households of falling back into poverty as a result of climate-related shocks, and will contribute to economic stability by reducing the impact of extreme weather events, including both droughts and flooding.

IX. Technical Risk Rating

49. **Institutional capacity for implementation and sustainability risk is rated Substantial**, due to a number of issues including: (a) while a number of PforR operations are under implementation in Ethiopia, the approach is new to MoA; (b) the CWMU and RLAU Proclamations represent significant revisions to the regulatory framework, requiring adjustments to approach and capacity at all levels of government for

⁷³ Excluding reduced GHG emissions, the net present economic Program value is US\$8.7 billion (US\$285 million per year).

⁷⁴ In financial terms the NPV is US\$2.3 billion (US\$75 million per year).

⁷⁵ The national food poverty line is US\$112/person/year in 2020 terms.

participatory watershed management and rural land administration; and (c) the challenge of implementing a reliable and cost-effective M&E system. Technical risks will be mitigated through (a) close support from the World Bank team for management and monitoring of the Program; (b) preparation by the MoA of an annual work plan and budget for the SPG to support all levels of government in achieving Program objectives and adopting effective M&E systems; and (c) coordination between development partners, particularly for the provision of TA, through the RED&FS platform of the Ministry of Agriculture and Livestock Resource, and its Technical Committee on SLM.

50. **Following 10 years of implementing the first two phases of ESIF, capacity exists at regional and woreda level to organize community labor for SLM interventions.** Part of the transformation that the Program is supporting through the third phase of ESIF, however, is the establishment of legally constituted WsUAs allowing local communities to take a leading role in the preparation of WMPs, and to participate fully in the development of annual work plans for their implementation. This change in approach will require a shift in the role and capacity of officials charged with natural resource management responsibilities at the woreda and kebele levels, to focus more on building local community ownership of the targets and initiatives agreed in the WMPs.

51. **Project-based support for SLM during the first two phases of ESIF, including under the Bank-financed SLMP-I and SLMP-II IPF operations,** has led to the development of considerable knowledge and expertise regarding the design and implementation of effective interventions to prevent and reverse land degradation. This project-based expertise has not always been reflected in the SLM interventions undertaken in non-project woredas particularly where achievement of annual activity targets imposed in a top-down manner has often been more of a priority. Achievement of the Program's goals will require the transfer of skills and capacity at kebele and woreda level to ensure that the design and implementation of the WMPs is participatory in manner, to ensure local ownership, and to ensure that activities in all watersheds are of sufficient quality to effectively prevent and reverse land degradation.

52. **Risks are associated with both result areas.** Results Area 1 (participatory watershed management) risks are the consequence of the limited quality of existing local government functions. Those associated with Results Area 2 (rural land administration) are related to the introduction of new functions, in the form of providing SLLCs and operating NRLAIS. In particular, there are substantial technical and institutional risks associated with the rollout and early implementation of NRLAIS in a context of limited technical and institutional capacity. Effective performance of these functions will depend critically on the availability of suitably trained staff and adequate facilities, particularly at the woreda level.

53. **The need to monitor results at the kebele and woreda levels, and to efficiently consolidate and report these results up through zonal and regional administrations to the federal level is common to both result areas.** While significant experience has been developed with such M&E systems through project-based support for SLM, implementation of the Program will require the application of this experience to provide reliable monitoring and reporting of results on a significantly larger scale.

X. Inputs to Program Action Plan

54. **A PAP, presented in annex 6, has been developed identifying key actions required to mitigate each of the technical risks identified above.** To help address the risks that WsUAs will either not be formed, or will not function effectively, and that poorly prepared WMPs will not be effective in preventing

and reversing land degradation, NRMD will (a) prepare a guideline for WsUA formation and functioning, (b) update the CBPWD guidelines, and (c) reach agreements with ATVETCs for the provision of training on an ongoing basis to relevant kebele and woreda officials for the application of these guidelines.

55. **A lack of adequately trained staff and facilities may hamper the provision of SLLCs and the operationalization of NRLAIS.** To address this, RLAUD will (a) reach agreements with regional BLAUs on staffing and facilities, setting conditions for RLAUD support for SLLCs and NRLAIS rollout and (b) reach agreements with ATVETCs for the provision of training on an ongoing basis to relevant kebele and woreda officials for the implementation of RLAS and operation of NRLAIS. To address the risk that inadequate systems for M&E will fail to provide reliable data against which to measure the achievement of the disbursement-linked results, both NRMD and RLAUD will upgrade their M&E systems to facilitate the collection of necessary data at kebele and woreda level, and the consolidation and reporting of this information up through zonal and regional bureaus to the federal level.

ANNEX 4. (SUMMARY) FIDUCIARY SYSTEMS ASSESSMENT

COUNTRY : Ethiopia

ETHIOPIA: CLIMATE RESILIENT LANDSCAPE MANAGEMENT PROGRAM FOR RESULTS

1. As per the World Bank Policy and Directive for Program-for-Results Financing (PforR) and the PforR FSA Guidance Note, the fiduciary team assessed whether the Program's fiduciary systems provide reasonable assurance that financing proceeds will be used for the intended purposes, with due attention to the principles of economy, efficiency, effectiveness, transparency, and accountability.
2. Overall, the fiduciary assessment for this operation concludes that the examined Program financial management and procurement systems are adequate to provide reasonable assurance that the financing proceeds will be used for intended purposes, with due attention to principles of economy, efficiency, effectiveness, transparency and accountability, and for safeguarding Program assets once the proposed mitigation measures have been implemented. Appropriate systems to handle the risks of fraud and corruption, including effective complaint handling mechanisms, have been agreed on and established.
3. The overall fiduciary risk for the program is assessed to be 'Substantial'. The key identified risks with the mitigation measures are discussed below:
 - **Financial management.** (a) inadequate operating budget for the agriculture sector, which affects the monitoring and supervision functions of the offices; (b) challenges in IBEX connectivity and access problems to different units resulting in delay of reporting; (c) weakness in monitoring of advances, which results in audit qualifications; (d) delay in the external audits of some of the implementing entities and delay in taking timely action which results in adverse and disclaimer opinions on the financial statements; and (e) weak property management and internal audit leading to weak internal controls as reflected repeatedly in audit reports. The mitigating measures are preparation of appropriate annual work plans and budgets for the earmarked budget of the agriculture sector providing implementing entities with the resources to carry out the Program; providing access to relevant units such as internal audit and budget to the IBEX system; establishing mechanisms of monitoring advances and taking action on uncollectable balances; agreeing on a timetable for implementing entities to be up-to-date with their external audits and monitoring audit report findings; and strengthening the internal control weaknesses through internal and external audit reviews and recommendations.
 - **Procurement.** (a) the regulatory bodies both at federal and regional level lack adequate capacity to deliver their oversight responsibilities; (b) inefficiency in the procurement processing and decision-making process; (c) lack of independence in the procurement complaint handling system and inaccessibility for bidders at local level; (d) gaps in procurement planning, bidding document preparation, evaluation, contract award, and contract management at all levels; (e) procurement of sector-specific requirements is carried out inconsistently and in some regions by actors that do not have procurement structure and capacity; (f) inadequate assessment of procurement system by independent bodies to inform gaps and guide future system strengthening initiatives; (g) procurement

experts lack sufficient skill in procurement cycle and contract management. To address these risks, proposed mitigating measures include: revision of the pool manual by December 2020 that would adequately cover how to handle sector specific procurements and rollout to woredas; updating the simplified procurement directive and rollout to regions and woredas; implementing procurement key performance indicators (KPIs) in the MoA and EIAR and reporting on procurement performance periodically; carry out procurement audit in all implementing agencies of the Program including at least 20 percent of the woredas in the targeted regions annually; establishment of an Independent Procurement Appeal Body in subnational states and woredas where it does not yet exist; implementing the Methodology for Assessing Procurement System.

- **Fraud and corruption.** (a) lack of staffing of Ethics and Anticorruption Officers in some woredas; (b) weaknesses in recording and reporting as well as knowledge/skill gaps; and (c) gaps in information sharing, transparency and people's participation. To address fraud and corruption and the complaint handling risk, the CALM Program will be aligned with the ACG as well as the National Complaint Handling Proclamation. The MoU signed between the Bank's Integrity Vice Presidency (INT) with the FEACC on October 3, 2011, provides the framework for cooperation and sharing of information on fraud and corruption allegations, investigations and actions taken on the Program, including on procurement. The MoU will provide the Bank and INT with the basis for expanding the existing working relationship to cover future cooperation in investigation under the Program when needed, and to ensure that the GoE and the FEACC can implement their commitments under the ACG. FEACC will accomplish the tasks in cooperation with the Federal Office of the Attorney General, REACCs, and others concerned. The National Complaint Handling Proclamations and the institutional level operational guidelines clearly define the procedures to follow under corruption offences as well as for administrative complaints. The ACG will also be applied related to the Program.

