MINISTRY OF FOREIGN AFFAIRS OF DENMARK

DANIDA | INTERNATIONAL DEVELOPMENT COOPERATION

Strategic Framework

For
the Tropical Forests Initiative
for Climate and Sustainable Development
2024 – 2027

DRAFT

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List of Content

List of Acronyms

AFOLU	Agriculture, forestry, and other land use
AMG	Aid Management Guidelines
CBD	Convention on Biological Diversity
CBFM	Community Based Forest Management
COP	Conference of Parties
CSO	Civil society organization
FAO	UN Food and Agricultural Organization
FCLP	Forest and Climate Leaders Partnership
GCF	Green Climate Fund
GEF	Global Environment Facility
GHG	Greenhouse Gas
IPBES	Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services
IPCC	Intergovernmental Panel on Climate Change
IPLC	Ingenious Peoples and local communities
IUCN	International Union of Conservation of Nature
MEL	Monitoring, evaluation and learning
NDC	National Determined Contributions
NFF	National Forest Funds
NICFI	Norway's International Climate and Forest Initiative
NGO	Non-Governmental Organization
NYDF	New York Declaration on Forests
PD	Project Document
PES	Payment for environmental services
REDD	Reducing Emissions from Deforestation and Degradation
REDD+	Reducing emissions from deforestation, forest degradation, conservation, sustainable management of forests and enhancement of carbon stocks
SDG	Sustainable Development Goal
TFI	Tropical Forest Initiative
ToC	Theory of Change
UNCCD	United Nations Convention to Combat Desertification
UNCED	United Nations Conference on Environment and Development
UNDP	United Nations Development Programme
UNFCCC	The United Nations Framework Convention on Climate Change
UNFF	United Nations Forum on Forests
UNDRIP	United Nations Declaration on the Rights of Indigenous Peoples

1. Introduction

To address the negative impact on climate, biodiversity and socio-economic development from deforestation and forest degradation, a new Danish Tropical Forest Initiative (TFI) for Climate and Sustainable Development, will be launched with a budget of approximately DKK 1 billion for 2024-2027.

The Tropical Forest Initiative supports the achievement of the goals of the Paris Agreement, the Biodiversity Convention and the ambition to ensure sustainable economic development and contributes to the fulfilment to halt deforestation by 2030 as agreed in the Glasgow Leaders Declaration on Forests and Land-use.

The International Energy Agency (IEA) has concluded that to reach the 1,5 °C goal, net-zero emission from deforestation and land use must be reached before 2030. Up to 90 pct. of global deforestation is caused by extension of agricultural land, including both industrial commodity production and small-scale farming. Other drivers of deforestation are illegal logging, mining and infrastructure as well as structural drivers like population growth, food insecurity, conflict, lack of plans for land use and poor land rights. Causes and implications of deforestation and forest degradation vary from region to region but are generally of high complexity, closely linked and interdependent. Possible solutions must therefore be of cross-sectoral nature and context specific to have a positive impact on humans, animals, plants, climate and environment.

While climate changes are global, climate adaptation, poverty reduction and conservation of biodiversity are depending on the local context. Geography, political issues as well as socio-economic development and conditions will define the approach for fighting local deforestation. Different implementing modalities will be used during programme implementation, with a priority for landscape-based approach, respecting the importance of forests for both climate, biodiversity, nature, and not least the 75 million Indigenous Peoples and local communities depending on the forests. The Tropical Forest Initiative will have a strong focus on poverty reduction and inclusion of Indigenous Peoples and local communities (IPLCs) to address the climate-development nexus in the implementation of projects.

This strategic framework for the TFI will give overall guidance, strategic objective and priorities for the identification and implementation of projects and interventions.

2. Background

2.1 The role of forests in climate change mitigation and adaptation, biodiversity and sustainable development

The role of forests in climate change is multi-fold. They are both a cause and a solution for greenhouse gas (GHG) emissions. Around 25% of global emissions come from the land sector, the second largest source of emissions after the energy sector. About half of the emissions (5-10 GtCO2e annually) comes from deforestation and forest degradation. As global temperatures rise and local climate changes, forests become increasingly susceptible to drought, wildfires, pests, and disease. As forests disappear, their carbon storage capacity is lost, and the carbon dioxide released further exacerbates the greenhouse effect. Forests provide subsistence, spiritual, cultural and livelihood services for most of the forest dependent communities around the world. As forests disappear, the ability of forests to continue to provide these services diminishes.

Conservation of forests is also one of the most important nature-based solutions to addressing the negative consequences of climate change. Healthy forests are powerful carbon sinks, meaning they absorb and store carbon dioxide. Approximately 2.6 billion tonnes of carbon dioxide, one-third of the CO2 released from burning fossil fuels, is absorbed by forests every year. Between 2001-2019, forests absorbed twice as much carbon as they emitted[1]. Therefore, forests provide a crucial capacity to remove GHG from the atmosphere. According to findings from the Intergovernmental Panel on Climate Change (IPCC), the agriculture, forestry, and other land use (AFOLU) sector can provide up to 30 percent of the GHG emissions reductions needed to limit global warming to 2°C, at a relatively low cost. Estimates show that nearly two billion hectares of degraded land across the world offer opportunities for restoration. Increasing forest cover and maintaining and restoring existing forests is therefore essential to addressing climate change and to protect high-density ecosystems.

The benefits for people and nature of protection of tropical forests and limitation of forest degradation are considerable. It has been estimated that globally, 1.6 billion people (nearly 20% of the world's population) rely on forests for their livelihoods, many of whom are the world's poorest[2]. Also, forests provide USD 75–100 billion per year in goods and services such as clean water and healthy soils, and are home to 80% of the world's terrestrial biodiversity. Finally, forest dependency is closely linked to poverty. Millions of poor people depend on forests for subsistence as well as income needs. Studies have concluded that poor and vulnerable populations tend to be concentrated in environmentally fragile areas and rely disproportionately on forests and ecosystem services. However, there is strong evidence that sustainable forest management can support rural livelihoods, provide a safety-net function in times of stress, and provide important sources of income and subsistence[3].

2.2 International agreements and conventions in the forest sector and the Call for Action

The increasing rate of global deforestation underlines the need for action to reverse the trend and protect and restore the world's forests. Understanding and addressing the fundamental and structural drivers of deforestation, such as rapid population growth, poverty, food security, access to water, and conflict is closely interlinked with, and will be an incremental part of, the efforts to fight climate change. A number of international agreements and the latest UNFCCC COPs (COP26, 27 and 28) have stressed the importance of forests in relation to combatting climate change and called for urgent and immediate actions to protect forests and fight against deforestation and degradation of forests.

Since the United Nations Conference on Environment and Development (UNCED) in 1992, Governments have negotiated and adopted a number of legally binding instruments and agreements to address deforestation. In September 2001, The Bali Ministerial Declaration galvanised political action around illegal logging, which at the time was a major driver of deforestation. At an international level, three key global conventions are relevant: 1) The United Nations Framework Convention on Climate Change (UNFCCC); 2) the Convention on Biological Diversity (CBD) and 3) the United Nations Convention to Combat Desertification (UNCCD). The UNFCCC and CBD provide an umbrella framework for international agreements, standards and processes relating to climate change, including forests and biodiversity.

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[1] 7.6 billion metric tonnes of CO2 per year
[2] IUCN. 2021. Forests and Climate Change. Issues Brief.
[3] Angelsen. A et al. 2014. Environmental Income and Rural Livelihoods: A Global-Comparative Analysis. World Development Vol. 64, pp. S12–S28

At COP26 in Glasgow, one of the most significant political achievements was the Glasgow Leaders' Declaration on Forests and Land Use, where 137 countries, including Denmark, committed to end forest loss and land degradation by 2030 and to provide USD 100 billion in financing each year[4]. Although some progress has been made towards this goal, actual delivery of finance has fallen well short of the target and more work is needed to involve local communities more directly within the scope of funded activities. In parallel to the Glasgow Leaders' Declaration, signatories released the Joint Statement on Climate, Nature, and People, committing to scale up finance and ensuring participation of IPLCs. At COP28, the Forests and Climate Leaders' Partnership (FCLP), which was launched at COP27, announced four country packages, providing funds and capacity to assist the Democratic Republic of Congo, Ghana, Papua New Guinea and the Republic of Congo deliver their national plans for conserving and restoring forests.

The Kunming-Montreal Global Biodiversity Framework (GBF)[5] from 2022, to which Denmark is a party, contributes to strengthening the links between actions to combat climate change, and actions to protect and restore nature. Climate change is one of the main drivers of nature loss and species extinction. As such, there is a need to not only minimize impacts of climate change, but also to ensure that climate action results in positive impacts and minimizes negative impacts on biodiversity. Stopping and reversing tropical deforestation has that dual effect.

Another very relevant international agreement in relation to the forest sector is the United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP) from 2007. The Declaration was the outcome of 25 years of negotiations. The rights defined in the document "constitute the minimum standards for the survival, dignity, and well-being of the Indigenous Peoples of the World"[6]. The declaration protects the collective rights and individual rights of Indigenous Peoples in relation to self-government, land, education, employment, health, and other areas. The Declaration requires countries to consult with Indigenous Peoples with the goal of obtaining their consent on all matters concerning them.

The Danish Tropical Forest Initiative will contribute to the global call for action to protect and restore global forests to benefit IPLCs, protect biodiversity and critical ecosystems, and address climate change.

3.   Context

3.1   Threats to forests, biodiversity and the livelihood of Indigenous Peoples and local communities

The negative impact of deforestation on the environment is significant and has serious consequences for biodiversity loss, soil erosion, soil degradation, water, and consequences for IPLCs living in and of the forest. The most recent report by the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES) states that human activity has already severely altered 75% of the Earth's land area. Land degradation has reduced productivity in 23% of the global terrestrial area and between USD 227 billion and USD 558 billion of annual global crop output is at risk from pollinator loss.[7] The majority of ecosystems are in decline, including those that regulate and maintain our life-support systems. Many of these ecosystems are irreplaceable.

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[4] They agreed to collectively "halt and reverse forest loss and land degradation by 2030 while delivering sustainable development and promoting an inclusive rural transformation".

[5] 15th Conference of Parties to the UN Convention on Biological Diversity resulted in the adoption of the Kunming-Montreal Global Biodiversity Framework (GBF).

[6] www.un.org

[7] IPBES. 2019. Summary for policy makers of the global assessment report on biodiversity and ecosystem services of the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services. Bonn, Germany

FAO's latest global forest assessment shows that global forest area has decreased by around 178 million hectares between 1990 and 2020 (from 32.5% to 30.8% of total land area).[8] According to FAO, Africa and South America occupy first and second place respectively in terms of forest loss. At a country level, Brazil, Bolivia and the Democratic Republic of Congo saw highest levels of deforestation. Even though a recent analysis conducted by World Resources Institute has shown that deforestation has slowed in Brazil and Colombia during 2023, it is increasing in countries such as Bolivia and Nicaragua[9]. Critical ecosystems like the Amazon, which has already lost over 20% of its original area, are reaching the tipping point. In the case of the Amazon Forest, there is a risk that it will shift from rainforest to savannah. Associated with the high levels of forest loss are corresponding losses in biodiversity, which are also highest in tropical regions. Over 96,000 species have been assessed for their conservation status for the latest update to the IUCN Red List, which found that 27,514 plant species (around 26%) are threatened with extinction. The main threats identified are climate change, habitat loss, disease and invasive species.[10]

The drivers of deforestation change over time and vary from region to region. The major direct causes of deforestation and associated biodiversity loss are caused by human activity. Agriculture is the leading driver of deforestation globally. A growing global population and increased food consumption has led to many forests being converted into farmland. The type of agriculture varies, but includes predominantly industrial agriculture, smallholder farming, and cattle ranching in Latin America; subsistence and smallholder commodity farming in sub-Saharan Africa; and industrial agriculture and large plantations in Southeast Asia. Other direct causes of deforestation include logging, wood energy, extractive industries (mining, oil and gas), transport and infrastructure projects and expanding towns and cities.

The structural causes of deforestation are primarily linked to poverty, a rapid growing population, local conflicts and displaced people as well as food insecurity and access to water. Political conflicts, civil unrest and weak governance lead to unclear tenure right for IPLCs, lack of enforcement of coordinated policy actions, and little enforcement of protected areas, which further exacerbates drivers of deforestation.

3.2 International Forest finance and financial gaps

Increased political attention to forests and climate, has resulted in an increase in international forest finance over the past 15 years. At the same time the funding landscape has become increasingly diverse in terms of funders, donors, recipients, channels, standards and type of projects or programmes.

The government of Norway, through its International Climate and Forests Initiative (NICFI) has been a global leader in supporting forest protection and restoration and promoting REDD+ through a payments-by-results approach. Currently, a number of quasi-financial instruments have been applied in relation to mitigation of deforestation and protection of forests. REDD+ is a well-known framework to encourage developing countries to reduce emissions and enhance removals of GHG through a variety of forest management options, and to provide technical and financial support for these efforts. Another example is the payments for ecosystem services (PES), also known as payments for environmental services (or benefits). PES schemes are incentives offered to farmers or landowners, or in the case of forests IPLCs, in exchange for being custodians and managing their land to provide an ecological service.

A number of international, multilateral initiatives have been created over the past two decades to channel resources to forest countries including the Forest Carbon Partnership Facility, UN-REDD Programme, the WB Forests Investment Programme, the Green Climate Fund and others. Regional financing

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[8] Food and Agriculture Organisation. 2020. Global Forest Resources Assessment 2020. Main Report
[9] https://www.wri.org/news/release-brazil-and-colombia-see-dramatic-reductions-forest-loss-new-fronts-keep-tropical-rates
[10] IPBES. 2019. Summary for policy makers of the global assessment report on biodiversity and ecosystem services of the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services. Bonn, Germany

instruments have also been established such as the Central African Forests Initiative (CAFI) and the Amazon Fund. New actors and funders are increasingly supporting forests, including philanthropists such as Jeff Bezos (through the USD 10 billion Earth Fund). In addition, the corporate sector has become a major buyer in the voluntary carbon market, reaching USD 2 billion in 2021. As a result of this proliferation of funding sources, the landscape of actors engaging in the forestry space has become increasingly complex and fragmented.

However, funding to forests still only accounts for a very small percentage of the overall climate envelope. According to UNDP, finance for forest-based solutions account for just 1% of the global mitigation-related development funding although tropical forest can provide up to 30% of the climate change mitigation needed to meet the objectives in the Paris Agreement. As such, there is still a large gap in relation to structured and subsidized finance to promote the conservation of forests and related sustainable activities.

3.3 Lessons learned from Danish and other international support to the forest sector

The Tropical Forest Initiative will respond to the findings of the evaluation of Danish funding for climate change mitigation in developing countries from June 2021.[11] Part of the conclusions of the evaluation was that while Danish support to energy transition and efficient energy systems is based on clear and proven Danish strengths, Denmark does not have comparative advantages within nature-based solutions with an equally broad and deep foundation. It was further concluded that nature-based solutions remain relevant and complementary tools, which can address mitigation, adaptation as well as biodiversity issues as part of a holistic and balanced approach to climate change. Finely it was noted that they also provide important co-benefits in terms of the potential for local employment generation.

Building from lessons learned in past Danish engagement in the forest sector, The Tropical Forest Initiative focusses on forests as a nature-based solution to climate change as well as sustainable development and protection of biodiversity.

Denmark has previously been engaged in support to the forest sector in countries such as Bolivia, Nepal, Tanzania and Indonesia, but the engagement has been scaled down since the mid-2010s. The lessons presented below are synthesised from a number of sources including reviews of Danish development assistance,[12] as well as those of NICFI[13] and the UK government's support to forests and biodiversity.[14]

In Nepal, where Denmark has a long history of supporting community forestry in the 1990s and early 2000s, there was strong consolidation and replication of the community forestry and catchment conservation model in partnership with government. Danida's departure from the sector in 2005 did not stop the growth of the Community Forestry User Group system that helped to ensure decentralised, participatory and inclusive democracy, and that has made Nepal one of the very few countries that have reversed net deforestation.[15]

In Tanzania, between 2003 and 2014, Denmark supported a national programme of Participatory Forest Management (PFM), which involved the devolution of forest management from central government to elected village management institutions. PFM had a legal basis from 2002 when a new Forest Act gave village governments the right to protect, manage and harvest forests on village lands. By the mid-2010s,

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[11] Evaluation of Danish Funding for Climate Change Mitigation in Developing Countries (um.dk)

[12] Ministry of Foreign Affairs. 2021. Evaluation of Danish Funding for Climate Change Mitigation in Developing Countries. Particip and ODI.

[13] NICFI. 2017. Norway's International Climate and Forest Initiative: Lessons learned and recommendations Evaluation Synthesis Report

[14] Independent Commission for Aid Impact (ICAI). 2021. International Climate Finance: UK aid for halting deforestation and preventing irreversible biodiversity loss: A review. UK Government

[15] FCG International. 2017. Evaluation of Danish-Nepali Development Co-operation, 1991 - 2016

Tanzania had transferred around 4 million hectares of forest land to communities, resulting in improvements in forest condition, improvements to local livelihoods through the establishment of forest-based enterprises (sustainable charcoal production, sustainable timber production, beekeeping and a variety of non-timber forest products).[16] Although provided for by law and having a strong government role in its implementation, PFM has largely been supported by international donors, as well as NGOs, and direct financial support from the Tanzanian government has been relatively limited.

In Bolivia, support to areas of high biodiversity was successful due to a two-pronged approach of support to the national park management authority, while also supporting economic activities within neighbouring communities. Before Danida engaged in this protected area conflicts between the park and local communities were widespread. Following a decade of Danida support, the municipality and the communities are working together with park authorities in a shared management body.[17] As such, the Danish lessons learned underline the importance of involving local actors in forest management and establishing sound structures for sustainable long-term impact.

A key lesson from Norwegian support is that the degree of success or failure of support to the forest sector (and efforts to address deforestation) depends heavily on political will and leadership provided at country level. Where the political context has been favourable, Norway has been able to respond positively and contribute to reduce deforestation rates (for example, in Brazil or Indonesia) or increase the conservation of forests as carbon sinks (as seen in Guyana). However, where there is limited support for the forest sector, progress has been slower. Efforts to bring about change through support to civil society has proven to be costly and slow, but there are some positive signs that the political space for CSOs is opening in some countries where such progress has been limited previously. Overall, it was found that pledging of considerable amounts of funds generally does not necessarily act as a catalyst for change unless there was a clearly articulated demand and support for it at political level. In partner countries where deforestation and forest degradation are major challenges, forging close relations with other key government institutions that have a role in forested areas (such as ministries responsible for finance, planning and development, agriculture, extractive industries) is critically important, but has generally been weak. Consequently, it is important to ensure that support at country level is linked to national (and not only global) priorities and is well-integrated into existing plans and policies - including plans for National Determined Contributions (NDC's).

A further relevant lesson from Norwegian support is that different donors distributing funding through a wide array of multilateral and bilateral channels without coordination limit the opportunity to capture the specific needs and capacity of the majority of forest-rich countries. Indeed, there is evidence that this approach may be counter-productive because it tends to saturate absorption capacity at the country level. As such, funding should be managed in ways that match institutional capacity to manage, spend and utilise support effectively, securing additionality, value-for-money and complementarity across projects and interventions. Likewise, there is significant evidence to indicate that the private sector has not been adequately engaged to promote green-growth developments such as sustainable supply chains and deforestation-free commitments.[18]

The UK government support has increasingly recognized the critical, foundational role, that effective forest governance plays in supporting the delivery of long-term results. Working across government, civil society and private sector actors to create national or sub-national platforms where multi-stakeholder,

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[16] Blomley, T and Iddi, S. 2009. Participatory Forest Management in Tanzania: 1993 – 2009. Lessons learned and experiences to date. Ministry of Natural Resources and Tourism, Forestry and Beekeeping Division, Dar es Salaam, Tanzania.
[17] Nordic Consulting Group. 2017. Evaluation of Danish-Bolivian Development Co-operation. 1994 - 2016
[18] NICFI. 2017. Norway's International Climate and Forest Initiative: Lessons learned and recommendations Evaluation Synthesis Report

deliberative processes could be debated and agreed on, although being resource-intensive and time-consuming, was found to deliver long-term results with regard to increased transparency and accountability, strengthened voice of marginalised peoples (such as IPLCs) and improved public decision making. Without addressing underlying aspects of forest governance, widespread illegalities across the forest sector tend to create perverse incentives, undermine legality and deny legitimate rights for key stakeholder groups.

A key lesson from both Norwegian and UK support to forestry is the importance of monitoring, benchmarking and assessing results. Norwegian support (which is largely based on "payment by results") has often been challenged by discussions on what constitutes agreed results (expressed either in terms of institutional effectiveness and capacity, or in terms of progress on reducing deforestation). The UK government found that while support to biodiversity was an increasingly important aspect of environmental funding, there was very little agreement regarding how progress on biodiversity would be assessed and measured.

Finally, capacity building is an integral part of much of the development assistance offered by Denmark, Norway and the UK. However, for it to be effective, it must be specifically designed and tailored to the local context and needs of the institution and individuals being targeted. It requires a holistic approach, involving an assessment of capacity gaps and needs as well as an agreed plan on how such gaps will be addressed.

4. Overall Objective and strategic priorities

4.1 Overall objective

In alignment with the 'How-to note on Climate Adaptation, Nature And Environment' the strategic priorities of the Tropical Forest Initiative aim to utilize the potential of forests as a nature-based solution in response to climate change. The desired impact is to reduce Co2 emission, increase climate adaptation, protect biodiversity, and promote sustainable development.

The overall objective of the Tropical Forest Initiative is to:

Reduce deforestation and forest degradation in response to global climate change, to protect biodiversity, and to promote sustainable development, including among Indigenous Peoples and local communities living in and of forests.

The dual ambition of Denmark's development cooperation is to fight poverty and address climate change to restore a planet in balance. This ambition is reflected in the overall objective of the forest programme as it reflects the link between climate and development, including the complex nexus of poverty and deforestation, and underlines that both the challenges and solutions are interlinked.

The overall objective of the programme is supported by three strategic priorities. Each of the strategic priorities further elaborates on the climate-development nexus of the Tropical Forest Initiative.

4.2 Strategic priorities

The strategic priorities of the Tropical Forest Initiative are based on the assumption that reducing deforestation and forest degradation will support the realization of key sustainable development goals on climate, poverty alleviation and biodiversity. These SDGs' constitute the strategic priorities and defines the desired impact of the program (see table 1).

Table 1. Strategic priorities

<table>
<tr><td colspan="3">Strategic priorities of the Tropical Forest Initiative</td></tr>
<tr>
<td>Impact 1

Climate mitigation and adaptation</td>
<td>Impact 2

Sustainable development/poverty alleviation</td>
<td>Impact 3

Protection of biodiversity</td>
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The overall objective of the programme will be achieved through the implementation of projects, interventions, and activities which contribute to the realization of the strategic priorities in table 1. In practice, selection of projects will be guided by the extent to which a specific project will contribute to one or more of the strategic priorities. Some projects under the programme may include other SDG's, but overall the SDGs in table 1 are essential for a project to be considered under the programme.

4.2.1 Climate change mitigation and adaptation

According to Denmark's strategy for development cooperation, the ambition is for Denmark to be leading in fighting climate change and restoring the balance of the planet. This includes priority of climate adaptation efforts that will strengthen resilience to climate change among the poorest and most vulnerable countries and people. Furthermore, it is Denmark's ambition to contribute to climate change mitigation and global CO2 reductions. Promotion of nature-based solutions are part of this ambition on climate and development.

Protecting forests and halting deforestation is one of the most efficient and cost-effective nature-based solutions to address climate change. Utilizing forests' potential as a nature-based solution offers opportunities to both reduce CO2 emissions (though CO2-sequenzation and CO2-storage in trees) and to strengthen adaptation capacities locally and regionally. The realization of the positive benefits on climate mitigation and adaptation from forests requires sustainable governance and management of forest and forest resources. Land use policies, regulation, and enforcement is the foundation for sustainable forest management and addresses both direct and indirect drivers of deforestation, including illegal logging, gathering of wood for fuel and charcoal, weak governance, and insecure tenure rights.

The achievement of the strategic priority of climate mitigation and adaptation in the programme can be further supported by (economic) incentives that promotes better and more sustainable management of forests and delivers an alternative livelihood. Examples include the development of PES-incentives for forest conservation and supporting the development of high-integrity carbon credits. Furthermore, such incentives can also mobilize private sector investments in forestry and sustainable land-use, which have potential for positive co-benefits in terms of job creation and poverty alleviation.

4.2.2 Poverty alleviation and sustainable development

Fighting poverty and inequalities is at the core of Denmark's development cooperation. The inclusion of the strategic priority of poverty alleviation and sustainable development in the Tropical Forest Initiative reflects the principle of promoting just and resilient societies.

Globally, more than 90 % of the world's extremely poor depend on forests for food, (wood) energy and other aspects of their livelihood.[19] Adapting a landscape-based approach to address the interconnected challenges of poverty, climate change and biodiversity loss offers the opportunity to focus on integrated solutions with a potential triple-win.

In the context of deforestation and forest degradation, using a landscape-based approach will address the multiple and often competing land uses in and around the forest. This is done by bringing together the often diverse range of stakeholders operating in the landscape. The approach requires working across sectors horizontally – e.g. forest sector, agricultural sector and energy sector – and vertically, including IPLC's, private sector, CSO's, and policymakers at both local, regional and state/federal level. While complex to design and implement, interventions based on an integrated landscape-based approach holds the potential for transformative change at scale to realize the strategic priority of poverty alleviation and sustainable development. Examples of projects and interventions that are based on the principles of landscape approaches to promote sustainable forest management include models of Participatory Forest Management, innovative models for benefit-sharing from e.g. carbon-credits, Payment for Environmental Services and inclusion of small-holder farmers in the global sustainable supply-chains.

4.2.3 Biodiversity protection

The rationale for protecting biodiversity is that the most serious lasting effect of human activity on the environment is species extinction as it upsets the balance of nature and makes ecosystems more fragile and less resistant to disruptions. The linkage between biodiversity loss and deforestation is well known, and fighting deforestation will generally also result in protecting and improving biodiversity and habitats. Studies show that tropical forests are home to over half of the world's vertebrate species.[20] As such, loss of forests is a direct cause of loss of biodiversity. This is especially true when it comes to moist or semi-moist natural tropical forest, where biodiversity is especially high, and which are also some of the forests which are under significant deforestation and degradation pressure.

