



**The Federal Democratic Republic of Ethiopia**  
**Ministry of Environment, Forest and Climate Change**

**Phase II Proposal for  
Enhancement of Community Livelihoods and Participatory  
Forest Management in the Kaffa Biosphere Reserve  
(2018-2022)**

**June 2018, Addis Ababa**

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## Program Summary

The Government of Ethiopia has adopted a green development path, and it recognizes the fundamental role forestry plays in realizing the successful implementation of its strategy. As a result, it has designed programs that will support the conservation of the existing 17 million hectares of forest while undertaking afforestation and reforestation to increase forest cover as well as alleviate pressure on natural resources.

Participatory Forest Management (PFM) is recognized as a tool for sustainable forest management by the Government and supported through federal and regional proclamations and policies. As a result, PFM is widely practiced in Ethiopia and is used to implement the national REDD+ activities. Despite this, the forests in Ethiopia have been suffering from anthropogenic deforestation and forest degradation. Poverty, expansion of agriculture, extraction for fuelwood, population growth, lack of alternative livelihoods in rural areas coupled with weak law enforcement have threatened the survival of natural forests in the country. This program aims to result in improved and climate resilient livelihoods, while maintaining and enhancing carbon stocks and other ecosystem services and products through establishment of PFM in the Kaffa Biosphere Reserve (KBR).

Improved livelihoods and diversified income opportunities as well as climate resilient ecosystem services will reduce vulnerability and increase resilience of communities to climate change. On the other hand, the program will contribute to climate change mitigation by protecting existing carbon stocks and rehabilitation and reforestation of degraded areas in the KBR.

The program is developed for funding from the Danish Government as part of its Thematic Program 3 - Climate Resilient Forest Livelihoods 2018-2022 under the Danish country program for Ethiopia (2018-2022). Denmark, represented by the Embassy of Denmark and the Danish Ministry of Foreign Affairs, commits to a contribution to the engagement of DKK 45 million (forty-five million Danish kroner) for the period 1<sup>st</sup> November 2018 – 31<sup>st</sup> December 2022.

### **Lead organisation:**

Ministry of Environment, Forest and Climate Change

### **Anticipated start date**

January 2019

### **Programme duration:**

The programme will be implemented over four years from January 2019 to December 2022

### **Total funding requested (in DKK):**

45 million

# Applicant Information

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## Acronyms & Abbreviations

BAU	Business as Usual
BoFEC	Bureau of Finance and Economic Cooperation
BR	Biosphere Reserve
CRFL	Climate Resilient Forest Livelihoods
CRGE	Climate Resilient Green Economy
DKK	Danish kroner
EoD	Embassy of Denmark
EPFA	Environment Protection and Forest Authority
FAO	Food and Agriculture Organization of the United Nations
FSTU	Forest Sector Transformation Unit
GDP	Gross Domestic Product
GHG	Green House Gas
GO	Government Organization
GTP	Growth and Transformation Plan
HH	Household
KBR	Kaffa Biosphere Reserve
INDC	Intended Nationally Determined Contribution
M&E	Monitoring and Evaluation
MEFCC	Ministry of Environment, Forest and Climate Change
MoALR	Ministry of Agriculture and Livestock Resources
MOFEC	Ministry of Finance and Economic Cooperation
NABU	Nature and Biodiversity Conservation Union
NGO	Non-Government Organization
NOK	Norwegian Kroner
NTFP	Non-Timber Forest Product
PFM	Participatory Forest Management
REDD+	Reducing Emissions from Deforestation and forest Degradation
RIP	REDD+ Investment Plan (RIP)
SNNPR	Southern Nations, Nationalities, and Peoples Region
TA	Technical Assistance
ToR	Terms of Reference
UNESCO	United Nations Educational, Scientific, and Cultural Organization
UNFCCC	United Nations Framework Convention on Climate Change
WoFEC	Woreda office of Finance and Economic Cooperation
ZEPFO	Zone Environment Protection and Forest Office
ZoFEC	Zone office of Finance and Economic Cooperation

## Introduction

Ethiopia is the second-most populous country in Africa, with over 100 million<sup>1</sup> residents and with a total land mass of 1.1 million km. The country's elevation ranges from 110m below sea level to over 4,500m above sea level and it has more than 30 agro-ecological zones, making it one of the world's biodiversity hotspots.

For the last 10 years, Ethiopia has experienced one of the world's fastest economic growth rates. Between 2004 and 2014<sup>2</sup>, Ethiopia's real Gross Domestic Product growth averaged 10.9 per cent, exceeding regional averages for the same period. However, despite such progress, Ethiopia's sustainable economic and human development has faced many challenges partly emanating from climate shocks. The country is experiencing the direct negative effects of climate change, particularly visible in recent years' severe recurrent droughts in parts of the country, while other parts have experienced heavy rains and floods. Ethiopia has experienced more than 15 drought events in the last 50 years. It is indisputable that climate change has already had an impact: temperatures have increased, and rainfall variability have changed over the last 50 years. Droughts alone can reduce total gross domestic product (GDP) by 2-3 per cent, as it was seen in the fiscal year 2015-16. Climate change is thus a significant challenge for a society that is mainly agrarian and where the majority of agriculture is rain-fed and highly vulnerable to drought. Moreover, severe land degradation is a major challenge in several regions, including gradual loss of soil nutrients and widespread top soil erosion, forest loss, and increased water stress puts pressure on local populations. Building resilience is thus an urgent challenge in Ethiopia.

The forest coverage in Ethiopia is estimated to be approximately 17.2 million hectares<sup>3</sup> and is subjected to forest degradation and deforestation due to unsustainable use of natural resources and recurrent droughts. Deforestation contributes 37 per cent to the country's carbon emission<sup>4</sup>. Deforestation is also leaving hillsides exposed to erosion and causing reductions in available water resources downstream, especially in lowland areas.

Moreover, rural poor depending on forest resources are losing livelihood and income opportunities as a result of forest degradation, especially affecting poor households with small landholdings. The unsustainable use of forests in Ethiopia is thus negatively affecting communities' resilience to climate related shocks even worse.

In 2011, the Government of Ethiopia launched the CRGE strategy to become a carbon neutral, climate resilient and middle-income country by 2025. The CRGE Strategy is fully mainstreamed into GTP II (Growth and Transformation Plan) as well as sector plans and programs. The CRGE strategy has identified a number of low carbon-emitting initiatives across key economic sectors (forestry, energy,

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<sup>1</sup> World Bank, Population indicator, 2015

<sup>2</sup> World Bank, World Development Indicators

<sup>3</sup> Ethiopia's forest cover, National Forest Sector Development Review Document, ME FCC, December 2016.

<sup>4</sup> CRGE Strategy, 2011

livestock, agriculture, transport and industry) that will help Ethiopia achieve its vision of building a carbon neutral, climate-resilient and middle-income economy by 2025. The successful implementation of these initiatives would help Ethiopia eliminate over 250 mtCO<sub>2</sub>e a year by 2030 compared to BAU. The strategy aims to maintain the annual Green House Gas (GHG) level of the country at the 2010 level, i.e., 150 mtCO<sub>2</sub>e. It also lays the foundations to align green growth and climate resilience objectives fully with future national development plans.

Lack of finance, technology and capacity are the three biggest constraints for effective implementation of the CRGE strategy. Preliminary estimates indicate that building the green economy will require a total of around USD 150 billion over 20 years from 2010<sup>5</sup>. Of this, around USD 80 billion would be capital investment, while the remaining USD70 billion would be required to cover operating and program expenses. This underscores the need to mobilise a large amount of new and additional finance from international, domestic, public and private sources in addition to public spending.

Following the launching of the CRGE strategy, the Government of Ethiopia established the CRGE Facility to attract climate finance to support the institutional building and implementation of Ethiopia's CRGE Strategy. The facility is managed by the CRGE Facility Secretariat hosted in the Ministry of Finance and Economic Cooperation.

As part of implementation of the CRGE strategy and GTP plans, Ethiopia is very keen to invest in forestry and water resource development because forest development has recognised positive impact on various sectors of the economy, including hydropower generation from a regulated and steady flow of surface water, and irrigation-based agriculture for food security. With 17.2 million hectares of forest covering 15.5 per cent of the country and large area of degraded highlands (18 million hectares) suitable for forest restoration, Ethiopia has potential for forestry.

The Government of Ethiopia recognises that its vision of becoming carbon neutral climate resilient cannot be materialized with Business as Usual (BAU) Scenario. To this effect, increasing the land under production has to be achieved by reversing natural resource degradation and rehabilitating degraded landscapes, rather than encroaching areas that are home to fragile ecosystems and forests. Hence, one of the 4 pillars in the CRGE Strategy is being decided to be forestry, stressing climate-friendly initiatives such as natural forest management, reforestation, land rehabilitation, and watershed management.

This program is designed to support communities' resilience to climate shock through Participatory Forest Management (PFM) and enhancement of appropriate livelihoods activities while contributing towards the attainment of the CRGE and GTP goals. It will be implemented in seven woredas in the Kaffa Zone in the Southern Nations, Nationalities, and Peoples Regional States (SNNPR).

The program is developed for funding from the Danish Government as part of its Thematic Program 3 - Climate Resilient Forest Livelihoods 2018-2022 under the Danish country program for Ethiopia (2018-2022).

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<sup>5</sup> CRGE Strategy, 2011

The key parties involved in the design and implementation of this program are:

- Southern Nations, Nationalities and Peoples Regional State (SNNPR);
- Ministry of Environment, Forest and Climate Change (MEFCC);
- Ministry of Finance and Economic Cooperation (MOFEC); and
- Embassy of Denmark, Addis Ababa.

Denmark, represented by the Embassy of Denmark and the Danish Ministry of Foreign Affairs, commits to a contribution to the engagement of DKK 45 million (forty-five million Danish kroner) for the period 1<sup>st</sup> November 2018 – 31<sup>st</sup> December 2022.



## Program Development Background

Ethiopia acknowledges the important role developing countries can play in fighting the impacts climate change, and has taken a constructive, ambitious, and leading role in international climate negotiations. Currently, Ethiopia is leading the Group of Least Developed Countries and the Climate Vulnerable Forum at the climate negotiations under the United Nations Framework Convention on Climate Change (UNFCCC). The Danish partnership with Ethiopia is historically founded on common interest in climate related issues. This partnership has been visible in the UNFCCC negotiations and other international climate initiatives, such as the Global Green Growth Forum /Partnering for Green Growth and the Global Goals 2030, and the Global Green Growth Institute.

During COP 21 in Paris in December 2015, the Government of Ethiopia advocated for and added its voice to the adoption of a binding global climate agreement. A few months before the adoption of this historic agreement, Ethiopia submitted its ambitious Intended Nationally Determined Contribution (INDC) to the UNFCCC. Although Ethiopia contributes only 0.02 per cent of global emissions and has a low level of economic development, the INDC sets out plans to reduce national greenhouse gas emissions by 64 per cent by 2030 (over BAU).

Taking international and national commitments into action, Ethiopia is implementing various projects through sector ministries, forestry being one of the priority focuses. To this end, while protecting the existing 17.2 million hectares of forest, Ethiopia intends to undertake large-scale afforestation and reforestation to increase total forest cover to 30 per cent by 2030, largely by implementing REDD+ (Reducing Emissions from Deforestation and forest Degradation) through PFM. The REDD+ strategy aims to support the forest sector in achieving 50 per cent of the national emissions reduction target set out in the CRGE strategy and INDC, and contribute to the national goals of becoming carbon neutral, climate resilient and middle-income country by 2025. REDD+ is also expected to contribute to the GTP goals as a source of sustainable financing for investment in forest management, forest conservation and forest restoration.

Policies and strategies on forest resources in Ethiopia has provisions on conservation and protection as well as establishment and implementation of management plans for forest areas. The forest development, conservation and utilization proclamation of Ethiopia (Proclamation No.1065/2018) provides the needed legal backing to community groups engaged in PFM. The regional forest proclamation (No. 147/2012) also has strong legal backing for community forest management. In addition, the national guideline for PFM in Ethiopia<sup>6</sup> provides a good guidance on nationally approved steps of PFM implementation in Ethiopia. The Government has also adopted PFM for its national REDD+ implementation program<sup>7</sup>. Therefore, PFM has good legal backing to support its sustainability.