4. **Procurement exclusions.** A detailed review of the program components shows that the program envisages procurement of various Goods and Services at Federal, Regional and Woreda level. The aggregate volume of the procurement activities is estimated to cost US\$58.2 million which covers less than 3 percent of the total program cost. Based on the available information, the estimated size of the largest single contract is not more than US\$4.3 million which is related to procurement of 650 motor cycles. In view of this, the team does not expect any high value contract that falls under the OPRC threshold that should be excluded from the program or does not propose to seek an exception.

5. **Expenditure framework.** The program expenditure framework for this program is financed through two modalities: (a) regular allocation to the agriculture sector which finances the recurrent costs of the sector (federal program budget and GPG) and (b) the earmarked budget to the sector which finances additional recurrent and capital investments of the program (SPG). Based on the scope and the expenditure framework of the program, the FSA of the program was carried out on federal, regional and local government entities that will implement the program consistent with World Bank policy and directive for PforR.

6. **Review of PFM cycle.** In Ethiopia, PFM and procurement are governed by the finance administration proclamations and the procurement and property administration proclamations

respectively issued by the federal and respective regional states. In addition, secondary manuals and supporting procurement and supporting documents were issued that includes Directives, Manuals and standard bidding documents at both levels.

- **PEFA.** The 2018 PEFA assessment for Ethiopia is expected to be cleared by government in July 2019. The latest finalized report is the 2014 PEFA report which highlighted notable improvements in areas such as expenditure deviation, revenue forecasting, arrears management, internal control system and federal level audit coverage. The areas the government needs to work on to improve its PFM system were include: legislative scrutiny of audit reports; oversight of fiscal risk from public sector entities; public access to key fiscal information; effectiveness in collection of tax payments; predictability of funds for commitments, and quality of in-year budget execution reports; the extent of unreported government operations; comprehensiveness of information included in budget documents and availability of information received by service delivery units. Several of these issues are being addressed through various interventions including the expenditure management and control program of the government.
- **Continuous audits and woreda PFM benchmarking.** the various audits and PFM benchmarking conducted by the government provide information on the main weaknesses of the financial management system at the regional and local government level. The key weaknesses noted during the review of woreda-level financial management systems are in the areas of cash management, receivables and payables, property management, and expenditures. MoF is following up proactively on the implementation of action plans sent to the regions to correct these weaknesses. Furthermore, the benchmarking exercise assists the government in targeting its PFM reform of local governments. However, the persistence of these problems from one year to the next suggests that this follow up is not yet sufficient.
- **Procurement reforms.** The public procurement system in Ethiopia has undergone many years of reform and capacity strengthening endeavors. Over the years the public procurement reform agenda has progressed from establishing the basics in public procurement to aspects that improve efficiency, transparency and value for money in procurement operations. However, the progress made in improving the public procurement system, the remaining gaps and future directions, have not been independently assessed and documented. Most importantly, the opportunity for aspects of sustainable procurement practices at national level and in the agriculture sector in particular, that is directly related to the long-term objective of the program, has not been explored and integrated in the reform process.
- **Governance reforms.** In recognition of the threat of fraud and corruption, the Government established the FEACC in May 2001 (Proclamation No. 433/2005), with the mandate to carry out both preventive and curative approaches for combating corruption in any public office or enterprise. Starting in 2007, all regional states proclaimed and established their respective REACCs. Since 2016, the mandate of the FEACC has been revised and limited to prevention activities while the prosecution and investigation practices were transferred to the Office of the Federal Attorney General (Proclamation No.943/2016) and federal police. The Proclamation also mandated FEACC to coordinate anticorruption efforts across regions,

sectors and prepare a countrywide report. Fraud and corruption prevention and control has also been strengthened by the issuance of regulations that determined the structure for the placement of ethics liaison officers, extending the Commissions' reach to cover public institutions at federal, regional, zone and woreda levels, including in the Program implementing institutions. A system is in place for handling complaints regarding mal-administration and poor service delivery, which is supported by regulations issued at regional level. The public grievance handling mechanism has been organized under the respective regional presidents, zone, and woreda administrators. In addition, the regional states have enacted a regulation for the establishment of a RLAU system, with a rural land legal support and appeals follow-up structure through which land related cases or complaints are investigated prior to submission to the judicial system. Conversely, if the case was submitted to the judiciary prior to the consent of the land administration system, the judiciary will send the case back to the unit for investigation and recommendation.

I. Planning and Budgeting

7. **Adequacy of budgets.** Both at federal and regional levels, plans and budgets are prepared based on the respective financial administration proclamations, directives and manuals of the government. The budget calendar is adhered to, with the budget for the year approved in a timely manner by parliament, and region and woreda councils. Budgetary institutions were notified in a timely manner of the approved budget, except for the Southern Nations, Nationalities, and Peoples' Region (SNNPR) which was delayed by a month. At all visited entities, the budget control at transaction and reporting levels as well as utilization of funds was found to be satisfactory. In general, the budget performance showed that the annual budget is realistic, prepared with due regard to government policy, and implemented in an orderly and predictable manner. However, inadequate operational budget allocation was noted at woreda level which has impacts on results, in particular as the monitoring activities are not well performed by DAs. The risk mitigating measure proposed is for the government to earmark the budget allocated to implementing entities to avoid risks of non-delivery for the required results. This Program will be on budget at federal and regional levels through the GPG and SPGs. Through the SPG, the government aims to ensure that all implementing entities, at federal, regional and woreda levels, receive resources for implementation of the Program as per the annual work plan and budget.

8. **Procurement planning.** The assessment noted that all of the visited implementing agencies prepare procurement plans based on the procurement plan template provided in the relevant Procurement Directive or Manual. The procurement units in the implementing agencies prepare procurement plans based on users requests as approved by the relevant official and supported by budget. The approved procurement plan is shared with the federal public procurement agency and regional procurement regulatory bodies, as appropriate, but there is no practice of publishing approved procurement plans both at federal and regional level. The assessment revealed gaps between the actual implementation and plans, particularly with regard to timelines and cost due to inadequate preparation, lack of collaboration with the relevant stakeholders and inadequate market assessment, as well as the limited practice of updating procurement plans to respond to changes in the market, requirement, timeframe, and costs. For Program implementation, the gaps shall be addressed through training and skill development during the proposed annual fiduciary training sessions.

9. **Procurement profile of the Program.** The assessment revealed that, in the last two years, on average close to 60 percent of the total expenditure in the visited implementing agencies was spent through procurement. The share of procurement expenditure from the total expenditure is much higher in the federal implementing agencies as compared to regional or local expenditure (details provided in the full FSA). The Program envisages procurement of various goods and services at federal, regional and woreda level. The procurement activities at the federal level will include equipment, vehicles, IT equipment and materials. The total size of the procurement activities is estimated to cost US\$58.2 million (less than 3 percent of the entire program cost) of which procurement of goods and non-consulting services is about US\$28.2 million (about 49 percent), and recruitment and deployment of staff at different levels is expected to cost US\$27.5 million.

II. Budget Execution

10. **Treasury management and fund flow.** The FSA noted that implementing entities receive monthly funds in a timely manner. Treasury funds are available in an orderly and predictable manner. Disbursement of Program funds will be made only upon achievement of the DLIs. The IDA funds of the Program will be channeled to MoF from IDA. The government has confirmed that the funds will be deposited into a designated account to be opened by the MoF for this Program at the National Bank of Ethiopia and managed by COPCD. Further disbursement to the implementing agencies will be made from this account through an account to be opened and maintained at the MoF. All implementing entities will receive resources based on the approved annual work plan and budget of the Program. Upon achievement of the DLIs, MoA through MoF will inform the World Bank and provide evidence as per the verification protocols, as justification that results have been met. In case of a scalable DLI, the task team will determine the amount to be disbursed based on the Program's progress report and DLI verification protocol, and the Borrower will be notified of the amount to be disbursed against progress achieved toward the results of the scalable DLI. Details of the key disbursement issues are spelled out in the Disbursement and Financial Information Letter. It is important to note that although PforR operations do not link disbursements to individual expenditure transactions, the aggregate disbursements under such operations should not exceed the total expenditures by the Borrower under the Program over its implementation period.