A recent report on biodiversity found that around 1 million animal and plant species are now threatened with extinction.[21] Also, supporting the protection and management of tropical forest in countries with high forest biodiversity (Central Africa, the Amazon, South East Asia) would contribute substantially to biodiversity protection globally. The Global Biodiversity Framework has ambitious targets and there is clearly a need for directing financing into biodiversity positive investments. The TFI will seek to underpin such investments and support projects that are linked to conservation and protection of biodiversity through tropical forest conservation and management. Such projects could include interventions in regards to establishment of protected areas and buffer zones as well as restoration of original forests and eco-systems.

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[19] FAO 2020.

[20] Pillay, R., Venter, M., Aragon-Osejo, J., González-del-Pliego, P., Hansen, A. J., Watson, J. E., & Venter, O. (2022). Tropical forests are home to over half of the world's vertebrate species. *Frontiers in Ecology and the Environment*, *20*(1), 10-15.

21 Media Release: IPBES Sustainable Use Assessment - 50,000 Wild Species Meet Needs of Billions Worldwide | IPBES secretariat

4.2.4 Cross-cutting priorities

Indigenous Peoples and local communities

Tropical forests influence directly or indirectly the well-being and life support of numerous local communities, including many Indigenous Peoples, through provisioning of a multitude of ecosystem services.[22] Forests are also a direct source of livelihoods for IPLCs who safeguard around 80% of the world's biodiversity. Studies shows that supporting IPLCs, including recognizing land tenure and governance rights for climate mitigation will lead to improved forest protection.[23] Studies also show that different approaches to Participatory Forest Management (PFM) will lead to better management of forests. From an economic perspective, the approach of engaging IPLCs in forest management is less costly because the people living in and of the forest take the responsibility of protecting it. This is more economically effective than investing in traditional forest law enforcement, forest rangers and oversight. In spite of this potential, relatively little support[24] is currently given by international donors and projects to forest activities involving rights of Indigenous Peoples and with IPLC as key actors. Although PFM has been supported in several places, the depth of working with land tenure and rights of Indigenous Peoples has varied a lot in PFM programmes.

The programme will, whenever possible, promote the rights of Indigenous Peoples in the various projects supported. The projects will include addressing issues of land tenure for local communities, including Indigenous Peoples, supporting activities that promote IPLCs gaining control over their land, addressing sustainable use of forest for IPLCs, and provisioning of technical assistance, legal support and policy inputs to support the rights of Indigenous Peoples.

Gender

The global fight for gender equality and protection of girls and women's rights is an important element of Danish development cooperation.[25] Women in local and indigenous communities often have a strong attachment to the forest as they are the main collectors and users of non-timber forest products and firewood. IPLC women face multiple and interconnected barriers that restrict their ability to effect change in forestry management and forest use in their communities. These barriers are structured by formal and informal institutions and include context-specific gender norms. Land tenure and access to resources remain important impediments to gender equality in forestry. At the same time, IPLCs women represent powerful change agents in the fight against deforestation and for better forest management.

The TFI will aim at empowering women to participate in and benefit from sustainable forestry management efforts. Hence, projects under the strategic framework will support the role of women and strive to support women's climate leadership and effective participation at local, national, and global levels. Projects will apply proactive measures to achieve gender equality including use of clear gender assessments, allocation of dedicated gender resources, and development of specific gender action plans with targets that are monitored using gender disaggregated data.

Human Rights Based Approach (HRBA)

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[22] Lewis SL, Edwards DP, and Galbraith D. 2015. Increasing human dominance of tropical forests. *Science* 349: 827–32

[23] Arild Angelsen, Charlotte Streck and Imogen Long. 2023. A new Danish global forests programme. A preparatory analysis and strategic considerations. Climate Focus

[24] It has been estimated that the need for financing IPLC activities would amount to USD 9 billion. However, funding for projects (between 2017 – 2020) supporting IPLC tenure and forest management activities globally remained unchanged and the funding is inequitable. Funding for IPLCs' tenure rights and forest guardianship stands at just USD 270 million per year – 0.04 percent of total annual climate finance. (Rain Forest Foundation, Norway 2021)

[25] www.amg.um.dk

Denmark promotes and defend human rights, with particular focus on the rights of girls, women and marginalised groups. The programme will ensure that supported projects are working to promote the human rights of the targeted communities including the rights of Indigenous Peoples and local forest dependent communities. In this respect, projects should aim to promote good forest governance as well as democratic and transparent institutions, which are relevant for targeted local communities. It is important that those responsible for the protection of forests incorporate a HRBA in all activities pertaining to forest conservation and management. Specifically, ensuring active participation in decision making of the communities is of specific importance for the projects to contribute to a HRBA.

Leave no one behind (LNOB)

Leave no one behind (LNOB) is the central, transformative promise of the 2030 Agenda for Sustainable Development and its Sustainable Development Goals (SDGs)[26] and it is a key cross-cutting priority in Danish development cooperation. The programme will address LNOB by ensuring that discrimination and exclusion, as well as inequalities and vulnerabilities, are being addressed as part of the supported projects. This requires assessing approaches and procedures of the projects for their positive contribution to LNOB, especially analysing how they address inclusive access to forestry related services for the poorest, the pro-poor nature of forestry policies, and access to forestry land and resources by the poorest of the poor. Operationalizing LNOB in the projects can be supported by using the UNSDG Operationalizing Guide.[27]

5. Theory of Change, Key Assumptions, and Results Framework

5.1 Theory of Change

The ToC will be guided from the overall objective, which is formulated as:

Reduce deforestation and forest degradation in response to global climate change, to protect biodiversity, and to promote sustainable development, including among Indigenous Peoples and local communities living in and of forests.

The underlying theory of change for this programme is that **if** forest resources are sustainably managed and governance is improved; **if** sustainable development, based on inclusion of Indigenous Peoples and local communities, is ensured; and **if** natural forests and eco-systems are protected, **then** pressure on the standing forest will be reduced, deforestation will decrease, biodiversity will be maintained, poverty will decrease and Co2 emissions will be reduced. As such, through support to sustainable forest governance and management, the Programme will contribute to fighting climate change, poverty reduction and sustainable development, as well as biodiversity protection.
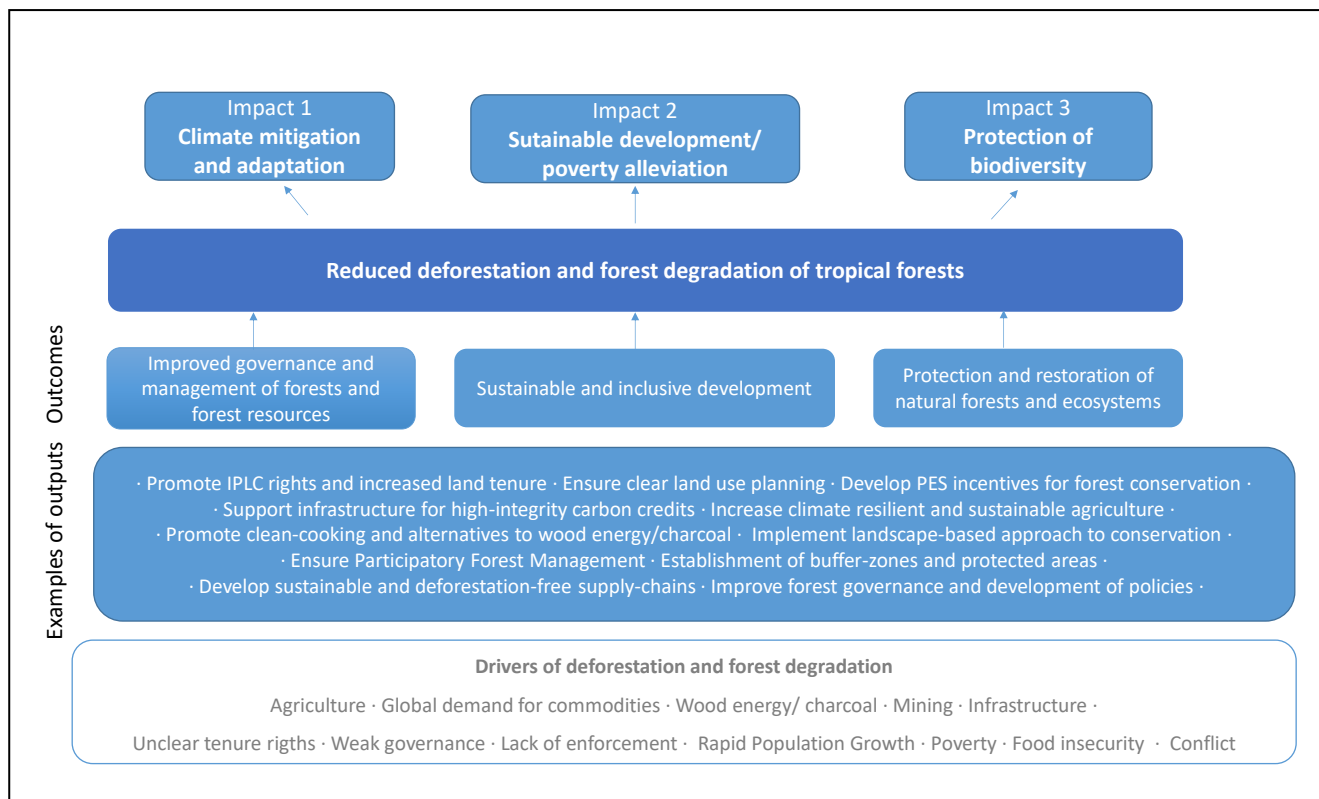
Projects under the Strategic Framework should aim to identify and address drivers of deforestation and biodiversity loss in a specific context and propose tailor-made interventions and incentives for change both at local, national and regional level. The projects should aim to create or strengthen long-term sustainable forest management *inter alia* by working with, and supporting, communities, institutions or organisations with a legal right or customary role in forest protection as well as strengthening national regulation and policies. Given the critical role played by IPLCs in the management of high biodiversity forests, projects should support and strengthen local tenure rights, strengthen the voice and influence of

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[26] https://unsdg.un.org/2030-agenda/universal-values/leave-no-one-behind
[27] https://unsdg.un.org/resources/leaving-no-one-behind-unsdg-operational-guide-un-country-teams

IPLC organisations in forest governance processes, and diversify livelihoods in ways that build resilience and reduce vulnerability to the effects of climate change.

Table 2. Theory of Change for the Tropical Forest Initiative

Impact 1 **Climate mitigation and adaptation**	**Impact 2** **Sutainable development/ poverty alleviation**	**Impact 3** **Protection of biodiversity**

Reduced deforestation and forest degradation of tropical forests

Outcomes

Improved governance and management of forests and forest resources	Sustainable and inclusive development	Protection and restoration of natural forests and ecosystems

Examples of outputs

· Promote IPLC rights and increased land tenure · Ensure clear land use planning · Develop PES incentives for forest conservation ·
· Support infrastructure for high-integrity carbon credits · Increase climate resilient and sustainable agriculture ·
· Promote clean-cooking and alternatives to wood energy/charcoal · Implement landscape-based approach to conservation ·
· Ensure Participatory Forest Management · Establishment of buffer-zones and protected areas ·
· Develop sustainable and deforestation-free supply-chains · Improve forest governance and development of policies ·

Drivers of deforestation and forest degradation

Agriculture · Global demand for commodities · Wood energy/ charcoal · Mining · Infrastructure ·
Unclear tenure rigths · Weak governance · Lack of enforcement · Rapid Population Growth · Poverty · Food insecurity · Conflict

5.2   Key Assumptions

The theory of change is based on the following key assumptions for the achievement of the outcomes mentioned above:

- Political acknowledgement of tenure systems and legal provision of land rights to IPLCs will enable improved management practices and result in positive carbon footprints in project areas;
- By creating alternative sources of income and supporting livelihoods, the benefits and incentives realised by Indigenous Peoples and local communities are sufficient to build or maintain support for long-term forest conservation and sustainable management;
- Actors engaged in destructive or illegal deforestation and forest degradation, can with the right balance of enforcement and incentives change behaviour to other actions that do not result in negative forest impacts;
- Prevailing levels of forest destructive activities or illegalities are not at a level where they undermine efforts by governments and donors to protect forests;
- Political space for civil society is sufficient to allow the voices of representatives of IPLCs to be heard at national or regional levels in relevant forest-related policy forums and platforms;
- Political support for forest conservation and management at national level within participating countries is sufficiently strong to facilitate a stable environment for forest conservation efforts.

5.3   Indicators for success

At programme level it is difficult to establish baseline data and targets to measure programme attribution. However, the following indicators for success will be used to establish the impact of the Danish Tropical Forest Initiative. The expected impact will be achieved through the implementation of the projects under the TFI.

- Decrease in rates of deforestation in areas supported by TFI projects
- Decrease in # of hectares of degraded forests in areas supported by TFI projects
- Decrease in poverty rates in the local communities
- Improved human development index for IPLCs in forest areas
- Increased inclusion of IPLCs in land and forest management
- Increase in # of hectares of forestry ecosystems under sustainable management, including conservation of biodiversity
- Number of households engaged and getting an income from sustainable forestry and agriculture

5.4   Risk Management framework

The risk register below describes some selected overall programmatic risk. The individual projects will have context specific risks and accordingly a risk management framework that reflects the institutional, technical, financial risks in each project and the proposed measures to mitigate them.

Despite the commitments made at political level globally, actual release of financing to combat deforestation has remained well below the pledges made. For example, just under half (49%) of committed finance for results-based payments for REDD+ has been disbursed to date. The lack of disbursement of pledge finance may constitute the biggest risk to forest protection and conservation, since it may undermine the concerted efforts to reduce deforestation and degradation of forests and woodlands.

In order to manage programme risks, in particular in programmes where a number of different political and geographic risks occur, the Aid Management Guidelines (AMG) encourages that an adaptive management approach be applied. The adaptive management approach is proposed in programmes where there is built in a need for continuous learning and adaptation in a programmatic context, and where the allocations are typically distributed to a number of projects, that may for different reasons fail.

The programme risk register is by no means exhaustive, since many different risks may occur at programme level, depending on the projects selected to be part of the Programme portfolio.

Table 3. Programme risk register

Parameters	Risk Outcomes	Risk Mitigation Options
Political Risks • Civil war and local conflicts • Natural disasters • Pandemics • Lack of political commitment and leadership • Change of political priorities in partner country	• Dysfunctional essential Government institutions • Limitations in access to intervention area • Displacement from intervention area • Damage to infrastructure and operational capacity • Lack of disaster or epidemic management planning	• Strengthening Government institutions by capacity building and institutional building • Selection of adequate project areas • Development of environmental management and social contingency plans

Parameters	Risk Outcomes	Risk Mitigation Options
Technical Risks • Limited technical capacity at Government and local Government level • Addressing structural drivers behind deforestation is complex and goes beyond the forest. • Fragmented and non-coordinated support from donors	• Intervention causes damage to the environment • Implementation of projects does not meet project/programme targets • Poverty, inadequate food safety, and insufficient implementation of land use rights and laws prevails	• Capacity development of relevant Government institution and training of staff • Improvement of general social policies, land use planning, and forest management policies by lawmakers Establishment of donor coordination structures
Institutional Risks • Insufficient poverty reduction strategy • Projects are undermined or negatively impacted by other government investments such as mining, infrastructure or agricultural development that have a negative impact on forest conservation and management; • Lack of enforcement of Rule of law • Lack of respect of gender issues • Rights issues not respected • Shortage of human resources • Inadequate legal framework	• Sector strategy and investment plans do not materialise • Lack of commitment and ownership to protecting forest across government in relevant ministries • Actions taken by government outside the programme, results in damage or loss of forests • Additionality compromised and donor support resulting in reduced public support to deforestation and degradation of forests	• Passing of laws to ensure compliance with international law • Introduction of strict IEA procedures and regulations for Government activities negatively impacting forest areas • Establish and reinforce land ownership and adequate tenure, in particular for IPLCs • Reinforcing gender policies among Government supported projects • Provision of services to develop relevant national legal framework
Financial and Fiduciary Risks • Disbursement problems in multilateral entities in relation to funding of climate change and other climate mitigation related activities • Limited government contribution • Inadequate fiscal policies • Corruption • Procurement standards missing • Legal framework inadequate	• Insufficient actions to reduce deforestation and degradation of forests, due to limitation in finance or inadequate financial instruments • Sector receives insufficient and falling share of state budget • No Government attention to corruption and transparency principles • No legal enforcement of laws in relation to forest management, land use planning, land titling and tenure, protection of IPLCs • Misuse of funds and inefficient funding due to non-transparent use of funds	• Improved due diligence of projects • Provision of subsidized/structured finance • Engagement of private sector • Introduction of strict anti-corruption laws

6. Implementation of the programme

6.1 Delivery mechanisms and implementation modalities

The TFI will consist of a number of individual projects each contributing to the strategic framework and overall objective of the programme. The projects under the Programme will be a combination of bilateral and multilateral projects.

When possible, bilateral projects will be implemented by the Danish embassy in the country in order to ensure efficient local oversight and administration of the projects as well as close political support. However, in countries where Denmark does not have an embassy, or where the intervention covers several countries, a multilateral approach may be considered. This also applies for fragile contexts where it is an advantage for Denmark to intervene in close collaboration with other donors or through a multilateral organisation. Furthermore, it will also be a priority to work with international and local CSOs in order to ensure active and direct involvement in the implementation by actors representing or collaborating with local communities living in and of the forest as well as Indigenous Peoples.

The first phase of programming will take place in 2024 and the second phase is expected in 2025. Individual engagements for each of the projects under the programme will be described in the project documents. These documents will detail the results, outcomes and outputs as well as implementation modalities and the delivery mechanisms for each project. The documents will also describe the financing modalities, and possible co-financing arrangements, e.g. with other donors.

6.2 Considerations for selection of projects

The strategic objectives above are supplemented with a number of criteria, which will guide the selection of projects/interventions to be part of the programme portfolio.

The criteria to be applied in the selection and due diligence of projects to be included in the programme portfolio are described in detail below and will supplement the general principles and guidelines to be applied in Danish development assistance.[28] It is not a prerequisite that the individual projects are fulfilling all criteria or all the strategic objectives evenly. The project selection process will apply an approach where projects are selected in such a way that the totality of projects will fulfil the overall strategic objectives of the programme.

Projects to be included in the programme should apply to the nexus of sustainable development/poverty alleviation and climate change mitigation and adaptation in the forest sector. The issue of sustainable development/poverty alleviation as an overall criterion for receiving support under the TFI fits with the priorities of the Danish development assistance.

At the same time, supporting rights for IPLCs is an important element and part of the right based approach. Another important aspect in relation to selection of projects is the aspect of biodiversity protection, which is typically associated with conservation and management of tropical natural forests. As such, sustainable development/poverty alleviation, protection of IPLC rights, and biodiversity protection should be fundamental elements in the projects under the programme that will support the overall goal of reducing deforestation and forest degradation in response to global climate change.

In addition to the strategic priorities and the cross-cutting issues mentioned above, the following criteria will be considered in the selection of projects:

Geographical focus

The Amazon and the Congo Basin represent crucial carbon sinks, regulating climate across the tropics and delivering environmental services to millions of rural people across these regions. As such, projects covering Eastern Africa, the Congo Basin and the Amazon region in recognition of the importance of these geographies for biodiversity and forest cover will be given priority. There is a scope for identifying

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[28] https://um.dk/en/danida/strategies-and-priorities

more countries in Latin America bordering the Amazonas, e.g. Ecuador, Columbia or Peru.[29] Other countries or regions in Africa, e.g. Tanzania or Zambia could also be relevant. Furthermore, it is recommended to consider South East Asia, which holds the third largest global biome of tropical forest in addition to the Congo Basin and Amazon. Countries with dense tropical forest cover and challenges regarding deforestation and forest degradation, such as Indonesia, are relevant.

Political ambitions and commitments

It should be assessed to what extend the countries have prepared themselves politically to combat climate change and to what extent they have passed relevant legislation. Also, it would be appropriate if the countries already have Nationally Determined Contributions (NDCs). NDCs are at the core of the Paris Agreement and the achievement of its long-term goals. NDCs embody efforts by each country to reduce national emissions and adapt to the impacts of climate change.

It is also relevant to consider countries from a governance point of view. Since it is of utmost importance that the national Governments have a stable and relatively well functioning governance system in order to ensure that the selected projects are supported politically, the governance issue should not be underestimated in the selection process. In the case of fragile states where the Government system is not able to provide the capacity to implement a project, it is recommended to work with a multilateral forest fund or an international NGO with long term experience of working in a fragile geographical context.

Implementing partners

In the selection of projects, it is important that the implementing partners have strong capacities to manage and monitor the projects. In projects where IPLC rights play an important role, it would be appropriate to explore whether increased involvement of the civil society, e.g. national or international NGOs could be engaged in project implementation. The rationale for involving civil society in projects related to IPLCs is the fact that many IPLC organizations prefer to engage independently, outside the Government system. Further, it would be relevant to bring on board civil society, government, and private sector in projects or in other form of collaborative arrangements. In order to explore the possibilities of involving NGOs or similar organizations in project implementation, it is proposed to arrange specific calls for projects implemented by NGOs. In many cases, implementation of projects would benefit from having different implementing partners, e.g. private sector entities in collaboration with NGOs.

In order to ensure that there are enough resources at the MFA to manage the portfolio of projects, and to ensure large scale interventions that bring about transformative change, it is advisable to focus on projects of more than DKK 50 million.

Private sector engagement, market development and mobilizing of finance

It is important to recognize the potential of private sector engagement in mitigating deforestation and in particular mitigating degradation of tropical forests, e.g. by introducing sustainable forest management practices or trees plantations which can meet the need for firewood and timber and thereby spare the deforestation of tropical forest. Gaining experiences with the involvement of the private sector in sustainable forest management would also enable the Programme to engage other implementing partners. Likewise, it will be important to develop and get access to markets for sustainable forest products, thereby creating alternative livelihoods and income streams for IPLCs and at the same time to introduce agricultural and forest value chains.

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[29] Indonesia 1,049,412 (3rd largest tropical forest cover), Peru 651,872, Sudan 616,007, Bolia 530,454, Tanzania 387,944, Zambia 312,327. All sq. km. https://worldrainforests.com/amazon/countries.html

Involvement of the private sector could potentially also enable engagement of private capital in the conservation activities, both from private companies, active in the forestry sector and from social and institutional investors and philanthropic foundations.

7.   Monitoring, Evaluation and Learning (MEL)

As a rule, detailed monitoring will be made at project level using a logical result framework approach, where activities, outputs and outcomes and achievement indicators are monitored and reported upon according to the reporting standards agreed for the projects and AMG.

The consolidation of the achievement for the programme as a whole requires a consolidation of project results, based on project frameworks with result indicators that are aligned with the programme. The criteria for success presented in chapter 5 forms the basis for monitoring of the overall, consolidated progress of the programme and the impact of the programme and projects. It will be necessary to conduct continuous monitoring of the consolidated achievements as well as project level results in order to ensure that the programme impact is achieved.

The learning from the project implementation under the Programme is important, in order to influence the selection of projects and the best modalities for support under the Programme. The learning is also important since the risk management framework will be a strategic tool in the adjustment of the Programme if needed.

For monitoring purposes, the best implementation modality would be to select projects that can be monitored and administered out of Danish Embassies. That would, *among others* enable a closer liaison with the implementing partners of the various projects.

Finally, AMG refers to the new monitoring system (MEAL)[30] that would strengthen accountability and learning. Going forward, the MEAL system would have to be described in the Programme Strategy, should it be decided to apply this monitoring system. The responsible MFA unit/RDE will update the MEAL annually through the so-called Results Framework Interface (RFI) focusing on the results areas, outlined in the Programme Strategy. Also, following the MEAL, brief bi-annual annual reports will, as mentioned above be prepared at programme level, outlining progress, challenges, lessons learnt, etc.

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[30] https://amg.um.dk/policies-and-strategies/stategy-for-danish-development-cooperation

Ministry of Foreign Affairs of Denmark

Project Document

Partnership for Forests in Uganda (2025 – 2028)

DRAFT

April, 2024

Partnership for Forests in Uganda, 2025 - 2028

Key results:

- Increase in forest cover by both decreasing deforestation & forest degradation and promoting forest restoration and community support to preservation efforts
- Improved effectiveness of forest governance, law enforcement, protection and management
- Increase in inclusive investments and decent job opportunities for women and men in sustainable forestry and forest-based value chains.

Justification for support:

Uganda has historically high rates of deforestation and forest degradation leading to high greenhouse gas emissions and loss of revenues for the national economy and local communities. Uganda has exceptional levels of biodiversity, much of it within montane and lowland forests. The project is aligned with key government policies, strategies and plans relating to sustainable development, climate mitigation and adaptation and the protection of forests and internationally significant biodiversity. Furthermore, the project has a strong focus on supporting forest-based enterprises and income generation in communities living near forests.

Major risks and challenges:

The project has a number of risks. Firstly, despite promising policy statements, the forest sector is chronically under-funded. Investments made by this project will need to be sustained after funding ends, requiring investment by government. There is a risk that these funds will be insufficient to ensure sustainability. Secondly, the future institutional structure and home of the forest agency is uncertain and the long-term existence of the National Forestry Authority has yet to be determined.

File No.	24/19468				
Country	Uganda				
Responsible	Danish Embassy Kampala				
Sector	Green Growth and Environment				
DKK million	**2024**	**2025**	**2026**	**2027**	**Total**
Commitment	60				60
Projected disbursements	20	20	20		60
Duration	48 months				
Finance Act	06.34.01.75				
Head of unit	Karin Poulsen				
Desk officer	Maja Thagaard				
Reviewed by	Jacob Strange-Thomsen				

Relevant SDGs

No Poverty	No Hunger	Good Health, Wellbeing	Quality Education	Gender Equality	Clean Water, Sanitation
Affordable Clean Energy	Decent Jobs, Econ. Growth	Industry, Innovation, Infrastructure	Reduced Inequalities	Sustainable Cities, Communities	Responsible Consumption & Production
Climate Action	Life below Water	Life on Land	Peace & Justice, strong Inst.	Partnerships for Goals	

Objectives at project-level:

To enhance the sustainable contribution of Uganda's forest resources to national inclusive economic growth and to global efforts to address climate change and loss of biodiversity.