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<sup>6</sup> Ministry of Agriculture Natural Resource Sector, 2012

<sup>7</sup> MEFCC, National REDD+ strategy, final draft, 2016

Despite this, the forests in Ethiopia have been suffering from anthropogenic deforestation and forest degradation. Poverty, expansion of agriculture, extraction for fuelwood, population growth, lack of alternative livelihoods in rural areas coupled with weak law enforcement have threatened the survival of natural resources in the country. According to the joint report by the FAO and UNEP, over 40 per cent of Ethiopia's natural resource base is degraded and a further 20 per cent is being degraded<sup>8</sup>. The annual rate of deforestation is estimated at approximately 1 per cent, driven largely by the demand for wood fuel and agricultural land<sup>9</sup>. In economic terms, Ethiopia lost USD 5 billion from forest loss and degradation in 1990-2010. This amplifies the country's exposure to serious environmental and climate risks, which affect food and water security, energy and human health. In 2015, the forestry sector is estimated to have directly contributed to 3.8 – 6.1% of GDP (or USD 2.3 – 3.7 billion).<sup>10</sup> Total contribution from the forest sector including contribution to other sectors (such as reducing soil erosion to agriculture) is estimated at 12.9% of GDP or USD 7.9 billion.<sup>11</sup>

Kaffa zone is situated in the south-western part of Ethiopia and in the western part of the Southern Nations, Nationalities and Peoples Regional State (SNNPRS). The Zone has 297 kebeles and covers 1,056,674.674 ha of land; it has a total population of 1.1 million of which 91% dwell in rural areas. The altitudinal range of the zone varies from 500-3500 meter above sea level bestowing it with three agro ecological Zones. The mean Annual rainfall of the zone varies from 1400 mm - 2000 mm and average temperature varies from 16°C - 28°C. Communities in the zone highly depend on subsistence agriculture and timber and non-timber forest products (NTFP) from the surrounding forests. In 2016, out of the total zone population 100,000 were identified as poorest of poor households with daily income less than \$1.

Kaffa zone is one of the areas endowed with natural forest that is dominantly categorized as Afro-Montane Cloudy Forest. The forest cover of the zone is about 52% (551,142 hectares) including both closed and disturbed natural forests. The kaffa forest is one of the 34 hotspots largest tracts of forest which is economically very important as a centre and origin of genetic diversity of *Coffee Arabica*. The Kaffa forests play a major role in the global carbon cycle and contain a substantial proportion of the world's terrestrial biodiversity and the broad range of other ecosystem services. This environmental and social importance of the forest is well recognized leading to its registration as UNESCO's Biosphere Reserve (BR) in 2010.

Biosphere reserves have three different, but equally important, aims: conservation of genetic resources, species, and ecosystems; scientific research and monitoring; and promoting sustainable development in communities of the surrounding region.

UNESCO biosphere reserves have three clearly defined zones.

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<sup>8</sup>Freddy Nachtergaele, Monica Petri, Riccardo Biancalani, Godert van Lynden, Harrij van Velthuisen, Mario Bloise. *Global Land Degradation Information System (GLADIS). An Information database for Land Degradation Assessment at Global Level*. LADA FAO/UNEP: 2011.

<sup>9</sup>*Drivers of Deforestation and Forest Degradation*. Draft study for National REDD+ Readiness: Unique Consultants, 2015.

<sup>10</sup>Range of estimates from different sources and methodology. MoFEC estimate is 3.8% of GDP or USD 2.3 Billion whereas UNDP / REDD+ estimate is 6.1% of USD 3.7 Billion and includes in-kind benefits such as subsistence fuel wood.

<sup>11</sup> UNDP / REDD+ analysis

1. The “core area” is strictly protected in a legal sense and of all human activities only research is allowed there. It is small in size in comparison to the entire biosphere reserve
2. The “buffer zone” surrounds the core area and has some restrictions as well. Human activity in these areas should be compatible with the conservation goals.
3. The “transition area”, is a space where sustainable practices are promoted.

The government manages biosphere reserves guided by various management tools. Based on the The Statutory Framework for the World Network of Biosphere Reserves (WNBR), there is a periodic review process every ten years. This enables to review the functions, zoning, scale and involvement of local communities in biosphere reserves. The aim of the review is to improve quality of reserves and their functions as sites for testing and demonstrating approaches of sustainable development. In this process, however, reserves that have not been able to meet the set criteria will be withdrawn<sup>12</sup>.

The Kaffa Biosphere Reserve (KBR) is one of the few remnants of old-growth montane rainforest in Ethiopia and comprises about 244 plant species, out of which 30 are endemic. A total of 761,000 ha is now under the Kaffa Biosphere with categories indicated below.

**Table 1: KBR zones**

<b>Zonation</b>	<b>Ha</b>	<b>Percentage (%)</b>
Core zone	41,391	5.4
Candidate core zone	220,297	28.9
Buffer zone	161,427	21.2
Transition zone	337,885	44.4
<b>Total</b>	<b>761,000</b>	<b>100</b>

Despite its importance, however, deforestation is still a threat and studies indicate that deforestation in Kaffa zone to be 1,500-2,000 ha per year<sup>13</sup>. The continued deforestation and forest degradation over the last two decades have seriously endangered the rich bio-diversity of the Kaffa forest. It has also directly impacted the livelihoods of communities who mainly depend on the forest for livelihood. The direct drivers of deforestation and forest degradation in Ethiopia are identified to be small and large – scale agriculture conversion, increased wood extraction for fuel and construction and livestock grazing<sup>14</sup>. Taking this into consideration the Kaffa zone GTP plan includes increasing of its forest cover by 10% and rehabilitate 3,000 ha of degraded land by 2020<sup>15</sup>. Further, the Zone plans to reduce carbon emission by 25 million metric ton by 2025.

Due to its uniqueness and development potential, the Kaffa forests have attracted several development partners to introduce different development approaches to conserve the forests and support the surrounding communities. Participatory Forest Management (PFM) has dominated these

<sup>12</sup> <http://www.unesco.org/new/en/natural-sciences/environment/ecological-sciences/biosphere-reserves/periodic-review-process/>

<sup>13</sup> FAO, 2012

<sup>14</sup> ME FCC, National REDD+ strategy, final draft, 2016

<sup>15</sup> Kaffa zone GTP plan

approaches and has been implemented in different parts of the forests for a long time. PFM can be considered as a forest-based poverty alleviation strategy through securing user rights to community groups where individual households have their share of responsibilities and benefits. Although PFM is meant to sustainably manage the forest resources and to increase the contribution of the forestry sector to poverty alleviation, practical experience has shown that PFM alone cannot address the issue of sustainable management and poverty alleviation unless complimented by other economic development interventions. The Government of Denmark has been supporting livelihood-based forest protection and re-establishment in the Kaffa Biosphere reserve since 2015 through the CRGE Facility under the Ministry of Finance and Economic Cooperation (MOFEC) and Ministry of Environment, Forest, and Climate Change (MEFCC). The execution of this project will be finalized in October 2018. This new phase of the DANIDA engagement in the Kaffa Biosphere Reserve will benefit from the lessons generated during the implementation of the ongoing project. Some of the important lessons are presented as follow:

- **Coordination and Management:** The project didn't hire full time project staff both at Federal and local level. Those who were assigned to coordinate and manage this project at federal and local level considered their coordination and management role as an additional assignment. As a result, there was weak follow up, coordination and reporting systems. There were also high turnover and reshuffling of the government staff. Based on this lesson, the new phase of the project will hire project coordination staff at zonal and federal level.
- **Financial and Procurement Management:** The disbursement arrangement of the on-going project wasn't fully harmonized with the Channel One Financial Management Arrangement of the Ministry of Finance and Economic Cooperation. The CRGE Facility in MOFEC disburses fund to MEFCC, which in turn transfers to the Regional Environment Authority before the fund reaches the Woreda Finance and Economic Cooperation (WOFEC) account. As a result of this, there were delays in disbursement of funds and compilation of financial reports, which caused delay in the project execution. Cognizant of this, the financial disbursement arrangement for activities that will be executed at the regional, zonal and Woreda levels has been shifted to full Channel One Financial Arrangement, where the fund from MOFEC will flow to the SNNPR Bureau of Finance and Economic Bureau (BOFEC), which will transfer to the designated accounts of WOFEC in the project target areas. This will minimize disbursement delays and financial monitoring and reporting will be more efficient. There will be also strong follow up from the CRGE Facility Focal stationed at the BOFEC.
- **Low level of Local government engagement in the project design:** MEFCC led and coordinated the preparation of the ongoing project with limited engagement of the zonal and woreda government. As a result, it has been challenging to execute some of the proposed project interventions. Based on this, the design of the new phase followed a bottom up approach where the zonal government together with the targeted woredas identified the project idea, including identification and selection of interventions, budget estimation, project target Woredas and write up of the initial project document.

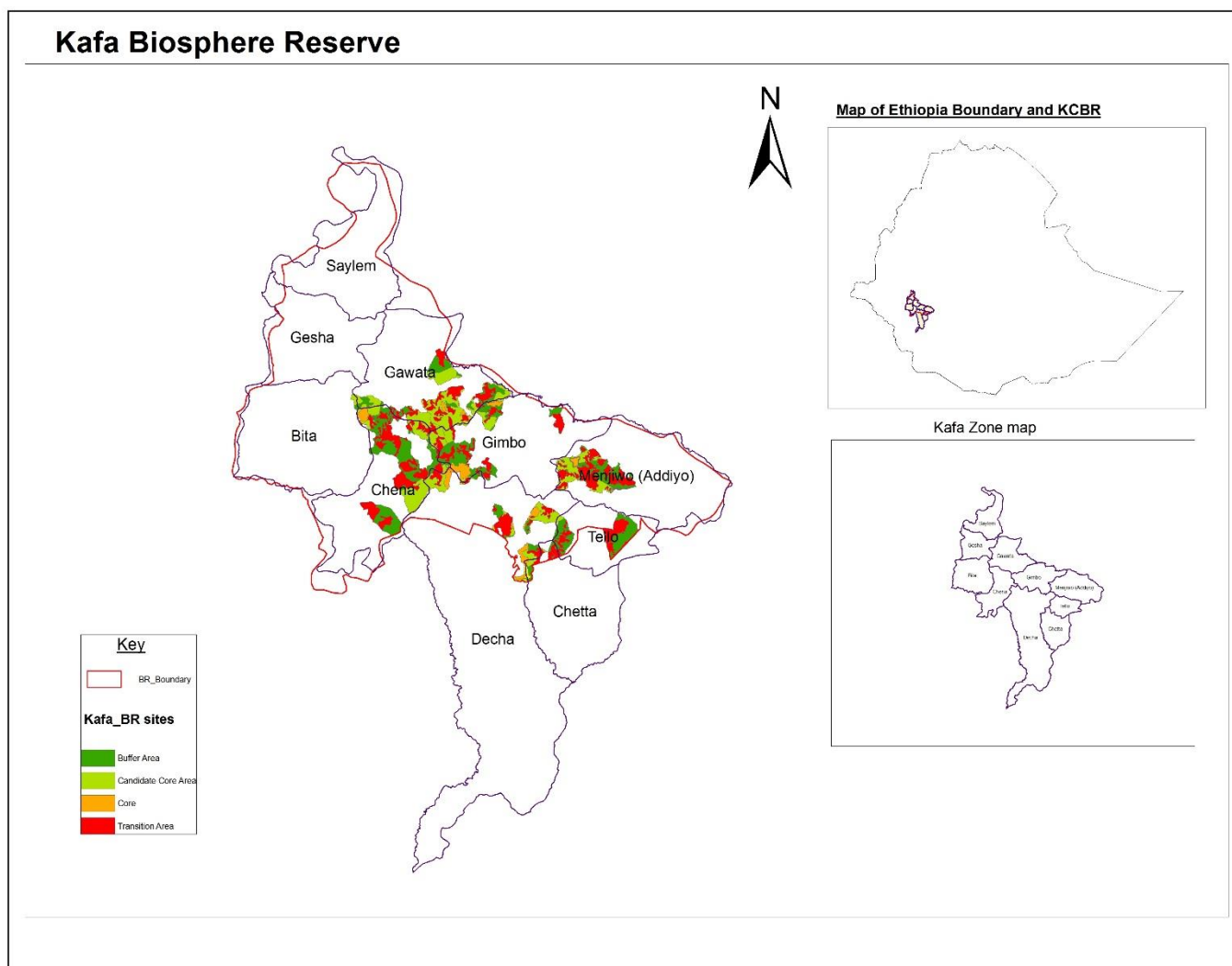
- **PFM as the most preferred approach to combat forest degradation and deforestation:** As stated above, PFM has been adopted by the government of Ethiopia as the most practical, sustainable and cost-effective approach to safeguard the remaining high forest of the country. The PFM approach grants legal right to members of the PFM groups/user groups to protect, develop and sustainably utilize the forest resources. It also grants such right to the user groups to restrict access of the non-members to the designated forest area under the user groups. Improving livelihoods of the PFM members through creation of alternative livelihoods options, improving market access, and capacity building is very crucial to reduce the dependence of the PFM members on timber forest products. The on-going DANIDA supported project focused on improving income of communities in the project target areas through livelihoods interventions. Nonetheless, the interventions fall short in terms of targeting, number of beneficiaries, and geographic coverage. Furthermore, less emphasis was given to other components of the PFM such as law enforcement, forest resource assessment, community capacity building among others. These shortfalls will be addressed through this program.