11. **Accounting and financial reporting.** All visited entities use the government accounting system, which is a double entry and modified cash basis of accounting. The financial administration proclamations, directives, and accounting manuals issued by federal as well as by region governments are available. All use the IBEX system to record transactions and produce reports. In some regions, IBEX has started operating in online mode. While this is an improvement, connectivity remains a problem, especially at woredas due to the slow internet connection which has an impact on recording transactions and producing reports in a timely manner. Furthermore, at some entities, budget and internal audit sections do not have access to the IBEX server which loosens the internal control. The support of regional BoFs is required to connect these sections with the server. Providing the budget and internal audit units access to IBEX will facilitate the segregation of duty and strengthen the internal control process. In the long run, part of the proposed mitigating measures is to resolve the connectivity issue of the woredas, which cannot be addressed by this project alone.

12. For the program, MoF will submit quarterly consolidated Financial Reports prepared based on actual expenditures for the program within 90 days of the end of the quarter. The format will incorporate reporting on the expenditure framework involving all institutions for both the GPG and SPG. As the

recurrent costs of the agriculture sector at the regional and woreda level are also included in the IDA-funded ESPES program, it has been agreed that 70 percent of the recurrent cost will be allocated to the Program whereas 20 percent will remain with ESPES. This arrangement will be documented in an Implementation Status and Results Report for the ESPES program based on the guidance obtained from OPCS. MoF has responsibility for sharing the expenditure between these two programs semiannually and report to the World Bank. Overall MoF will be responsible for the preparation of the Program financial statement.

III. Procurement Processes and Rules

13. **Governing rules and documents.** At the federal level, procurement is governed by the Procurement and Property Administration Proclamation (No. 649/2009) and the procurement Directive issued June 2010 and amended in December 2015. The proclamation, inter alia, stipulates the procurement organization at the federal level, the key procurement principles and operational procedures as well as complaint handling system. The subnational states have issued their own procurement Proclamations and Directives that were drafted in accordance with the federal procurement proclamation with minor differences to address regional specificity and contexts. In addition to the primary legal documents, procurement implementation at the federal and subnational level is supported by Manuals, Standard Bidding Documents and Templates that provide step by step procedures and guidance for procurement experts and decision makers.

14. **Procurement organization.** Public bodies at the federal and regional level are delegated to carry out their own procurement activities. The procurement role is generally shared among the procurement team, bid endorsing committee and the head of the public body. However, specific procurement organizations among subnational states show slight differences in structure and capacity. Procurement at the woreda level is centralized in the Woreda Finance and Economic Development Office which is responsible for consolidating requirements of the sector offices and processing procurement in accordance with the pool manual, that originated from MoF and was adopted by each region. However, the assessment noted that there is inconsistency in the implementation of the pool manual. In addition, while the pool manual allows sector offices to procure their own sector specific procurements out of the pool system on an exception basis, it is silent regarding the required procurement capacity that they need to establish. As a result, sector offices such as the agriculture office in Amhara Region, and project committee in Oromia, carry out procurement of inputs and projects required by sectors with inadequate procurement capacity, structure and staff.

15. **Bid invitation.** The procurement rules (federal and subnational states) require bidding opportunities to be advertised openly in a media that has wider coverage. Based on the review of sample procurement documents, it was observed that, when procuring through open bidding (national or international), all implementing agencies advertise bids on Addis Zemen Newspaper or Ethiopian Herald which have national coverage. The bid advertisement is normally prepared in accordance with the template provided in the procurement manuals (federal and subnational states) and provide adequate information for potential bidders on the procurement under consideration.

16. **Bidding documents.** The federal and subnational governments issued standard bidding documents applicable for the procurement of goods, works, consultancy and non-consultancy services under competitive procedures (National Competitive Biddings or International Competitive Biddings, or

consultants shortlisted from the international market). The standard bidding documents include all the required sections of bidding documents; Instructions to Bidders, Bid Data Sheet, Technical and Financial Schedules, General and Special Condition of Contract and different forms. Use of the standard bidding documents is mandatory for procurement financed by GoE, including procurement under this PforR Program. However, the application of the standard bidding documents has not been consistent. At the woreda level, bidding documents contain only an abridged form of Instructions to Bidders (not more than a page) and specifications and omits most of the key sections of the bidding documents such as evaluation criteria, and conditions of contract. The assessment highlighted that these inconsistencies and incompleteness could be addressed by implementing the simplified procurement directive that has been prepared but not yet rolled out. It was agreed that the roll-out should be completed by December 31, 2020 (see annex 6 - PAP, action F1).

17. **Procurement methods.** The federal and subnational states procurement rules allow use of six procurement methods namely: Open Bidding, Request for Proposal, Two Stage Tendering, Restricted Competition, Request for Quotation and Direct Procurement. Open Bidding (national and international as determined based on the threshold), is identified as the default procurement method in all the procurement rules applicable at the federal or subnational level. Besides, the respective procurement rules provide clear conditions for use of other methods including applicable thresholds as determined by each subnational state. The assessment noted that procurement is largely carried out through open competition and the share of procurement through less competitive methods is not significant.

18. **Evaluation.** The Government procurement procedure (federal and subnational states) requires public bodies to carry out bid evaluation in accordance with the evaluation criteria stated in the bidding document. The assessment noted that there is a good practice in applying evaluation and post-qualification criteria as provided in bidding documents. In some cases, the evaluation criteria and procedures were found to be irrelevant and inappropriate for the procurement at hand. In addition, evaluations in some cases lack sound judgment and determination of materiality. As a result, there is a tendency to reject competitive bids for minor nonconformities and deviations.

19. **Award decision.** The procurement unit in public bodies assumes the responsibility for coordinating and leading bid evaluations including facilitating the establishment of technical evaluation committees (as required) while bid endorsing committees review and approve evaluation reports. The bid endorsing committee members deliver procurement services on top of the core work responsibilities they have in their organizations. Thus, because of their competing responsibilities and the tendency to avert risks, reaching a procurement decision is difficult and prolonged. At woreda level, no standard template is used or applied to support the preparation of bid evaluations and hence, there is inconsistency and lack of completeness in the information provided in the evaluation reports.

20. **Record keeping.** The Government's procurement procedures require procuring entities to maintain a complete set of procurement documents at least for 10 years. In view of the importance of procurement files, a guidance note on record keeping and documentation is provided as part of the procurement manual. However, easy access to complete procurement records is a recurrent challenge in almost in all agencies.

21. **Procurement complaint handling.** At the federal level and in most of the visited regions, procurement complaint management follows a three-tier structure; at the level of public bodies, the

Complaint Handling Board, and the courts. In addition to the structural arrangement, the government procedure provides for a “standstill period” that halts the procurement process to allow aggrieved bidders to lodge complaints. However, in Oromia and Amhara Regions, procurement complaints are handled solely by the public body and the BoF, and there is no established independent procurement complaint appeal body. At woreda level, the revised pool manual issued by MoF, requires woreda councils to establish an Independent Procurement Complaint appeal body to review and resolve complaints that could not be resolved at the Woreda Office of Finance level. However, implementation is not uniform in all of the visited regions. In some regions (Oromia, Tigray, and SNNPR), complaints of aggrieved bidders, beyond the Woreda Office of Finance head, can only be entertained by the complaint handling structure established at regional level, which is restrictive for local-level bidders.

IV. Contract Management

22. **Procedures.** Public Procurement Directives of the federal and regional governments provide reasonably adequate guidance on basic contract administration procedures. The directives elaborate upon the activities that should be carried out by the public body to ensure contract effectiveness, follow-up and contract closure. In addition, the GoE’s standard bidding documents contain sections on General Conditions of Contract and Special Conditions of Contract with provisions adopted from the World Bank’s standard bidding documents. However, contracts are prepared in an abridged form without containing the essential provisions that clarify the responsibilities between the contracting parties (supplier and public body).

23. **Capacity.** The assessment reviewed contract management capacity at the federal, subnational and local level and noted that not all the visited public bodies have adequate contract management structure and capacity. There are no dedicated contract management units in any of the visited implementing agencies. Instead, contract management responsibility rests with the procurement unit and is carried out in collaboration with the requesting work unit except for procurement of works contracts that is entirely managed by the requesting work unit. At woreda level, the revised pool manual prescribes for a contract administration position in the procurement unit which has been adopted in some regions. Given that procurement volume and size of contracts under the Program are not expected to be large, the procurement team in the implementing agencies can adequately manage contracts generated under the program. The procurement indicators which will be used to report procurement performance annually include indicators on contract management. This provides an opportunity to review performance in contract management and address gaps, if any.