Environment and climate targeting - Principal objective (100%); Significant objective (50%)

	Climate adaptation	Climate mitigation	Biodiversity	Other green/ environment
Indicate 0, 50% or 100%	100	100	50	0

Justification for choice of partner:

The EU is a trusted partner. The Government of Uganda (GoU) and the European Union (EU) enjoy a long-standing collaboration in natural resources management (forestry, water, climate change) spanning over 30 years. At a global level, the EU has, in recent years supported a number of policy measures related to forests and biodiversity including the EU Green Deal, the 2030 Biodiversity Strategy and the EU Communication (2019) on Stepping up EU Action to Protect and Restore the World's Forests.

Summary:

The project aims to support the development of sustainable forest based enterprises and income-generating opportunities, by strengthening the management and protection of high biodiversity forest reserves, and by improving forest law enforcement through improved prosecution of forest crimes relating to illegal harvesting of forest produce.

Budget:

Total	60 DKK million

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Acronyms and abbreviations

ABI	Agricultural Business Initiative
AICS	*Agenzia Italiana per la Cooperazione allo Sviluppo* (Italian Agency for Development Co-operation)
CFR	Central Forest Reserve
EU	European Union
FAO	Food and Agriculture Organisation of the United Nations
FSSD	Forest Sector Support Department
GoU	Government of Uganda
IFPA-CD	Investing in Forests and Protected Areas for Climate Smart Development
M&E	Monitoring and evaluation
MFA	Ministry of Foreign Affairs
MWE	Ministry of Water and Environment
NFA	National Forestry Authority
PES	Payment for Environmental Services
PWG	Political Working Group
RDE	Royal Danish Embassy (in Kampala)
SPGS	Sawlog Production Grant Scheme
SIDA	Swedish International Development Agency
TWG	Technical Working Group
UNODC	United Nations Office for Drugs and Crime
UWA	Uganda Wildlife Authority
WWF	Worldwide Fund for Nature

1. Introduction

According to the World Resources Institute, between 2001 to 2023, Uganda lost 1.10 million hectares of tree cover, equivalent to a 14% decrease in tree cover since 2000. Almost all of this deforestation took place in humid primary forest. Despite its small size, Uganda has an extraordinary amount of biodiversity in both terrestrial and aquatic habitats. With a recorded 18,783 species of fauna and flora, Uganda ranks among the top ten most biodiverse countries globally. It is host to 53.9% (400 individuals) of the world's remaining population of mountain gorillas, 11% (1057 species) of the world's recorded species of birds. Uganda harbours seven of Africa's 18 plant kingdoms (more than any other African country) and its biological diversity is one of the highest on the continent. Despite this, many of the communities living around high biodiversity forests are chronically poor. Approximately 19% of total annual incomes of forest-adjacent households come from forests, equivalent to a total contribution of around USD 190 million per annum to the country as a whole[1]. Furthermore, the protection and restoration of forests are priorities under the Denmark-Uganda Strategic Framework 2023-2028.

This document outlines the background, rationale and justification, objectives and management arrangements for development cooperation concerning the project 'Partnering for Forests in Uganda' (2024 – 2029) which is a delegated partnership from the Embassy of Denmark in Uganda to the EU Delegation in Uganda

The Partnership for Forests in Uganda Project was signed at COP27 in Egypt and forms part of the EU's Global Gateway strategy. It is a five-year, national programme, funded by the European Union which aims to enhance the sustainable contribution of Uganda's forest resources to national inclusive economic growth, while mitigating climate impacts from deforestation and conserving forest biodiversity. The project aims to do this by supporting the development of sustainable forest based enterprises and income-generating opportunities, by strengthening the management and protection of high biodiversity forest reserves, and by improving forest law enforcement through improved prosecution of forest crimes relating to illegal harvesting of forest produce.

Denmark plans to join the Partnership in 2025 with a bilateral contribution of DKK 60 million (Euro 8 million), constituting 20% of the total budget. Denmark will join through a delegated partnership, with EU managing and overseeing the programme as a whole. Denmark will participate in the technical and political dialogue at a programme level. Inspired by the principles outlined in the Nordic Plus guidelines for delegated co-operation[2], participation by Denmark in the project is based on the principle of mutual trust, whereby co-operation donors (in this case, Denmark) will use the Lead Donor's general principles, guidelines, formats and procedures for development co-operation.

Once approved by the Danish Ministry of Foreign Affairs, a Transfer Agreement will be signed between the Danish Embassy in Kampala and the European Union Delegation. The EU Action Document, which describes the overall Partnering for Forests in Uganda, will form an annex to the Agreement. This document is presented in its current form (without the contribution from Denmark) in Annex 5.

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[1] National Forest Authority and Wildlife Conservation Society. 2012. The value of Uganda's forests: A livelihoods and ecosystems approach.

[2] Norad. 2006. Nordic Plus. Practical Guide to Delegated Co-operation

2. Context, strategic considerations, rationale and justification

2.1. Forests and the forest sector in Uganda – an overview

In relative terms, Uganda has one of the highest deforestation rates in the world, with an annual loss rate of around 4% per annum. Implementation of the prevailing legal and policy framework for forestry has been weak, and forest laws are unevenly enforced. Prevailing levels of forest governance are poor and illegalities are widespread. Encroachment of forest reserves due to expansion of agricultural land is the prime direct driver of deforestation. High dependence on forests for woodfuel (both firewood and charcoal) and illegal cutting of high value timber species is also leading to deforestation and forest degradation.

The area under plantation forest in Uganda has increased from 32,225 ha in 1990 to an estimated 120,700 ha in 2020, providing an important source of timber and associated forest products and relieving harvesting pressure on valuable hardwood species within natural forests. The National Forestry Authority (NFA) manages around 11 percent of these plantations, and the private sector manages the balance. The vast majority (about 70 percent) of the private sector plantations has benefited from grants and other incentives, mainly delivered by the EU-financed Sawlog Production Grant Scheme (SPGS). The SPGS was established in 2004 and is seen as a model of best practice for incentivizing smaller-scale commercial plantation development in Africa but funding for this came to an end in December 2022. Currently, an EU supported intervention aiming for sustainable forestry management for the charcoal value chain is in-going. Both interventions build on a public-private partnership model based on the principle of co-investment by the beneficiary and the project. The scheme provides performance-based conditional grants to subsidize the initial costs of plantation establishment. Despite the significant investment in on-farm production of private woodlots and forests, the potential for productive forestry to become a strong economic sector is underutilized. The current plantation resource in Uganda is still well below what is needed to meet the country's anticipated demand for timber, poles, and especially woodfuel. Even excluding woodfuel, the predicted demand indicates a minimum requirement of 200,000 ha of forest plantations in total, though this depends on a number of factors—notably, Uganda's GDP growth, the further development of local value chains, and the regional demand for wood products. In addition, there are growing export opportunities as neighbouring countries such as Kenya offer a potential market for Uganda's wood-based industries. Uganda is blessed with fertile soils and favourable climate. The integration of trees with agricultural production (agroforestry) is widely practised but has the potential for further expansion and improvements.

A study conducted by Worldwide Fund for Nature in 2014 estimated that over 80% of timber traded in the domestic market in Uganda was illegal and was resulting in an annual financial loss of around Uganda Shillings 23 billion (around USD 8 million) to the government, due to unpaid taxes, licenses and permits. The underlying factors that drive widespread illegality is weak enforcement of the law by government institutions and un-regulated trade and movement of forest products across Uganda's borders (particularly from eastern Democratic Republic of Uganda). Widespread illegalities by the private sector have created an uneven playing field, undercutting the activities and prices of enterprises who follow legal procedures (and pay all taxes). Further discussion and analysis of the wider context for this project is presented in Annex 1.

2.2. The Uganda-Denmark Strategic Framework

Partnership for Forests in Uganda forms part of the Danish Tropical Forest Initiative (TFI) being implemented by the Danish government between 2024 – 2027 across different tropical regions of the world. The Initiative, with a total budget of DKK 1 billion, has the overall objective of *"Reducing deforestation and forest degradation in response to global climate change, to protect biodiversity, and to promote sustainable development, including among Indigenous Peoples and local communities living in and of forests."*

The Tropical Forest Initiative is consistent with Denmark's overall strategy for development co-operation ("The World We Share"), which has two key objectives of relevance:

- Preventing and fighting poverty and inequality, conflict and fragility, displacement and irregular migration.

- Leading the fight to stop climate change and restore balance to the planet.

The Danish Embassy in Uganda has a long history of working on green development issues. The current Country Strategic Framework (that runs from 2023 to 2028) has three core programmes – one of which has a focus on Green Economy and Environment. The Green Economy Programme has the overall objective of "Promoting green sustainable and inclusive economic transformation to adapt to the global climate crisis". This Strategic Framework document states that Danish support to Uganda will have a focus on forests (both natural and planted) and the role they play in both climate mitigation and adaptation. The programme aims to maintain and expand high level political dialogue on issues relating to sustainable (or green) development, climate, change, environment and private sector engagement.

Within the Uganda Strategic Framework, there are four individual components which address issues of sustainable trade, climate adaptation within agriculture and green finance. Currently, the Green Growth and Environment programme does not have any activities that has natural resource management, biodiversity or environment as its primary objective, although Denmark has been exploring ways in which to further green its development programme overall. The Forestry Partnership provides opportunities for strengthening the environmental focus of this programme and providing more direct support to forests and climate. The Worldwide Fund for Nature Denmark is operating in Uganda with support from Denmark. Activities are mostly focusing on support to livelihood diversification activities and nature-based solutions in areas close to high biodiversity protected areas (such as Bwindi Impenetrable National Park and Rwenzori Mountains National Park). The Triple Benefits Programme, for example, supports actions that contribute to poverty reduction as well as supporting biodiversity conservation. Forests of the World also receive Danish funding to implement actions in Uganda. Activities are mainly concentrated in support of agroforestry, sustainable value chains, community forestry, entrepreneurship, forest monitoring as well as advocacy and lobbying at the policy level – with a strong geographic focus on Western Uganda. A key lesson learned from forest conservation activities has been the importance of engaging fully with poor forest-edge communities in ways that addresses their livelihood needs (in terms of income diversification and reduced dependency on forest products).

A key comparative advantage of Danish development assistance to Uganda is private sector development and finance. The Agricultural Business Initiative (aBi), established by the Danish Embassy, is now a fully autonomous entity that supports market-driven enterprises using a value chain approach for specific commodity groups (sub sectors) where six value chains are being supported, namely: maize; pulses, coffee, oilseeds, horticulture and dairy.

All actions described above and with regard to the proposed support to Partnership for Forests in Uganda comply with the DAC criteria for international development assistance[3].

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[3] https://www.oecd.org/dac/financing-sustainable-development/development-finance-standards/officialdevelopmentassistancedefinitionandcoverage.htm

2.3.   Policy priorities for the forest sector in Uganda and key players

The Partnership for Forests in Uganda is well aligned to the goals of the Uganda government and coherent with other forms of donor support to the forest sector. Uganda has recently revised its national forest policy[4], which is expected to be published later in 2024. The new (draft) forest policy indicates strong alignment with the aims and objectives of the Partnership for Forests in Uganda. Specific policy statements of relevance include:

- **Forest Law Enforcement and Governance** - Improve governance, sector performance, and legal compliance across the forestry sector.

- **Commercial forest plantations** - Increase productive plantations and sustainable forest enterprises.

- **Forest industries** - Create a productive, competitive, efficient, and well-regulated forest industry.

- **Agroforestry and trees on farms** - Support agroforestry and management of trees of farms.

- **Quality tree planting materials** - Ensure supply of quality tree seed, seedlings, and other planting materials.

In addition to the European Union, the World Bank is also a major donor to the forest sector. The "Investing in Forests and Protected Areas for Climate Smart Development (IFPA-CD)" began activities in April 2022 with a budget of USD 148 million and commitments from KfW, SIDA and Irish Aid for additional co-financing.

The Development Objective of the IFPA-CD project is to improve sustainable management of forests and protected areas, and increase benefits to communities from forests in target landscapes. To date, much of the activities implemented have focused on strengthening the capacity and protection of high biodiversity protected areas through investments in boundary demarcation and management, transport, roads, communication, tourism facilities and other infrastructure as well as the restoration and rehabilitation of degraded areas. Addressing conflicts between protected areas and neighbouring communities is also a core focus, through actions designed to reduce human-wildlife conflict and diversify incomes. Although a component on commercial tree production and value addition is foreseen, this has not become operational due to significant delays over procurement. It is quite likely that this component will be cancelled, and funds transferred to support to protected areas.

With the World Bank support focusing largely on support to state-managed forest reserves and wildlife protected areas, and EU support being channelled to private investments in agroforestry, tree plantations and value addition, the two programmes are both complementary and coherent. Furthermore, the IFPA-CD project focuses geographically on supporting forest reserves and protected areas in the Albertine Rift and West Nile regions, while the Partnering for Forests in Uganda programme has a geographic focus on Eastern Uganda.

2.4.   Partnership for Forests in Uganda Project

The Partnership for Forests in Uganda builds on two decades of EU support to the forest sector dating back to 2004 when it initiated the Forest Resources Management and Conservation Project (FRMCP). From 2008, EU support transitioned to supporting the commercial forest sector through the Sawlog Production Grant Scheme (SPGS). Fifteen years later, the impact is clearly seen with around 47,000 hectares of private plantation forest established over two phases of support. Uganda is one of five countries globally who at COP27 agreed to enter into a Forest Partnership with the EU. An Action Document has been prepared by the

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[4] Ministry of Water and Environment. 2023. Uganda Forest Policy. (Internal Draft)

EU Delegation and the Ugandan Ministry of Water and Environment to reflect the activities, actions and results of the Partnership (Annex 5).

The project addresses three core challenges or problems facing the forest sector in Uganda. Firstly, it supports rural livelihoods with capacity, investments and technical support with the development of sustainable wood value chains, recognising the need to strengthen the wood processing sector and further increase tree planting efforts. Secondly, the project aims to increase forest cover and reduce deforestation recognising the significant challenges facing government-administered forest reserves due to increasing population pressures. Thirdly, the project supports forest governance, protection and management, recognising the significant challenges in Uganda of forest-related crimes such as illegal logging and widespread evasion of taxes, levies and fines. As such, the programme supports the three over-arching goals of the Danish Global Forest Programme – namely climate mitigation and adaptation; poverty reduction and sustainable development as well as conservation of biodiversity and nature.

The key actors in the project are as follows:

- **Public sector**: the main stakeholders in public sector are the Ministry of Water and Environment (MWE) through the Forest Sector Support Department (FSSD), the National Forestry Authority (NFA), and the District Forest Service (DFS).

- **Private sector**: In line with the project's objective to enhance the sustainable contribution of the forest sector to the national economy, private sector actors will be key stakeholders. An important group – related to the sustainable wood product value chain – will be the private tree growers (beneficiaries of EU-funded SPGS project which ended in 2021) and their association (UTGA). Furthermore, partnerships will be explored and established with actors from the finance sector aimed at improving assess to forest financing.

- **Civil society:** Apart from a role as possible partners for activities related to participatory forest management, forest restoration, PES and promotion of other forest-based livelihood options for forest-adjacent communities, civil society will also benefit from the project's training programmes related to forest finance and forest crime. A particular focus will be given to women-inclusive NGOs and CSOs.

- **Forest-adjacent communities** will cooperate in and benefit from the project's activities related to the development of wood and NWFP value chains, to the implementation of participatory forest management arrangements, to the establishment of payments for environmental services (PES) and the promotion of alternative livelihood options including sustainable farming approaches, and to resolving human-wildlife conflicts.

Danish financial support will be provided at the overall level of the project and not ring-fenced to any particular partner or geography. Denmark will not be involved in the day-to-day management of the project as it will operate through a delegated partnership agreement with the EU Delegation in Kampala.

The project is currently in its inception period and is not yet fully operational. Of the four individual sub-projects financed under the Partnership, three have already been agreed with the EU and one (coordinated by MWE) is still under preparation and has yet to be signed at the time of preparing this document. As such, a number of actions are still to be agreed and clarified. In particular, the following aspects will require discussion and agreement between Danish Embassy and EU Delegation during the course of 2024:

- Specific agreements on how the additional DKK 60 million from Denmark will be allocated across the four sub-projects that constitute the Partnership, and how the results and indicators of the individual sub-projects (and the project as a whole) will be expanded to reflect the additional financing. The Transfer

Agreement between the EU and Danish Embassy will have an annex (the revised EU Programme Action Document), reflecting the contribution from Denmark as well as additional targets and results as a consequence of the additional financing.

- The terms of reference and membership of each of the different coordination structures described in Section 7 will need to be finalised and set up.

- Arrangements and responsibilities for project management and reporting. It is anticipated that MWE will provide overall leadership of this project, but the exact arrangements for overall project coordination, monitoring and reporting are still to be finalised. EU will provide financial and narrative reports to the Danish Embassy but the exact nature of these reports will have to be discussed and agreed.

- Baseline figures for the results framework

Specific steps regarding the approval and finalisation of the items above are detailed in the Process Action Plan in Annex 4.

2.5. Links to DAC Criteria

The Organization for Economic Co-operation and Development's (OECD) Development Assistance Committee (DAC) quality criteria, as they apply to this project proposal, are presented in Table 1.

Table 1. An assessment of the Partnership for Forests in Uganda Project alignment with the OECD criteria for assessing development projects.

Criteria	Justification / assessment
Relevance: The extent to which the intervention objectives and design respond to beneficiaries', global, country, and partner/institution needs, policies, and priorities, and continue to do so if circumstances change	• The project is closely aligned to the strategic priorities of MWE and NFA as well as prevailing forest legislation and policy and as such has a high level of relevance to the government of Uganda. • The project's strong focus on supporting rural livelihoods and forest-enterprises responds to the priorities of local communities living around forest areas, where opportunities for income generation and employment are limited. • Mandated government institutions (namely MWE and NFA) are implementing partners of the project and MWE has an overall responsibility for coordination of project actions.
Coherence: The compatibility of the intervention with other interventions in a country, sector or institution.	• The programme is compatible with the other large, multi-lateral support programme, namely the IFPA-CD Programme, funded by the World Bank, the German, Irish and Swedish governments. IFPA-CD programme has a strong focus on support to national parks and forest reserves in the western part of the country, while the Partnership for Forests in Uganda project is focusing on high biodiversity areas in the eastern part of the country.
Effectiveness: The extent to which the intervention achieved, or is expected to achieve, its objectives, and its results, including any differential results across groups.	• Given service delivery and capacity constraints of key government institutions, much of the project is being outsourced to external service providers (such as UN agencies and development co-operation agencies). This will increase overall effectiveness. • Out-sourced service providers will be coordinated and steered by MWE to ensure that all actions are well aligned with national and local priorities and are being implemented in an effective manner
Efficiency: The extent to which the intervention delivers, or is likely to deliver, results in an	• The project will be implemented through a delegated partnership agreement with the EU, thereby increasing effectiveness and efficiency by reducing transaction costs on implementing partners such as the government of Uganda

economic and timely way	• MWE will not generate donor-specific progress and financial reports. Rather, reporting will be done in a consolidated, universal manner, meeting the needs for all end-users
Impact: The extent to which the intervention has generated or is expected to generate significant positive or negative, intended or unintended, higher-level effects.	• Through its participation in key institutional coordination mechanisms and associated high-level dialogue, Denmark will secure a high level of influence on national policy – which will support a wider enabling environment for project implementation and increase overall impact. • The project supports a range of actions implemented at different levels – including specific, field-level activities that are designed to deliver impact at household and community level in terms of income, employment and rural livelihoods.
Sustainability: The extent to which the net benefits of the intervention continue, or are likely to continue	• A strong focus of the project is on building capacity and agency of national, district and community level actors. This will strengthen opportunities for long-term sustainability. If economic activities are both environmentally supportive as well as being economically profitable, there will be strong incentives to sustain such activities even after the project funding ends.

2.6.   Aid effectiveness

The Danish Embassy is interested in opportunities to provide funding to the EU Delegation as part of a wider programme, as a means to leverage additional political engagement in the environment sector as well as increasing aid effectiveness and reducing transaction costs for partner governments. Furthermore, a delegated co-operation agreement with the EU is appropriate given the decades of relevant experience gained by the EU delegation in supporting the forest sector is realistic and appropriate. Following the principles outlined in the Nordic Plus guidelines for delegated co-operation[5] delegated co-operation agreements are based on the principles of mutual trust and co-operation donors (in this case, Denmark) will use the Lead Donor's general principles, guidelines, formats and procedures for development co-operation.

2.7.   Relevance of the proposed action to Danish cross-cutting priorities

Gender equality and empowerment of youth: The project recognizes gender equality as an important objective, but not the principal reason for undertaking the project/ programme. Therefore, gender equality and empowerment of women and girls will be both mainstreamed throughout and targeted during the implementation of the action. At the level of both implementing partners and beneficiaries, due attention will be given to ensuring gender and youth equality in terms of opportunities (training, employment), decision-making and benefit-sharing. For example, gender balance will be pursued in the planned formal trainings and in other capacity building activities. Women will be directly targeted in the activities related to collaborative forest management. Finally, the development of value chains for wood and for NWFP and the establishment of PES systems provide ideal opportunities for promoting gender and youth equality in relation to decision-making and benefit-sharing.

Human rights-based approach: The proposed action links up with human rights in the aspects of (1) right of expression and (2) right to work, corresponding respectively to articles 19 and 23 of the Universal Declaration of Human Rights. Freedom of expression will be addressed especially under the forest and wildlife crimes component of the programme. And regarding Article 23, the action-supported development of value chains, will generate a substantial number of jobs in the formal sector and help to reduce Uganda's current rate of unemployment.

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[5] Norad. 2006. Nordic Plus. Practical Guide to Delegated Co-operation

Climate change and environment: Environmental protection and climate change are at the core of this action with a clear focus on improved forest governance, management and conservation. In relation to climate change, by increasing the forest cover and protecting the remaining forests, the action will contribute to enhancing Uganda's carbon sequestration capacity and hence to mitigating global climate change. Forest actors will be trained in the development of bankable forest related business proposals that will necessarily comply with established Environmental, Social and Governance (ESG) criteria. The project has been subject to environmental screening by the EU, which classified the project as "Category C" (no need for further assessment). The project was also subject to an EU Climate Risk Assessment which concluded that this action is at no or at low risk (no need for further assessment).

3. Project Objective

As stated in the Action Document, the development objective of the Partnership for Forests in Uganda is:

"to enhance the sustainable contribution of Uganda's forest resources to national inclusive economic growth and to global efforts to address climate change and loss of biodiversity".

4. Theory of change and key assumptions

4.1. Theory of change and intervention logic

The theory of change assumes that **if** investments made in the multiple functions of Uganda's forests – specifically their economic and ecosystem functions, and **if** the capacity of the mandated institutions is strengthened **and** overall governance of forests is improved, **then** it will lead to a reduction in deforestation and improved long-term management of forests.

The **economic function** (outcome 1), which aims to increase the contribution of forests and forest products to the national economy, will be achieved through the creation of opportunities for jobs and therefore generate income for the private sector stakeholders (formal jobs), for rural communities (livelihoods) as well as for the state (fiscal revenues). In particular, support to the wood value chain will build on the EU Delegation's 15 years' experience in commercial forestry and will focus on value addition, while the interventions on agroforestry will aim at creating stronger business opportunities for selected products.

Secondly, the project will enhance the **ecosystem service functions** of Uganda's forests which include: carbon sequestration, enhancing functionality of the water cycle through increasing and conserving forest cover, provision of habitat to fauna and flora, eco-system services to neighbouring agricultural communities and landscape amenity value (outcome 2). To enhance these ecosystem service functions, the project aims to increase forest cover both by reducing the current deforestation rates and by actively restoring deforested and degraded forest landscapes. The project will also target selected neighbouring agricultural and other forest-based livelihood communities to sustainably function within existing eco-systems. It will also contribute to more transparency in the management of forest reserves by supporting surveying and boundary openings of selected reserves as well as by improving their management plans.

These two outcomes are interlinked in the following ways: (1) participatory forest management and protection (output 2.1) will involve local livelihood development (output 1.2, and eventually also output 1.1) with PES mechanisms as a livelihood option (output 1.3); (2) the development of a viable wood value chain (output 1.1) will incentivise the further establishment of commercial forest plantations by existing tree growers as well as newcomers, and hence increase forest cover and natural forest protection by producing

alternative wood supply (outcome 2). The governance around forest reserves will provide the necessary security for the adjacent communities as well as the transparency and legality needed for private sector investments. The forest finance will be mobilised for both outcomes.

Outcome 3 focuses on strengthening the **institutional capacity** of the mandated public forest services in complying with their tasks related to forest governance, management, and protection. While contributing to the enhancement of the multiple functions of Uganda's forests in the long term and with increased national ownership, it is also directly supporting the achievement and particularly the sustainability of outcomes 1 and 2.

4.2. Assumptions

Two project-level assumptions are made below which inform the overall theory of change and will have to hold true (or largely hold true) if the anticipated impacts are to be achieved as planned.

The first assumption relates to the **political economy of the forest sector in Uganda**. For years, forests have often been used by politicians as forms of patronage and clientelism – securing loyalty and consolidating power through the transfer of national forest assets (either forest resources such as timber or forest land). Furthermore, demands for land from the private sector and local communities are growing larger and political pressure to transfer forest land to non-forest uses will grow. Around 80% of the timber traded in Uganda is considered to be illegal – either in terms of its origins and harvesting or in terms of payment of permits and fees required under Ugandan law. Politically-connected individuals are often hidden figures behind illegal trade in forest products and historically have been able to evade legal sanctions by virtue of their access to power and ability to influence legal processes. Consequently, a fundamental assumption of this programme is that there is sufficient political will in Uganda to protect and restore forests and to maximise their potential for long-term public good benefits (such as biodiversity, environmental services and carbon) as well as to enforce the law that relates to the harvesting, transport and trade in timber and other forest products.

A second and related overall assumption relates to **government capacity** to effectively manage and oversee forest resources. Capacity development will be a key aspect of the programme and external, service provider organisations will be engaged to deliver many of the project outcomes. However, the human, financial and institutional capacity of key agencies such as National Forest Authority, the Ministry of Water and Environment, Uganda Wildlife Authority, and local governments will be key if project results are to be delivered and maintained after the project. Furthermore, MWE will be required to provide overall coordination of the project, compiling and presenting results at project level and convening high level technical and political meetings to ensure that the project remains on track. This will require diplomatic as well as technical skills and the availability of qualified and dedicated staff, many of whom already face conflicting and multiple demands on their time.