Recognizing the environmental, economic and social benefits of PFM through its long engagement in its implementation with many development partners, the Kaffa Zone is keen to expand PFM throughout its forest areas. Therefore, the Zonal Environmental Protection and Forest Office (ZEPFO) in collaboration with the ME FCC and the MoFEC/CRGE facility has developed this proposal.

The program is designed to improve the livelihood of communities while supporting the sustainable management and conservation of natural forest in the KBR for its economic, social, ecological and ecosystem benefits and enhance the role of forest as carbon sinks. The proposed program will focus in Woredas within the Kaffa biosphere - Chena, Cheta, Decha, Gewata, Tello, Adiyo, and Gimbo Woredas. Through the implementation of this program, the existing 37 PFM groups, covering 34,340.2 ha forest, will be strengthened while 15 new PFM Kebeles covering an estimated size of 9,750.4 ha of forest will be supported to establish capable PFM groups and cooperatives. Exact area of new PFM sites will be determined once demarcation of sites is finalized during the inception phase. A total of 54 kebeles with 22,849 direct beneficiaries will be engaged in this program through PFM and livelihood activities.

Though this program will directly work in the above stated forest sites within the KBR, the PFM activities and awareness creation initiatives that will be accomplished are expected to positively influence the whole 84,762 ha of the KBR which is found within the 54 implementation kebeles. The

KBR in the 54 implementation kebeles include a total of 7,493.88 ha of core area, 44,985.8 ha of candidate core area and 32,282.6 ha of buffer zone.



## Strategic Considerations and Justification

Denmark under the GATE program has supported the CRGE Facility from 2015-2018 with funds from the Danish Climate Envelope. This engagement had two implementing partners, MEFC and the Ministry of Agriculture and Livestock Resources (MoALR). With MEFC, the engagement focused on PFM as a means to conserve forest resources and promoting sustainable and resilient livelihoods in five woredas in the KBR in SNNPR. This engagement delivered tangible results in terms of strengthening PFM and in particular in terms of improving livelihoods, through livelihood diversification and the introduction of sustainable forest and non-forest livelihoods activities. This proposed program will build on and strengthen the results achieved by the previous engagement and enhance the capacity of the zonal and woreda level offices. Moreover, the thematic program

will further upscale the results achieved in five woredas and 20 kebeles to cover seven woredas and 54 Kebeles in the KBR.

The role of forests vis-à-vis climate change is dual. On the one hand, forest conservation and the prevention of deforestation and degradation holds significant potential vis-à-vis carbon sequestration and reducing the emissions of greenhouse gases. On the other hand, healthy forests provide important ecosystem services, which contribute to maintaining agricultural productivity and opportunities for livelihoods diversification, thereby contributing to enhancing the resilience of communities to the impacts of climate change. Hence, this thematic program will contribute to both the mitigation and adaptation objectives of the CRGE Strategy, the GTP II, Kaffa Zone GTP plan and the Danish Climate Envelope.

Key learnings from previous cooperation will be used to ensure results are delivered as planned through this program. Some of these lessons include:

- The need for better coordination between federal ministries, regional and zonal offices and key stakeholders to deliver result;
- The need for continuous capacity building to strengthen capacity at different levels and mitigate the risk of losing capable experts through staff turnover;
- The importance of regular Monitoring and Evaluation (M&E) to identify bottlenecks, take early actions and facilitate informed decision making;
- Value of periodic joint progress review of program with development partners to identify strategic issues, generate lessons and enhance partnership;
- The importance of ensuring financial flow is aligned with the Government's standard structure and procedures; and
- Giving the regional government a central role in program delivery.

The objective of this development cooperation is *"Improved and climate resilient livelihoods, while maintaining and enhancing carbon stocks and other ecosystem services and products"*.

The expected outcomes are:

- a) incomes are diversified and increased; and
- b) forest resources and ecosystem services are conserved.

The thematic program will pursue sustainable management of forest resources in the KBR through the promotion of PFM, where communities are empowered and motivated to manage and conserve their forests through: capacity development on sustainable forest management, secured access to forest resources of economic and livelihoods importance, and legal recognition of their forest access, duties and rights. Furthermore, the thematic program will contribute to reducing the pressure on forest resources while improving the livelihoods and resilience of communities by promoting sustainable forest and non-forest productive livelihoods activities and market linkages, thereby offering opportunities for enhancing incomes, and diversifying livelihoods strategies to make them less vulnerable to stress and shocks (see annex 6 for proposed livelihood activities). This includes awareness raising on the negative impacts of population growth and the benefits of family planning

in order to address some of the root causes of deforestation, environmental degradation, and poverty. Emphasis will be on inclusion and ensuring that vulnerable groups (e.g. the Manja<sup>16</sup>), and women and youth<sup>17</sup> participate in forest-related decision-making and benefit from livelihoods improvements. Since the Zonal and local Government has the responsibility for promoting forest conservation and livelihoods improvements, further development of their capacity in this regard is an important element of the thematic program. Moreover, the program will support MEFC at federal level vis-à-vis strengthening how social issues are addressed in the overall frameworks for the promotion of inclusive and sustainable forest management.

In order to ensure comprehensive analytical foundation to guide implementation, the program will have a six-month inception phase. The inception period will be used to:

- Establish program steering committee;
- Establish the baseline for the program indicators at output, outcome and objective levels - survey for baseline will include non-PFM members as a reference group;
- Deploy program staff;
- Assessing the social fabric of the communities in the Kaffa Biosphere Reserve, to identify the needs and interests of marginalised groups (e.g. Manja), women, and youth.
- Carrying out a capacity needs assessment for Government institutions and staff at zonal and woreda levels in the Kaffa Biosphere Reserve and developing a capacity development plan.
- Building the capacity of Zonal Environment Protection and Forest Office (ZEPFO) and Woredas vis-à-vis: a) monitoring and reporting, and b) value chain and market analysis.
- Identify and map potential forest area within each kebele that will be used during negotiation period prior to demarcation;
- Identify and demarcate afforestation / reforestation sites in Eramo and Boba Bela kebeles;
- Develop management plan for setting up of revolving fund for livelihood activities;
- Establishing a procedure with clear economic, social and environmental criteria for the selection of livelihoods options to be promoted.
- Use Technical Assistance (TA) support to conduct feasibility assessment, including economic potential and environmental impact of different livelihoods options in the area (including but not limited to proposed list in annex 6), to identify the most feasible ones to be supported through the program;
- Assess and agree on the level of carbon stock assessment that can be carried out by the program;
- Conduct consultation with key stakeholders – communities, and development actors within the KBR to ensure synergy;

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<sup>16</sup> The Manja are a minority ethnic group living in Kaffa and Sheka zones of the SNNPR whose livelihood style is strongly linked with the forest. They are suffering from various kinds of discrimination e.g. out casting and marginalization by other ethnic groups (mainly by the Kefficho's) because of their eating habits and customs. The programme will be extra attendant to this group and ensure that all activities are inclusive and contribute increasing understanding and recognition between different ethnic groups through the participatory and inclusive nature of the PFM groups.

<sup>17</sup> In the Kaffa Zone unemployed youth in rural kebeles is estimated to be 25,916. As a result, forest land clearing for agriculture land is common practice among this group and hence the need to support them through alternative livelihood options.



- Conduct stakeholder analysis (desk review) and use input from consultation of stakeholders to engage all relevant partners in program implementation such as law enforcement bodies, academia, research institutes etc;
- Engage closely with the REDD+ Investment Plan implementers and donor (MEFCC, MoFEC, regional and zonal counterparts, Norwegian Embassy) to discuss program synergy including recruitment of staff at zone and woreda levels, GHG measurement.

Technical assistance from academia, international or national Non-Government Organizations (NGOs) present in the KBR or consultants will be used to support the inception phase. The local knowledge of Zone Environment Protection and Forest Office (ZEPFO) to identify capable partner working in the Biosphere will be essential at this stage. Further, the technical assistance component, that will be handled through the Embassy of Denmark, will be crucial in supporting the program implementation from the inception phase up to the end of the program and will include designing a capacity development plan. Terms of Reference will be developed by the Embassy in close collaboration with MEFCC and MoFEC.

At the end of the inception phase, a joint inception review will be conducted by the Danish Embassy, MEFCC, MoFEC and ZEPFO to assess progress, agree on livelihood activities to be pursued through the program and indicators of success to be used, and assess needs for revisions to the results framework / indicators, annual work plan and budget, and stakeholder engagement design.

There are a number of government and non-government initiatives operating within the KBR. Initiatives that seek to enhance community livelihoods are numerous and may not always be compatible in approach. Therefore, coordination among different actors is essential to avoid duplication, enhance learning from one another, ensure efficient resource utilization, resolve issues of dispute and ensure a wider impact in the area.

Thus, the following Government Organizations (Gos) and NGOs are identified as key stakeholders in the implementation of the program. Development actors working in the BR will be engaged in early discussion during the inception phase to create synergy among different initiatives and identify additional stakeholders.

<b>Stakeholders</b>	<b>Relevant roles in the program</b>
The Ministry of Environment, Forest and Climate Change (MEFCC) and Ministry of Finance and Economic Cooperation (MoFEC)	MEFCC and MoFEC will provide technical support, ensure timely disbursement of funds and facilitate progress reviews and ensure quality and timely delivery of results through monitoring and reporting of the program.
Southern Nation, Nationalities, and Peoples Region's Environment & Forest Authority and Finance bureau	Will be key stakeholders providing implementation support to the zone and woredas

The Kaffa zone administration, Kaffa zone Finance, Environment Protection and Forest Office, Agricultural & Natural Resources, Animal & Fish, energy and health departments, media, Cooperatives and district offices	Will be in charge of the day-to-day program implementation while the regional bureaus provide technical backstopping.
Bonga university, Bonga Agricultural research center & Bonga Teacher training collage	Will provide training, equipment and technical support, as needed.
Federal level Institute of Environment and Forest research, Ethiopian Institute of Biodiversity and higher learning institutions	Will provide technical support upon request – e.g. baseline data, tree species selection, site matching of tree species to be planted etc.
Non-Governmental Organizations - Apinec L.A, kaffa Forest Honey Union, and Nature and Biodiversity Conservation Union (NABU)	Are key in providing knowledge transfers and potential partners in livelihood activities.
REDD+ Investment Plan (RIP)	This is a national level program supported by the Norwegian Government with funding of 600 million NOK (Norwegian Kroner). The program will also have activities within the Kaffa zone and hence early engagement to identify areas of collaboration is very important, including staff employment and GHG measurement.