V. Internal Controls

24. **Internal control and audit.** The internal control procedures related to salary and non-salary expenditure are incorporated in the financial administration regulation, directives and manuals both at federal and regional level. The control procedures are comprehensive and sound but challenges remain in the areas of payroll control, which is not automated, asset management which is missing information and reconciliation, and long outstanding advances and payable amounts at almost all implementing entities. At federal level, internal auditors are accountable to MoF which has increased their independence. All implementing entities have internal audit units although coverage of audit varies from entity to entity. Most internal audit units have not conducted audits other than observing cash counts. This is mainly due to weak capacity in terms of number and experience. At visited entities where internal

audit coverage was found to be satisfactory, reports were produced and submitted to the bureau or woreda finance office heads. However, internal audit findings are responded to in a timely manner only at some of the visited entities. Reforms to enhance the effective internal audit function at country level is required. Some of the risks identified are inherent and can only be resolved through a wider PFM reform for the country, however at the sectoral level, given the existing legal frameworks, directives and manuals, each implementing entity should keep proper records of its property, establish mechanisms to properly follow up on receivable and payable balances, and the internal audit units should include this in their work program to review and support the implementation.

25. **Governance and anticorruption.** Established in 2001, the mandate of the FEACC has been revised and limited since 2016 to prevention activities, while the prosecution and investigation practices were transferred to the Office of the Federal Attorney General (Proclamation No.943/2016) and federal police. The proclamation also mandated FEACC to coordinate anticorruption efforts across regions, sectors and is preparing a countrywide report. Fraud and corruption prevention and control has also been strengthened by the issuance of regulations that determined the structure for the placement of ethics liaison officers, extending the Commissions' reach to cover public institutions at federal, regional, zone and woreda levels, including in the Program implementing institutions. A system is in place for handling complaints regarding mal-administration and poor service delivery, which is supported by regulations issued at regional level. The public grievance handling mechanism has been organized under the respective regional presidents, zone, and woreda administrators. In addition, the regional states have enacted a regulation for the establishment of a RLAU system, with a rural land legal support and appeals follow-up structure through which land-related cases or complaints are investigated prior to submission to the judicial system. Conversely, if the case was submitted to the judiciary prior to the consent of the land administration system, the judiciary will send the case back to the unit for investigation and recommendation. The fraud and corruption prevention, control, and complaint handling system has limitations that influence effective functioning in the areas of (a) tracking, mapping, and reporting fraud and corruption; (b) staffing and training of ethics and anticorruption officers in some woredas; and (c) recording and reporting, information sharing, transparency, and public participation.

26. To address fraud and corruption, and the complaint handling risk, the Program will be aligned with the ACG as well as the National Complaint Handling Proclamation. The MoU signed between the Bank's Integrity Vice Presidency (INT) with the FEACC on October 3, 2011, provides the framework for cooperation and sharing of information on fraud and corruption allegations, investigations and actions taken on the Program, including on procurement. The MoU will provide the Bank and INT with the basis for expanding the existing working relationship to cover future cooperation in investigations under the Program when needed, and to help ensure that the GoE and the FEACC can implement their commitments under the ACG. FEACC will accomplish the tasks in cooperation with the Federal Office of the Attorney General, REACCs and others concerned. The national complaint handling proclamations and the institutional level operational guidelines clearly define the procedures to follow under corruption offences as well as for administrative complaints. The ACG will also be applied in relation to the Program. Accordingly, information on fraud and corruption, and complaints regarding the Program will be collected at the woreda and regional levels and shared with the FEACC which will in turn share with the Bank.

VI. Auditing

27. **Financial audit.** The OFAG is responsible for the financial and performance audit of the federal budgetary institutions, while the ORAGs operating in nine regions and two City Administrations are responsible for regional bureaus and woreda finances. OFAG and ORAGs have been established under proclamations which give them legal and operational independence. Both submit and present their reports to Parliament and regional councils. OFAG has reached 100 percent coverage and as a result each budgetary institution at the federal level is subject to an annual audit. As most of the ORAGs have not yet reached full coverage, each regional bureau and woreda finance may not be audited annually. All visited entities were subject to an annual financial audit. The latest report issued varied from entity to entity. A concern is the two-year audit backlog at the EIAR which should be cleared by June 30, 2020. Most implementing entities had qualified audit opinions which mostly relate to findings of long outstanding advances. The detail is discussed in the FSA. The proposed mitigating measures for the risks are included in the PAP.

28. For the CALM Program, MoF will be responsible for having the financial statements audited annually and submitting the audit report. The recurrent costs of the program which are financed through the GPG of the government are already being audited by the OFAG through continuous and annual audit under the ESPES program. As such, the audit will also be used for the GPG-financed part of the CALM. The SPG along with the recurrent expenditures of the MoA allocated by the government and included in the expenditure framework will be audited separately by OFAG or an auditor to be assigned by it. Should the ESPES program close before the CALM, then the OFAG or an audit firm to be assigned by it will continue to audit the GPG and submit the report to the World Bank for the remaining period. Annual audited financial statements (for both the GPG and SPG) for this program will be submitted to the World Bank within six months of the end of the government fiscal year. The World Bank in accordance with the Access to Information Policy will request public disclosure of audit reports.

29. **Procurement audit.** The procurement regulatory bodies carry out procurement audits on a regular basis for each of the visited subnational states and federal Public Procurement Agency. Except in Benshangul Gumuz subnational state that has been experiencing a declining trend, audit coverage has shown an increasing trend over the last three years with an average increase of 15 percent, 27 percent and 34 percent for the last three fiscal years. In some subnational states, including Oromia, the procurement audit has been carried out using staff from departments not covered by the audit. This is not sustainable and could adversely affect the quality and credibility of the audit reports. Furthermore, the audit reports are not publicized and have limited circulation, shared only between the auditee and the regional BoF, and there is no practice of communicating the report to the wider public and regional administration.

VII. Staffing and Capacity

30. **Financial management.** The assessment reveals that the structure for finance, internal audit and property management has been fully filled at 32 percent of the visited entities. At 23 percent of the visited entities the vacant positions for these sections was between 20 percent and 30 percent. Detailed staffing information is presented in the FSA. At federal level, the financial management capacity building is provided by MoF and found to be satisfactory. At regional level, BoFs are responsible for providing financial management capacity building to staff at bureau and woreda level. Although some capacity building is undertaken, it is not adequate and regular especially for woreda staff. At some visited woredas, staff (including new appointees) have not taken training for the past two years. During Program implementation, capacity building activities especially at woreda level should be strengthened.

31. **Procurement.** In MoA, the procurement unit is organized as a Directorate reporting directly to the Minister. The Directorate supervises 30 procurement experts including 18 experts employed through World Bank-funded projects implemented in MoA. The assessment revealed that the experts have adequate qualification and experience in delivering procurement responsibility in the Ministry. In Oromia BoA, Benishangul Gumuz's BoA and Bureau of Land administration, procurement is organized as a Procurement and Property Administration Directorate reporting to the respective bureau heads. At the time of the assessment, the Directorates were staffed with an adequate number of procurement officers (three to five) having relevant educational backgrounds and sufficient years of experience. The procurement officers assigned in all the visited federal implementing agencies and regional bureaus have a minimum of a Bachelor of Arts qualification in Management, Accounting and in Procurement and Supply Chain Management. In addition, the officers received short-term procurement trainings organized by the federal and respective regional procurement regulatory bodies. But the assessment noted that there are skills gaps on contract management which could be addressed through training as part of the annual fiduciary forum proposed for the Program.

32. **Fraud and corruption.** There is full staffing coverage of Ethics and Anticorruption (EAC) Officers at the Federal level in MoA and EIAR, and Oromiya BoA, BoLAU and RARI. In Amhara while the BoLAU has an EAC Office, there are none in the BoA and RARI. Regional offices have confirmed the availability of 17 EAC Officers in research centers accountable to EIAR, however in Amhara none of the seven research centers have EAC Officers. The visited woredas in Amhara and Oromiya, and the respective offices (WoANRs and WoLAUs) do not have EAC Officers. In SNNPR and Benishangul Gumuz at woreda level EAC Officers represent a cluster including WoANR and WoLAU. In Amhara all WoANRs and WoLAUs need to assign fulltime EAC Officers, rather than the current system of representation by clusters of sectors, which sidelines the function of fraud and corruption complaint handling. The assessment found significant variation in capacity and commitment, reported to be a consequence of the low status bestowed by the civil service to the position. It will be therefore necessary to ensure the deployment of full time EAC Officers in all of the WoANRs and WoLAUs, while the cluster assignment in SNNPR and Benishangul Gumuz needs further consideration.