5. Summary of the results framework

The Forest Partnership partners agreed to lay out a set of medium targets to be reached by 2030[6] to help sustain momentum and steer action towards the achievement of the objectives set in the MoU between the government of Uganda and the European Union, as well as facilitate the mobilization of appropriate resources and attract necessary investments. These targets are as follows:

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[6] Goals were set to 2030, even though the Forest Partnership funding only extends to mid 2029. This was intended to link to other national and international commitments relating to forests, climate and biodiversity.

1. Increase the area of protected, restored or sustainably managed forests:
   - Sustainably managed forests: 1.56 million ha
   - Protected and conserved forests: 0.76 million ha
   - Planted forests: 0.4 million ha
   - Restored forests: 0.4 million ha

2. Increase the number of forest-related decent jobs: 150,000
3. Reduce the annual rate of deforestation of natural forests: 20,000 ha/y deforestation[7]

Over the 5-year life of the Partnership, a set of specific targets and indicators have been agreed. These targets will be met through the combined actions of the four sub-projects funded through the Partnership (see below). The Partnership is currently in its inception phase. As such while indicators have been developed at impact and outcome level, baseline, mid-term and end-term target figures have yet to be agreed.

For results based management, learning and reporting purposes Denmark will base the actual support on progress attained in the implementation of the project as described in the documentation. Progress will be measured through 'Partnering for Forests in Uganda's monitoring framework focusing on a limited number of key outcome(s) and corresponding outputs and their associated indicators.

Result framework for Partnering for Forests in Uganda:

Project/Programme	Partnering for Forests in Uganda
Project/Programme Objective	To enhance the sustainable contribution of Uganda's forests resources to national inclusive economic growth and to global efforts to address climate change and loss of biodiversity
Impact Indicator	1. Contribution of the forest sector to GDP (UGX) 2. Carbon sequestration capacity of Uganda's forest cover (tonnes CO2eq) 3. Rate of deforestation of natural forests (%)
Baseline	To be developed

Outcome		1. To increase inclusive investments and decent job opportunities for women and men in sustainable forestry and forest-based value chains.
Outcome indicator		1.1 Total investments in the forest sector (UGX) 1.2 # of households getting an income from forest products (disaggregated by the sex of the head) 1.3 # of households engaged in the forest-based value chains 1.4 Number of (a) jobs supported/sustained by the Action 1.5 Number of green jobs supported/sustained by (sex, age)
Baseline	Year	To be developed
Target	Year	To be developed

Outcome		2. To increase forest cover by both decreasing deforestation & forest degradation and promoting forest restoration and community support to preservation efforts;
Outcome indicator		2.1 Forest cover in Uganda restored and forested through the action (ha) 2.2 Areas of terrestrial ecosystems under protection through the action (km2) 2.3 Areas of terrestrial ecosystems under sustainable management through the action (km2)
Baseline	Year	To be developed
Target	Year	To be developed

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[7] This is considered an acceptable maximum level of deforestation. In 2023, according to WRI, deforestation was at just over 60,000 ha per annum

Outcome		3. To enhance effectiveness of forest resources governance, protection and management
Outcome indicator		3.1 Levels of achievement of NFA's performance targets (%, as per NFA strategic plan) 3.2 Increased number of forest and wildlife related crimes and offenses prosecuted through the action.
Baseline	Year	To be developed
Target	Year	To be developed

The results framework summarised above and presented in full in Annex 3, currently has a large number of outcome and output indicators. Denmark will support the whole partnership, but for practical purposes will focus efforts on the monitoring and follow-up on a select number of indicators, presented below:

Outcome indicators:

1.3 Number of households engaged in forest-based value chains

1.4 Number of (a) jobs supported/sustained by the project

2.1 Forest cover in Uganda restored and forested through the action (ha)

3.2 Number of forest and wildlife related crimes and offenses prosecuted through the project

Output indicators:

1.1.1 Volume of plantation wood processed (m3)

1.1.2 Number of SMEs in the wood value chain (# of SMEs)

1.3.1 Number of forest actors accessing loans to invest in forest-related value chains (disaggregated by sex)

2.4.1 Area of wildlife corridor fully restored through project support (# of linkages)

Due to the nature of the delegated partnership, these indicators may change over time. The EU will keep the Danish MFA updated on any changes to the framework.

The Project will be implemented through four sub-projects managed separately under the responsibility of four different implementing agencies. The European Union has made partnership agreements with three external agencies (AICS – the development agency of the Italian government, FAO and UNODC). The fourth project, which will be implemented by Ministry of Water and Environment is still under development. The sub-projects and associated budgets presented below do not reflect the contribution of Denmark. This will need to be agreed with Denmark during the second half of 2024. The final budget will not distinguish between EU and Danish funding, since Denmark will be supporting at an overall project (rather than sub-project) level.

- **Reforestation for Community Prosperity in Eastern Uganda (ReForEst).** The purpose is to support rural incomes through commercial tree planting by the private sector. Activities include promotion of agroforestry, and promotion of protection of high-value forests. **Implementer:** AICS (the Italian government's development arm). **Budget:** Euro 14 million. Period: Jan 2024 – Dec 2028. **Status**: Signed and operational

- **Combating illegal trafficking of timber.** The purpose is to improve the forest management in Uganda by strengthening the criminal justice responses to forest crime. Activities include strengthening the legal framework and improving the capacity to investigate and prosecute forest crime. **Implementer**: UN Office for Drugs and Crime (UNODC). **Budget**: Euro 5 million. Jan 2024 – Dec 2027. **Status**: Signed and operational

- **Job creation around forestry and timber.** The purpose is to increase inclusive investments and decent job opportunities for women and men in sustainable forestry and forest -based value chains. Activities include work on access to finance for forest-related companies, support to processing capacity for

timber, support to sustainable supply of legal wood raw material. **Implementer:** FAO. **Budget:** Euro 15 million. March 2024 – February 2029 (60 months). **Status**: Signed and operational

- **Forest management and programme management:** The purpose is to enhance the contribution of Uganda's forests and forest and forest resources to national economic development and to global efforts to address climate change and loss of biodiversity. Activities will include institutional strengthening of National Forestry Authority and the District Forest Services, sustainable forest management and planning, forest boundary demarcation, participatory forest management as well as coordinating the overall forestry project and managing and reporting on the EU Forest Partnership. For activities implemented at the field level, the project will operate in Eastern Uganda (Kyoga Zone) to complement activities supported through the AICS project. **Implementer:** Ministry of Water and Environment (in partnership with NFA). **Budget:** Euro 5.8 million. May 2024 (indicative) – March 2029. **Status**: Under development – not yet operational.

Other than MWE (which was sole-sourced given its unique role), all three other implementing organisations have been subject to 'ex-ante pillar assessments', which is a pre-qualification capacity assessment to ensure that potential organisations have sufficient capacity (from a financial as well as technical perspective) to manage EU funds. Actual selection of each of the three external partners was made based on an assessment of their experience and specific capacity within the area being supported. For example, UNODC have had considerable experience in terms of fighting wildlife and forestry crime in Uganda as well as across East Africa, while FAO have been recipients of EU funding from other sources in support of the forest sector and have proven capable of delivering impacts and results as planned. The profile of individual implementing organisations (role, mandate, capacity and experience) is presented in Annex 2.

Figure 1 illustrates how the different sub-projects contribute to the individual outputs and outcomes of the project logical framework:
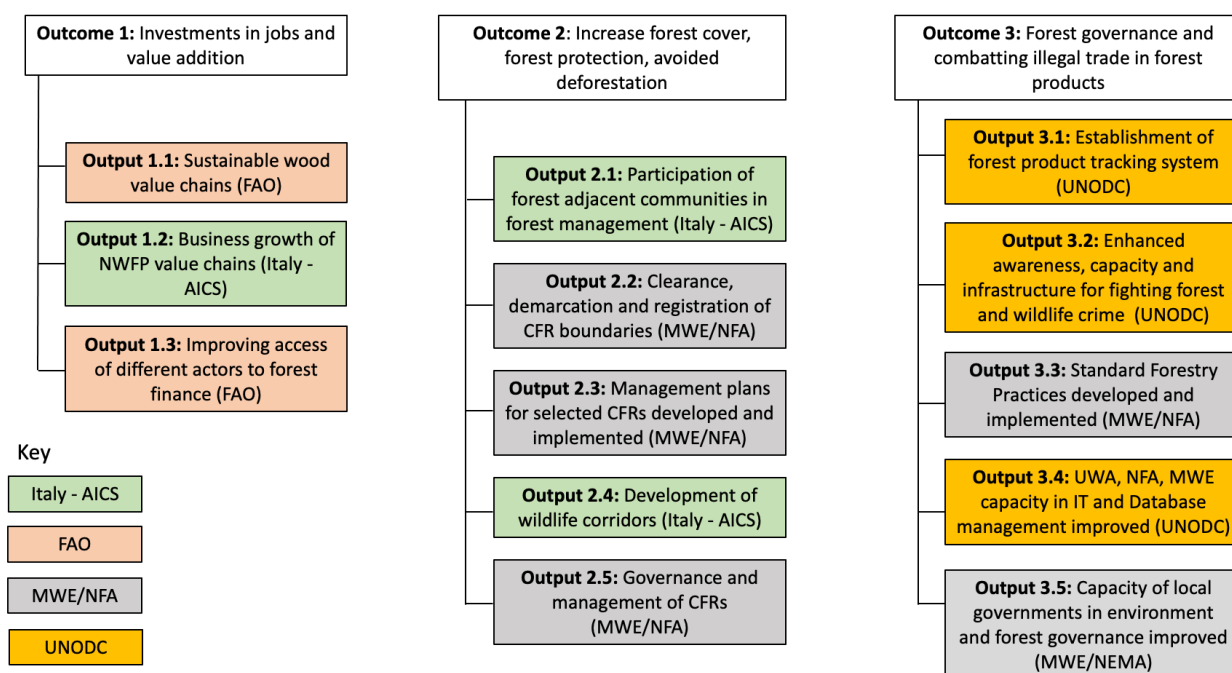
Figure 1: Links between outputs at the level of the Forest Partnership and sub-projects.

6. Budget

The budget presented below has been modified from the EU Action Document for the overall 5 Year Project, and includes both EU contribution of EUR 40 million and DKK 60 million from Denmark (Approximately EUR 8 million). With Denmark contributing 20% of the budget, Denmark can claim an attribution of a corresponding 20% of the results obtained.

Budget components	Total Budget (EU and Denmark) - Euro
Indirect Management with a pillar assessed entity • FAO • UNODC • AICS	40.75 million
Grant (Direct Management) • Ministry of Water and Environment / National Forest Authority	6.95 million
Audit and Evaluation (Managed by EU)	0.28 million
Total	**48 million**

7. Institutional and Management arrangements

7.1. Coordination at project level.

Detailed arrangements for project coordination are still under development and as such the proposals presented below, while agreed in general, still have to be finalised and the various institutions established. Terms of reference and membership of the various working groups and steering committees are still being discussed at the time of preparing this document.

The partnership will be steered at an overall level by two bodies:

- A **Political Working Group** (PWG) will guide and steer the overall Forest Partnership and ensure an effective dialogue and co-operation between the partners.
- A **Technical Working Group** (TWG) will monitor and evaluate progress, identify opportunities for additional actions and investments as well as options to tackle challenges and mitigate unintended consequences.

Since Denmark is joining the overall forest partnership, Denmark will participate fully in all coordination and governance bodies – both the PWG and TWG.

In the context of the development of the roadmap, the composition of the Political Working Group (PWG) was agreed between the Partners to include: the Minister of Water and Environment and/or The Permanent Secretary of the Ministry of Water and Environment, Representatives from the Ministry of Water and Environment and relevant Ministries, the Head of Cooperation of the EU Delegation to Uganda, Representatives from the EU Delegation to Uganda and the Danish Embassy. The PWG will meet at least twice a year. The PWG will be jointly chaired by the Prime Minister of the Government of Uganda and the Head of the EU Delegation to Uganda.

The Political Working Group is advised and supported by the Technical Working Group. The TWG will be chaired jointly by the Permanent Secretary of the Ministry of Water and Environment and the Head of

Cooperation of the EU Delegation to Uganda. Denmark will also participate in the TWG. The TWG will support the discussions of the PWG and where need be, implement decisions agreed at that level. The TWG will oversee and monitor the implementation of the partnership and advise where any changes are needed in actions of specific sub-projects. The TWG will meet on a quarterly basis and at minimum prior to the PWG meetings.

The Chairpersons of the PWG or the TWG may agree to invite to their respective meetings where appropriate, private sector actors, social/non-state partners, local communities, indigenous peoples, youth, women, international public organisations, interested financial institutions, academia, research institutions and/or donors. Furthermore, the Chairpersons of the PWG or the TWG may agree to invite observers and experts to their respective meetings on an *ad hoc* basis and in relation to specific subjects.

Apart from oversight of the programme, the EU and the Government of Uganda agreed to develop a roadmap, structured around the four key workstreams of the Partnership with concrete actions, milestones and associated responsibilities identified. The roadmap was developed jointly by the Partners in the course of six months from the signing of the Forest Partnership. It was endorsed by the Technical Working Group during its meeting of 13 June 2023. The roadmap is seen as a living document and will be reviewed on a regular basis to ensure effectiveness, efficiency, feasibility and effectiveness.

At the level of individual sub-projects, steering committees will be established to ensure coordination with specific project partners and agencies. It is not expected that Denmark will participate in these lower-level project steering committees although it is likely that the EU will be invited to participate as observers. Ad hoc coordination meetings between the four sub-projects may be held as and when needed. The different coordination structures are presented below in Figure 2:
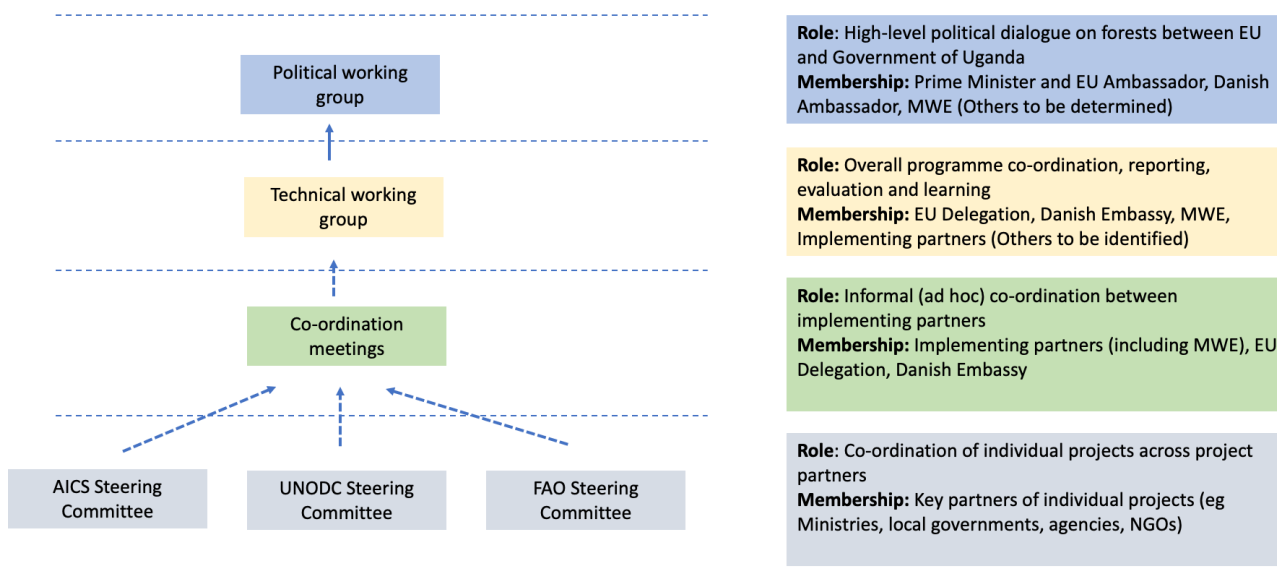
Figure 2: Proposed coordination structures at project and sub-project levels

Programme coordination will be undertaken by MWE. They envisage a small Project Coordination Unit (PCU) which will be based within the Forest Sector Support Department (FSSD). The unit will comprise a Project Coordinator, a Technical Advisor, an M&E specialist and a financial management specialist. Their role will be to support the programme in terms of compiling overall project-level reports, undertake project coordination, to support the various project coordination structures (Figure 2) and to ensure smooth implementation with external partners (NFA, NEMA and local governments).

Detailed arrangements for project coordination are still under development and as such the mechanisms presented above, while agreed in general, still have to be finalised and the various institutions established. The EU is responsible for this.

In addition, an additional advisor could be considered at the MWE. This advisor could be funded as part of Denmark's contribution. The budget for this would then not be a part of the budget transferred to the EU. This will be decided prior to signing of the Transfer Agreement between the EU and Danish Embassy. His/her role could be to support compilation of project level progress reports, facilitate the operations of the PWG and TWG. MWE and the EU Delegation will participate in the selection and interview process, if needed. He/she will also work with the M&E focal person in MWE to collate overall indicators and achievement of targets to facilitate outcome and impact reporting. A decision will be made on this at a later stage.

7.2.   Programme reporting

Each of the four implementing partners will prepare annual progress reports as well as financial reports. These will be submitted to the EU delegation and shared with the Danish Embassy. At an overall project level, MWE (with support from the PMU) will prepare annual progress reports highlighting overall progress at the level of partnership – particularly with regard to the implementation of the agreed roadmap as well as with regards to the achievement of overall project level indicators and targets.

Individual sub-projects will be required to conform to the terms set out in the EU General Conditions for Contribution Agreements. This is a standard agreement that clearly spells out requirements for financial and activity reporting as well as other obligations.

7.3.   Evaluation

The EU may choose to undertake mid-term and final evaluations of the partnership as a means to assess overall progress and where relevant make any recommendations regarding the need to modify actions or activities. The Danish Embassy will be invited to participate in these evaluations, either through the provision of a consultant or being invited to receive and share evaluation outputs. No Danida-specific evaluations are envisaged, although the Danish Embassy in Kampala reserves the right to carry out any technical or financial supervision mission that is considered necessary to monitor the implementation of the programme. Individual sub-projects have made provision for evaluations and these will be managed directly by the partners themselves and the findings shared with the EU Delegation and the Danish Embassy. After the termination of the project support, the Danish Embassy in Kampala reserves the right to carry out evaluations in accordance with this article.

8. Financial Management, planning and reporting

Denmark will operate a delegated partnership with the EU Delegation, meaning that all procedures relating to financial management, auditing, reporting and procurement will follow EU guidelines. As a general principle, EU and Denmark will strive for full alignment with the implementing partner rules and procedures, while respecting sound international principles for financial management and reporting.

8.1.   Disbursements from Danish Embassy to EU Delegation

A disbursement from the Danish Embassy will be made to the EU annually, based on an overall annual work plan and budget.

8.2.   Reporting

The European Commission shall keep accurate and regular records and accounts of the implementation of the project co-financed by Denmark. A consolidated financial statement covering both income (by donor) and expenditure over the year will be forwarded from EU to the Danish Embassy on an annual basis. Where relevant the financial reports of sub-projects will also be made available as supporting material. Implementing partners will follow accounting and financial management procedures as specified in the General Conditions agreement signed with the EU.

8.3.   Procurement

Individual grantees shall manage procurement under their own systems. This includes pillar-assessed entities as well as the one direct grant body – the Ministry of Water and Environment, who shall use procurement processes as specified under the Public Procurement and Disposal Act of Uganda.

8.4.   Auditing

Individual sub-projects are required to nominate external auditors to undertake annual audits of financial expenditure, the results of which will be shared with the EU Delegation. These audits will also be shared with the Danish Embassy. The EU Delegation reserves the right to undertake audits of implementing partners up to five years after closure of the contract.

9. Risk Management

Project-level risks are presented below and described. A table indicating the likelihood and potential impact of the risks, together with a discussion of how each of the potential risks could be mitigated is also presented. Project-level risks will be reviewed on an annual basis during discussion of the workplans of individual projects, based on changes in the external operating environment, political and economic conditions operating in the country.

9.1.   Risks

- There is a risk that staff trained by the project, working within government departments move to other, better remunerated positions outside government (NGOs, private sector, embassies) where they can use their new skills to better effect. This would have a negative impact on the capacity and ability of government departments or agencies with the mandate for project implementation.

- The removal of ambiguities in the forest reserve boundaries does not stop illegal issuance of land titles or gazettement of forest reserves for private sector investments leading to loss of forest. This has been a recurring challenge in Uganda where forest reserves are often seen as areas for private sector expansion for companies producing sugar cane or other agricultural commodities.

- The forest sector is chronically under-funded and is not given priority within the national budget. As such, there are sustainability risks relating to the ability of NFA being able to maintain and continue work supported by the project when funding ends.

- Capacity limitations within government institutions are well documented. While MWE has a mandate to co-ordinate and supervise actions in the forest sector, their capacity to do so is limited. With regard to this specific project, they have a role to provide consolidated reports to the EU (and by extension to Denmark) on activity and financial progress. There is a risk that their limited capacity may be insufficient

to undertake this task effectively, thereby undermining and limiting the ability of donors to effectively monitor and supervise implementation.

- The government of Uganda in its review of government ministries, departments and agencies[8] made a series of recommendations regarding the merging of executive agencies such as NFA with parent ministries (in this case, MWE) or with UWA as a means to reduce recurrent costs. The degree to which the recommendations contained within this review are implemented and the date of such implementation are uncertain. However, it is very likely that any significant change of institutional structures in the forest sector will lead to a loss of morale and capacity and may result in a surge in illegal activities during the uncertain transition period (as seen when the former Forest Department was changed into NFA). Furthermore, there have been high-level discussions regarding the transfer of many of the high biodiversity forests currently under the mandate of NFA to UWA management, leaving NFA with only low-value and more degraded forests to manage. As UWA is not a partner in the Forest Partnership there is a risk that important project areas could be taken out of the scope of the project.

- On 21st June 2023, the government of Uganda imposed an export ban on unprocessed timber[9], in light of the high levels of deforestation and unregulated tree cutting on both public and private land. The impact of this on tree growers and the wood processing sector are unknown. On one hand it may stimulate value-addition in Uganda, through investment in sawmilling and wood-processing. However, it may also dampen investment and discourage tree planting as producers fear loss of external export markets.

- In early 2026, Uganda will hold national presidential elections with campaigning expected to start in 2025. During election campaigns there are always risks associated with forests, as prospective parliamentary and local government candidates vie to promise "give-aways" such as land and resources from these areas.

- In 2023, Uganda's parliament adopted the Anti-Homosexuality Act. Large parts of the act were upheld by Uganda's Constitutional Court in April 2024. As a result of this new law, development projects face a new risk of promoting actions (based on support to non-discrimination) which may conflict with this new law. Due to the sector focus and nature of envisioned activities in the current project, the risk of discrimination in this regard is considered low. No separate analysis is carried out in this regard.

9.2. Mitigation and management of risks

The following table presents the above risks and mitigation options:

Risk Factor	Likelihood	Impact	Risk response
Risk of trained staff leaving key government institutions	Likely	Minor	Provide continuous training to staff over the life of the project rather than one-off events
Forest encroachment continues despite boundary demarcation	Likely	Major	Ensure that collaborative management agreements are formalised with provision of tangible benefits to local communities Strengthen patrol and law enforcement of boundaries by NFA
Insufficient government funding to maintain structures and processes after project completion	Likely	Major	Through the Political Working Group structure, lobby for the release of funding from government to adequately resource the forest sector

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[8] Government of Uganda. 2017. A final report on comprehensive review and restructuring of government Ministries, Departments and Agencies (MDAs). Directorate of Management Services, Ministry of Public Service
[9] https://www.mediacentre.go.ug/media/president-museveni-re-affirms-his-ban-timber-export#:~:text=President%20Yoweri%20Kaguta%20Museveni%20has,and%20make%20the%20furniture%20here.

Insufficient capacity within MWE to effectively co-ordinate and report on project progress	Likely	Major	MWE plans to establish a PMU which will include externally hired staff to support monitoring, evaluation and reporting functions across the project. This will include an adviser. Denmark has offered an international adviser through its Danida adviser facility.
NFA merges with MWE resulting in loss of morale and uncertain governance in the forest sector	Unknown	Major	Continue to discuss with government regarding the future of the forestry administration. If the transfer takes place, work with MWE to manage the transition and develop a plan regarding how funding should be allocated from MWE to forestry staff and whether activities should be continued
Export ban on processed timber undermines the domestic forest sector	Likely	Moderate	Forest Partnership to prepare policy responses that create an enabling environment for wood processing and value addition in Uganda
Risk of forest boundary changes in period leading up to elections	Moderate	Moderate	Lobby government through the Forest Partnership to secure and maintain forest boundaries
Conflicts between actions promoted by the project and Anti-Homosexuality Law	Low	Moderate	Given the focus of project actions on forests and livelihoods, the risk of conflicts with prevailing Ugandan laws on sexual discrimination are remote

10.   Closure

Following the completion of the project period, all assets provided to implementing partners will be disposed of in ways that can sustain project activities into the future and are compliant with EU General Conditions. This may, in the case of government departments, mean that investments and capital items remain with government. In the case of FAO, UNODC and AICS, implementing partners will prepare a plan for transfer of assets to downstream partners or beneficiaries. This could include local NGOs, local governments or community-based organisations.

Implementing partners will prepare final reports summarising the overall results, impacts and expenditure of their actions as described in the General Conditions.

Annex 1: Context Analysis

Poverty and inequality analysis

In the past 30 years, Uganda has worked toward economic growth, reforms and poverty reduction. However, the country remains a low-income country and income inequality in Uganda is an issue. In 2019, Uganda scored almost 43 on the Gini income inequality index, where zero reflects total equality and 100 reflects total inequality. Since 2002, Uganda's economy has been expanding by a minimum of 6% yearly and real GDP per capita has tripled since 1990. In 1992, almost 56% of the population lived below the poverty line set by the nation. However, by 2014, it had decreased to 19.7%. Despite this, the disparity between the affluent and the impoverished has grown significantly since the 1990s. Uganda has experienced "growth with exclusion," where only a small group of people have gained from the economic expansion.