### Pre-inception phase activities

The program is expected to be approved and signed towards the end of 2018. Therefore, to reduce the start-up phase of the program and to have an effective and efficient inception phase, a number of activities are proposed to be initiated beforehand. The activities will be refined and timeline agreed between ME FCC, MoFEC and Embassy of Denmark (EoD) once program document is approved.

Activity	Tentative Timeline	Responsible
Develop Terms of Reference (ToR) for program Steering Committee and submit to EoD	20 September 2018	ME FCC / ZEPFO prepares; MoFEC review before submission
Provide comment of steering committee ToR and send back for revision and finalization	30 September 2018	EoD
Develop job description for Zone staff positions and submit to EoD for review	30 September 2018	ME FCC / ZEPFO;

Provide comment of zone staffs job description and send back for revision and finalization	10 October 2018	EoD
Announce positions	20 October 2018	MEFCC / ZEPFO
Develop draft work plan and budget for first year and submit to EoD	5 October 2018	MEFCC / ZEPFO prepare; MoFEC review before submission
Review work plan and budget and send back for revision and finalization	15 October 2018	EoD
Develop ToR for FSTU staff position	30 September 2018	EoD with FSTU/MEFCC
Develop ToR for TA support and submit for review to MEFCC and MoFEC	15 September 2018	EoD
Finalize and announce TA support following comments from MEFCC and MoFEC	1 October 2018	EoD
Develop specific plan on how to include women, youth and Manja in the PFM groups based on the community structure in each kebele	November 2018	Woredas, ZEPFO Southern Nation, Nationalities, and Peoples Region's Environment & Forest Authority supported by MEFCC

### *Sustainability*

The program is designed to contribute towards the national GTP and CRGE plans by promoting PFM, supporting community livelihoods and enhancing sequestration of carbon dioxide. This will ensure institutional links and coordination with relevant programs. Further local capacity gaps will be identified in the first-year implementation phase and addressed through capacity building activities.

By the end of the program, communities will have key role in sustainable forest management and reduction of CO<sub>2</sub> emissions. Economic benefits through livelihood intervention will further strengthen the communities' commitment and capacity towards forest management. Most of the groups are already familiar with the PFM practices and have access and experience of non-timber forest products (including coffee, spices and honey) production and marketing. The project will improve access and create linkage to market opportunities while improving the entrepreneurship skills of the communities. Therefore, it is expected that these groups will require minimal external input from Government and donors once they are established and be functional through the program. The programme will also explore to estimate the value of ecosystem services it will provide to the country and the region and develop the evidence to advocate for the protection and rehabilitation of the

forest at national and regional level and negotiate with other stakeholders. E.g. downstream water users.

The program will be implemented using government systems and structure from Federal to local level. This will enable the government to build its capacity creating ownership and ensuring continuity of activities and technical backstopping. The programme also will work with Bonga University to ensure needed knowledge and skills about participatory forest management and forest livelihood are inculcated in the curriculums and research programmes. Further, Establishment of a Forest Sector Transformation Unit through the REDD+ Investment Plan will strengthen the forest sector including the implementation and sustainability of this program.

## Theory of Change and Key Assumptions

The theory of change for Climate Resilient Forest Livelihoods' is that by involving local communities in forest management and protection and providing them with opportunities for increasing incomes through sustainable use of forest resources and other sources, then their livelihoods will improve and become more resilient to climate change while maintaining and enhancing carbon stocks, forest resources and ecosystem services. This will contribute to achieving the objectives of the CRGE Strategy set out by the Government of Ethiopia

The adaptation to impacts of climate change is evident from the improved livelihoods and diversified income opportunities (i.e. reduced vulnerability and increased resilience to climate change). Climate change adaptation also includes the resilience of the KBR ecosystem services. The climate change mitigation is addressed by protecting existing carbon stocks (avoided emissions from deforestation and degradation) while the carbon sequestering from rehabilitation and reforestation will be longer term (beyond the 4 years of the Thematic Programme).

Outputs 1 and 2 as well as outcomes 1 and 2 are interlinked. Output 1 (livelihood activities) targets PFM members at household level or small groups of households, while Output 2 (PFM) targets groups and community activities. In the intervention logic, output 3 could be viewed as a de facto input to output 1 and output 2.

The Theory of Change rests on the assumption that the Government of Ethiopia will not significantly change its development trajectory as outlined in GTP II maintaining a strong focus on building a Climate Resilient Green Economy. It is also assumed that the Governments at federal and regional level remain willing to transfer the formal and legal responsibility for forest management and bestow the rights to benefit from forest resources to communities. In addition, Governments at various level (MEFCC and MoFEC) are assumed to have gained capacity through previous interventions that will facilitate the implementation of this program and ensure coordination among themselves to deliver result. At the community level, it is assumed that communities through capacity development will manage forest resources sustainably and in a transparent and inclusive manner and avoid elite capture – and that Government at the local level has the capacity and willingness to monitor participatory forest management groups and intervene, if they do not manage the forests according

to the principles of participatory forest management. Technical assistance through this program is assumed to provide the required skill transfer and design well planned exit strategy to minimize risks and ensure sustainability.

## Intervention Logic/ToC

### Strategic Framework

**Country Programme Objective:**  
Inclusive, sustainable growth and improved governance in Ethiopia by supporting the vision of building a Climate Resilient Green Economy and reaching lower middle-income status by 2025

### Thematic Programme 3: Climate Resilient Forest Livelihoods

**Thematic Programme Objective:**  
Improved and climate resilient livelihoods, while maintaining and enhancing carbon stocks and other ecosystem services

**Outcome 3.1:**  
Incomes are diversified and increased

**Outcome 3.2:**  
Forest resources and ecosystem services are protected

Output 3.1.1: Community-members engage in climate resilient and sustainable forest and non-forest production, businesses and practices

Output 3.2.1: Participatory forest management is in place in woredas and enforces forest and ecosystem protection

Output 3.2.2: Government from federal to local level supported with technical assistance and capacity building development

## Results

## Program Objective and Summary of Results Framework

The program is designed to ensure resilience of forest dependent communities to climate shock through enhancement of communities' livelihood and strengthening of PFM in the transition and buffer zones of the KBR, thus, maximizing ecosystem services and making them more productive.

The program will work in 7 woredas and 54 kebeles selected based on key selection criteria (see annex 5). At an impact level, the program aims to contribute to improved livelihood in the Kaffa Biosphere while maintaining and enhancing carbon stocks and other ecosystem services and products. The program aims to benefit 22,849 households (HH) by the end of the implementation period (see annex 4 for detail).

The program will strengthen existing 37 PFM groups that were established by different actors<sup>18</sup> in the KBR and establish additional 15 PFM groups. The 37 PFM groups are not functioning well currently. This is mainly due to minimum livelihood interventions by previous projects thus leading to weakening of the PFM groups. Through this program, selected HHs will be supported through livelihood activities and the PFM groups in general will be strengthened through training, revision of PFM documents and re-demarcation of forest sites where needed.

Out of the estimated 22,849 HH beneficiaries at least 7,200 highly vulnerable households will be identified and supported through livelihood activities while livelihood activities of already existing 2,000 households supported through the previous DANIDA project will be strengthened (See annex 4) through additional inputs. From the 7,200 households 885 are estimated to be non-PFM HHs who are directly dependent on the forest but may not become PFM members. Based on previous PFM experiences including from the phase I DANIDA support, there will be HHs that are highly dependent on forest resources but not willing to join the PFM groups immediately. These households however, when supported through livelihood activities have shown openness to understand the value of PFM and in most cases, join the PFM groups at a later stage. Therefore, based on these experiences the support of these 885 HHs is part of the strategic plan by the zone to eventually get their willingness to be part of the PFM groups in their kebeles.

Except for two kebeles in Chena woreda (Eramo and Boba Bela) all other kebeles will have PFM groups. These two kebeles do not yet have forest areas and will need to engage in afforestation/reforestation activities before joining PFM groups to be established in the future. The kebeles are selected because of availability of large degraded areas with high potential to implement afforestation/reforestation. Community-based afforestation/reforestation (A/R) groups will be established in these kebeles. These groups are expected to eventually become PFM groups once their plots fulfil the forest definition. These groups will also be used as pilots to demonstrate the benefit of having A/R groups early on to expand forest area and strengthen PFM in the zone.

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<sup>18</sup> PFM actors in Kaffa include Farm Africa, FAO, NABU, and ZEPFO

The program is expected to have indirect benefit to at least 50% of the zone population through improved ecosystem services, availability of various products in the market from livelihood activities, and knowledge transfer. As a result, the program will have at least 500,000 indirect beneficiaries.

To contribute towards gender equality and youth employment, the program aims to ensure at least 20% of the total target groups to be women and at least 20% of its livelihood groups to be young adults. The program target groups are the entire 22,849 HH who will participate in the program while the livelihood interventions will target the 9,200 highly vulnerable HHs in the kebeles. The livelihood groups will be selected based on identified key selection criteria (see annex 5) which ensures women, youth and Manja communities are given priority. The selection criteria might be further refined and enriched with inputs from the beneficiaries during the inception phase of the project. Possible livelihood activities that are tentatively identified include establishment of woodlot and introduction/upscaling of energy - efficient stove to address the high demand fuel wood. In addition, other activities including beekeeping, forest coffee and animal rearing are identified as potential intervention areas to be refined and selected after a feasibility study during the program inception phase (see annex 6). Further to ensure, sustainability of the livelihood activities a revolving fund will be set up that will ensure more households are supported through a long-term strategy. The revolving fund will be set up in a way that will provide the communities enough time to start getting income from their new livelihood activities but will also engage them in developing a plan through which they will pay back a certain percentage of their income to support other community members in the future. The details of the management of the revolving fund will be worked out during the inception phase.

The program has the following objective, impact, outcome and outputs. These will guide the implementation process as well as monitoring and reporting of the program. Detailed information is annexed.

**Objective:** Improved and climate resilient livelihoods, while maintaining and enhancing carbon stocks and other ecosystem services and products

**Outcome 1:** Incomes are diversified and increased

**Output 1.1:** Selected PFM members engage in climate resilient and sustainable forest and non-forest production, businesses and practices

**Outcome 2:** Forest resources and ecosystem services are conserved

**Output 2.1:** Participatory forest management and afforestation/reforestation is in place in 54 kebeles and enforces forest and ecosystem protection

**Output 2.2 (feeds into both Outcome 1 and 2):** Government from federal to local level supported with technical assistance and capacity building development



## Inputs/budget

The budget for the thematic program is outlined below per output. An indicative budget breakdown for PFM is attached in annex 2. However, final detailed budget will be developed in the inception period once livelihood activities and local capacity needs are identified and agreed upon. Further revisions may be done based on justifications. Revisions will be approval by the Steering Committee.

Activities	Million DKK	Description	Remark
<b>Output 1.1 Participatory Forest Management</b>	<b>9.0</b>	On the ground activities	To be managed by MoFEC-Region/Zone/Woreda budget
<b>Output 2.1 Livelihood Activities and Practices</b>	<b>22.0</b>	On the ground activities	To be managed by MoFEC -Region/Zone/Woreda budget
<b>Output 2.2 Capacity development and Technical Assistance</b>	<b>11.5</b>		
Staff at Zonal Office and equipment	3.5	Salary, equipment, logistics	To be managed by MoFEC -Zone budget
Social inclusion advisor (MEFCC)	1.4	Salary, equipment, M&E, logistics	To be managed by MoFEC -MEFCC / FSTU budget
Capacity development support, training	5.8	International Tender	To be managed by EoD
2 MSc scholarships in PFM	0.8	Danida Fellowship Centre University of Copenhagen	To be managed by EoD
<b>Reviews, communications, Exposure and Studies</b>	<b>1.5</b>		To be Managed by EoD
<b>Program Management and Operations including Monitoring, supervision and quality assurance (MoFEC + MEFCC)</b>	<b>1.0<sup>19</sup></b>	Operations and M&E costs at MOFEC, MEFCC, BOFEC and WOFECC levels cost	To be managed by MoFEC
<b>Total</b>	<b>45.0</b>		

<sup>19</sup> As the contract holder MoFEC and its region, woreda, zone offices will implement the program with close coordination with the RIP. Except for the zone finance staff to be hired by this program, the work at the other levels will be carried out using existing Government staff. The kebeles where this program will be implemented are completely different from that of the RIP, therefore, to support the facilitation of key activities such as M&E at implementation sites, spot checking of finance documents and provision of required finance related trainings, budget needs to be allocated from this program.