VIII. Program Systems and Capacity Improvements

33. Based on the above assessment, the overall fiduciary risk assessed for this operation is classified as **‘Substantial’**. Risk mitigation measures for the identified risks have been discussed and agreed with GoE during appraisal. Risk mitigation measures are described in the PAP to help improve efficiency and performance monitoring. A summary of risks, mitigation measures and action plan is presented below:

Table 4.1. Summary of Risks and Mitigation Measures

| Risk Description | Proposed Mitigation Measures | Significance | PAP |
|---|---|--------------|--|
| FINANCIAL MANAGEMENT | | | |
| Planning and budgeting Inadequate allocation of operating budget at visited woredas will have impact on the achievement of program results. | Government will annually allocate adequate operation budget for the agriculture sector office at woreda level through the earmarked funding. | Substantial | PAP (F3) |
| Accounting and financial reporting (i) Persistent Woreda Network connection problem (with BoF server) has impact on timely recording of transactions and producing reports. (ii) The IBEX server is not accessed by budget, internal audit sections and by most finance officers. Due to this, the segregation of duties between budget and account section is affected. Internal auditors could not view reports from their office. | (i) The speed of internet connection at WoFs should be improved (ii) The local area network will be set up to connect the three sections (budget, account and internal audit) | Substantial | (i) This challenge is a problem across the country which needs to be managed through the ongoing endeavors of the government in enhancing IBEX through the PFM project. (ii) This is to be updated semiannually and reported through the Semiannual Financial report. |
| Internal Control (i) Payroll is maintained and processed in Excel sheets which are prone to error. As salary constitutes a major part of the annual budget especially at woreda level, the payroll process should be automated. (ii) At most visited entities the property management is weak. There is a risk of preventing and detecting misuse of inventory (both consumable and fixed assets). | (i) Payroll application software must be developed, installed and implemented. (ii) In the long run, the implementation of Integrated Financial Management Information System might mitigate this risk. For the medium term, developing a property management recording software should be sought. In the short term, all implementing entities should maintain manual records and comply with the finance regulation. Providing regular capacity building will minimize the risk. | Substantial | (i) Rollout of payroll application software is included in the PAP for ESPES (ii) Automating the property management function must be done at national level and is included in the PAP for ESPES. However, capacity building activities |

| Risk Description | Proposed Mitigation Measures | Significance | PAP |
|---|---|---------------------|--|
| <p>(iii) Significant number of advances and payables are noted in the records of the implementing entities which are mostly audit qualification points. Uncollected advances will affect program implementation and payables could result in undesired penalties.</p> <p>(iv) The internal audit function has limited capacity in terms of number and experience of auditors which results in low coverage. This has an impact on providing regular review of the internal control system in the sector</p> | <p>(iii) Each of the implementing entities should prepare advance tracking mechanisms, monitor regularly and present to management for decision.</p> <p>(iv) Nationwide, the internal audit function requires reform. However, each implementing entity should fill vacant posts, ensure that the program is included in the work plan of the auditors and provide training to internal auditors.</p> | | <p>and maintaining the required procedures at MoA and BoAs is a PAP for this program</p> <p>(iii) PAP (F2)</p> <p>(iv) reforms are being addressed by the government through the PFM strategy. The staffing level of the internal audit unit at MoA and BoAs will be reported through the semiannual financial reports of the program.</p> |
| External Audit | | | |
| <p>(i) A two year external audit backlog was noted at EIAR.</p> <p>(ii) Audit report findings not addressed in a timely manner, leading to qualified, adverse or disclaimer opinions.</p> | <p>(i) The 2 year backlog will be cleared. Efforts will be made to conduct timely external audits and issue reports for subsequent years</p> <p>(ii) Prepare timely action plan and ensure each finding is addressed</p> | High | PAP (F4) |
| Transparency | | | |
| Information is not disclosed to the public on audited financial statements | Disclose annual audit reports on websites of the MoA and BoAs | Medium | The Bank's access to information policy requires that audit reports are disclosed to the public. The audit will be disclosed by the World Bank. Furthermore, disclosure by the government itself will be followed up during implementation. |
| PROCUREMENT | | | |
| Procurement System/Capacity | | | |
| (i) Sector specific procurement at local level handled by actors | (i) Revise the pool manual and adequately cover how to handle sector | High | PAP (F1, F2) |

| Risk Description | Proposed Mitigation Measures | Significance | PAP |
|--|---|--|---------------------|
| <p>without procurement mandate, structure and capacity could lead to ineffective resource utilization and wastage</p> <p>(ii) Local-level procurement is not supported by simplified procurement directive and templates leading to inconsistent procurement implementation.</p> <p>(iii) Independent Procurement complaint handling body is not consistently established in all regions and woredas undermining the complaint handling system</p> <p>(iv) The Procurement performance of the federal implementing agencies (MoA and EIAR) is unknown.</p> <p>(v) Inadequate procurement audit could lead to leakage of the program resource.</p> <p>(vi) The program's long-term objective of achieving sustainable watershed and land management system cannot be achieved in the absence of a strong procurement system that features sustainable practices. Through independent assessment, the strength and weakness of the system will be identified, and an action plan will be developed to ensure value for money in procurement practice including addressing sustainability aspects</p> | <p>specific procurements and rollout to regions and woredas</p> <p>(ii) Update the simplified procurement directive and rollout to regions and woredas</p> <p>(iii) Establish Independent procurement Complaint Handling Body in all regions and woredas where it does not exist</p> <p>(iv) Implement procurement KPIs in the MoA and EIAR and report procurement performance periodically.</p> <p>(v) Undertake procurement audits in all implementing agencies of the program including at least 20% of the woredas in the targeted region annually.</p> <p>(vi) Implement Methodology for Assessing Procurement System (MAPS II) and sector-specific assessments in Agriculture. Prepare action plan to address gaps.</p> | <p>High</p> <p>High</p> <p>Substantial</p> <p>High</p> <p>High</p> | |
| <p>Procurement capacity</p> <p>There are capacity limitations in terms of skilled staff to handle procurement and contract administration (incomplete procurement plans, bidding documents, bid evaluations and poor contract management system). The provision of</p> | <p>Provide procurement and contracts management training to staff of the program implementing units as part of the annual fiduciary training session</p> | <p>Substantial</p> | <p>PAP (F1, F3)</p> |

| Risk Description | Proposed Mitigation Measures | Significance | PAP |
|---|--|---------------------|---------------------------------|
| procurement training to the staff seems to be inadequate, and there are even cases where procurement staff have not undergone any training. | | | |
| FRAUD AND CORRUPTION AND COMPLAINT HANDLING MECHANISM | | | |
| Legal Framework and structural arrangement | | | |
| (i) The structure for controlling fraud and corruption at the implementing institutions requires strengthening (ii) It was not possible to map out F & C risks and track allegations, complaints for the MoA as a whole. The horizontal and vertical relationships or links of the Ministry's Ethics and Anticorruption Directorates with counterparts in 11 accountable agencies, 3 centers, and 5 ATVETCs is loose | Supporting the platform for joint forums of ethics and anticorruption officers for preparation of consolidated biannual reports in the sector and information sharing, for improving supervision and data compilation activities | Medium | PAP (F3) (MoA and FEACC) |
| Major Program implementing sector offices in Amhara and Oromiya specifically at woredas lack Ethics and Anticorruption Officers | Assigning fulltime Ethics and Anticorruption Officers at Woreda level at least in Agriculture and RLAU Offices | Medium | PAP (F3) (WoA and WoLAU) |
| Recording/Reporting/data and information sharing: | | | |
| Weak recording and reporting capacities of Ethics and Anticorruption Officers, public complaint handling units at all levels; and low level of effectiveness of Ethics and Anticorruption Officers as well as experts in Legal Support and Appeal | Training of Ethics and Anticorruption Officers and complaint handling experts on (i) recording, organizing and reporting/M&E (ii) create awareness on procurement procedures, on F&C risk prone areas and complaints in land administration and use, agriculture research, strategies or anticorruption reforms for eliminating corruption in the agriculture and natural resource development sector; and on investigation and research tasks | Medium | PAP (F3) (FEACC/REACC) |

IX. Fiduciary Implementation and Support Plan

34. **Reviewing implementation progress.** The Bank fiduciary team will review the implementation progress of the Program to monitor achievement of agreed actions and review the continuing adequacy of systems as well as to monitor risks, covenants and mitigation measures. This can be achieved through review of reports, conducting field visits and participating in semiannual missions.

35. **Monitoring fiduciary risk.** The frequency and breadth of fiduciary systems implementation support may be varied in accordance with changes in the risks to the Program. Given the risk profile shown above, this program will be reviewed through the semiannual implementation support missions.