The share of Uganda's population that lives below the poverty line has fluctuated over the last seven years, greatly influenced by shocks that have tested the resilience of the people. About 30 percent of the country's population was poor in 2019/20, which is comparable to the poverty rate of 30.7 percent in 2012/13. The pattern of fluctuating poverty rates is largely driven by the experience of rural households. There was a surge in the poverty rate between 2012/13 and 2016/17 – linked to the drought in 2016/17 – followed by improvement in 2019/20 prior to the pandemic, when favourable weather conditions helped lift rural incomes. The COVID-19 pandemic pushed both urban and rural residents into poverty. Inequality, which reflects the extent to which different population groups benefit from Gross Domestic Product (GDP) growth, and affects the transmission of growth into poverty reduction, remained largely unchanged over this period and may even have worsened in urban areas.

Previously identified patterns and drivers of poverty in Uganda persisted well into 2020 – _shaped by low productivity and high vulnerability. Since 2012/13 there were emerging signs of structural change with workers moving from low to high productivity activities. Workers moved out of subsistence agriculture into paid work, and the share of workers engaged in the services sector has increased, which augurs well for income growth. Nevertheless, agricultural productivity was falling until recent years, and its increase after 2017 was mostly associated with good weather rather than improvement in production practices. The progress in structural change was negatively affected by COVID-19 pandemic when many people returned to agriculture following the job losses and closure of small businesses10.

Uganda's poor have a high dependency on forests for income and subsistence needs. A report undertaken by MWE together with Wildlife Conservation Society established that the contribution of forests to local people's livelihoods overall is calculated to be around USD 190 million per year. Furthermore, although poorer households derived proportionately more of their income from forests, in absolute terms, wealthy households captured more of the financial value available in absolute terms[11].

Political economy and stakeholder analysis

Comprehensive forest sector reforms have been undertaken in Uganda over the past two decades with major changes in the institutional and organizational structures of the forest sector. Despite this, the rate of

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[10] World Bank. 2022. Uganda poverty assessment: Strengthening resilience to accelerate poverty reduction
[11] National Forest Authority and Wildlife Conservation Society. 2012. The value of Uganda's forests: A livelihoods and ecosystems approach

deforestation has remained critically high and levels of illegality have persisted across the forest sector. The following section explores the underlying reasons for this apparent paradox:

Political patronage and political economy: Since independence, forests have been viewed as a political "bargaining chip", providing opportunities for political elites to secure and consolidate power, reward loyalty and cement relations between political and economic interests. In recent decades, high profile cases of forest excisions (de-gazettements) have been seen across the country, with in-tact, high biodiversity forests being converted to alternative land-uses such as sugar cane or palm oil production. Decisions are generally taken at a political (rather than administrative level) and procedures for transfer of ownership have taken place outside the framework of the National Forest and Tree Planting Act of 2003.

Institutional Governance: The mandate to manage forests is scattered across various government agencies and ministries. This creates overlaps which results in conflict between government bodies, as well as agencies competing for resources (including financial), duplicating efforts, and spreading resources too thinly. This creates an unattractive environment for donor and private sector investments in the forestry sector. Moreover, despite attempts at decentralising governance of the forest sector, only limited powers have been effectively transferred away from central government. Continued central control makes it extremely difficult to insulate decision making over the allocation of licences from higher-level political pressures, since the ostensibly decentralised powers are exercised by actors who are upwardly accountable to these central forces.

Forest Tenure: The lack of clearly defined boundaries, tenure rights, and land registration in many of Uganda's forests (including Central Forest Reserves, private and community forests) have created conflict and de facto open access, driving deforestation, particularly on customary land where traditional governance structures have eroded. This requires review of the forest policy and legislation to address the gaps in boundary demarcation and titling.

Forest Management: There are several gaps in the policy and law that affect the effective forestry management. There is a long, tedious and expensive procedure for approval of the Forest Management Plan. Under the NFTPA, it is not a legal requirement for the NFA and local governments to enter into collaborative forestry management arrangements with forest user groups. Further, the Forestry Policy and the NFTPA does not provide adequate incentives to support sustainable forest management especially of communal and private forests and benefit sharing arrangements. Furthermore, there is limited data available on "forest inventories", leading to problems with monitoring forest resources and changes in reforestation/afforestation and deforestation. There is also a need to strengthen forestry licensing (including improving supervision of licensing activities and improve transparency in the award of contracts). The complete lack of direct incentives to encourage private forest owners to practice sustainable forest management also limits sustainable forest use.

Forestry law enforcement, governance and oversight: There is weak enforcement of the law by all key institutions, leading to continued deforestation and the unregulated trade and movement of forest products across Uganda's borders. The penalties are low and there is limited transparency among others. Most illegalities in the Ugandan timber sector are the product of poor law enforcement and failure of government officials to follow established licensing procedures. Inadequate surveillance also makes illegal harvesting possible.

Human rights, gender and youth, and applying a human-rights based approach

Most people in unpaid subsistence agriculture are women, who are more likely to be poor and vulnerable. Women often bear the brunt of climate-related shocks, and the health effects of indoor pollution. As land, forest and water resources are increasingly compromised, women's livelihoods are particularly marginalized. Gender equity and equality in land tenure, access and control is essential to improve food security, education, health and economic development.

The Government of Uganda has formulated policies and laws to ensure that communities, especially vulnerable ones, participate in decisions affecting their livelihoods. The Constitutional provisions for people's participation and gender have been operationalised through the Local Government Act (1997) and the Gender Policy, among others. Affirmative action has resulted in more women holding political office both in Parliament and in local government councils. However, the forest sector is still male-dominated in the civil service due partially to the limited number of women scientists in Uganda. There is a wide range of policy provisions for gender mainstreaming in Uganda, but they are in most cases not backed up by relevant legal provisions for ensuring compliance among the different sector ministries and institutions. The environment sub-sector has given only lip service to gender, with no deliberate application in its programmes and activities. Although the Land Act (1998) also provides for non- discrimination against women, there are still gender disparities in land ownership: most land is acquired through inheritance, which favours men over women. Only 7% of the land in Uganda is owned by women, limiting their participation in private forest management and tree planting.

Opportunities exist for women to participate in tree planting schemes supported by the National Forestry Authority (NFA) either on private land or in central forest reserves. However, women's limited control over productive resources, including land, also affects their access to credit facilities that are crucial for initial investment. This occurs because one must first have financial resources to be allocated land from the central forest reserves for private tree planting and management. The NFA has made some progress in implementing community forest management, which has reduced forest degradation. However, collaborative forest management (CFM) is only implemented in a few of the central forest reserves; the NFA lacks adequate institutional and human capacity to ensure that men, women, youth and the poor are actively involved in CFM processes.

Uganda's working-age population continues to grow, increasing from 14.6 million in 2005/06 to 16.5 million in 2012/13 and 18.1 million people in 2014 (Uganda Census, 2014). Youth participation in Uganda's labour force grew from 4.2 million in 2005/06 to 5.5 million in 2009/10, and reached 9.5 million by 2015. This indicates that at least 500 000 young people are entering the labour market each year to compete for approximately 9 000 available jobs. In 2012/13, the Uganda Bureau of Statistics stated that unemployed youth represented 64 percent of the total number of unemployed persons in the country. The African Development Bank (AfDB) puts the share of unemployed youth among the total unemployed in Uganda as high as 83% in Uganda. About 30 percent of institutionally qualified youth in Uganda are unable to find jobs and the situation is even worse for semi-skilled and unskilled youth. Causes of youth unemployment vary, including inadequate investment and supply, a mismatch between skills required and skills possessed, weak employability, lack of access to resources such as land and capital, and a high rate of labour force growth.

Uganda's legal and policy frameworks emphasize the participation of youth in the labour market, especially given that young people constitute a large majority of the country's population. However, only a few of these frameworks focus on decent work, whether for young people or the country's workers more generally. Efforts to provide decent employment were mixed. Larger and more formally oriented forestry enterprises are more likely to focus on decent work provisions for their labourers. Smaller enterprises, while aware of

most of their decent work obligations, are unable to implement them due to resource constraints. Despite this, there are numerous opportunities for youth to participate in the forestry sector. These included tapping into existing government and NGO programmes ranging from tree planting to plantation management. Additional employment opportunities were provided by businesses in the sector and the management of woodlots for poles and fuel.

The limiting factors for youth participation in the sector largely arise from the huge investment cost incurred by such participation, particularly access to and utilization of land and financial resources. Other limitations included a lack of relevant training and skills and poor working conditions. These conditions are compounded by few numbers and limited capacity of officers within the Labour Directorate to administer and enforce labour regulations.

Inclusive sustainable growth, climate change and environment

Uganda Vision 2040 aims to transform Uganda from a subsistence farmer and low-income country to a "modern and prosperous" upper-middle-income country by 2040. The Vision outlines several initiatives for the management and protection of natural resources, including forests, which are important to the government's goal of making the tourism sector the mainstay of the Ugandan economy by 2040.

Recognizing low levels of compliance with the Uganda Forestry Policy as well as other important ENR policies including the National Environmental Management Policy, National Environment Act, and National Forestry and Tree Planting Act, which have led to continued deforestation, Uganda Vision 2040 sets out a goal of increasing forest cover from 15 percent to 24 percent by 2040 (Note currently, forest cover is closer to 9%).

The Vision takes a sustainable resources management approach in line with the concept of the 'green economy', recognising Uganda's commitment to the principles of the Rio Declaration on Environment and Development, the Programme for Further Implementation of Agenda 21 and the Plan of Implementation of the World Summit on Sustainable Development. The Vision aims to restore and add value to ecosystems through undertaking re-forestation and afforestation on public land, promoting the participation of citizens in tree planting on both private and public land, increasing private investment in forestry through commercial tree planting on private land, and the adoption of green agricultural practices. Although land reform is a priority to facilitate urbanization, agricultural, and infrastructural development, the Vision states that the government will continue to hold in trust forest reserves, national parks, and other land reserved for ecological and touristic purposes as per the Constitution.

With regard to climate change, Vision 2040 aims to develop climate change adaptation and mitigation strategies to increase Uganda's resilience to the impacts of climate change. Emphasis will be on strengthening coordination systems at national and local levels and building capacity of local governments. The Government will continue to participate in international arrangement on climate change and will focus in particular on how to tap into available global climate change funding mechanisms.

Vision 2040 recognises the importance of engaging civil society and women in NRM, and that any resulting policies should promote gender equality and women's empowerment to ensure their full participation in NRM and development. The plan also identifies the need to strengthen the institutional framework for NRM, to bridge gaps in implementation, strengthen coherence and coordination, and avoid duplication of efforts.

The overall goal of the **Third National Development Plan** (NDP III) is "Increased household income and improved quality of life," and sets the goal of a 7% economic growth rate by 2025. Noting a continued severe reduction in forest cover not sufficiently addressed by previous NDP's, the NDP III seeks to increase the country's forest cover from 9% to 18% by 2025.

NDP III introduces the approach of '*area-based commodity planning*' as a driver of local economic development that addresses area-specific priorities and disparities in growth, incomes and wealth creation. Through the NDP III programme on "Climate Change, Natural Resources, Environment, and Water Management", the Government plans to strengthen conservation, restoration of forests and reduce climate change vulnerability and carbon footprint through a range of specific interventions.

The Uganda Green Growth Development Strategy (2017/18 − 2030/31) aims to achieve an inclusive low emissions economic growth process that emphasizes effective and efficient use of natural, human and physical capital while ensuring that natural assets continue to provide for present and future generations. The UGGDS focuses on five core catalytic investment areas of agriculture, natural capital management, green cities (urban development), transport and energy.

The envisaged outcomes of the UGGDS implementation are: income and livelihoods enhancement; decent green jobs; climate change adaptation and mitigation; sustainable environment and natural resources management; food and nutrition security; resource use efficiency; and social inclusiveness and economic transformation at the sub-national and national levels.

The UGGDS promotes sustainable forestry management through:

- Forest landscape restoration, especially on private land, through agro-forestry and afforestation actions. The strategy recognises the importance of identifying appropriate incentives for forestry on private land.

- Incentive programmes oriented towards livelihoods enhancement, environmental stewardship and landscape management for climate change adaptation, mitigation, food security and sustainable energy.

Capacity of public sector institutions, financial management and corruption

Corruption is endemic across Uganda and places high costs on Ugandan citizens and the economy as a whole. A study undertaken by the Ugandan Inspectorate of Government (with support from GiZ) calculated that if corruption was eradicated in Uganda it would lead to a reduction of around UGX 9.2 trillion (approximately USD 2.3 billion) to the economy as a whole – translating as 23% of the annual government budget. This figure includes both the direct and in-direct costs of corruption - in other words, corruption cost each Ugandan in 2019 at least UGX 200,000 (USD 52)[12]. The study established that key areas of corruption were related to bribes in taxation, bribes paid for natural resource contracts (including forestry), bribes paid to circumvent environmental regulations and bribes paid in public procurement (as a means to win government tenders). These findings are confirmed by international indicies on corruption: Uganda ranked 142 out of 180 countries on the Corruption Perceptions Index in 2020, with a score of 27. Their score puts Uganda below the average for Africa at 32.1 and the world average of 43.2.This is not only true for the year 2020; Uganda is regularly ranked as one of the most corrupt countries in Africa and has scored below the world average since at least 2010[13]

In Uganda, the Forestry sub-sector is managed by three main institutions: Forestry Sector Support Department (FSSD) of Ministry of Water and Environment (MWE), National Forestry Authority (NFA), the semi-autonomous agency that manages the Central Forest Reserves, Uganda Wildlife Authority (UWA) manages forests under wildlife conservation areas and District Forestry Services (DFS) that is mandated to manage Local Forest Reserves (LFR) in District Local Governments (DLGs). In the 1990s, over 70% of the forest

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[12] Government of Uganda. 2021. Study on the Cost of Corruption in Uganda. Inspectorate of Government.
[13] https://www.transparency.org/en/

estate was on private land. Even though the forest on private land has reduced tremendously, the private sector still plays an important role. Currently, over 60% of the forest plantations are owned and managed by the private sector. The Civil Society Organization's (CSOs) contribution to forestry range from management, advocacy for good practices and enforcement.

Uganda has a well-developed policy and legal framework for the forest sector and for non-forest sector issues such as agriculture, water, energy, tourism, climate change, land and gender. These frameworks provide measures for regulation and enforcement within the forest sector at central and district levels, and for creating or fostering coordination and engagement with stakeholders and mainstreaming forestry issues into other sector policies. Likewise, Uganda has well established institutional structures and mandates for managing the forestry sector at central and district levels.

In spite of these policy and institutional arrangements, the implementation of forest policy has been poor, as a result of inadequate institutional capacities, management systems and cross-sector coordination. Consequently, forest laws are weakly and unevenly enforced. Knowledge generation and information management is also rather poor, constraining the extent to which past experiences and lessons are used to improve forest policy and regulatory frameworks. In some situations, there have also been violations of rights during the eviction of encroachers and involuntary settlements.

Annex 2: Partner assessment

European Union in Uganda

The Government of Uganda (GoU) and the European Union (EU) enjoy a long-standing collaboration in natural resources management (forestry, water, climate change) spanning over 30 years. In 2004, the EU funded the Forest Resources Management and Conservation Project (FRMCP), implemented by the National Forestry Authority (NFA) from 2004 to 2008. The FRMCP was designed to improve forest management for conservation of biodiversity and increased sustainable production with a focus on the poor. After 2008, the FRMCP transitioned into support to the commercial forestry sector under subsequent phases of the Sawlog Production Grant Scheme (SPGS) – now in its fourth phase. As a result of SPGS, the EU has established itself as the main partner of Uganda in creating space for commercial forestry in the country. The European Union has been a long-standing champion of Forest Law Enforcement, Governance and Trade (FLEGT) dating back to 2003 when the EU-FLEGT Action Plan was launched. Support from the EU through FAO has been given to non-state actors through the FAO-EU FLEGT Programme in areas such as campaigns on illegal logging, advocating for a wood-product tracking and traceability system and supporting women in fighting for improved forest governance.

At a global level, the EU has, in recent years supported a number of policy measures related to forests and biodiversity including the EU Green Deal, the 2030 Biodiversity Strategy and the EU Communication (2019) on Stepping up EU Action to Protect and Restore the World's Forests. The project will be implemented as part of the EU's Forests for the Future Facility objectives and priorities to address deforestation. The activities will also contribute to the implementation of the EU Regulation on deforestation-free products, which sets out a new framework for strengthening EU supply chains in forest-risk commodities by requiring demonstrable legality as well as verification that that products have not been derived from deforested or forest-degraded areas.

Ministry of Water and Environment

The Ministry of Water and Environment (MWE) was established in 2007, from the then Ministry of Water, Lands and Environment, following the cabinet decision taken on 15th April, 2007. It has the overall responsibility of the development, managing, and regulating water and Environment resources in Uganda. The Mandate of the Ministry is derived from the Constitution and the Local Government Act and includes initiating *legislation, policy formulation, setting standards, inspections, monitoring, and coordination and back up technical support in relation to water and environment sub sectors*.

Under the MWE, the Forest Sector Support Department (FSSD) is responsible for formulating forest policies, legislation, and standards, and the Wetlands Department is responsible for wetlands policy and regulation. The National Forestry Authority (NFA), within the MWE structure, manages CFRs (see below for a more detailed description of the NFA). FSSD is directly under the Directorate of Environmental Affairs and is charged with managing and overseeing forest sector development in Uganda. The department works hand in hand with other players in the forestry sector namely; National Forestry Authority, District Forestry Services, Civil Society Organizations and private sector in implementing projects, programs and plans in the sector. FSSD provides support to the forestry sector on range of aspects including forest policy planning and formulation, technical backstopping of the district forest services, sector coordination, regulation of trade in forest products, gazettement. The department also routinely engages in resource mobilization entire sector, and supervision of forestry projects and programmes in local governments.

FSSD's mission is to ''effectively co-ordinate, guide and supervise Uganda's forestry sector and contribute to the rational and sustainable utilization, development, effective management, safeguard of forestry resources, for social welfare and economic development.

National Forest Authority

NFA was established under section 52 of The National Forestry and Tree Planting Act and was launched on the 26th April 2004. Forestry policy 2001. NFA mission is to: "Manage Central Forest Reserves on a sustainable basis and to supply high quality forestry-related products and services to government, local communities and the private sector for the socio-economic development of Uganda ".

NFA has a mandate of managing 506 Central Forest Reserves (CFR's) totalling 1,262,090 ha of the land cover, with objectives of improving management of the CFRs, expanding partnership arrangements, supplying forest and non-forest products and services and ensuring organizational stability.

NFA is a semi-autonomous body under the MWE. NFA has historically performed below its revenue targets, which has increased its dependency on its frequently insufficient Government subvention for operating expenditure. However, budgetary allocations from government treasury have not been sufficient to meet the financial needs of the Authority. In the absence of an armed forest ranger protection force, NFA has contracted about 350 forest patrollers who are insufficiently trained, equipped and paid to protect the CFRs. For security and protection purposes, NFA depends on the Environmental Protection Police and the Uganda People Defence Forces personnel, both of which it does not directly control. This arrangement essentially outsources forest protection. To compound the situation, NFA has to contend with repeated claims to and illegal titling of CFR land, and because of shortcomings in the judiciary, bar, district land boards, government ministries, departments and agencies, this often leads to substantial litigatory losses for NFA and compensation paid to third parties. The policies and procedures for the operations and management of both natural forests and plantations are not (sufficiently) codified and NFA lacks or has out-dated standard operating procedures for many of its key functions. Forestry extension services fall under the District Forest Service (DFS) under the authority of district local governments (DLGs). In addition to supporting advisory services and support to reforestation efforts outside Central Forest Reserves, the District Forest Service also has the responsibility to manage Local Forest Reserves.

United Nations Office on Drugs and Crime (UNODC)

The United Nations Office on Drugs and Crime (UNODC) contributes to global peace and security, sustainable development and human rights by helping to make the world safer from drugs, crime, corruption and terrorism. UNODC provides technical assistance, research and financial support to help protect people and the environment from criminal exploitation through inclusive, sustainable, human rights-based approaches. As part of UNODC's programme, they have developed a focus on combatting wildlife and forest crime. The support provided under the Partnering for Forests project will build on the relationships and networks the EU and UNODC have developed in Uganda, particularly under the EU-funded Cross Regional Wildlife Conservation in Eastern and Southern Africa and the Indian Ocean (CRWC). Under that project, UNODC has achieved significant progress in working with the Ugandan national authorities on interdicting, seizing, investigating and prosecuting wildlife and forest crime cases such as the approval of the decision to charge by the Director of the Public Prosecution, the set-up of forensic laboratory at the Uganda Wildlife Authority, the development and dissemination of a Rapid Reference Guide on wildlife crimes for investigators and prosecutors, the establishment of a secure warehouse for confiscated wildlife, a mentorship to investigators from UWA and NFA on financial investigations linked to wildlife crime and much more. This project has also broached the topic of corruption in the forestry sector at the East Africa Community and IGAD level and

continuity with this approach will be sought. The action will build on these efforts to target specifically Uganda as a country of origin and transit for illegal timber trade. The project also complements the EU-funded action **"***Wildlife law enforcement in targeted countries and international coordination improved by supporting ICCWC through UNODC and INTERPOL"* implemented by UNODC and INTERPOL in collaboration the CITES Secretariat, World Customs Organization, the World Bank (the partners of the International Consortium on Combating Wildlife Crime - ICCWC). That action is global and covers 32 countries, including Uganda and neighbouring countries such as Kenya, South Sudan and Tanzania.

Food and Agriculture Organisation (FAO) of the United Nations

In Uganda, FAO is a key player in the forestry sector and contributes to the protection and restoration of forests, while also promoting green, transparent, and accountable value chains. FAO integrates operational capacity in Uganda with technical expertise and experience in the forestry sector and crosscutting areas of intervention such as development law, geospatial technologies, finance and soil and water management, covering all aspects of sustainable forest value chains.

Over the last five years, FAO has supported commercial forestry development and implementation of Government interventions such as the programmes and projects on a) Forest Law Enforcement, Governance and Trade (FLEGT); b) Building Global Capacity to Increase Transparency in the forest sector (CBIT-Forest); c) Pilot gender responsive community-led forest monitoring initiative to integrate data into national MRV system; d) Support to institutionalization of National Forest Monitoring Systems (NFMS) for REDD+; and e) Assessing biomass degradation in refugee settlements and hosting communities. FAO and partners also carried out several studies related to non-wood forest products in the Northern part of Uganda. Through SPGS III, FAO significantly supported the Government of Uganda to make great strides in the harvesting, processing, and timber market space.

More specifically, in terms of plantation development, FAO Uganda builds on experience that includes highlights such as support to promoting investment in commercial forest plantation establishment by the private sector and local communities through the provision of technical expertise. Further, to increase engagement of stakeholders and strengthen their capacity, through the Forest and Landscape Restoration Mechanism (FLRM), FAO has created platforms to develop consensus about land use and forest governance, promote dialogue and raise the profile, visibility and support for FLR through coordination initiatives that can also enhance forest value chains.

Specifically, with regard to harvesting and processing, FAO Uganda builds on experience that includes highlights such as support towards efforts to improve efficiency in wood harvesting and processing through the development of harvesting standards for plantation forests; conducting assessments of wood processing technologies appropriate for Uganda; investing in modern sawmills and timber-drying kilns for medium and large timber growers; and developing a Chain of Custody standard for timber traceability . Further, FAO also supported the development of national grading standards (soft woods); the development of a barcoding system by the Uganda Timber Growers Association (UTGA) to enhance innovations in the chain of custody management; and enhancing capacity of private sector actors to develop bankable business proposals. In addition, the Government of Uganda, through SPGS III piloted downstream processing interventions ranging from basic trainings in sawmilling and timber drying to providing matching grants for acquisition of modern wood processing and timber drying equipment. Further, with specific regard to market development and value addition practices, FAO Uganda's builds on experience that includes highlights such as support to the development of a market information intelligence system currently managed by UTGA, to provide information on available timber forest products and markets and thereby enhance markets access. Further, initial strategies developed by FAO during the implementation of SPGS III for health and safety, for waste

management in the timber industry, and for the assessment of wood resource and markets will continue providing critical information required in planning interventions needed to address the gaps along the timber value chain.

With respect to finance, FAO Uganda builds on its work in collaboration with UDB. FAO is currently implementing the AgrInvest project- a blended finance initiative using public funding to attract sustainable private investments in the agrifood sector. Through AgriInvest, UDB has developed tools including digital solutions to enhance the Bank's capacity to use digital technologies for profiling clients and assessing risks based on geodata and to deliver loans via digital payment systems. Additionally, the FAO Investment Centre, relies on significant technical and policy expertise, has provided technical backstopping to similar projects in more than 100 countries and assisted in making more and better investments in food and agriculture.

Agenzia Italiana per la Cooperazione allo Sviluppo - AICS

AICS has worked in Uganda for over 20 years, but currently, Uganda is not considered part of its core programme focus and doesn't have a designated country programme. A major focus of AICS has been on rural development, agriculture and in particular, income generating activities and enterprises that provide rural people with diversified incomes. In Western Kenya, AICS has been implementing a project very similar to the one now planned under the Forest Partnership, with a strong focus on supporting non-timber forest product (NTFP) value chains, agroforestry and landscape-level management. Team members involved in the implementation of the Kenya NTFP project were involved in developing the proposal to the EU for the Uganda Forest Partnership project. Following the approval of the EU Forest Partnership project, the Italian government has indicated a willingness to fund an additional 9 million Euro that would support development of the livestock sector in the same geographic area of Eastern Uganda, with a particular focus on meat products. Furthermore, an additional 2 million Euro (also from the Italian government) has been allocated for a third project that will in effect constitute an expansion of the EU Forest Partnership project to Karamoja). This smaller project will replicate the approach being developed in Eastern Uganda under EU funding.