## *Government Contribution*

The Government of Ethiopia is committed to realize its CRGE and GTP II goals. As a result, the government mobilizes fund from different development partners in addition to nationally allocated budget to integrate, strengthen and scale up ongoing activities in different parts of the country. The government is committed to do its utmost to ensure capacity is developed in different sectors and at different levels to deliver quality results from different programs.

The government will contribute to realize the successful implementation of this program by using its existing staff at different levels in both Ministries (MEFCC and MoFEC). The program will use the expertise of already existing staff in MEFCC (FSTU) and MoFEC (CRGE Facility) at the federal level. Only one expert in FSTU will be supported through this program. At the Zone and woreda level in addition to the three experts to be hired by the program, activities will be facilitated through staffs in the existing government structure. Only operations and M&E costs will be provided to MoFEC and its sub-national offices through this program. Further, the government will facilitate the integration of different actors to minimize duplication of efforts and direct finance to activities as much as possible. For example, staff members to be hired by this program and the REDD+ Investment plan in the Kaffa Zone will be coordinated to serve both programs. In order to ensure recruitment through this program will further strengthen the government capacity, individuals hired will not be handled through a separate program management unit but rather become part of the existing government offices. Therefore, technical staff will be placed at the Zone Environment Protection and Forest Office, while the finance staff will join the Zone Finance and Economic Cooperation. The total government contribution (time of the existing staff, other in-kind contributions such as office space, etc.) at federal, regional, zonal and woreda level is conservatively valued at 3.5 million ETB.

## **Institutional and Management Arrangement**

A Steering Committee comprised of MoFEC, MEFCC, BoFEC, Bureau of Environment Protection and Forest, the Kaffa Zone Environment Protection and Forest Office, Kaffa Zone Administration, and the Danish Embassy will oversee the implementation of the thematic program. Other relevant stakeholders may be invited to participate, such as the Ministry of Agriculture and Livestock Resources, the Embassy of Norway, and the REDD+ Secretariat. The Steering Committee will meet twice annually to review and approve annual work plans and budgets, annual progress reports, and financial reports.

*The CRGE Facility/MOFEC* shall be responsible for financial management and control, disbursement of funds, monitoring of program activities and finalisation and submission of annual financial and technical reports including audit reports to the Danish Embassy.

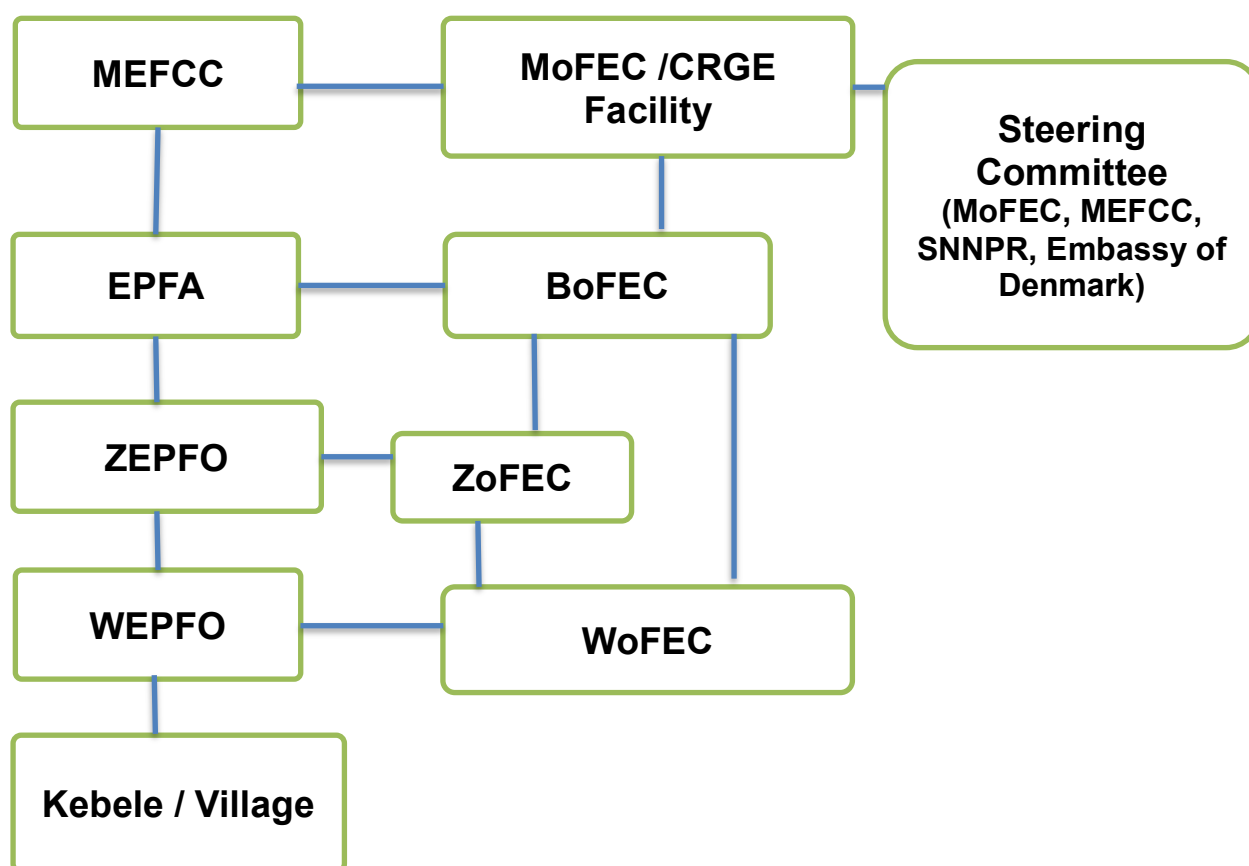
*The FSTU/MEFCC* shall support and monitor the implementation of the thematic program, review and consolidate progress reports, provide technical support and guidance, capture and disseminate lessons learned, and link the experience gained to the international climate negotiation. MEFCC will also be responsible for the submission of quarterly technical reports to the CRGE facility. Program reports will be made using the CRGE facility reporting template. Any additional information required by the development partner will be included following their revision of the report template. A

National Social Adviser at the FSTU will be recruited by MEFCC and financed by the thematic program.

*The SNNPR Bureau of Environment Protection and Forest* shall be responsible for ownership and implementation of the thematic program in KBR and for preparing progress reports. The SNNPR BOFEC is responsible for financial management of the program and consolidation of quarterly and annual financial reports. Progress and activity based financial reports shall be submitted to MEFCC through the regional Environment Protection and Forest Authority (EPFA). BoFEC will send consolidated quarterly and annual financial reports, which corresponds with the technical report to MOFEC. The program staff to be hired by the program in the Kaffa Zonal Government shall be responsible for day-to-day program management and implementation. A coordinator, a participatory forest management expert, and an accountant will be employed by the Kaffa Zone Environment Protection and Forest Office in consultation with the Bureau of Environment and Forest and the Bureau of Finance and Economic Cooperation (for the recruitment of the accountant) and financed by the thematic program. Reports from Woredas through Woreda Environment Protection and Forest office (WEPFO) and Woreda offices of Finance and Economic Cooperation (WoFEC) are submitted to respective regional bureaus. Financial management system of the program is governed through the governmental organized structure of MOFEC to BoFEC of SNNPR. BoFEC receive fund from MOFEC and will then directly disburse allocated budget to Kaffa Zone office of Finance and Economic Cooperation (ZoFEC) and respective WoFECs. The Zonal Accountant will ensure that funds are disbursed to the respective Woredas, provide support to the Woredas, consolidate periodic financial report and send reports to the BoFEC.

*The Embassy of Denmark* will provide financing for the thematic program. The Embassy will approve the financial reports and annual progress reports before the next fund disbursements will be made. The embassy will receive reports biannually. Staff terms of references and candidate evaluation grids shall be shared with the Embassy before finalisation and recruitment. National and international technical advisors will be mobilized through the embassy to provide support at the local level as needed.

### *Program Implementation Arrangement*



## Financial Management, Planning and Reporting

All parties will strive for full alignment of the Danish support to the rules and procedures of the Government of Ethiopia. The financial management arrangements for the thematic program shall follow the Government of Ethiopia's financial management, disbursement, and procurement rules and procedures. The Embassy of Denmark will disburse program funds to the CRGE Facility of MOFEC. MOFEC will continue to use the existing account at the federal level for the Danish funds, and SNNPR shall use its CRGE accounts for the Danish funds at the regional zone and woreda levels. MOFEC will transfer funds to be used at the federal level to the Forest Sector Transformation Unit (FSTU) of MEFCC, and it will transfer funds to be used in the Kaffa Zone to BOFEC of SNNPR, which will transfer the funds via ZOFEK of the Kaffa Zone to the Bureau of Environment Protection and Forest and via WoFEC to woreda level activities.

The SNNPR Bureau of Environment, Forest and Climate Change will develop consolidated annual work plans and budgets for all activities supported by Danida and submit to the MEFCC, following the procedures laid out in the rules and regulations of the Government of Ethiopia and the implementing partners. Reports will then be submitted to MEFCC and MoFEC. Funds will be disbursed as advances in six-monthly tranches, upon receipt of satisfactory financial reports, audited

annual financial reports, and technical progress reports for review and endorsement by the Steering Committee. The starting point for the fund flow process is the approval of the inception work plan and budget.

Financial reports shall be prepared by WoFEC and ZoFEC and submitted to BoFEC for approval. Once approved, BOFEC will submit them to MOFEC for approval. MEFCC shall also prepare financial reports and submit to MOFEC for approval on its own activity. MOFEC will submit financial and technical report to the Embassy of Denmark.

After each financial year, MOFEC will present internal and external audits of the accounts for the thematic programs, following the Government of Ethiopia's procedures within six months after the end of the fiscal year. These audits will comprise inspection of accounting records, cash and bank holdings, verification of physical inventories, examination of the procurement function and compliance with Government procedures. Finally, the Embassy shall have the right to commission independent financial audits that may also assess fiduciary risks, procurement and value-for-money of the utilisation of the Danish funding.