ANNEX 5. SUMMARY ENVIRONMENTAL AND SOCIAL SYSTEMS ASSESSMENT

COUNTRY : Ethiopia

ETHIOPIA: CLIMATE RESILIENT LANDSCAPE MANAGEMENT PROGRAM FOR RESULTS

1. **The MoA, the primary implementing agency, is familiar with World Bank environmental and social risk management requirements having experience in implementing IPF projects**, including the SLMP, Agricultural Growth Program, RLLP, PSNP and the Development Response to Displacement Impacts Project (DRDIP). However, MoA is new to PforR operations. Several IDA-financed projects and programs, including ESPES, are helping to establish social risk management capacity at the woreda level, through the ESAP and establishment of GRMs. However, the need to ensure the application of principles regarding participatory community labor for watershed development and management introduces a further social risk.

2. **The ESSA has been undertaken to understand the existing GoE environment and social risk management system and identify gap filling measures in line with the proposed PforR boundary.** The purpose of the ESSA was to: (a) review the environmental and social management rules and procedures and institutional responsibilities that are being used by the Program, including under the CBPWD guidelines; (b) assess the MoA's institutional capacity and performance to date to manage potential adverse environmental and social issues; and (c) recommend specific actions for improving the capacity of the main implementing institutions with regard to effective management of environmental, social, health and safety issues during implementation.

3. **The proposed Program's environmental and social system will need to** (a) support the MoA in strengthening and establishing an environmental and social system including updating the CBPWD guidelines to provide application guidance, and build capacity including training on the updated guidelines for regional and woreda officials; (b) establish protocols to verify that unpaid labor for watershed development and management is on a voluntarily basis, such as the participatory community consultation process used for watershed development and management plans; and (c) ensure that the GRMs at national, regional, woreda, and kebele level are functional to address any grievances regarding community labor and other environmental or social concerns raised, and report to the Program. The ESSA has identified gaps and proposed gap-filling measures for inclusion in the PAP for strengthening and establishing an ESMS.

I. Public Mobilization: Evolution of Watershed Development in Ethiopia

4. **The approach to watershed development in Ethiopia has passed through several phases.** The first phase was initiated in the early 1970s, following the serious drought in 1973, and continued until the mid 1980s. The main natural resources related intervention during this phase was Soil and Water Conservation (SWC) activities led by the MoA, and supported through the World Food Program. The purpose was to rehabilitate degraded lands (perceived as the main cause of low production and productivity) while providing food resources to chronically food insecure and able-bodied household members for participation in labor-intensive SWC public work activities. The geographic focus was on the drought-affected areas in the Ethiopian highlands.

5. **The approach to watershed development during this phase was characterized by top-down planning and labor paid through food-for-work programs.** Moreover, the interventions at the time did not consider the watershed as the planning unit and did not follow a watershed logic. During this phase thousands of hectares of cultivated land and hill sides were treated with physical conservation measures and millions of tree seedlings were planted. Most of the structures built were destroyed and most tree seedlings planted did not survive. Many factors contributed to the lack of sustainability of the interventions, such as poor quality structures, top-down planning, lack of community awareness and failure to follow a watershed logic with integration of interventions.

6. **Some of the shortcomings cited above were addressed during the second phase which continued until the beginning of the 1990s.** During this phase an attempt was made to improve the technical quality of interventions through an intensive capacity building program financed by the United Nations Development Programme and the Food and Agriculture Organization. Planning at watershed level was initiated, and technologies diversified. The area covered the whole of the Ethiopian highlands. The food-for-work incentive and top-down planning approach continued to be the main feature and the size of the watersheds selected was too large for effective planning. The large-scale effort made during this phase remained unsatisfactory due to (a) lack of community participation; (b) limited sense of ownership; (c) lack of responsibility by the community for the assets created through the program; and (d) poor planning resulting from the unmanageable watershed sizes.

7. **Based on the lessons learned from the previous phases, the MoA and donor agencies initiated a pilot community-based planning approach on a smaller size watershed in 1988.** This approach, commonly known as Local Level Participatory Planning Approach (LLPPA), was piloted between 1988 and 1991. LLPPA entails the following key features: (a) community involvement during all phases of watershed development and management; (b) integration and diversification of technologies; (c) a focus on manageable watershed sizes; (d) emphasis on generating immediate benefits that support livelihoods; and (e) institutional interventions to facilitate and support effective collective action and market-related innovations. Encouraged by the positive results of this approach, participatory watershed management was pursued on a large scale from the beginning of the 1990s (referred to as the third phase). Participatory watershed management approaches integrate SWC, natural resource use, and livelihood objectives in several microwatersheds. The concept of participatory watershed management emphasizes a multi-disciplinary and multi-institutional approach for multiple interventions.

8. **A limitation in the concept of watershed management has been that watershed problems are engineering problems,** requiring technical solutions for controlling erosion, reducing runoff and flooding, and enhancing groundwater recharge, often designed and implemented with little regard for their impacts on people's livelihoods, on farm profitability, or on social equity. As a result, watershed development was applied in a rigid and conventional manner with little community participation and attention to farmer objectives and farmer knowledge as an important factor in land degradation.

9. **Aware of these limitations, the GoE beginning in 2010 launched massive community-based participatory watershed development programs in four regional states.** SNNPR, Oromia, Amhara, and Tigray as part of a strategy to protect the environment while achieving food security. The farming communities in the rural areas were mobilized to implement both physical and biological SWC measures on individual and communal lands. These activities were intended to alleviate and reverse environmental problems in general, and soil erosion, land degradation and deforestation in particular. This practice has

in turn increased agricultural productivity and vegetation cover, helped to maintain biodiversity, and meet the growing fuelwood and construction wood demand of local communities.

10. **Contrary to past watershed development interventions, the current large scale community-based integrated watershed development approach calls for the participation of all stakeholders,** especially local communities, from planning to implementation and sustainable management. The current watershed development program has been conducted without providing direct incentives to farmers, contrasting with previous incentivized activities for the watershed development. However, farmers benefit from rehabilitated land, with agreed local byelaws for natural resource use drafted and approved by the particular watershed residents.

11. **During site selection for watershed development, activities begin upstream and move downstream according to the CBPWD guidelines.** Consideration of the slope, gradient and land use type is used to determine the appropriate technology that will be applied to halt land degradation and reclaim the landscape. During the initial phases of the watershed development program, there was some resistance from communities perceiving that some SWC structures compete for farmland, create difficulties in farming, limit short-term benefits such as free grazing and fire wood collection, and require substantial labor. However, changes in attitude were observed as a result of continuous awareness creation, technical backstopping, creating ownership of rehabilitated areas, and observation of some early economic, social and environmental benefits.

II. Potential Social Benefits, Impacts, and Risks of the Program

12. **Overall, the proposed Program promises major benefits for watershed development and land administration.** However, given the nature and scale of the proposed program, both positive and negative environmental and social benefits and impacts could emanate from the Program activities, associated with equitable use of watershed resources; participatory and equitable processes for planning and implementing interventions for watershed development and management; provision of SLLCs to rural landholders; and functioning of the NRLAIS for the registration and management of SLLCs. While the anticipated negative impacts are expected to be minimal, these could affect individuals' access to assets including structures, crops and trees, and the use of portions of their land. The ESSA identified key measures for improved environmental and social due diligence in the Program to help the government and implementing agencies at all levels in overcoming gaps with regard to environment and social aspects and improve implementing agencies system on safeguards management.

13. **Positive social impacts of watershed development.** Participatory watershed development has positive social impacts that include: (a) communities are less affected by land degradation; (b) increased sense of ownership in watershed development; (c) employment opportunities for youth and women through WsUAs; (d) enhanced capacity of households for natural resources management; and (e) strengthened social bonds/networks of the local community.

14. **Positive social impacts of SLLCs and NRLAIS.** The Program will also have social benefits from SLLCs: (a) tenure security helps motivate farmers to manage land degradation; (b) joint titling of land provides married women equitable rights to men; (c) reduced land disputes by updating tenure information, identifying land use right holders and the size of their parcels; and (d) formalized land transactions and access to financing.

15. **Potential negative social impacts of watershed development.** The major potential social risks in relation to watershed development include (a) changes in land use under agreed WMPs may restrict or change access to natural resources; (b) that vulnerable groups may not equitably benefit from rehabilitated watersheds; (c) that public mobilization activities may restrict the time and resources available for other livelihood activities; (d) limited institutional capacity to carry out public mobilization in accordance with participatory, community-driven development principles; and (e) low participation of women in leadership positions particularly in WsUAs.

16. **Potential negative social impacts of SLLCs and NRLAIS.** The potential social risks in relation to SLLCs include (a) female household heads losing land leased to sharecroppers; (b) inability to meet the high demand for land demarcation, leading to inequitable prioritization of SLLC issuance; and (c) joint titling may pose risks to married women in a patriarchal society.