With this increased funding to AICS Uganda, a decision has been taken by the Italian government to upgrade Uganda to a core programme country. Given that environment and rural development is now a major part of the programme, this will become a central pillar of the new programme strategy

Annex 3: Detailed Project Result Framework

	Main expected results	Indicators:	Baseline	Targets	Means of verification	Assumptions
Impact	To enhance the sustainable contribution of Uganda's forests resources to national inclusive economic growth and to global efforts to address climate change and loss of biodiversity	1. Contribution of the forest sector to GDP (UGX) 2. Carbon sequestration capacity of Uganda's forest cover (tonnes CO2eq) 3. Rate of deforestation of natural forests (%)	1 Tbd 2 Tbd 3 Tbd	1 Tbd 2 Tbd 3 Tbd	1 Records of Uganda Bureau of Statistics (UBoS) and MOFPED 2 Records of MWE 3 Records of MWE	*Not applicable*
Outcome 1	1. To increase inclusive investments and decent job opportunities for women and men in sustainable forestry and forest-based value chains.	1.1 Total investments in the forest sector (UGX) 1.2 # of households getting an income from forest products (disaggregated by the sex of the head) 1.3 # of households engaged in forest-based value chains 1.4 Number of (a) jobs supported/sustained by the Action 1.5 Number of green jobs supported/sustained by (sex, age)	1.1 Tbd 1.2 Tbd 1.3 Tbd 1.4 Tbd 1.5 Tbd	1.1 Tbd 1.2 Tbd 1.3 Tbd 1.4 Tbd 1.5 Tbd	1.1 Records of Ugandan Bureau of Statistics 1.2 Project reports 1.3 Project reports 1.4 Project reports 1.5 Project reports	Environment is conducive for entrepreneurship and trading; There is a transition from informal to formal economy taking place.
Outcome 2	2. To increase forest cover by both decreasing deforestation & forest degradation and promoting forest restoration and community support to preservation efforts;	2.1 Forest cover in Uganda restored and forested through the action (ha) 2.2 Areas of terrestrial ecosystems under protection through the action (km2) 2.3 Areas of terrestrial ecosystems under sustainable management through the action (km2)	2.1 0 ha 2.2 0 ha 2.3 0 ha	2.1 Tbd 2.2 tbd 2.3 tbd	2.1 NFA and MWE data; Project reports 2.2 NFA and MWE data; Project reports 2.3 NFA and MWE data; Project reports	The additional forest cover meets the quality criteria to play a role as carbon sink and/or wildlife habitat.
Outcome 3	3. To enhance effectiveness of forest resources governance, protection and management.	3.1 Levels of achievement of NFA's performance targets (%, as per NFA strategic plan) 3.2 Increased number of forest and wildlife related crimes and offenses prosecuted through the action.	3.1 Tbd 3.2 0	3.1 Tbd 3.2 tbd	3.1 NFA performance monitoring records 3.2 project reports and justice statistics	Trained staff remains in function; Budgets allow a sufficient level of operation.

Results	Results Chain (Main expected results)	Indicators	Baseline	Targets	Means of verification	Assumptions
Outcome 1: To increase inclusive investments and decent job opportunities for women and men in sustainable forestry and forest-based value chains.						
Output 1	1.1 Enhanced capacities, investments and funding to support the development of a sustainable wood value chains.	1.1.1 Volume of plantation wood processed (m3) 1.1.2 Number of SMEs in the wood value chain (# of SMEs, %) 1.1.3 Number of women-led SMEs joining wood value chain with the support of the EU-funded intervention	1.1.1 Tbc 1.1.2 Tbc 1.1.3 Tbc	1.1.1 Tbc 1.1.2 Tbc 1.1.3 Tbc	1.1.1 NFA records, Project reports 1.1.2 Project reports 1.1.3 Project reports	Commercial tree growing to supply the value chain will be continued and expanded.
Output 2	1.2 Enhanced access to business growth opportunities for selected non-wood forest products (NWFP)	1.2.1 Volumes of NWFP processed and traded with support of the EU- funded intervention (kg, liters, bags – depending on the product) 1.2.2 Number of NWFP for which a national value chain strategy has been developed with support of the EU- funded intervention	1.2.1 Tbd 1.2.2 Tbd	1.2.1 Tbd 1.2.2 Tbd	1.2.1 Project records 1.2.2 Text of strategies and policy documents	The importance of NTFP in the *formal* economy gradually increases.
Output 3	1.3 Improved capacities and opportunities for forest actors (private sector, government, civil society) to access forest finance.	1.3.1 Number of forest actors accessing loans to invest in forest- related value chains with support of the EU-funded intervention, disaggregated by sex 1.3.2 Resources leveraged from international funding for carbon sequestration and biodiversity conservation (UGX)	1.3.1 Tbd 1.3.2 Tbd	1.3.1 Tbd 1.3.2 Tbd	1.3.1 Database of beneficiaries/participants 1.3.2 Project records	The created skills and opportunities effectively lead to growth in the private forest sector and to increased leveraging of funds for forest conservation / restoration.

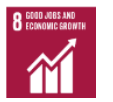| Results	Results chain: Main expected results	Indicators:	Baselines	Targets	Sources of data	Assumptions
Outcome 2: To increase forest cover by both decreasing deforestation & forest degradation and promoting forest restoration and community support to preservation efforts						
Output 1	2.1 Participation of selected forest adjacent communities in forest management and protection appropriately enhanced	2.1.1 Forest area brought under management of local communities with support of the intervention (ha) 2.1.2 % of women participating in local communities forest management (GAPIII indicator)	2.1.1 0 2.1.2 0	2.1.1 Tbd 2.1.2 tbc	2.1.1 Project records 2.1.2 project records	The involved communities are genuinely concerned about forest protection and sustainable management.
Output 2	2.2 Enhanced infrastructure and technical capacity to demarcate and officially register boundaries of selected Forest Reserves	2.2.1 Total length of CFR boundary demarcated and registered with support of the EU-funded intervention (km)	2.2.1 0	2.2.1 tbc km	2.2.1 Land Management Information System	The removal of ambiguities in the CFR boundaries effectively stops illegal issuing of land titles and other types of encroachment in CFRs.
Output 3	2.3 Management plans of selected FR revised and better implemented	2.3.1 Area of CFRs under improved management through project support (ha) 2.3.2. % of plans based on risk and vulnerability assessments, and on gender and conflict analysis (GAPIII indicator) 2.3.3 Number of plans of CFR revised with support of the EU-funded intervention	2.3.1 0 2.3.2 tbc 2.3.3 0	2.3.1 Tbd 2.3.2 tbd 2.3.3 tbd	2.3.1-2.3.3 NFA records; Project records	The CFR management plans include forest cover restoration (afforestation, enrichment planting, ANR).
Output 4	2.4 Enhanced access to resources for restoration of Wildlife corridors in selected landscapes	2.4.1 `Area of wildlife corridor fully restored through project support (# of linkages)	2.4.1. 0	2.4.1 tbd	2.4.1 Project records	Ongoing developments (oil and gas, road infrastructure) will not further touch the wildlife corridors.

Results	Results chain: Main expected results	Indicators:	Baselines	Targets	Sources of data	Assumptions
Outcome 3: To enhance effectiveness of forest resources governance, protection and management						
Output 1	3.1 Enhanced infrastructure and technical capacities of the forest product tracking system	3.1.1 Establishment of timber tracking system through the action	3.1.1 0	3.1.1 1	3.1.1 NFA Records	The government will allocate sufficient funds for the full operation of the system
Output 2	3.2 Enhanced infrastructure, awareness and capacities of relevant stakeholders in combating forest and wildlife	3.2.1 Cases of forest crime and associated offenses brought to court (# of cases / year) 3.2.2 Number of forest crime officers trained by the intervention with increased knowledge and/or skills in detecting, preventing and managing crime scenes including effective documentation and reporting (disaggregated by sex)	3.2.1 Tbd 3.2.2 tbd	3.2.1 Tbd 3.2.2 tbd	3.2.1 Records of the Office of Public Prosecutions (ODPP) 3.2.2 Project reports	The trained stakeholders are willing to effectively contribute in fighting forest crime.
Output 3	3.3 The Standard Forestry Practices developed and better implemented	3.3.1 Number of forest practitioners trained on SFP by the intervention (disaggregated by sex) 3.3.2 Number of forest practitioners equipped with a standard field kit through project support (disaggregated by sex)	3.3.1 0 3.3.2 0	3.3.1 tbd 3.3.2 tbd	3.3.1 Project records 3.3.2 project records	The government ensures that the policy and regulatory elements of the roadmap for SFP institutionalisation are adequately addressed.
Output 4	3.4 UWA/NFA/FSSD's professional capacities in IT and database management strengthened	3.4.1 Number of FSSD, NFA and UWA professionals trained by the intervention in IT and data management	3.4.1. 0	3.4.1 tbd	2.4.1 Project records, training certificates	The government will employ the professionals and adequately equip them.
Output 5	3.5 Strengthened capacity of local governments on environment and natural resources governance	3.5.1 Number of environmental and natural resources committees established at district levels through the action (sex aggregated) 3.5.2. % of women and youth participating in the committees	3.5.1 0 3.5.1 0	3.5.1 tBb 3.5.2 tbd	3.5.1-3.5.2 project records	Local governments are fully staffed and have operational environmental and natural resource committees with women and youth representation

Annex 4: Process Action Plan (*unshaded fields imply actions in Denmark; shaded fields imply actions in Uganda*)

Action	When	By Who?
Submission of the Uganda project document, together with other documents (CAFI, Amazon Fund, Ethiopia and Global Programme Document) to Programme Committee	7th May 2024	GDK
Signing letter of intent	End May 2024	Danish Embassy and EU Delegation
Appraisal of Programme Documents	May 2024	ELK / External Consultants
Integration of comments from appraisal and elaboration of final Programme Documents	July 2024	GDK
Redrafting of the EU Action Document to reflect increased contribution from Denmark to the Forest Partnership	July 2024 (EU to confirm)	EU Delegation
Presentation of Programme Documents to Council for Development Policy	12 September 2024	GDK
Minister's approval	October 2024	ELK
Signing of the Transfer Agreement between Danish Embassy and EU Delegation	October 2024	EU Delegation / Danish Embassy
Finalisation of the revised EU Programme Action Document to reflect revised indicators and targets	January – February 2025	EU Delegation
Modification of Sub-project level budgets and logframes to reflect increased funding from Denmark and expanded results	January – February 2025	EU Delegation

Annex 5: EU Action Document for the Partnership for Forests in Uganda Project

(See separate PDF attachment)

Danish Contribution to Brazil's Amazon Fund

Final draft 25.04.2024

Key results:

- Reduction of deforestation of the Amazon forest.
- Sustainable development of the Amazon.
- Improved monitoring of deforestation and forest degradation in the Brazilian Legal Amazon and in other biomes, enabling improved understanding of drivers of forest loss and refinement of interventions to curb forest loss.
- Restoration of degraded lands in smallholder properties, protected areas, and indigenous lands in the Brazilian Amazon.
- Improved access to food, water and economic opportunities (from forest-based value chains and agroforestry production) by vulnerable rural, traditional and indigenous populations in the Brazilian Amazon.
- Zoning of unallocated lands as protected areas or indigenous lands.
- Participatory, culturally-appropriate management instruments developed for Indigenous Lands in the Amazon and other biomes.
- Improved surveillance and enforcement of illegal incursions into Indigenous Lands in the Amazon and other biomes.

Justification for support:

- The Amazon Fund is a transparent, ethically and administratively robust and programmatically effective instrument for funding deforestation reduction interventions, improving zoning, governance and land rights, and strengthening forest-based economic activities in the Brazilian Amazon.
- Contributing to the Amazon Fund provides Denmark with a low-cost, low-effort opportunity to support strategies and results that are fully aligned with its climate mitigation, deforestation reduction and sustainable development goals.

Major risks and challenges:

- The Amazon Fund is restarting operations after a four-year, politically-induced freeze. Its governance systems are not fully in place; its internal guiding Project Document, which is an attachment to contracts with donors, is out of date, and there is lack of clarity regarding the deforestation reference levels to be used for fund-raising in the next five years.
- Shifting drivers of deforestation and loss of forest due to feedbacks from climate change, and especially increased risk and incidence of extreme wildfires, may require rapid adoption of different mitigation strategies.
- BNDES' capacity to rapidly solicit, review, approve and contract grants, and spend down funds is restricted by limited allocation of funds to administrative and operations costs.

File No.	24/19468			
Country	Brazil			
Responsible Unit	KLIMA			
Sector	Forests and Nature			
Partner	Brazilian National Bank for Economic and Social Development —BNDES			
DKK mill.	2024	2025	2026	Total
Commitment	50	50	50	150
Projected ann. disb.	50	50	50	150
Duration	2024-2027			
Previous grants	None			
Finance Act code	06.34.01.75			
Head of unit	Karin Poulsen			
Desk officer	Lena Veierskov			
Reviewed by CFO	Jacob Strange-Thomsen			

Relevant SDGs

No Poverty	Gender Equality	Decent Jobs, Economic Growth	Sustainable Cities, Communities
Responsible Consumption & Production	Climate Action	Life on Land	Partnerships for Goals

Strategic objectives:

Reduced deforestation and sustainable development in the Brazilian Legal Amazon.

Environment and climate targeting - Principal objective (100%); Significant objective (50%)

	Climate adaptation	Climate mitigation	Biodiversity	Other green/environment
Indicate 0, 50% or 100%	1000	100	50	

Justification for choice of partner:

BNDES is a transparent, well-audited institution that manages Brazil's Amazon Fund (AF). The AF has a demonstrated track record of implementation Brazil's Action Plan for the Prevention and Control of Deforestation in the Legal Amazon—PPDCAm, achieving significant and durable deforestation reduction and sustainable livelihoods results in the Amazon in partnership with civil society organizations and government agencies.

Summary:

Contribution of DKK 150 million to the Amazon Fund in support of the Fund's objectives and interventions to reduce deforestation, forest degradation and land use sector GHG emissions in the Brazilian Legal Amazon, and potentially other biomes, secure forest cover and natural resources on indigenous and traditional territories and nature conservation areas, and promote sustainable forest-based development, thus contributing to climate mitigation, climate adaptation, and local sustainable economic development.

Budget:

Contribution to Amazon Fund *	DKK 150 million
*BNDES is authorized to use 3% of the value of contributions for the management of the fund.	
Total	**DKK 150 million**

Danish Contribution

to the Amazon Fund

2024

Project Document

Second Draft

April 25, 2024

Table of Contents

List of Key Abbreviations and Acronyms

AF	Amazon Fund
BNDES	Brazilian National Bank for Economic and Social Development
CAR	Rural Environmental Registry
COFA	Amazon Fund Steering Committee
CTFA	Amazon Fund Technical Committee
Danida	Danish international Development Cooperation
ENREDD+	National Redd+ Policy
GDP	Gross Domestic Product
GHG	Greenhouse Gas
GIZ	German Development Cooperation
FUNAI	Brazilian National Foundation for Indigenous Peoples
Ibama	Brazilian Institute for the Environment and Natural Resources
IBGE	Brazilian Institute of Geography and Statistics
ICMBio	Chico Mendes Institute for Biodiversity Conservation
Imazon	Institute for Man and the Environment in Amazônia
Inpe	Brazilian National Institute for Space Research
MFA	Ministry of Foreign Affairs of Denmark
MMA	Brazilian Ministry of Environment and Climate Change
OECD	Organization for Economic Cooperation and Development
PPCDAm	Plan for the Prevention and Control of Deforestation in the Amazon
Prodes	Brazil's Program to Calculate Deforestation in the Amazon
SFB	Brazilian Forest Service
SPI	Social Progress Index
TFI	Tropical Forest Initiative

1. Introduction

The Danish Tropical Forest Initiative (TFI) for Climate and Sustainable Development intends to "reduce deforestation and forest degradation in response to global climate change, to protect biodiversity and to support sustainable development, including among Indigenous Peoples and Local Communities living in and of forests."

As part of this initiative, the Government of Denmark announced in August 2023 its intention to contribute with DKK 150 million to Brazil's Amazon Fund. Recognizing the Fund's potential to contribute both knowledge and on-the-ground-impact to Denmark's support for the preservation of forests globally, the Ministry of Foreign Affairs will ensure full alignment of the proposed support to the Amazon Fund with the proposed Danish Tropical Forest Initiative.

The present Project Document outlines the background, rationale and justification, objectives and management arrangements for development cooperation concerning the Danish contribution to Brazil's Amazon Fund as agreed between the parties: The Brazilian National Bank for Economic and Social Development—BNDES and the Ministry of Foreign Affairs of Denmark. It details the expected results and impacts of Denmark's contribution to the Amazon Fund, identifies risks and measures to mitigate those risks, proposes monitoring approaches by the Danish Embassy in Brazil, and clarifies how an investment in the Amazon Fund would support and be in full alignment with Denmark's strategy for development cooperation as well as with the strategic framework for the Danish Tropical Forest Initiative.

2. Context, strategic considerations, rationale and justification

2.1 The Amazon Fund

2.1.1 What is the Amazon Fund

The Amazon Fund is the world's first and longest running REDD+ Fund, conceptualized by Brazil and Norway in 2007 during COP13 as an instrument to receive funds which will be used as payment for results achieved in reducing deforestation. The Amazon Fund operates on the principle of pay for performance, whereby the contributions received from donors are based on past performance in reducing emissions. The objective of the Amazon Fund is to contribute, jointly with other policies and funding sources, to reducing deforestation in the Brazilian Amazon, and to contribute to a sustainable development model of the Amazon that values the standing forest, as measured by annual deforestation rates and by the contribution of Amazonian states GDP to the national GDP.

The AF was established by presidential decree in August 2008 and immediately received results-based payments (contributions) from Norway and Germany. It started operations in 2009, when it approved project proposals that were contracted in 2010, the year funds were first disbursed. The donors' decision for supporting the Fund, long before the Warsaw Framework for REDD+ was agreed to at COP19 (Warsaw, 2013), was based on Brazil's remarkable success in reducing deforestation in the Amazon in 2005; strong capacity in the Brazilian Space Research Agency (Inpe) to monitor deforestation; the existence of the transparent, high-capacity, high-governance National Bank for Economic and Social Development (BNDES) to management the Fund; state-level efforts by several states to reduce deforestation and implement subnational REDD+; and a highly organized civil society with robust non-governmental organizations and observatories that could monitor the performance of the Fund and of the government in reducing deforestation while supporting human and land rights. These conditions have by and large prevailed through the present day.
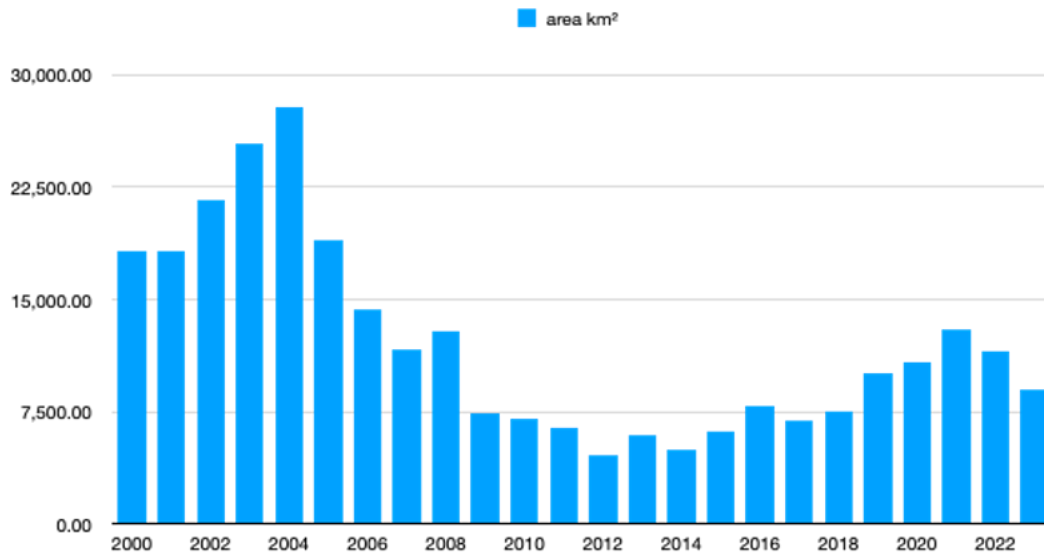
Figure 1. Deforestation rates in the Brazilian Legal Amazon since 2020. Note historic high in 2004, followed by significant declines in 2005-2014.[1]

2.1.2 Relationship with the PPCDAm

The Amazon Fund seeks to achieve its objectives primarily by implementing the Action Plan for Deforestation Prevention and Control in the Legal Amazon (PPCDAm) and secondarily the National Redd+ Strategy (ENREDD+). Since its passage in 2004, the PPCDAm has been remarkably successful in reducing deforestation rates. It has also resulted in the creation of key agencies (ICMBio, Brazilian Forest Service) and public policies (such as the Law for the Protection of Native Vegetation, also known as "the new forest code", passed in May of 2012).
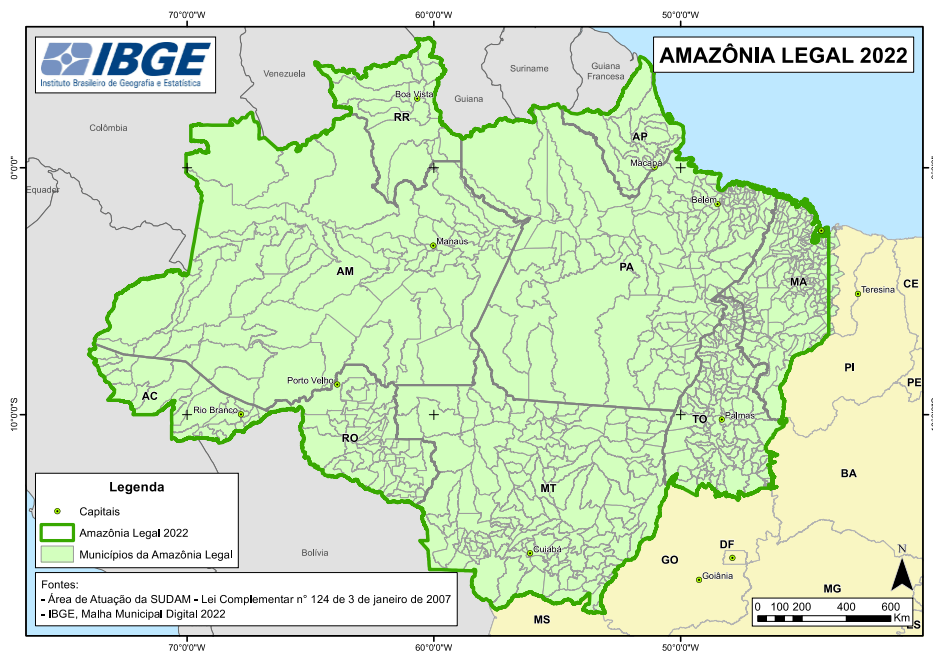
Figure 2. Brazil's Legal Amazon is a jurisdictional boundary established in the 1950s by the Brazilian government for development stimulus purposes. It includes 772 municipalities in the eight states that are completely in the Amazon biome, as well as a portion of the state of Maranhão, whose boundary includes just part of the Amazon biome. The Legal Amazon therefore includes small portions of the Cerrado biome, most notably in the state of Tocantins[2].

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[1] https://terrabrasilis.dpi.inpe.br/app/dashboard/deforestation/biomes/legal_amazon/rates
[2] https://www.ibge.gov.br/geociencias/cartas-e-mapas/mapas-regionais/15819-amazonia-legal.html.

PPCDAm's first phase of implementation (2004-2008) precedes the Amazon Fund. Its second phase (2009-2011) coincides with the establishment of the Amazon Fund—it is precisely because of the successes of the first phase that Norway, as the first and major donor to the Amazon fund, supported the establishment of the fund in 2008. The second and third phases (2012-2015) brought significant reductions in deforestation, with an 83% reduction in 2012 relative to 2004. During the fourth phase (2016-2020) deforestation increased gradually when key agency budgets were cut due to economic weakness and then more sharply after the PPCDAm was suspended by the Bolsonaro administration in late 2019. Importantly, however, deforestation rates did not increase to their historic highs, a testament to the durability and transformative effect of the policies and measures put in place to bring zoning, command and control and economic incentives to the region under complementary funding from government budgets, bi- and multi-lateral cooperation, and the Amazon Fund. More details on PPCDAm are in Annex 1 and in Key Document #2.
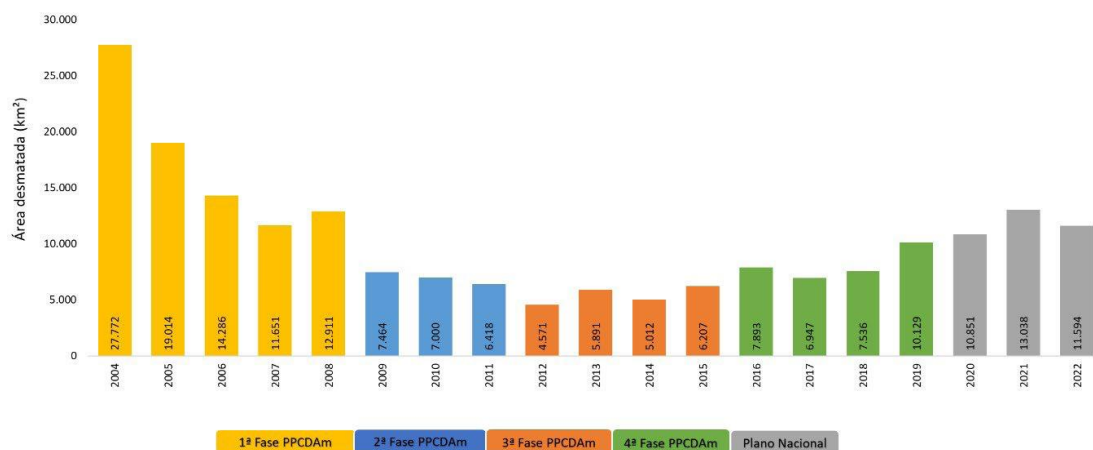
Figure 3. Deforestation rates in km^2 under the four past phases of the PPCDAm. The fifth phase began in 2023, after a three-year hiatus under the previous administration (Key Document #2).

2.1.3 Recent history and political context

The Amazon Fund was in operation under the Lula, Rousseff and Temer presidencies (2008-2018). In 2019, the newly elected Bolsonaro administration began to review and revise environmental policies. It suspended PPCDAm in November 2019 and replaced it in 2020 with an alternative policy, the National Plan for Controlling Illegal Deforestation and Recovering Native Vegetation. In April 2019, it suspended civil society participation in federal government collegiate bodies, and altered the AF COFA composition by limiting participation of the states and civil society. Not only did this breach the terms of the donor contracts, it also suspended the legal framework under which the Amazon Fund operated, and the fund was frozen. Norway and Germany halted their planned contributions, the AF stopped project approval and contracting, and limited itself to funding and monitoring projects that had already been contracted. This meant that important restoration and sustainable productions projects that had been approved under calls for proposals in 2018 were not moved to contracting (these projects are now gradually being updated and contracted in 2023 and 2024).