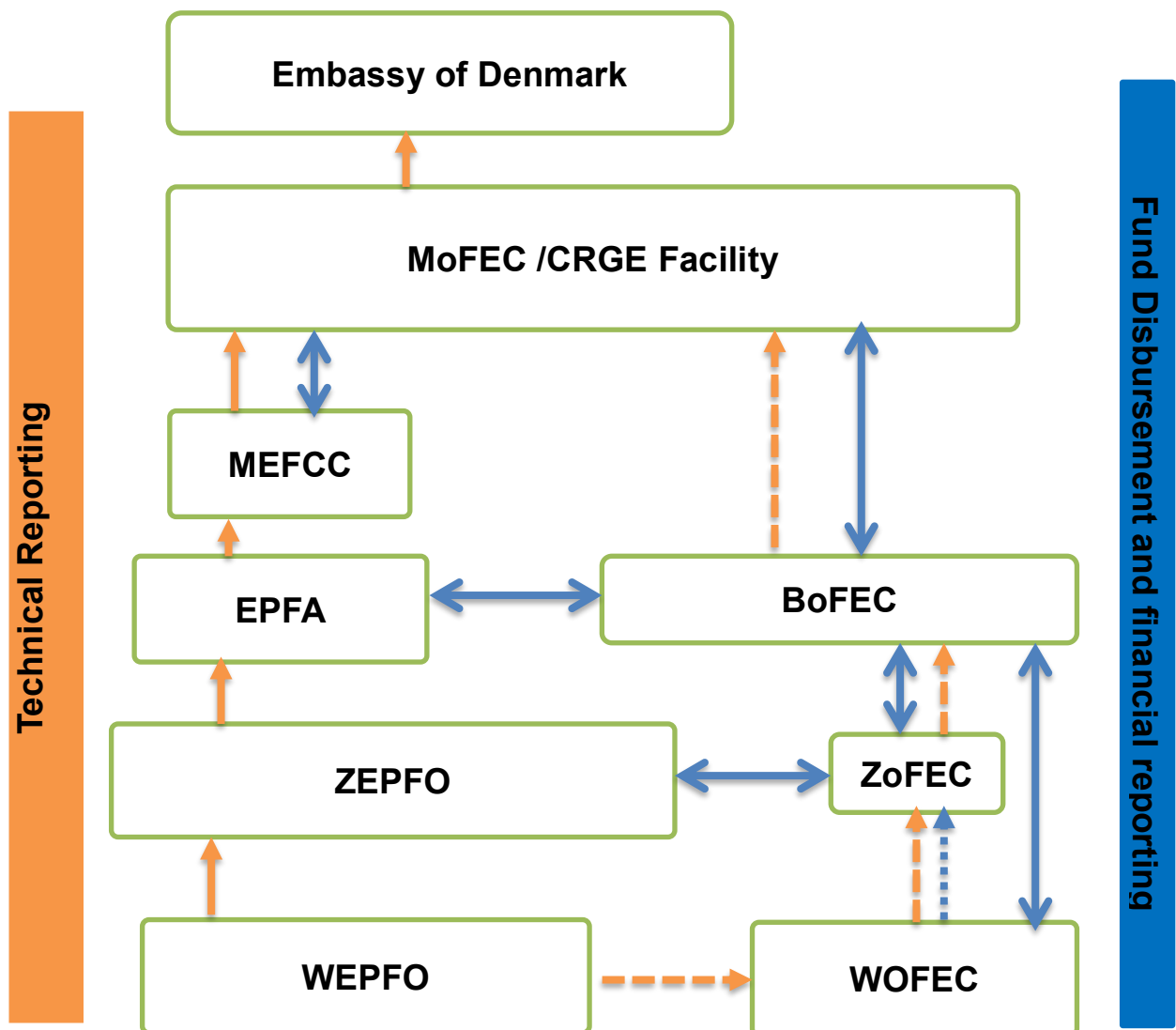
#### *Monitoring and Evaluation*

The technical staff of the Kaffa Zonal Government and woredas shall be responsible for the gathering of, and reporting on, baseline and monitoring data for the program indicators specified in the results framework. Six-monthly and annual progress reports shall be prepared, documenting the progress of program activities and fulfilment of the annual work plan. The annual report shall also capture progress toward the targets for all program indicators, and an analysis of the risk matrix and factors affecting implementation. External technical assistance will be mobilised during inception phase to develop the monitoring and baseline data collection capacity.

The Regional Bureau of Environment, Forest and Climate Change, MoFEC and MEFCC will review the progress reports, and provide guidance and technical assistance to ensure there is capacity to systematically monitor and report on indicators. The reviewed reports will be submitted to the Embassy of Denmark.

MEFCC and MoFEC in collaboration with ZEPFO will conduct periodic joint monitoring and evaluation to assess progress report, provide technical support and trainings, as required. There will be periodic joint monitoring of the program with the Embassy. The Danish Embassy may carry out any technical or financial missions and evaluations as needed, during and after the termination of the program support.

*Financial Flow and Technical Reporting*



## Risk Management

Key risk analysis is described below, and risk matrix attached as annex. The risk matrix will be used by the steering committee during its annual meetings to assess any issues that might have been flagged during the year.

### *Contextual risks*

Key contextual risks identified include:

- Potential social unrest in the area, which however, is not expected to be significant;
- Population growth and increased demand for land which is putting an ever-increasing pressure on forest resources and making rural livelihoods more difficult - awareness raising on the negative impact of large family sizes and family planning will contribute to mitigating this risk
- Lack of data on the social fabric of the communities in the Kaffa Biosphere which poses a risk of not adequately including women, youth and marginalised groups such as the Manja and resettled households from other parts of the country - collecting of data through community surveys and baselines and the recruitment of a national social adviser at ME FCC will contribute to mitigating the risk in relation to these groups.
- Failure of law enforcement by the police and the judiciary, when participatory forest management groups report illegal activities, could affect the long-term commitment of the communities to sustainable forest management - The coupling of participatory forest management with income-generating activities will help motivate the communities to engage in the sustainable management of their forests, and early engagement with law enforcement bodies will facilitate support.
- Displacement of livelihoods especially of those depending on illegal timber extraction and corruption are also identified and planned to be mitigated through PFM and income generating activities supporting such groups and following government financial management system and regular audits, respectively.

### *Programmatic risks*

Key programmatic risks identified include:

- There will be pressure on the forest from Kebele residents who are not members of the PFM groups and are not beneficiaries of the livelihood interventions of the project. The risk will be minimized through strong law enforcement, awareness raising and careful selection of non-PFM members to benefit from the livelihood interventions of the project.
- Significant delays caused by slow Government procurement and disbursement processes – MoFECs plan to apply channel 1 disbursement process, close link with local government bodies to provide required report for fund disbursements and involvement of Embassy of Denmark to support procurement of technical studies and reviews are expected to reduce the risk.

- Absorption capacity by the Kaffa Zone Administration is insufficient to handle a five-fold increase in the funding provide compared to previous Danish support - the establishment of a dedicated programme team, the implementation of capacity building activities in the Kaffa Zone, the inclusion of the SNNPR Regional Government in the program, and the establishment of the Forest Sector Transformation Unit will help strengthening the administrative and technical capacity.
- Risk of some livelihoods and reforestation options promoted are not fully environmentally, socially or economically sustainable/appropriate - the environmental, social and economic aspects of different proposed livelihoods and reforestation options will be assessed technically and through community consultations during the inception phase. Only options, which are appropriate and sustainable in all three dimensions will be promoted. Non-indigenous species will not be introduced in forested areas and will undergo appropriate approval process even for other areas.
- Elite capture and gender inequality pose risk in PFM groups – setting clear member selecting criteria, community consultation, having a set target, gender sensitive M&E system are some of the actions that will minimize these risks.
- Unsustainability of results from intervention is a low risk as the program is building on previous experiences, there is strong buy-in from government and national programs and local plans include scaling up of such program. Involving community and other stakeholders in progress monitoring, capturing lessons and communicating results will further strengthen the sustainability of the program results.

#### *Institutional risks*

Key institutional risks identified include:

- High staff turnover at all levels of government and loss of capacitated staff. Immediate replacement of staff and continuous capacity building measures will be implemented. Furthermore, strict institutional memory retention mechanism will be introduced and implemented.
- Implementing partners unable to maintain momentum and ensure sustainability after program completion due to financial constraints - a sustainability strategy and gradual phase out; partnering with other similar programs and increased capacity of CRGE facility to mobilize fund will help mitigate this risk.



## Annex 1: Result Framework

<b>Thematic Programme title</b>		<b>Climate Resilient Forest Livelihoods</b>	
Thematic Programme 3 Objective		Improved and climate resilient livelihoods, while maintaining and enhancing carbon stocks and other ecosystem services and products	
Impact Indicator 3.1		# of households <sup>20</sup> benefiting from the CRFL programme <sup>21</sup>	
Baseline	Year	2018	To be determined during the inception phase
Target	Year	2023 <sup>22</sup>	22,849 households report they have benefitted from the CRFL programme's interventions
<b>Outcome 3.1</b>		<b>Incomes are diversified and increased</b>	
Outcome indicator 3.1		% increase in incomes derived from forest and non-forest livelihood activities for participatory forest management (PFM) members (disaggregated by gender and youth)	
Baseline	Year	2018	Current economic situation to be determined during the inception phase
Target	Year	2023	25% average income increase for 9,200 households
<b>Output 3.1.1</b>		<b>Selected PFM members engage in climate resilient and sustainable forest and non-forest production, businesses and practices</b>	
Output indicator		# of people adopting sustainable and climate resilient livelihood options (disaggregated by gender, youth and ethnicity) <sup>23</sup>	
Baseline	Year	2018	2,000 households have been introduced to climate resilient livelihood options
Annual target	Year 1	2018/19	Clear plan for introduction of most feasible and in-demand climate resilient and sustainable forest and non-forest livelihood options
Annual target	Year 2	2019/20	Current 2,000 households provided additional support to strengthen their capacity and sustain their newly adopted livelihoods 7,200 new households have been introduced to climate resilient livelihood options by CRFL
Annual target	Year 3	2020/21	Enhanced capacity of 9,200 households to engage in sustainable and climate resilient livelihoods options
Annual target	Year 4	2021/22	9,200 households have become nearly self-sufficient with backstopping from government and supported based on need
Target	Year 5	2022/23	9,200 households have adopted climate resilient livelihoods options promoted by CRFL
<b>Outcome 3.2</b>		<b>Forest resources and ecosystem services are protected/conserved</b>	
Outcome indicator 3.2		# of ha of forests under sustainable management <sup>24</sup>	
Baseline	Year	2018	34,340.2 ha of natural forest under participatory forest management with additional need for functionality (disaggregated by core, buffer and transition areas)

<sup>20</sup> The average household size in Kaffa is 5.5 people

<sup>21</sup> Impact/core indicator for Danish Climate Envelope

<sup>22</sup> The final year of the results framework is mid 2023 as the reporting follows Ethiopian Fiscal year, which is between 8th July - 7th July.

<sup>23</sup> Outcome/supporting indicator for Danish Climate Envelope (adaptation)

<sup>24</sup> Outcome/supporting indicator for Danish Climate Envelope (mitigation)

Target	Year	2023	44,090.6 ha of natural forest under participatory forest management (disaggregated by core, buffer and transition areas) and fully functional systems in place
<b>Output 3.2.1</b>		<b>Participatory forest management is in place in Woredas and enforces forest and ecosystem protection</b>	
Output indicator		# of participatory forest management groups and A/R groups (with youth, women and minorities among members) and cooperatives set up and functional in 7 Woredas (54 Kebeles) in the Kaffa Zone	
Baseline	Year	2018	37 PFM groups established of which 26 are cooperatives/fully functional
Annual target	Year 1	2018/19	Assessment of and plan for how to include youth, women and minorities in PFM and A/R groups
Annual target	Year 2	2019/20	40 PFM groups and 2 A/R established of which 32 are cooperatives
Annual target	Year 3	2020/21	46 PFM groups and 2 A/R established of which 40 are cooperatives
Annual target	Year 4	2021/22	52 PFM groups and 2 A/R established of which 48 are cooperatives
Target	Year 5	2022/23	52 PFM groups and 2 A/R groups established and all 52 are cooperatives and fully functional
<b>Output 3.2.2 (feeds into both Outcome 1 and 2)</b>		<b>Enhanced capacity of Government from Federal to Zonal level to promote participatory forest management and sustainable and climate resilient livelihoods options for forest communities in the Kaffa Zone</b>	
Output indicator		The government is able to apply best international PFM practice from federal to Zonal level and is able to independently assess the feasibility of different climate resilient livelihood options (to be promoted?).	
Baseline	Year	2018	To be assessed during inception phase
Annual target	Year 1	2018/19	Capacity and technical gaps identified and plan for technical assistance and capacity development agreed by all partners
Annual target	Year 2	2019/20	Kaffa Zonal Administration has increased capacity to analyse and identify the most feasible climate resilient livelihood options to be promoted. Federal, Regional and Zonal Administration have developed plans for strengthening results-based monitoring and reporting on PFM.
Annual target	Year 3	2020/21	Kaffa Zonal Administration has the capacity to independently analyse and identify the most feasible and appropriate climate resilient livelihood options to be promoted. Federal, Regional and Zonal Administration is carrying out results-based monitoring and reporting on best PFM practices
Annual target	Year 4	2021/22	Kaffa Zonal Administration independently identifies, follow up on, and implement the most feasible and appropriate climate resilient livelihood options. Federal, Regional and Zonal Administration have increased capacity to apply best PFM practice in their interventions. The Federal, Regional and Zonal Administration have developed and are implementing systematic approaches to ensure social inclusion.
Target	Year 5	2022/23	Kaffa Zonal Administration is able to independently plan and implement PFM that is socially inclusive and follows best international practice. Kaffa Zonal Administration is able to independently assess and implement the most feasible and appropriate climate resilient livelihoods to be promoted for forest communities.