17. **Mitigation measures for social risks.** To help address the social risks identified above, the Program will reinforce and extend coverage of measures supported by the ongoing ESPES Program and introduce additional measures, as follows:

- MoF will engage by September 30, 2019 an independent firm or civil society organization reporting to the Steering Committee of the ESAP with terms of reference acceptable to the World Bank to review awareness-raising on the Program's environmental and social risk management system, and to audit its functioning, with a particular focus on the prevention of forced labor and land-grabbing.
- verification protocols for DLIs #2 and #3 include measures to ensure the participatory preparation and implementation of WMPs, including interviews with randomly selected WsUA members to ensure the voluntary provision of labor. The protocol for DLI #2 will also include verification that the environmental and social screening requirements for WMPs have been followed, as set out in the CBPWD guidelines.
- the Program will draw on and strengthen the national GRM supported by the ESPES Program by using it to provide data on Program-related complaints in regional reports to the MoA, and in the MoA's regular reporting of Program implementation to the World Bank.
- woreda staff will screen projects for their environmental and social effects, and monitor the implementation of any mitigation measures, based on the ESMS Operational Manual developed under ESPES.
- the appointment, training and performance assessment of environmental and social management specialists at woreda level.
- citizen engagement through (a) training in financial transparency and accountability and GRMs; (b) appointment of woreda-level GRM officers; and (c) engagement at woreda-level of SAIPs from civil society.

III. Potential Environmental Benefits, Impacts, and Risks of the Program

18. **Potential environmental impacts of participatory watershed management.** These activities are not expected to have a negative impact on the environment and natural resources. The proposed program strengthens the local institutions for watershed management and reinforces participatory processes for watershed development by establishing WsUAs. The current practices show that watershed management is planned and implemented by the local woreda authorities with the participation and involvement of local communities and their watershed development committees. This result area is expected to have positive results in sustaining watershed environmental and social management by bridging the weaknesses of the current watershed development committees, and by institutionalizing and strengthening their capacity in the process. This in turn will have a strong impact on the sustainability of the watershed development works.

19. **The principal risk for negative environmental outcomes stems from the possibility of poorly planned and executed watershed management activities leading to unintended and unpredicted adverse impacts.** The principal source of guidance for watershed development and management is the CBPWD guidelines issued by the MoA in 2005 which are currently being updated and expected to be completed before the end of 2019. From the field assessment, it was generally observed that the prioritized microwatersheds on which conservation and rehabilitation work was being conducted were appropriately selected, and that communities and local authorities have accumulated significant experience in carefully planning the selection, prioritizing, treatment, management and use of watersheds. To ensure that these experiences are carried over and strengthened further during the Program, environmental and social screening will be required to ensure that watershed development activities are well planned and supported by adequate WMPs.

20. **Issues related to community health, safety, labor and working conditions during public participation works in the watersheds are handled using available means at kebele level.** In this regard, both the local authorities and the community share a general awareness that the medical staff at kebele health posts should join the public participation campaign with first aid kits to provide service in case of accidents, and that temporary facilities, such as tents, should be provided for shelter during work on the watershed. During the field assessment in all regions, however, no such first aid kits and tents were seen during public works on the watersheds.

21. **Protection of physical cultural resources during watershed development works rests on the participation of the local community,** who are best placed to identify local sites of cultural importance. For example during the field assessment in Wolaita, it was noted that in Damot Gale Woreda the community preserved a place where King Tona held a court hearing for his people.

22. **Potential environmental impacts of support for rural land administration.** Implementation of the RLAS is not expected to generate significant environmental impacts resulting from changes in land use, as the process of issuing SLLCs and their digitization in NRLAIS is based on securing rights for existing forms of land use. Over the longer-term, kebele land administration offices lead the development of PLLUPs, through a process that is designed to build community consensus around the appropriate use of local resources, which also serve as an input to the preparation and implementation of WMPs. A separate environmental concern relates to the procurement, and eventual disposal of information technology equipment (for example computers, laptops, printers, surveying equipment).

IV. Institutional Capacity

23. **BoAs and Woreda Offices of Agriculture and Natural Resources have limited exposure and capacity in implementing environmental and social management requirements.** Notable exceptions are woredas in the Amhara Region, where environmental and social screening reports are prepared for watershed development under both donor-funded projects and mass mobilization, and are submitted for review and approval by the woreda environment protection offices which provide environmental clearance certificates. Elsewhere environmental and social screening is conducted only for donor-funded watershed initiatives, with these reports being submitted by DAs to WoANRs, without the involvement of the woreda environment protection offices. In addition, annex 9 of the CBPWD guidelines is frequently provided as evidence of environmental and social screening, although it is not adapted for this purpose, being designed to support watershed management planning. To address these shortcomings, there will be a need to build the capacity of both WoANRs and woreda environmental protection offices for environmental and social risk management under the Program.

ANNEX 6. PROGRAM ACTION PLAN

| Action Description | Source | DLI# | Responsibility | Timing | | Completion Measurement |
|---|-----------|-------|--|----------|-------------|--|
| T1: Approve guideline for establishment and operation of WsUAs based on the provisions of the CWMU Proclamation. | Technical | DLI 2 | NRMD | Due Date | 30-Sep-2019 | WsUA Guideline approved by MoA |
| T2: Update CBPMD guideline, to include a WMP template with annual work plan template, and principles for the participatory provision of community labor on a voluntary basis based on the requirements agreed in Para 67 of the Program Appraisal Document. | Technical | DLI 2 | NRMD | Due Date | 30-Sep-2019 | Update CBPWMD guideline approved by MoA |
| T3: MoU between NRMD and EIAR on programming of NRM research | Technical | DLI 2 | NRMD, EIAR | Due Date | 30-Sep-2019 | MoU signed between NRMD and EIAR |
| T4: MoU between NRMD and Agricultural Extension Directorate on programming of training on WsUA formation and WMP planning and implementation | Technical | DLI 3 | NRMD, Agricultural Extension Directorate | Due Date | 30-Sep-2019 | MoU signed between NRMD and Agricultural Extension Directorate |
| T5: Upgrade Watershed Management M&E System | Technical | DLI 3 | NRMD | Due Date | 30-Sep-2020 | Administrative data and FY20 results accessible in NRMD M&E System |

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| T6: MoU between RLAUD and regional BLAUs on: (i) staffing and facilities, setting conditions for RLAUD support for SLLCs and NRLAIS roll-out; and, (ii) a system of incentives to promote the updating of land transactions in NRLAIS. | Technical | DLI 6 | RLAUD, BLAUs | Due Date | 30-Sep-2019 | MoU signed between RLAUD and regional BLAUs |
| T7: MoU between RLAUD and Agricultural Extension Directorate on programming of RLAS training | Technical | DLI 6 | RLAUD, Ag. Extension Directorate | Due Date | 30-Sep-2019 | MoU signed between RLAUD and Agricultural Extension Directorate |
| T8: Finalize development and install M&E system for Land Administration (MELA) | Technical | DLI 6 | RLAUD, REILA, LIFT | Due Date | 30-Jun-2020 | Development: MELA final version agreed with development partners and RLAUD Installation: MELA operational in Program woredas, providing data through regions to RLAUD. |
| F1: Revise pool manual to ensure woreda procurement is undertaken by a competent body; update simplified procurement directive to ensure consistency to enable procurement implementation across woredas; procurement KPI reporting by MoA and EIAR. | Fiduciary Systems | | MoF, PPA, BoFs, WoFEDs, MoA, EIAR | Due Date | 31-Dec-2020 | All WoFEDs receive and start implementation of the revised manual and the simplified directive; annual reporting on procurement KPIs by MoA and EIAR. |
| F2: Improve internal control system through i) improving property management recording and | Fiduciary Systems | | MoA, BoAs, EIAR, MoF, PPA | Recurrent | Continuous | (i) All entities meet requirements by end Yr 1; (ii) from Yr. 2 no outstanding balances aged more than a year; (iii) MAPS II report finalized. |

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| reporting (ii) establishing mechanism to monitor & report on receivable and payable balances (iii) implementing Methodology for Assessing Procurement System. | | | | | | |
| F3: Improve staffing and capacity including through (i) conducting annual fiduciary training and consultation on FM, procurement and F&C; and (ii) assigning Ethics and Anticorruption Officers at woreda level at least in WoANRs and WoLAUs. | Fiduciary Systems | | MoF, MoA, FEACC, REACCs | Recurrent | Continuous | (i) Annual training and consultation conducted; (ii) number of staff assigned as reported in Program reports. |
| F4: Audit/complaint mechanisms: (i) clear EIAR audit backlog; (ii) eliminate disclaimer/adverse audit opinions of MoA/BoAs; (iii) audit procurement by implementing agencies, incl. 20% of woredas; (iv) establish procurement complaint handling bodies. | Fiduciary Systems | | EIAR, MoA, BoAs, PPA, MoF, BoFs, WoFEDs | Recurrent | Continuous | (i) Up-to-date audit of EIAR by June 30, 2020;(ii) audits of MoA and BoAs without disclaimer/adverse opinions from Yr. 2; (iii) procurement audit report shared annually starting Yr. 2; (iv) procurement complaint handling bodies established. |
| E1: Signing and implementation of MoUs between MoA and BoAs requiring the operationalization in each CALM Program woreda of an ESMS in accordance with | Environmental and Social Systems | | MoA | Due Date | 30-Sep-2019 | MoUs signed between MoA and BoAs by Sept. 30 2019, and ESMS functional in CALM Program woredas by Dec. 31 2019, as reported by MoA and monitored by World Bank implementation support. |