Luiz Inácio Lula da Silva was re-elected president in October 2022. In November, Brazil's Supreme Court ordered the reactivation of the Amazon Fund, finding that changes to its governance by the Bolsonaro government were unconstitutional and prohibiting the government from freezing the fund in the future.[3] The Lula administration reinstated PPCDAm on January 2023, and the updated version, with significant and transparent civil society and expert input, was released in April 2023. Deforestation rates in the Amazon decreased in 2023 and continue to decrease in 2024. The Lula administration has set a goal of putting the country on track to eliminating deforestation by 2030. This

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[3] portal.stf.jus.br/noticias/verNoticiaDetalhe.asp?idConteudo=496793&ori=1, accessed March 27, 2024

zero-deforestation goal is understood to mean zero <u>illegal</u> deforestation, with necessary and legal forest clearing to be compensated through restoration and offsets.

Between 2008 and 2018, the fund's operations can be usefully divided into three phases, reflecting its learning process and the adoption of new funding strategies to increase its efficiency, effectiveness and scale, to speed up the project approval process, and to reach a greater diversity of project proponents. This history and the phases are described in detail in the 2017 mid-term evaluation, conducted before the fund was frozen in 2019 (Key Document # 7). The fund can now be said to be entering its fourth phase in 2023, with updated guidelines for priority funding topics and a reconstituted COFA.

2.1.4 General guidelines and funding principles

The 2013 Amazon Fund Project Document clearly lays out the Fund's governance, project selection and funding guidelines, as well as the Fund's funding priorities. Specific funding priorities are updated biennially, but are always constrained by the four overarching components of the Amazon Fund's Logic Framework:

- Sustainable Production
- Monitoring and Control
- Land-use Planning
- Science Innovation and Economic Instruments

Details of the specific current priorities are described in a later section and are captured in Key Documents 3, 4, and 5, provided in Annex 6.

The bulk of Amazon Fund resources must be applied in the Legal Amazon of Brazil (Fig 3). Up to 20% of the Fund's resources may be applied in other Brazilian biomes and/or other tropical forest countries, but only for activities that fall within the Monitoring and Control and Land Use Planning components of the AF Logic Framework. This includes the development and application of deforestation monitoring and control systems, the creation and protection of conservation units and Indigenous Lands, and the development of management instruments for those lands, in other Brazilian biomes. Projects that fall under the Sustainable Production and Science, Innovation and Economic Instruments components can only be supported in the Brazilian Amazon.

Key to the AFs capacity to source projects directly related to its mission, and to reach IPLC stakeholders as well as civil society institutions (CSOs) and government agencies, are its funding modalities and widespread use of Calls for Proposals. Tools for sourcing and scaling up grants include:

- Calls for proposals, with very narrowly defined themes, criteria and funding levels
- Informational meetings about AF priorities, held with key stakeholders such as state and municipal agencies and leadership
- Open reception of "over the counter" proposals, with a structured triage process for identifying those that are capable of receiving funds from the AF and that are in line with AF priorities.
- Projects grouped under a large umbrella project to a single organization, which then sub-awards out smaller projects to the target organizations. For these grouped projects, the AF increasingly has been able to support other Funds focused on or managed by IPLC organizations, and some of these organizations have recently created such Fund structures to capture funds from the Amazon Fund and elsewhere.
- Partnerships with ministries or agencies that coordinate the calls for proposals and then pass on the projects to the AF for evaluation, as well as calls for proposals co-funded with government agencies

By the end of 2018, before the AF was frozen, it had received BRL 3.4 billion in contributions, primarily from Norway (93.8%) and Germany (5.7%). The Brazilian state-owned oil company Petrobras had contributed 0.5% of the total. By the close of 2023, with income generated by the investment funds

in Brazilian government bonds, and adding new contributions from Germany, Switzerland, the US, the UK and the Japan, the fund had around BRL 6 billion which is about USD 1.22 billion (Fig. 4).
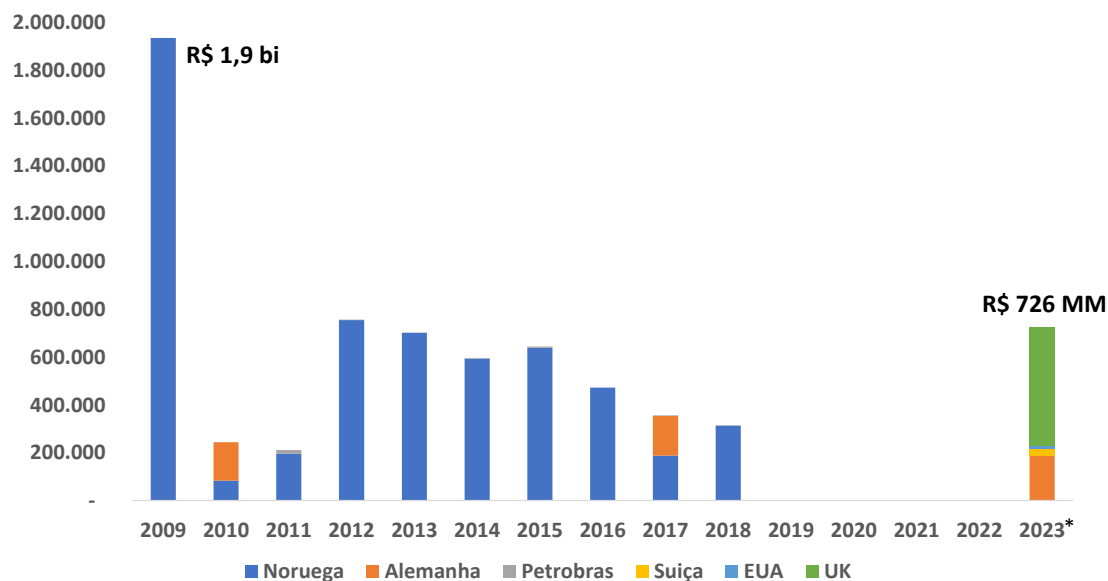
Figure 4. Contributions to the Amazon Fund over 15 years, in December 2023 currency value.[4] The asterisk on 2023 indicates that this includes BRL 186 million contracted in December 2012 under president Lula. Note that the recent contribution from Japan was not included in the figure.

Of the BRL 6 billion that have ever been in the fund, 1.7 billion were spent between 2008-2022. Grants already approved in 2023 and Calls for Proposals launched in 2023 amount to another BRL 1.3 billion. An additional BRL 3 billion are therefore available and not yet committed. Part may go to proposals that are being continuously received and analysed, within the limits of the 2023-25 guidelines. The AF has already received proposals amounting to BRL 2.5 billion. Additional projects amounting to BRL 500 million have also been received but have not yet been assessed for their alignment with AF / PPCDAM objectives.
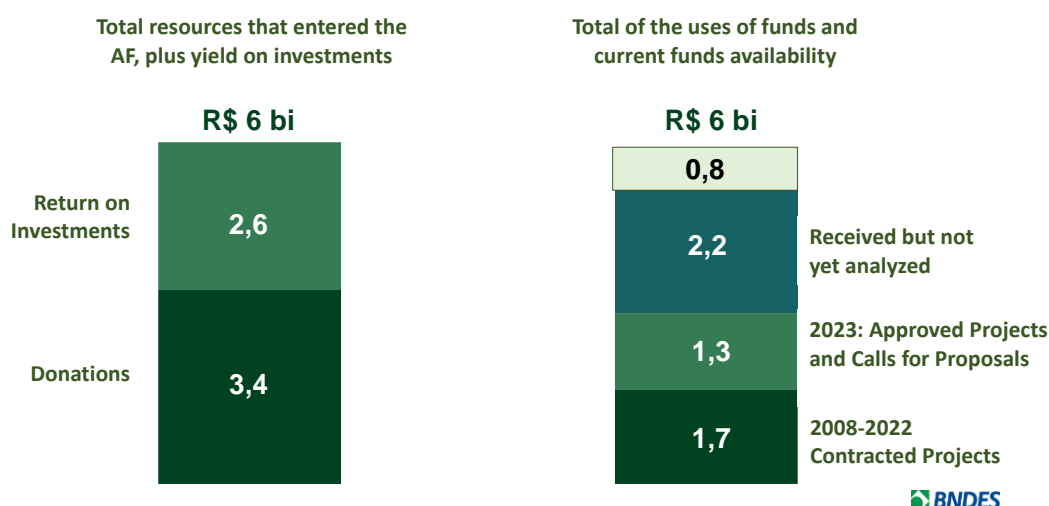
Figure 5. Fifteen-year balance of sources and uses of funds received by the Amazon Fund.

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[4] From public presentation by BNDES and Ministry of Environment, January 2024, available at https://www.gov.br/mma/pt-br/com-r-s-1-3-bilhao-para-projetos-e-chamadas-publicas-fundo-amazonia-tem-recorde-historico-em-2023.

2.1.5 Results-based payments

The Amazon Fund is a mechanism to gather results- or performance- based payments for Greenhouse Gas (GHG) emissions that have been demonstrably avoided through the actions of the Brazilian government to curb forest loss in the Amazon. Contributions from donors to the fund are based on, and limited by, the monetary value of tons of carbon whose emission was avoided due to reductions in deforestation rate in the Brazilian Amazon. Contributions represent payments for past performance, and contributions from all donors are mingled in a single fund (the Gaia fund). Monies are drawn from the Gaia fund to make grants in support of projects that further contribute to reduce deforestation and carbon emissions, while safeguarding the rights of indigenous and traditional peoples and promoting sustainable development in the Brazilian Amazon. All grants made, and programs supported, by the fund must be aligned with the Amazon Fund's own strategic framework, and with the guidelines and priority themes established by the Amazon Fund. These guidelines are being regularly updated in response to changing drivers of deforestation and emerging opportunities to reduce deforestation. Donors cannot determine which themes, strategies, initiatives or grants are funded with their donation. However, the fund's priority topics, as well as the recent open calls for proposals, are good predictors of the types of projects that will be supported by the Danish contribution over the next five years, and of the impact those projects and initiatives will have.

Contributions received from donor countries or entities to the Amazon Fund are quantitatively based on past deforestation (and therefore carbon emissions) reductions. The payments are then used to fund further work for reducing deforestation and developing sustainable, forest-sparing or forest valuing economic initiatives. The Amazon Fund Technical Committee (CTFA) certifies the deforestation and emissions reductions annually, and on that basis establishes the amount of money that the AF is authorized to raise from donors as payments for those reduced emissions. The AF's bylaws prevent it from raising funds beyond what can be underwritten, as it were, by certified avoided emissions at the time the funds are raised.

Deforestation reductions were significant enough between 2004 and 2018 that, based on reference level and price of carbon agreements, the Amazon Fund still has the capacity to fundraise against those past emissions reductions, without having to rely on more recent deforestation and emissions reductions. Contributions pledged or already deposited by donor countries in 2022 and 2023, including the contribution proposed by Denmark, are based on those past emissions reductions. Donors receive certificates for those emissions, but no credits are generated and the certificates are not tradeable.

The scheme uses a 10-year average annual deforestation as reference level, starting with the 1996-2005 period. The reference window moves forward every five years (Fig 6). With the freezing of the AF between 2018 and 2022, the reference levels have not yet been updated and no new deforestation reductions targets for the AF have been set beyond 2020. However, new targets have been mandated by the Supreme Court and are being reviewed.
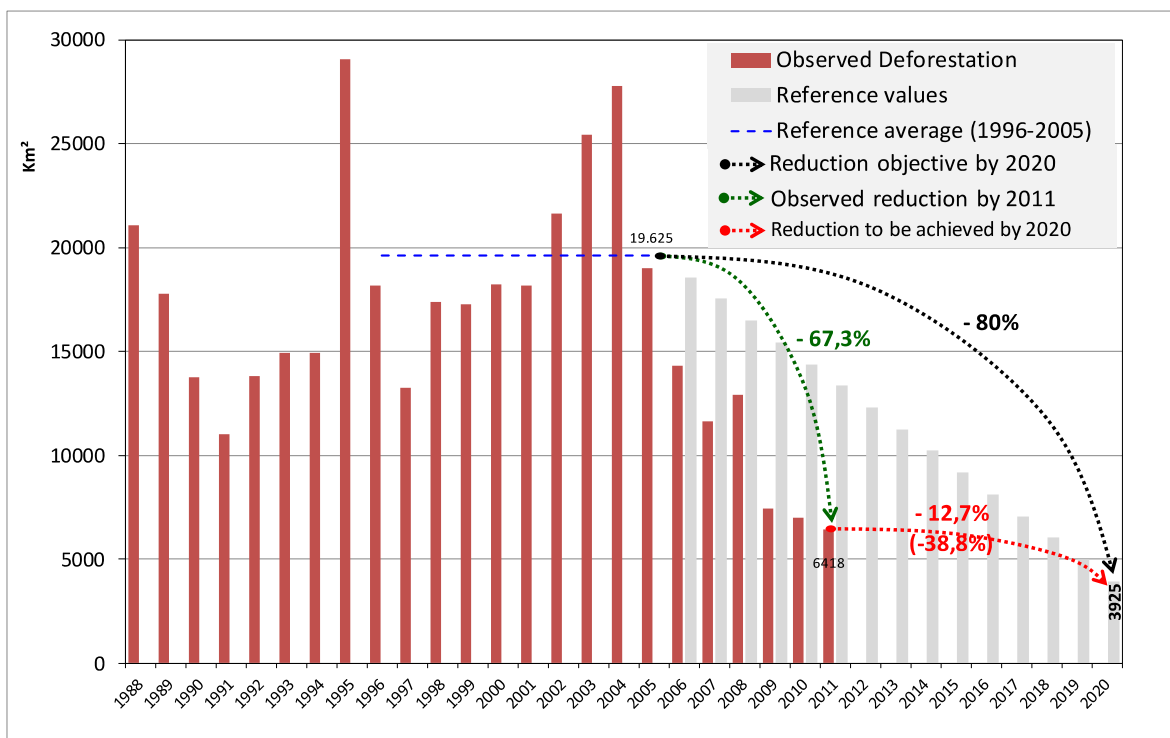
Figure 6. Deforestation rates, reference levels and targeted reductions, from the Ministry of Environment's (MMA) 2013 Amazon Fund Project Document. Note that with the pause in the fund between 2018 and 2022, the reference levels have not yet been updated or targets set beyond 2020 (the original year selected for targeted deforestation reductions).

2.1.6 Governance and the principle of donor non-interference

Upon creation of the Fund, Norway and Brazil were careful to construct a management structure that prevented donors from influencing funding decisions, strategic priorities, and project selection, beyond the original input to the development of AF guidelines and major funding areas (essentially PPCDAm and ENREDD+). This is in alignment with and adherence to Brazil's commitment to principles of sovereignty and non-intervention, and ensured that special interest groups could not use the "internationalization of the Amazon" to politically challenge both the Fund and the government's commitment to reducing deforestation.

As per the Amazon Fund Project Document (Key Document #1), "the Brazilian Development Bank (BNDES) shall manage fund raising and negotiate with prospective donors in pursuance of the emission quantity agreed by the Technical Committee. BNDES shall manage the fund's finances, promote the fund's development, financial management and fund development, manage project selection, contracting, monitoring, and ex-post evaluation, among other activities. [It] is also responsible for the release of biannual information on the fund's performance, for the preparation of the annual report and for the contracting of external auditing services to verify annually the adequacy of fund disbursements."

Donors cannot interfere with the guidelines for project funding, do not have a voting seat in the Amazon Fund Steering Committee (COFA) (although they may attend as observers), and cannot select or advocate for projects. Donor earmarking for particular topics or projects is also not allowed. COFA sets the biennial funding priorities, develops calls for proposals, and BNDES evaluates the suitability of each proposal against AF guidelines. Donors do meet regularly with BNDES and the Ministry of the Environment (MMA), and donation contracts stipulate that donors can withhold funding instalments if the terms of the agreement are breached. These basic aspects are enshrined in the AF Project Document and are included in all contribution contracts to the Amazon Fund.

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The Amazon Fund's formal Governing Bodies and Governance Structure today are the same as at the Fund's inception (Fig 7). The COFA was reinstated once Lula took office, and its most current composition includes representatives from Ministries, State Governments, and Civil Society. Only Brazilian states that have developed a state-level Plan for Preventing and Controlling Deforestation have voting rights in the COFA. The composition of the Technical Committee (CTFA), however, has not yet been defined by the Lula administration for this new phase of the Amazon Fund.
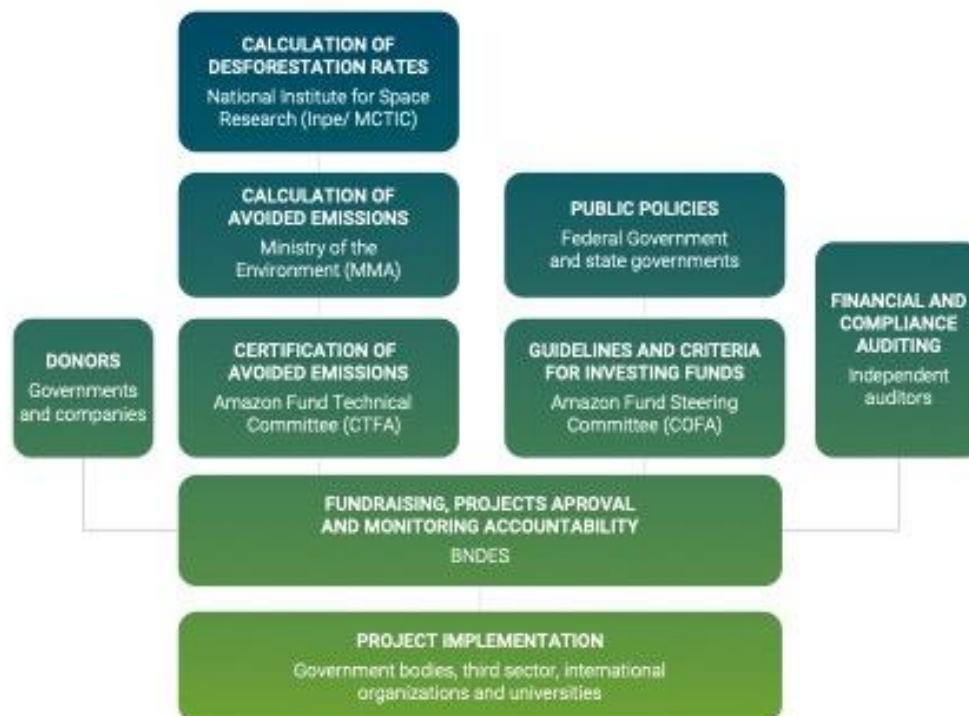
Figure 7. Governance and decision-making flow in the Amazon Fund. From Key Document #7, the 2019 mid-term evaluation of the Amazon Fund.

2.1.7 Past results and independent assessments

In addition to its annual financial audits, the Amazon Fund undergoes periodic independent assessments of the impacts of its thematic portfolios of grants. The Fund also underwent a scheduled mid-term evaluation in 2019, which included a separate review of the AF's success in achieving gender inclusion. Key findings of the mid-term evaluation include[5]:

- While the Amazon Fund did not alter the deforestation tendencies, without its implementation, deforestation would have been even more widespread.
- CAR-projects supported by the Amazon Fund contributed to the preservation of 8.571 km^2 of forest from 2014 to 2018 (8.244 km2 in the Amazonian biome and 327 km2 in the Cerrado).
- Most of the projects evaluated in the sustainable production axis, including the recovery of degraded areas, show reductions in deforestation in the implemented areas.
- Project support for 65% of the Indigenous Land (TIs) and for 190 Conservation Unities (UCs) in the Amazon helped to strengthen the territorial categories that constitute the main barrier against deforestation.
- There was an overall improvement in the quality of life, an increase in income (albeit at times small in scale), and strengthening of the gender perspective in all projects reviewed.

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[5] These descriptions are taken directly, or lightly paraphrased, from Key Document #7, and should be interpreted as direct quotes fully attributable to that document.

Another important finding of the evaluation is that the Amazon Fund does not collect good data on the socioeconomic impacts of its projects. This challenge is not unique to the fund, as multiple donors in Brazil have struggled to measure the human wellbeing and economic benefits of sustainable productive activities and forest-based value chains. This finding presents an interesting opportunity for Denmark to contribute to the development of better development indicators for the Amazon Fund, and therefore to the improvement of sustainable development models for the region.

2.2 Development problem to be addressed by the project

Forest-based resources and ecosystem services are not sufficiently valued in terms of their actual and potential contribution to the regional and national economy in Brazil. Their value is being eroded through deforestation, creating a negative feedback loop on long-term sustainable economic development. Continued forest loss also contributes to global emissions and accelerating climate change, with additional feedbacks on human health, and development costs and potential. Brazil has demonstrated its capacity to reduce deforestation through governance and enforcement, and to decouple agricultural development from deforestation in the Amazon. Deforestation in the Amazon has already decreased in 2023 and 2024 relative to the past 4 years. Supporting the rapid reactivation and implementation of the fourth phase of Amazon Fund operations will contribute to cementing deforestation reduction trends and gains.

Because the Amazon Fund focuses on sustainable development, it is useful to look beyond measures of current economic performance and poverty levels and to assess instead the potential for sustainable development and the potential for economic indicators to change. The Amazon Fund itself uses annual state-level GDP as a measure of sustainable economic development. This is simplistic and inaccurate. Importantly, the AF does clarify that it qualifies the GDP indicator with a concomitant assessment of deforestation levels, acknowledging that if GDP goes up but deforestation goes down, then development is not sustainable.

A useful indicator for development in the Amazon is the Social Progress Index, which has been adapted for the Brazilian Amazon context at the municipal level by the NGO Imazon. This index relies on social and environmental rather than economic indicators, and is aggregated into 3 dimensions (Basic Human Needs, Foundations for Well-being and Opportunities) and 12 components (Nutrition and Basic Medical Care, Water and Sanitation, Housing, Personal Security, Access to Basic Knowledge, Access to Information and Communication, Health and Well-being, Environmental Quality, Individual Rights, Individual Freedoms and Choice, Social Inclusion, and Access to Higher Education). Details of the 2023 Amazon IPS are provided in Annex 1.

At the country level, Brazil has an overall IPS score of 68.90, is classed as a Tier 3 country, and ranks 67 out of 170 in its total score. The Brazilian Amazon, considering the mean of all its municipalities, scored 54.32. No Amazonian state had a higher score than the mean national score. Of the 12 components in the index, the lowest scoring in the Amazon were Water and Sanitation, Personal Security, Access to Information and Communication, Individual Rights, Individual Freedoms and Choice, and Access to Higher Education. Importantly, the Amazon Fund is addressing issues of water access, sanitation and security in its 2024 calls for proposals, thus recognizing the need to address more than just environmental challenges in the pursuit of sustainable development.

There are limitations to the SPI in the Amazon—data are not available for indigenous lands, and due to the large size of many municipalities, data are not representative of all locations in a municipality. Nevertheless, it is recommended to monitor this annual SPI report along with the indicators provided compiled by the Amazon Fund itself.

2.3 Brief description of the main actors and key stakeholders

Actors directly implementing the project: BNDES and members of the Amazon Fund Steering Committee (COFA)—these are the entities that manage both the Amazon Fund's funding decisions and invest unspent funds to generate additional monies to implement the Fund's objectives.

<u>Actors indirectly implementing the project</u>: Civil Society organizations, Academic Institutions, State and Federal Agencies, IPLC organizations—these are the entities that receive funding from the Amazon Fund.

<u>Key Stakeholders</u>: The above organizations, plus indigenous, traditional, rural and urban residents of the Amazon, and the Brazilian Ministry of Environment. Engagement with other donors will also be relevant.

The Amazon Fund's governance and decision-making structure is housed within BNDES. BNDES was selected due to its widely recognized reputation as a conservative, risk-averse, operationally transparent, and impartial financial manager, and because as Brazilian public entity it enshrined the sovereignty of the Fund. BNDES did not originally have an Environmental Department, but following the inception of the AF, in 2009 it created such a sector and housed the Fund within it. In 2018, the Amazon Fund and the Environment Department at BNDES merged, making more personnel available to manage the Fund. Germany and Norway continue to provide technical support to BNDES and the Amazon Fund with funding additional to their contributions to the AF. BNDES, with its headquarters in Rio de Janeiro, has an office in Brasilia, which allows it to engage more directly and continuously with the Ministry of Environment, the Fund's main stakeholder.

BNDES shares the costs of managing the Fund with the donors. The 3% overhead it takes from the value of contributions to the fund are used to cover the logistics of project sourcing and monitoring, and of preparing annual reports and other communications materials. All salary costs for staff working with the Amazon Fund are covered by BNDES. This mingling of salary costs between AF and other BNDES operations means that BNDES cannot exactly estimate the costs of operating the Fund. However, the mid-term external evaluation concluded that "the insufficient allocation of human resources to address the approval projects and processes could be a risk to the effective implementation capacity of the Amazon Fund" and that to "prevent attention loss and justify the need for enough staffing, donors could rethink the operating cost rate along with BNDES, which could be around 10%, following the pattern of other similar funds in the world." (Key Document #7)

2.4 Overview of the Amazon Fund strategic framework

The structure of the Amazon Fund's strategic framework, or logic framework as it is referred to in AF documents, derives primarily from the objectives and logic framework of the PPCDAm policy that it is mandated to support. In 2023, the AF issued new guidelines and priorities based on this updated PPCDAm. The Danish contribution to the Amazon Fund adopts the existing Amazon Fund logic framework, which is well aligned with the Danish Tropical Forest Initiative.

Table 1 summarizes the logic framework at the Outcome level. Outputs (results) are defined only at the level of projects supported by the Amazon Fund and are not included here, as they are negotiated within the logic framework of each project approved by the Amazon Fund. The Theory of Change in the next section explains this alignment and provides a more detailed strategic Framework, including indicators. Annex 3 presents the full Amazon Fund strategic framework at the Outcome level as well as the PPCDAm logic framework with targets.