## Annex 2: Indicative Budget Details

### Overall Budget

Activities	Million DKK
<b>Output 1.1 Livelihood Activities and Practices (actual livelihood options to be identified during inception phase)</b>	<b>22.0</b>
<b>Output 2.1 Participatory Forest Management</b>	<b>9.0</b>
Familiarization for Government staff, stakeholder analysis and forest site selection	0.76
Familiarization for Community members	0.88
Forest resources assessment, boundary demarcation, negotiation and mapping	1.1
Organizing and legalizing new PFM groups	0.76
Capacity building (institutional, technical and administrative)	0.9
Participatory monitoring and evaluation	0.6
Review of existing PFM forest sites and forest management plan	0.7
Re-demarcation of existing forest boundaries based on forest stock analysis and mapping	0.9
Rehabilitation activities including forest seed collection	1.6
Community level meetings	0.8
<b>Output 2.2: Capacity development and Technical Assistance</b>	<b>11.5</b>
Staff at Zonal Office and equipment	3.5
Social inclusion advisor /FSTU	1.4
Capacity development support, training	5.8
2 MSc scholarships in PFM	0.8
<b>Reviews, Communication, Exposure and Studies (including carbon stock assessment)</b>	<b>1.5</b>
<b>Program Management and Operations including Monitoring, supervision and quality assurance (MoFEC+ ME FCC)</b>	<b>1.0</b>
<b>Total</b>	<b>45</b>

## Annual Budget

	2018-19	2019-20	2020-21	2021-22	2022-23	Total
	Million DKK					
Output 3.1.1 Community-members engage in climate resilient and sustainable forest and non-forest production, businesses and practices	0.8	5.3	5.3	5.3	5.3	22.0
Output 3.2.1 Participatory forest management is in place in Woredas and enforce forest protection	0.5	2.0	2.5	2.0	2.0	9.0
Output 3.2.2: Enhanced capacity of Government	1.4	3.0	3.0	2.5	1.6	11.5
Managed by partners: - Programme management in Kaffa Zone (equipment, coordinator, participatory forest management expert, accountant)	0.5	1.0	1.0	0.5	0.5	3.5
Managed by the Danish Embassy: - Social Inclusion Adviser for FSTU	0.1	0.3	0.3	0.3	0.4	1.4
- Capacity building and technical assistance	0.8	1.5	1.5	1.5	0.5	5.8
- 2 MSc scholarships in participatory forest management	0.0	0.2	0.2	0.2	0.2	0.8
Programme management and operations including monitoring, supervision and quality assurance (MOF + EFCCC)	0.2	0.2	0.2	0.2	0.2	1.0
Reviews, communication, studies (managed by the Danish Embassy)	0.5	0.0	0.5	0.0	0.5	1.5
<b>Total</b>	<b>3.4</b>	<b>10.5</b>	<b>11.5</b>	<b>10.0</b>	<b>9.6</b>	<b>45.0</b>

## Annex 3: Risk Management Matrix

### Contextual risks

RISK FACTOR	LIKELIHOOD	IMPACT	RISK RESPONSE	RESIDUAL RISK	BACKGROUND TO ASSESSMENT
<b>SOCIAL UNREST IN THE IMPLEMENTATION AREA</b>	Low	Major	Selected program area is mostly stable  Continuous monitoring to be done	Some unrest reported in recent months but not significant. There may be longer term risk, however, Continuous monitoring will minimize risk.	The political atmosphere in the country is mostly calm.
<b>POPULATION GROWTH AND INCREASED DEMAND FOR LAND PUTS PRESSURE ON FOREST RESOURCES AND MAKES RURAL LIVELIHOODS MORE DIFFICULT</b>	High	Major	Awareness raising and training on family planning will contribute to mitigating this risk.  Introducing appropriate livelihood options will provide alternative means to communities.	Long-term risk is reduced by the government taking up PFM and livelihood programs as part of its development plan.  Short-term risk still there until awareness is widely spread but due to previous similar projects and upcoming intervention this risk will be minimized.	Awareness raising on importance of forest resources, family planning and options of livelihood need to be done continuously to ensure they have become integral part of the communities' lifestyle.
<b>LACK OF DATA ON THE SOCIAL FABRIC OF THE COMMUNITIES IN THE KAFFA BIOSPHERE POSES A RISK OF NOT ADEQUATELY INCLUDING WOMEN,</b>	High	Major	Collecting of data through community surveys and baselines during inception period.  Recruitment of a national social adviser at MEFC who will facilitate social	Conducting comprehensive assessment during inception period will minimize the short-term risk. However, raising awareness to ensure inclusivity of all group will be addressed through long-term engagement.	The marginalization of the Manja community has been around for a long time and will require continuous, long term work to ensure they are

<b>YOUTH AND MARGINALISED GROUPS SUCH AS THE MANJA AND RESETTLED HOUSEHOLDS FROM OTHER PARTS OF THE COUNTRY</b>			inclusion following the above assessment		integrated with the community.
<b>FAILURE OF LAW ENFORCEMENT ON ILLEGAL ACTIVITIES, REVERSING COMMUNITY COMMITMENT TO PFM AND INVESTMENT MADE</b>	Moderate	Major	Engaging the relevant law enforcement bodies at an early stage is crucial in getting their support and minimizing risk  Educating communities on their rights and responsibilities through PFM and development of PFM bylaw will give them the courage and legal backing to push for action	Short-term risk prevails but results of previous projects, empowerment of communities through PFM group as well as early engagement with the right bureau to support this process will minimize the risk.	This is an ongoing challenge in all parts of the country and needs close partnership with law enforcing bodies to ensure long-term solution.
<b>DISPLACEMENT OF LIVELIHOODS AS A RESULT OF PFM OPERATIONS (THOSE DEPENDING ON ILLEGAL TIMBER EXTRACTION)</b>	Moderate	Major	The program will work with communities in and around the forest to introduce alternative livelihoods.  Program scaling up previous PFM project which has already introduced alternative livelihoods	Short-term risk prevails as groups depending on illegal extraction might not be willing to be part of the program or might be coming from other places. However, as PFM ensures community consultation and empowerment this will be minimized in the medium-term	Community groups depending on timber extraction will need to be supported with alternative livelihood options to minimize impact and ensure sustainability of program
<b>ADVERSE EFFECT OF A NATURAL DISASTER (E.G., DROUGHT, FOREST FIRE)</b>	Low	Major	Utilise the relevant local climate prediction services to inform planning and implementation of programme to develop forest management plan;	Risk is minimized by early preparation for adverse effects	Program will involve all relevant actors in the implementation process.

			<p>Create management structures to alleviate localised risks, e.g., strengthen preparedness for forest fire prevention through trainings and community involvement in collaboration with MEFCC fire protection directorate</p>			
<b>CORRUPTION AND/OR MISMANAGEMENT OF PROGRAMME RESOURCES</b>	Low	Major	<p>Clear programme management rules and regulations with explicit delegation of authority, especially on financial oversight and management;</p> <p>The CRGE facility has conducted fiduciary risk assessment following earlier programs and lessons applied including using the Government's Channel 1 system.</p> <p>Ensure regular audit from an external third-party organisation;</p>	The program will follow the government's financial management system and conduct audits thus minimizing any risk	The program is handled through MoFEC that has track record of financial and program management.	

## Programmatic risks

RISK FACTOR		LIKELIHOOD	IMPACT	RISK RESPONSE	RESIDUAL RISK	BACKGROUND TO ASSESSMENT
<b>SIGNIFICANT CAUSED BY GOVERNMENT</b>	<b>DELAYS SLOW</b>	Moderate	Major	Embassy of Denmark will be involved in the procurement of technical studies and reviews.	Program start up may be slow due to need for coordination of various counterparts. However, once program is underway and systems	Slow procurement process through the government system is something that will

<b>PROCUREMENT AND DISBURSEMENT PROCESSES.</b>			<p>MoFEC will use its channel 1 disbursement mechanism to facilitate financial disbursements and engage in procurement processes</p> <p>MEFCC will work closely with local counterparts to develop AWP and facilitate implementation on the ground.</p>	are established during inception period, program is expected to run smoothly.	need to be addressed at the national level.
<b>ABSORPTION CAPACITY IN THE KAFFA BIOSPHERE IS INSUFFICIENT TO HANDLE A FIVE-FOLD INCREASE IN THE FUNDING PROVIDED COMPARED TO PREVIOUS DANISH SUPPORT</b>	Low	Major	<p>Lessons and skill from phase one project will be applied to facilitate this program including involvement of MEFCC at different levels</p> <p>Capacity building on identified gaps will be conducted at different levels</p> <p>Dedicated program team will be available and implementation of capacity building activities in the Kaffa Zone to facilitate program activities.</p> <p>Possibility of close collaboration with the REDD+ program in the area including the establishment of the Forest Sector Transformation Unit in MEFCC will help strengthening administrative and technical capacity</p>	Short-term risk is there as program starts up and initial arrangements are made. Absorption capacity expected to increase once program system is put in place.	Doing programs fully through existing Government staff usually results in delays of activities due to other equally important assignments by the personnel. Therefore, it is essential to add supporting hands to the system without completely isolating it from the government system to ensure sustainability.
<b>PRESSURE ON FOREST FROM NON-PFM MEMBERS</b>	Moderate	Major	The program will include non-PFM members in its livelihood activities, has	Risk is minimized by getting support from Non-PFM members who are	In the long-term most kebele residents are



			an awareness raising component and will also engage with law enforcement bodies.	supported through livelihood activities and are also engaged through awareness raising activities.	expected to witness the benefit and join PFM groups; individuals will also gain knowledge on alternative livelihoods and may adapt some on their own.
<b>SOME LIVELIHOODS AND REFORESTATION OPTIONS PROMOTED MIGHT NOT BE FULLY ENVIRONMENTALLY, SOCIALLY OR ECONOMICALLY SUSTAINABLE/APPROPRIATE</b>	Moderate	Major	<p>The environmental, social and economic aspects of different livelihoods and reforestation options will be assessed technically and through community consultations during the inception phase. Only options, which are appropriate and sustainable in all three dimensions will be promoted.</p> <p>Non-indigenous species will not be introduced in forested areas; all exotic species will undergo the appropriate approval process from the relevant research institute before being used in the program area.</p>	Risk is minimized if only options that have passed through screening criteria are promoted.	<p>Livelihoods that have economic value but that can affect the forest negatively may seem attractive to communities and local governments.</p> <p>Therefore, there needs to be good discussion and analysis before agreeing on a set of options.</p>
<b>LACK OF SUFFICIENT DETAIL IN THE TECHNICAL DESIGN OF THE PROGRAMME OR A FAILURE TO ACCOUNT FOR SUFFICIENT RISKS THAT LEAD TO FAILURE IN ACHIEVING IMPACT</b>	low	Major	<p>Rely on staff with a proven track record of successfully working on PFM;</p> <p>Build on and reinforce from the lessons learnt on previous programmes;</p>	Risk exists but will be mitigated by applying previous experiences and flexibility as well as good monitoring system.	Having supportive and flexible system in place by the Government is essential while implementing short term programs.