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| the action plan on environmental and social management defined in the ESSA | | | | | | |
| E2: In woredas with WsUAs: (i) training in financial transparency, accountability, and GRMs; (ii) ensure functioning GRM with assigned woreda-level GRM officer; and (iii) engagement at woreda-level of civil society SAIPs. | Environmental and Social Systems | | MoF through ESAP | Recurrent | Continuous | In woredas with WsUAs: (i) WsUAs and WoANRs trained in financial transparency, accountability, and GRMs, (ii) GRM officers appointed, (iii) civil society SAIPs engaged. |
| E3: In woredas with active CDP and WsUAs, WoANRs and DAs will be trained in the application of the CDP screening tool. | Environmental and Social Systems | | MoA, BoAs, WoANRs | Recurrent | Continuous | In woredas with active CDP and WsUAs, CDP screening tool applied by WoANRs and DAs |
| E4: Incorporation into guideline for WsUA byelaws of Occupational Health and Safety provisions and standards of non-discrimination and prevention of gender-based violence. | Environmental and Social Systems | | MoA, BoAs | Due Date | 30-Sep-2019 | Guideline for WsUA byelaws incorporates Occupational Health and Safety provisions and standards of non-discrimination and prevention of gender-based violence. |
| E5: Inclusion in the CBPWD Guidelines of (i) agreed principles for voluntary, participatory community labor, and (ii) procedures for the environmental and social screening of WMPs. | Environmental and Social Systems | | MoA | Due Date | 30-Sep-2019 | Updated CBPWD Guidelines include principles for voluntary, participatory community labor. |
| E6: Under ESAP, enter a contract with an independent third party for review of | Environmental and Social Systems | | MoF | Due Date | 30-Sep-2019 | Contract signed based on Terms of Reference acceptable to the World Bank. |

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| social and environmental awareness-raising, and audit of social and environmental risk mitigation, focusing on the risks of forced labor and land-grabbing. | | | | | | |
| E7: Establish Social Accountability Unit in MoF. | Environmental and Social Systems | | MoF | Due Date | 31-Dec-2019 | Social Accountability Unit established as agreed for the Ethiopia Social Accountability Program. |
| E8: Inclusion in six-monthly and annual Program reports of data on Program-related complaints received through the national GRM. | Environmental and Social Systems | | MoA | Recurrent | Semi-Annually | Program Reports include data on Program-related complaints received through the national GRM. |
| E9: Inclusion in the SLLC manual of a requirement that the Public Information and Awareness activity be used to determine the suitability of local conditions to continue the SLLC process. | Environmental and Social Systems | | RLAUD | Due Date | 30-Sep-2019 | SLLC manual updated to require that the Public Information and Awareness activity be used to determine the suitability of local conditions to continue the SLLC process. |

ANNEX 7. IMPLEMENTATION SUPPORT PLAN

COUNTRY : Ethiopia

ETHIOPIA: CLIMATE RESILIENT LANDSCAPE MANAGEMENT PROGRAM FOR RESULTS

I. Strategy and Approach for Implementation Support

1. **The strategic objectives of the implementation support plan are to** (a) monitor implementation progress of the Program (including its PAP) and the implementation of the risk mitigation measures defined in the technical, fiduciary, and safeguard assessments and (b) provide MoA and other GoE counterparts with the technical advice necessary to facilitate the achievement of the PDO, and contribute to the quality of the capacity building of stakeholders by sharing international experience and best practices. The approach will focus implementation support on the following areas: (a) participatory watershed management; (b) rural land administration; (c) M&E support and capacity building; (d) social and environmental management, including review of GRM reports and effectiveness; and (e) fiduciary support and monitoring. Skills in each focus area will be required as indicated in table 7.1 .

Table 7.1. Main Focus of Implementation Support

| Time | Focus | Skills Needed | Resource Estimate (US\$) |
|--------------|--|---|--------------------------|
| 0-12 months | Participatory watershed management: support and capacity building for the establishment of WsUAs and preparation of WMPs | Natural resource management, social development | 250,000 |
| | Rural land administration: support and capacity building to scale up land certification and roll out NRLAIS | Land administration certification and systems | |
| | M&E systems development support and capacity building | M&E systems design and development | |
| | Social and environment management systems and capacity development | Social development, environmental management | |
| | Fiduciary monitoring and reporting support and capacity development | Financial management, procurement, fraud and corruption control | |
| 12-60 months | Participatory watershed management: support and capacity building for WMP implementation | Natural resource management, social development | 200,000 per year |
| | Rural land administration: support and capacity building for operationalization of NRLAIS | Land administration management systems | |
| | M&E systems rollout support and capacity building | M&E systems implementation | |
| | Social and environment management reporting and risk mitigation | Social development, environmental management | |

| Time | Focus | Skills Needed | Resource Estimate (US\$) |
|------|--|---|--------------------------|
| | Fiduciary monitoring, reporting and corrective actions | Financial management, procurement, fraud and corruption control | |

II. Implementation Support Plan

2. **The World Bank will provide regular support to the Program, including for the implementation of the PAP.** Formal implementation support missions and field visits will be carried out semiannually and jointly by the World Bank team, GoE and relevant development partners. A Midterm Review will be carried out to assess the Program's progress, achievement of PDO indicators and DLIs, risks and mitigation measures, and relevance of activities. MoA will undertake an independent evaluation at the midterm and at closing.

3. **It is expected that some required expertise, including team leadership, can be mobilized locally at the World Bank Country Office.** An international mission-based approach will not suffice to respond to coordination and implementation issues adequately and in a timely manner. Consequently, a significant part of the task team is decentralized, and this will continue to enhance implementation support. Fiduciary and safeguards support is also provided at the Country Office. In addition to formal missions, the task team will hold proactive implementation support meetings as required, including field visits as appropriate. Bank team members and external experts based outside of Ethiopia will be connected by audio/video connection as appropriate. This approach has proven to be effective in other projects and programs in Ethiopia and in other countries. Table 7.2 shows the estimated input requirements for key personnel to carry out implementation support for the program.

Table 7.2. Task Team Skills Mix Requirements for Annual Implementation Support

| Skills Needed | Number of Staff Weeks | Number of Trips | Comments |
|--|-----------------------|-----------------|---------------------------------------|
| Team lead | 10 | Local trips | TTL - International staff Ethiopia CO |
| Co-Team lead | 10 | 2/year | International staff in Bank HQ |
| Land administration specialist | 10 | 2/year | International staff in Bank HQ |
| Land administration specialist | 10 | Local trips | National short-term consultant |
| Natural resource management specialist | 10 | Local trips | National staff |
| Environmental specialist | 10 | Local trips | National staff |
| Natural resource management specialist | 20 | Local trips | National short-term consultant |

| Skills Needed | Number of Staff Weeks | Number of Trips | Comments |
|-------------------------------------|-----------------------|-----------------|---|
| Social development specialist | 20 | Local trips | National staff |
| Environmental safeguards specialist | 8 | Local trips | National staff |
| Operations specialist | 8 | 2/year | National short-term consultant |
| M&E specialist | 10 | Local trips | International consultant in Ethiopia CO |
| Procurement specialist | 6 | Local trips | National staff |
| FM specialist | 6 | Local trips | National staff |
| Communication specialist | 6 | 2/year | International staff/consultant |
| Communication and KM specialist | 10 | 2/year | National short-term consultant |
| Team assistance | 10 | Local trips | National staff |

III. Role of Partners

4. **A number of development partners are providing support for initiatives under ESIF.** Particularly relevant for participatory watershed management and rural land administration are those indicated in table 7.3.

Table 7.3. Role of Partners in Program Implementation

| Institution/Project | Role |
|--|--|
| GIZ/ Sustainable Use of Resources for Economic Development | Training and capacity building including for CSA |
| Government of Finland/REILA | Capacity building and support for NRLAIS development and rollout |
| DFID/LIFT | Capacity building and support for land certification and NRLAIS operationalization |

ANNEX 8. CALM Program Map