			<p>Build a robust M&amp;E system which will enable rapid course adjustment and allow immediate correction of any technical flaws in the programme design;</p> <p>Empower decision makers at the regional and local level to support a dynamic programme structure allowing flexibility in dealing with ad hoc contextual issues faced by the programme, which may not have been accounted for in the programme design phase</p>		
<b>UNSUSTAINABILITY OF THE RESULTS FROM INTERVENTIONS</b>	Low	Major	<p>Build on previous PFM programs in the area and increase social buy in from the target community through awareness campaigns on the benefits of the programme and long-term goals for the programme to benefit local communities (high sense of ownership);</p> <p>The government is adopting a landscape approach with the aim to introduce PFM (and REDD+), diversified livelihoods, and reduce forest dependence across the country (hence institutionalized in the national development process);</p>	<p>Risk is minimized as the country has adopted PFM as a major tool for forest management and has integrated it in development plans. Inclusive monitoring and reporting system will further minimize unsustainability of results.</p>	<p>Program is designed in the context of the country and zonal development plan, thus increasing its probability of being sustained beyond program life time.</p>

			<p>Involve community and stakeholders in progress monitoring and continuous communication of results allowing an open feedback system for programme design improvements and to promote programme awareness.</p> <p>Technical and administrative support and smooth phase out process</p>		
<b>ELITE CAPTURE</b>	Moderate	Major	Use previous experiences to ensure PFM group selection process criteria is well understood by all stakeholders and selection is done with consultation of communities	Risk is minimized by having a clear selection criteria and engaging communities throughout the process.	Elite capture has been a challenge for PFM implementation for a long while. However, the Zone has rich experience in PFM and lessons from various programs are available to apply.
<b>GENDER INEQUALITY</b>	Moderate	Major	<p>Prescribe a set number of women representation on the PFM committees;</p> <p>Provide preferential selection for livelihood support programs;</p> <p>Ensure M&amp;E is done with a gender lens.</p> <p>Capacity building using the government gender mainstreaming guideline to create sustained awareness</p>	Risk is minimized by ensuring specified minimum engagement of women and redesigning targets if needed through M&E feedback. In the long term having a CRGE gender strategy will ensure programs are designed with a gender lens.	Women participation in development initiatives though still low, has increased through time due to better understanding of benefit of gender equality in communities.

CRGE facility has initiated development of gender strategy to support programs

## Institutional risks

RISK FACTOR	LIKELIHOOD	IMPACT	RISK RESPONSE	RESIDUAL RISK	BACKGROUND TO ASSESSMENT
<b>HIGH STAFF TURNOVER AT ALL LEVELS OF GOVERNMENT AND LOSS OF CAPACITATED STAFF</b>	High	Major	Hiring of program specific staff to complement the government structure, integrating a capacity building program and establishing a system to ensure retention of institutional memory.	Short-term risk is minimized by having dedicated staff members to facilitate the program implementation, conducting continuous capacity building programs, developing a mechanism to establish institutional memory. Long-term risk however will not be addressed through this program	Staff turnover is national level risk that needs to be addressed at a higher level.
<b>INABILITY OF IMPLEMENTING PARTNERS TO MAINTAIN MOMENTUM AND ENSURE SUSTAINABILITY AFTER PROGRAMME COMPLETION DUE TO</b>	Moderate	Major	a sustainability strategy and gradual phase out will be designed;  Partnership with other stakeholders and programs such as the REDD+ will create synergy and better capacity at local level.	Having the CRGE facility in place contributes to addressing financial constraint in the long term; having a well-designed sustainability and phase out plan will minimize the risk	The program focuses on activities that have been given priority in the government development plan and has a likelihood of getting support if current programs are

<b>FINANCIAL CONSTRAINTS</b>			CRGE facility established to mobilize fund with the support of federal and local governments		successfully implemented.
<b>INSUFFICIENT CAPACITY WITHIN THE EXISTING ME FCC STRUCTURE FOR SUCCESSFUL IMPLEMENTATION OF THE PROGRAMME</b>	High	Major	<p>Ensure there is a sufficient technical and administrative support to undertake the required establishment of the programme;</p> <p>ME FCC structure being established up to the woreda level giving it more ground level network and expertise and close partnership with MoFEC provides added strength in quality assurance of programs</p> <p>Closely collaborate with regional and woreda level, existing institutions, for improved coordination and to leverage existing capacity to work together to implement the programme;</p> <p>Establishment of FSTU within ME FCC</p>	Risk is minimized by the involvement of local government, partnership with CRGE Facility and the establishment of FSTU which is expected to provide the needed technical support to ME FCC	Institutional capacity need to be strengthened to enable the Ministry to successfully implement different large-scale programs.

## Annex 4: Program Intervention Sites and Beneficiaries

No.	Woredas	Kebeles	PFM (New/Old)	Size of forest (ha)	PFM Members <sup>25</sup>			Livelihood (New/Old)	Livelihood Members <sup>26</sup>
					Male	Female	Total		
1	Adiyo	Anigiyo Kola	●	1,139.0	544.0	512.0	1,056.0	○	200
2		Mediwuta	●	827.3	416.0	436.0	852.0	○	150
3		Mera	○		240.0	60.0	300.0	○	150
4		Boka	○		297.0	3.0	300.0	○	200
5		Alaregeta	○		483.0	60.0	543.0	○	250
6	Cheta	Werta	●	1,141.3	164.0	18.0	182.0	●	200
7		Oja	○		242.0	18.0	260.0	●	150
8		Arara	●	285.5	138.0	12.0	150.0	●	200
9		Key	○		483.0	60.0	543.0	○	200
10		Kolla	○		483.0	60.0	543.0	○	200
11		Duba	●	918.5	255.0	17.0	272.0	●	200
12		Kushasha	○		483.0	60.0	543.0	○	100
13		Diya	○		483.0	60.0	543.0	○	200
14	Decha	Modiyo Gonbora	●	1,252.0	174.0	10.0	184.0	○	100
15		Mankira	●	812.0	294.0	208.0	502.0	●	100
16		Ermo	●	240.6	123.0	237.0	360.0	○	150
17		Awurada	●	960.0	191.0	273.0	464.0	●	250
18		Keshi	●	1,549.1	307.0	283.0	590.0	○	100
19		Oufa	●	1,280.0	417.0	185.0	602.0	●	200
20		Yoka	●	787.0	208.0	220.0	428.0	●	250

<sup>25</sup> PFM members are residents of a Kebele who became members of the PFM group voluntarily. Therefore, number of members is an estimation based on previous experiences and may slightly vary during actual implementation. The total population of a kebele is therefore greater than the number of PFM members as it includes non-PFM members.

<sup>26</sup> Livelihood members are residents of a Kebele who will be targeted by the project to benefit from the various livelihood interventions. The livelihood interventions target existing members of PFM groups as well as non-PFM members in the same kebele who are directly dependent of the forest under the PFM groups. During the course of implementation, the project will convince the non-PFM livelihood beneficiaries to become PFM members.

21	Gewata	Ogeya	●	991.8	123.0	42.0	165.0	○	150
22		Gesa	●	1,275.4	369.0	339.0	708.0	○	150
23		<b>Medabo</b>	●	1,200.0	88.0	2.0	90.0	●	200
24		Bera	●	802.0	227.0	158.0	385.0	○	100
25		<b>Saja</b>	●	300.0	265.0	256.0	521.0	●	300
26		Duma	●	1,104.0	271.0	265.0	536.0	○	100
27		<b>Imicho</b>	●	823.3	220.0	226.0	446.0	●	300
28		<b>Wediyo</b>	●	1,934.0	150.0	56.0	206.0	●	300
29		Gawamecha	●	536.0	179.0	72.0	251.0	○	100
30		Kasha	●	628.0	155.0	98.0	253.0	○	200
31	Gimbo	Tula	●	1,225.0	74.0	73.0	147.0	○	100
32		Yeyibito	●	1,475.0	116.0	147.0	263.0	○	100
33		Bitu Chega	●	762.0	68.0	105.0	173.0	○	100
34		Hamani	●	1,235.2	384.0	316.0	700.0	○	200
35		Ufiudo	●	386.4	126.0	6.0	132.0	○	100
36		Michiti	●	760.0	60.0	50.0	110.0	○	100
37	Tello	<b>Oda</b>	●	128.7	93.0	100.0	193.0	●	200
38		Koba	●	104.7	58.0	60.0	118.0	○	200
39		<b>Bega</b>	●	625.5	69.0	63.0	132.0	●	200
40		Aechiaino	○		483.0	60.0	543.0	○	100
41		<b>Guta</b>	●	104.4	58.0	60.0	118.0	●	200
42		<b>Decha</b>	●	565.1	65.0	61.0	126.0	●	300
43		Megara	○		483.0	60.0	543.0	○	100
44		Shosha	○		483.0	60.0	543.0	○	100
45	Chena	<b>Mera-Shakiya &amp; Orora</b>	○		483.0	60.0	543.0	●	400
46		<b>Gida</b>	○		483.0	60.0	543.0	●	200
47		<u>Eramo</u>						○	100
48		<b>Eshita</b>	○		483.0	60.0	543.0	●	250
49		<b>Biga</b>	●	1,000.0	367.0	368.0	735.0	●	100
50		Dukira	○		483.0	60.0	543.0	○	100

51		Gopo	●	3,575.7	518.0	402.0	920.0	○	100
52		Wana Bola	●	1,377.6	377.0	257.0	634.0	○	200
53		Kuta Shora	●	228.1	444.0	440.0	884.0	○	100
54		<u>Boba Bela</u>						○	100
<b>Total</b>				<b>34,340.2</b>	<b>14,730.0</b>	<b>7,234.0</b>	<b>21,964.0</b>		<b>9,200</b> (out of which 885 are non-PFM members)



### Table Summary

The target group is 22,849 HHs in 54 Kebeles in 7 Woredas in the Kaffa Biosphere Reserve:

- Of these 20 Kebeles and 5 woredas were also in the first phase DANIDA supported project **(These are in bold text)**.
- 52 PFM groups are targeted. Of these 37 are already established but weak PFM groups (●) with an area of 34,340.2 ha and 15 are new PFM groups to be established (○)
- 2 Kebeles in Chena woreda - Eramo and Boba Bela will be grouped into afforestation / reforestation (A/R) groups with the aim of being changed to PFM groups in the future *(These are in italic and underlined text)*.
- 2000 livelihood HHs are established through the previous project. In a couple of kebeles focus will be given to only those that are already established and still need additional support (●) while in others in addition to supporting old HHs additional HHs will be included (●). The rest are new implementation sites (○) where new HHs will be supported. In total 7,200 additional HHs will be supported through this program.

## Annex 5: Selection criteria for PFM and livelihood intervention sites and beneficiaries

The following key criteria were used to select livelihood intervention Kebeles within woredas:

- Severity of natural forest degradation in the kebele;
- Number of forest dependent communities within the kebele;
- Argo-climatic condition for potential livelihood activities;
- Size of natural forest.

The following key criteria were used to select livelihood beneficiaries:

- Proximity of HH to the KBR;
- Level of dependency on forest resources;
- Influential community members to support the program in influencing community;
- Households with very small land size;
- Women, youth and Manja community members who fulfil the above criteria will be given priority.

The following key criteria were used to select PFM intervention Kebeles within woredas:

- Kebeles with existing PFM groups with weak implementation progress;
- Kebeles with existing PFM groups with low capital;
- Poverty level of kebele population;
- Kebeles with large size of forest patches;
- Kebeles that are exposed to forest degradation;
- Kebeles that fulfil the above criteria and have wild coffee will be given priority.

## Annex 6: List of Proposed Livelihood Interventions

Below is a list of proposed livelihood interventions. The activities include both forest-based and non-forest-based activities, that were identified with the participation of community members. The actual livelihood activities will be agreed at the end of the inception phase following a feasibility assessment. As much as possible, forest-based and economically feasible activities will be given priority in the program.

No.	Proposed Livelihood Activities <sup>27</sup>
1	Permanent Forest nurseries
2	Fruit nursery & development
3	Beekeeping
4	Coffee nursery & development
5	Spice nursery & development
6	Sheep fattening
7	Sheep farming
8	Ox fattening
9	fish production
10	Dairy Farming
11	Poultry Farming
12	Mushroom production
13	Forest seed collection and distribution
14	Energy efficient cooking stove production and maintenance
15	Strengthen medicinal plant users
16	Payment for Ecosystem Services
17	Eco-tourism

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<sup>27</sup> No. of individuals to be supported through various livelihood activities will be identified based on need and feasibility basis that will be determined during the inception phase.