Objective	Impacts	Outcomes
Reduced deforestation with sustainable development in the Brazilian Legal Amazon	1 Activities that maintain the forest standing are economically attractive	1.1 Economic activities that make sustainable use of forest biodiversity identified and developed
		1.2 Production chains of agroforestry and biodiversity products with enhanced added value

		1.3 Managerial and technical skills expanded to implement sustainable forest and biodiversity economic activities
		1.4 Deforested and degraded areas recovered and used for economic or ecological conservation purposes
	2 Governmental actions ensure the conformity of human activities to the environmental legislation	2.1 Monitoring, control, and environmental accountability agencies structured and modernized
		2.2 Increased access of farmers to the land environmental regularization process
	3 The Brazilian Amazon is submitted to land-use planning	3.1 Public forests and protected areas expanded
		3.2 Protected areas with consolidated infrastructure, land protection, and management
		3.3 Areas with regularized land titling expanded
		3.4 Areas with land- use planning defined by ecological-economic zoning (ZEE) expanded
	4 Economic instruments, science, technology, and innovation contribute to the recovery and sustainable use of biodiversity	4.1 Knowledge and technology for conservation and sustainable use of biodiversity, deforestation monitoring and control, and land-use planning produced, disseminated, and utilized
		4.2 Economic instruments for conservation and sustainable use of biodiversity, deforestation monitoring and control, and land-use planning developed, disseminated, and employed

Table 1. Summary Logic Framework for the Amazon Fund

2.5 Priority themes for Amazon Fund grants

According to the 2023 Strategic Vision[6], and confirmed in the 2023-25 Guidelines, the themes listed below are the priority areas for the Amazon Fund in the 2023-25 biennium. These are derived from priority PPCDAm objectives that are feasible or allowable for the Amazon Fund to support, and are also shaped by COFA deliberations and considerations of the goal of the ENREDD+. These are therefore the themes most likely to be supported by the Amazon Fund during the time of Denmark's support.

- ***Traditional people and communities, and family farmers***: to promote conservation and sustainable use of the Legal Amazon through investments in social and productive infrastructure that directly benefits traditional people and populations. In order to guarantee the integrity and quality of life of the populations that keep the forest standing and promote the conservation and sustainable use of biodiversity, support investments in education, sanitation, communications, acquisition of socio-biodiversity products and other actions for the increase in production capacity and production flow.
- ***State owned forests***: move forward in the allocation for conservation, recovery, and sustainable use and in investments to strengthen governance and the integration of productive areas in local and regional socioeconomic context.

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[6] AF 2023 Strategic Vision document, available as key document # 3 in Annex 6.

- **Rural Environmental Registry (CAR)**: since there is a significant percentage of deforestation in the Amazon Region on environmentally registered areas [self-declared private land holdings], it is essential to invest in recovering the Environment Registry System (SICAR) to ensure a higher control and better monitoring of illegal and legal deforestation on rural areas and to move forward in its implementation to guide relevant positive policies such as the implementation of the Environmental Regularization Programs (PRAS), rural credit, economic instruments for environmental services payments, REDD+ jurisdictional programs and large scale projects compatible with the national REDD strategy (ENREDD), that aims at benefiting traditional people and populations and family farmers.
- **States and municipalities**: to promote environmental governance on land use, developing a set of actions that strengthen the deforestation monitoring and control capabilities, the land and environmental regularization, the local society mobilization to develop local commitments with deforestation and forest degradation reduction goals, and the creation of zones or municipalities free of illegal deforestation on the Amazon Region, adding value to consolidated agricultural and forestry production.
- **Land and environmental regularization**: in critical deforestation and forest degradation municipalities and regions, encourage actions with family farmers aimed at their integration into agroforestry production chains, with traceability of agricultural and forestry products and control of deforestation-free origin, including encouraging with resources and technical assistance to the agroforestry restoration chain, as a productive option for job and income generation, in addition to agro-environmental quality.
- **Sustainable production activities**: support through the promotion of opportunities and economic instruments which help reducing illegal deforestation.

PPCDAm Strategic objectives in 2023-27 are summarized in Table 2. Detailed results and strategic lines of action under each objective are in the full PPCDAm document (Key Document #2).

It is important to note the renewed commitment to consolidating human and land rights for Indigenous Peoples under the current administration and the significant commitment by the Amazon Fund to support these efforts as shown in its 2023 vision statement and 2023-25 funding priorities, as well as by its decision to include support for indigenous lands in biomes other than the Amazon under its Zoning and Command and Control components.

Thematic Axes	Strategic Objective
I. Sustainable Productive Activities	**Objective 1**. Stimulate sustainable productive activities
	Objective 2. Promote sustainable forest management and the recovery of deforested or degraded areas
	Objective 3. Strengthen engagement with the state of the Legal Amazon in actions to promote sustainable activities.
II. Environmental Monitoring and Control	**Objective 4.** Ensure administrative, civil and criminal accountability for environmental crimes and infractions associated with deforestation and forest degradation
	Objective 5. Improve capacities for monitoring deforestation, wildfires, degradation and production chains.
	Objective 6. Prevent and suppress wildfire occurrences.
	Objective 7. Advance in environmental regularization through the improvement of the National System for Rural Environmental Registry.
	Objective 8. Strengthen engagement with the states of the Legal Amazon in environmental inspection and enforcement actions and establish full integration of databases on authorization, fines and property embargos.
III. Land use and territorial zoning	**Objective 9.** Ensure the de zoning and protection of unallocated public lands.
	Objective 10. Expand and strengthen the management of protected areas.
	Objective 11. Align planning for large enterprises and infrastructure projects with national targets for deforestation reduction.

IV. Normative and Economic	**Objective 12.** Create, perfect and implement normative (regulatory) and economic instruments for the control of deforestation.

Table 2. Thematic axes and strategic objectives of the 5th Phase of PPCDAm

2.6 Justification

The Amazon Fund's objectives, implementation strategies and interventions are analogous to those of the ICTF. Supporting these shared objectives through a contribution to the Amazon Fund rather than through separately sourced interventions is a cost-effective, secure and transparent strategy to obtain Denmark's objectives for the Amazon biome as outlined in the strategic framework for the ICTF. Moreover, the initiative is in line with the approach of supporting national development goals, Nationally Determined Contributions (NDC) and avoiding duplication of efforts. Proposal solicitation, grant management, and project monitoring are the responsibility of the Amazon Fund team within BNDES. The AF is carefully audited and fully transparent in the information it provides donors. Importantly, the AF has strong participatory input from the stakeholders Denmark seeks to support and has historically funded civil society stakeholders that Denmark would likely seek to support.

Danish support to the Amazon Fund will leverage significant funding from (and share risks with) other donor countries to meet these objectives, including Norway, Germany, Switzerland, Japan, the UK and the US. It will also strengthen the donors' capacity to manage and influence political factors that may pose a risk to the Amazon Fund and its efforts to reduce deforestation. While donors cannot directly influence strategic decisions of the Fund they can collectively provide input to the Brazilian government regarding the effective implementation of the Fund in accordance with the Fund's governing documents and mandates. For example, when after ten years of successful operation, the fund was threatened by governance and rules changes unilaterally proposed by the previous administration (2019-2022) of Jair Bolsonaro, the two foreign donors at the time, Norway and Germany, froze their pending contributions as was their right under the contribution contracts. This decision, along with the administration's revocation of the law that created the Fund, caused BNDES to stop the contracting of new projects. While this was negative in terms of impact, it was successful at preventing the misuse of funds on politically motivated projects.

The strength of positive dialogue with the Brazilian government on environmental issues will increase with the number of donors in the pool. The Danish contribution gives Denmark a seat at the table in discussions of deforestation and sustainable development in Brazil, while also allowing it to contribute to the strategic decisions of the donor community. In this regard, a coordinating forum is being established between donors to ensure dialogue horizontally between donors and a more uniform vertical dialogue with BNDES.

Criteria	Justification
Relevance: The extent to which the intervention objectives and design respond to beneficiaries', global, country, and partner/institution needs, policies, and priorities, and continue to do so if circumstances change	• The Amazon Fund focuses on reducing deforestation and promoting sustainable development in a mega-biodiverse region peopled by highly vulnerable human populations (as measured by scores on the Social Progress Index). • The Funds objectives, governance and structure, which includes collaborative partnerships among state and federal government agencies, civil society and indigenous peoples, are aligned with SDGs related to poverty and hunger reduction, climate change and life on land. • The Amazon Fund has adaptively responded to changes in drivers of deforestation and the needs and demands of vulnerable social groups in the Amazon by emphasizing different components of its strategic framework as needed
Coherence: The compatibility of the intervention with other interventions in a	• The current project portfolio and calls for proposals issued are fully aligned with the Amazon Fund's 2023-25 priorities and the PPCDA, 2023-27 strategic plan, within the framework of the Amazon Fund's theory of change and logic framework.

country, sector or institution.	• The Amazon Fund, with its focus on the PPCDAm, is designed and mandated to be complementary and additive to other policy instruments and to government budgets. Its Theory of Change and indicators acknowledge the importance of this larger policy and economic scenario. • The fact that major bilateral donors acting in the environmental and socio-environmental agendas in the Brazilian Amazon (i.e. Germany, Norway, and the United States of America) are also donors to the Amazon Fund, and provide technical support to its operation, contributes to ensuring complementarity and preventing overlap among donor efforts.
Effectiveness: The extent to which the intervention achieved, or is expected to achieve, its objectives, and its results, including any differential results across groups.	• The current priorities are aligned with recommendations of external evaluations for increased effectiveness, especially in the area of economic development and municipal level interventions funded through state governments. • The Amazon Fund has responded to demand for greater agility and more targeted interventions by expanding the diversity of proponents it can support and the ways in which it can support them. • The Amazon Fund's adaptive capacity is based on the broad diversity of institutions and stakeholders represented on its steering committee (all relevant federal agencies, representatives from all Amazonian states, indigenous organizations, other civil society organizations, academia) and the frequent review of results, independent evaluations and emerging needs by that steering committee.
Efficiency: The extent to which the intervention delivers, or is likely to deliver, results in an economic and timely way	• The Amazon Fund has a mandated transparency and monitoring and evaluation structure which is funded through a percentage of the value of donor funds. • The Amazon Fund has very low overhead cost, which could in fact be increased in order to further improve its agility in analysing, approving and monitoring grants, as there is an important trade-off between administrative funding and efficiency. • The cost of running the fund and of supporting projects is shared among multiple donors, and the Danish funds are very well-leveraged against larger donors such as Norway, Germany, and the US. • At the end of 2018, a new accountability system was implemented by BNDES to facilitate monitoring, communication, gain efficiency and reduce project financial management time. • The Amazon Fund has adopted the Cancún Redd+ Safeguards. As a public institution, it operates under strict government oversight. It has a robust ethics and anti-corruption code and internal training program.
Impact: The extent to which the intervention has generated or is expected to generate significant positive or negative, intended or unintended, higher-level effects.	• The Amazon fund has had demonstrated measurable and attributable results in its 15 years of operation. • Mid-term and ad-hoc independent, external evaluations document this impact and attribution at the project portfolio and major indicator level. • In addition, the establishment of the Amazon Fund in 2008 and its reactivation in 2023 send strong signals to civil society and state governments about the federal government's commitment to instituting governance and reducing deforestation in the Amazon, expanding socio-economic services and opportunities to vulnerable populations through sustainable development. The signal is an important influence on individual and institutional behaviours in the Amazon.
Sustainability: The extent to which the net benefits of the intervention continue, or are likely to continue	▪ The Fund manager, BNDES, is increasingly operating in the sustainability arena, and is internalizing information gained on the socio-environmental agenda into its other operations. This was one of the objectives of donors for supporting the Brazilian placement of the fund in the BNDES.

	▪ During the 4 years in which PPCDAm and the Amazon Fund were suspended under the previous government, deforestation rates increased again. However, they did not increase again to their historic highs, a testament to the durability and transformative effect of the policies and measures put in place to bring zoning, command and control and economic incentives to the region under PPCDAM, Amazon Fund and other policies.

Table 3. An assessment of the fit of the Danish contribution to the Amazon Fund Project with the OECD criteria for assessing development projects.

2.7 Alignment with Danish cross-cutting priorities

Human rights-based approach (HRBA): The Amazon Fund's guidelines, governance and funding history are fully aligned with HRBA. Based on data provided by BNDES, a 2019 benefits distribution study found that a third of all beneficiaries of AF projects were Indigenous Peoples, from at least 60 Indigenous Lands and 80 ethnic groups. According to Amazon Fund reports, 26% percent of AF funds by 2019 had also gone to support sustainable productive activities by local, traditional and Indigenous Peoples, including "extractive activities, processing (industrialization) of extractive products, family farming, food security (food production for own consumption), artisan crafts and community-based tourism. Supported products include rubber, seeds, artisan crafts, cassava flour, cocoa, tourism, wood, honey, resin, soaps, oils, babassu and sugar." The Amazon Fund Governing Council includes representatives from COIAB, the Coordinating Body for the Indigenous Organizations of the Brazilian Amazon, the newly established Ministry of Indigenous Peoples (MPI), the Ministry of Agricultural Development and Family Agriculture (MDA), and the Brazilian Forum of NGOs and Social Movements for the Environment, as well as from the Ministry of Environment, which has key secretariats and departments focused on traditional populations and forest-based production. These organizations ensure that, whenever relevant, AF initiatives to protect the forest are both based on and protect traditional uses of the forest by forest-dependent peoples.

Leaving No One Behind: As indicated by the Social Progress Index (see Annex 1), sustainable and equitable development in the Amazon will depend on improved security and access to information and education, as well as through support for forest-valuing products and value chains. The Amazon Fund includes all of these issues in its 2023 priorities, including the expansion of public subsidies for forest-based food products and the promotion of solidary revolving funds (no or low interest funds managed by or on behalf of community organizations) and other forms operating credit for local producers. A specific example is the 2023 "Amazon in the School" call for proposals which seeks to value locally produced foods and insert them at a higher rate in institutional markets, increasing income to local (including indigenous) populations and also providing a source of healthy, nutritious food to rural and urban school children in the Amazon. Contracts were usually fulfilled by suppliers in southern Brazil, but reforming and streamlining the system will open up an important source of income for local producers. Amazon Fund indicators include, along with state-level GDP, the size of markets for legal timber and for forest- and protected-area based wild harvested products, such as Brazil nuts and other edible and oil producing seeds, açaí fruit, and Arapaima fish.

Previous projects that included income generation for local communities from productive activities faced significant challenges, but also generated important lessons learned that have already contributed to improvements of current projects. The mid-term evaluation of AF beneficiaries[7] recommended that the AF and project proponents improve data for indicators of income and economic effects at the family level, and seek to connect community-level production with regional, national and international markets.

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[7] www.fundoamazonia.gov.br/export/sites/default/en/.galleries/documentos/monitoring-evaluation/Independent-evaluations/Amazon-Funds-Benefits-Distribuitions-Study.pdf

Donors, including Denmark, should track improvements in indicator quality and reporting in the productive projects that have been approved in 2023-24 and in those that will be approved under the current calls for proposals.

Gender inclusivity: The Amazon Fund has sought to increase the effectiveness and visibility of its cross-cutting gender focus. Although progress has been slow, especially for government agencies receiving AF grants, civil society organizations funded by the AF have independently increased their efforts for gender inclusion in productive and value chain projects as well as in social organization, and will increase gender focus in their proposals. The 2019 mid-term evaluation found that "only about 6% of projects clearly cite supporting women as one of their intended goals. Another 22% affect women, even if this is not their stated aim, and almost 38% of projects do not affect women but have the potential to do so." (Key document #7). As such, it is recommended that Denmark seeks to promote the necessity of focusing on gender inclusion in the projects financed by the Fund.

3. Project Objective

The development objective of the project is the same as the overall objective of the Amazon Fund: *'to contribute to the reduction of deforestation, with accompanying sustainable development, in the Brazilian Amazon'.*

4. Theory of change and key assumptions

The AF TOC is based on a diagnostic of the main drivers of deforestation and the ways in which those drivers can be combatted in different land use types, including Conservation Units, Indigenous Lands (ILs), Undesignated Public Lands, Smallholder Settlements (including modalities with individual and collective land ownership) and small private landholdings of between 50 and 100 hectares.

The AF rest on the theory of change that **if** the value of the standing forest is increased, **if** protected areas and ILs are better protected and managed, **if** command and controls is strengthened to increase enforcement against land use and natural resource crimes within and outside of protected areas, **if** undesignated lands are zoned, **if** private lands are registered and monitored for environmental compliance and their ownership verified, **if** incentives are provided for sustainable land and forest use, and **if** science and technology can be leveraged in support all of these changes in a crosscutting way, **then** pressure on standing forest will be reduced, deforestation will decrease, and the conservation of the Amazon forest will contribute to sustainable local economic and social development.

The AF assumes that value can be brought to the standing forest through payment for environmental services (PES), including carbon markets, as well as through traditional and value-added forest products, and will support projects that provide such payments. Gender equity is considered an important crosscutting influence to social and economic development, but its role and impact is not defined in the AF TOC. Not including gender equity explicitly in its TOC limits the AF's project-level focus on this issue and as such Denmark will strive to address this as part of its work on the AF.

Biodiversity conservation is not directly addressed as a project impact, nor does the Amazon Fund have an indicator to measure it. However, reduced deforestation rates, increased restoration rates, and protection and promotion of socio-biodiversity—the combination of biodiversity and the socio-cultural uses that indigenous and traditional populations make of biodiversity—are important proxies for biodiversity status and are addressed by the AF. The Amazon Fund invests heavily in the protection and management of Conservation Units and Indigenous Lands, and in preventing illegal use of biodiversity on those lands, thus protecting biodiversity.

Another important aspect, which is not capture in the objectives or TOC for the Fund, is that through its simple existence and implementation, the Amazon Fund sends a signal to Brazilian society about the importance of the Amazon, raises its visibility, and changes attitudes. In the same way that BNDES

changed its perspective on the environment after internalizing the Amazon Fund, the Fund contributes to a better knowledge of the Amazonian value to Brazilian society and helps to raise the environmental issues in the country to a higher level. This recognition has contributed to keeping deforestation rates low for many years and to aligned environmental policies with this result.

Two key assumptions made by Denmark for this project are:

1. That it is more effective and impactful to donate money to an existing, high-governance fund that is aligned with Danish development objectives than to independently source and manage projects. This assumption is supported by the low transaction costs of the contribution, the review of AF priorities for the next two years and of grants already made and for calls for proposals already published in 2023 and 2024.
2. That the Fund will not be derailed by political interventions during the time that Danish funds are in play. This is borne out by the strong support the AF is receiving from the current (Lula) administration, which will be in place through at least 2026, and also by the ability BNDES demonstrated by maintaining funding for approved projects, in line with AF guidelines, and protecting and growing donated funds even when the AF governance structure was suspended in 2019.

5. Summary of the results framework

For results-based management, learning and reporting purposes Denmark will monitor progress attained in the implementation of the project as described in the documentation. Denmark will support alignment of Amazon Fund projects with the Amazon Fund Logic Framework. Progress will be measured through the Amazon Fund's own monitoring framework focusing on a limited subset of key impacts and outcome(s) and their associated indicators, as listed in the section on project monitoring and management. Outputs are reserved for project-level results frameworks, since AF outcomes and impact depend on the performance of individual projects in its project portfolio. The indicators are also adopted from the AF framework. The full framework with indicator targets is included in Annex 3.

Project title	Danish Contribution to Brazil's Amazon Fund
Project objective	To contribute to the reduction of deforestation, with accompanying sustainable development, in the Brazilian Legal Amazon.

Objective Indicator	• Deforestation Rates.
	    ○ Baseline—2022 deforestation rate—11,594 km2
	    ○ Target: 2027—max. 3,925 km^2; 2030--0.0 km^2
	• % GDP of Amazonian States relative to national GDP
	    ○ Baseline: 2020—10.04%.
	    ○ Target: 2027—no quantitative target set by the AF, continuous gradual increase expected.

Impact 1	Activities that maintain the forest standing are economically attractive
Impact indicator	• Production of plant extraction and forestry • Legal log production in the Amazon
Baseline (2021, 2022)	Values reported in 2022 AF Annual Report
Target (2027)	Quantitative increase in proportion of legal to illegal timber relative to baseline Quantitative increase in volume of product and number of products brought to market

Impact 2	Governmental actions ensure the conformity of human activities to the environmental legislation
Impact indicator	• Number of state environmental agencies outposts (regional units) • Number of municipalities capable of licensing activities with local environmental impact

	• Number of environmental licenses or authorizations granted annually by state environmental agencies
Baseline (2022)	Values reported in 2022 AF Annual Report
Target (2027)	Quantitative increase in all indicators relative to baseline

Impact 3	**The Brazilian Amazon is submitted to land-use planning**
Impact indicator	• Area of indigenous lands (IL) and federal protected areas (PA) in the Brazilian Amazon with a territorial management tool (document or other instrument) • Deforestation in Brazilian Amazon PAs
Baseline (2022)	Values reported in 2022 AF Annual Report
Target (2027)	Quantitative increase in all indicators relative to baseline

Impact 4	**Economic instruments, science, technology, and innovation contribute to the recovery and sustainable use of biodiversity**
Impact indicator	• Number of patent applications filed at the National Institute of Industrial Property (INPI) • Subsidy value paid to extractivists for the promotion of socio-biodiversity product chains in the states of the Brazilian Amazon (PGPM-Bio)
Baseline (2022)	Values reported in 2022 AF Annual Report
Target (2027)	Quantitative increase in all indicators relative to baseline

Table 4. Result framework for both the Amazon Fund.

6. Inputs and Budget

The budget consists of a DKK 150 million contribution to the Amazon Fund. Three percent of this value will be taken for AF operational costs, and 97% will be used to fund projects. Disbursement of the funds of any one donor is proportional to the size of the contribution. Contributions are mingled in a single fund, and each project that is funded is considered to receive monies from each donor in the same proportion in which that donor is represented in the mingled funds.

Donor funds are placed in the Gaia Fund and invested in short-term Brazilian government bonds with daily liquidity. The income (interest) generated by the investments is fully allocated to projects by the Amazon Fund along the same strategic lines and objectives as the capital of the contributions. Interest is not tracked and reported separately for each donor, only for the fund as a whole.

7. Institutional and Management Arrangement

The project will be managed by the MFA through the Danish Embassy in Brasilia, Brazil. The following monitoring mechanisms are recommended.

- Monitoring the AF website at least monthly to track progress in contracting grants and of submissions to calls for proposals.
- Setting up donor dialogue, and in particular dialogue with GIZ, regarding the agencies work plan for technical support.
- Tracking evaluations and financial statements on website
- Attending all COFA meetings and reviewing meeting minutes. COFA meetings and minutes are detailed and informative regarding risks and potential points of tension among the multiple stakeholders represented.
- Tracking issues that affect the performance of government agencies receiving grants from the Amazon Fund.

The Amazon Fund will submit reports annually to Denmark along with all other donors. The same report is submitted to all donors. The report structure is described in the Ministry of Environment's

2013 Amazon Fund Project Document, and an example of the detail and information provided is in the 2022 Annual Report. There will be no separate final report from the Amazon Fund.

In addition to reviewing the Annual Reports, prior to the second and third planned disbursements, the embassy should review:

- COFA meeting minutes
- Monthly portfolio snapshots on website
- Periodic updates to website regarding grants approved

The embassy should review reports at least annually, review any evaluation documents, and establish regular routine of dialogue with other donors.

As a learning and adaptation strategy, the embassy should monitor and rely on BNDES and GIZ products on learning and adaptation, including external evaluations.

The Embassy should plan to communicate project results to the Danish public and civil society groups that support or collaborate with conservation efforts in Brazil.

The Embassy of Denmark in Brasilia shall have the right to carry out any technical or financial supervision mission that is considered necessary to monitor the implementation of the project. Embassy and / or MFA staff will participate as observers in Amazon Fund steering committing (COFA) meetings and will consult regularly with other donors to the fund to identify and act on any common concerns.

After the termination of the project support, the Embassy of Denmark in Brasilia reserves the right to carry out evaluations in accordance with this article.

8. Financial Management, Planning and Reporting

Disbursements - There will be three annual disbursements (2024,2025 and 2026) of DKK 50 million.

Funds are mingled in a single account at the Amazon Fund. Information is provided in report on the amount of funding spent on each theme annually, but separate reporting on each donor's funds is not available. However, funds are disbursed to each project proportionally to the donor's representation in the fund, so the donor can estimate its contribution to each theme during the period in which its contribution is being implemented by the Fund.

Following receipt of the annual report and financial audit and verification of qualitative indicators of the functioning of the AF, the MFA should analyse whether; disbursements from the fund and numbers of projects flowing well; the distribution of funding among themes is as expected based on the stated priorities of the fund; the Technical Committee has been convened; emissions have been validated based on an updated deforestation baseline; there have been changes to AF governance. This analysis is meant to help the MFA understand how well the AF is functioning and provide background for discussions with other donors and BNDES, but is not meant to prevent the next disbursement. Only misuse of funds or unauthorized alterations of the fund structure and objectives would breach contractual agreements and justify pausing of disbursements. After the first year, the MFA should also require an updated version of the AF Project Document if it has not yet been made available prior to next disbursement.

Partner procedures pertaining to financial management - All financial criteria for projects supported by the Amazon Fund are available at the AF website. AF provides clear criteria for fundable and non-fundable items at the project level, both in general and specific guidelines for specific calls for proposals. Key documents # 4 and 5 provide the 2023 Funding Guidelines for the Amazon for other

Biomes and Countries, including full detail for all items allowable. The specific guidelines and criteria for two recent calls for proposals are annexed as key documents # 8 and 9.

In general, the AF can finance the following cost categories:
- Civil Works and Facilities;
- Machinery, Equipment and other goods;
- Supplies;
- Logistics;
- Human Resources and Research Grants;
- Consultancy and Specialized Services;
- Support Services;
- Administrative expenses;
- Special Support: category for budgeting special actions aimed at the project's beneficiaries, which cannot be included in the other categories, such as resources set aside for public selection of sub-projects, payments for environmental services (PSA), contribution of resources to revolving funds and of socio-environmental impact.

In general, the Amazon Fund cannot finance the following cost categories:
- The Amazon Fund's resources cannot replace other available sources of funding.
- No per diems, salaries or any type of remuneration may be paid to public officials in the exercise of their public functions– such as civil servants, public employees, and others, except for the payment of scholarships or research and related per diems.
- Funds cannot be used to pay taxes that are not inherent to or an integral part of the project's costs or investments.
- The payment of indemnities for expropriation is not supported by the Amazon Fund.

There are counterpart fund requirements for all projects, which can be met through financial resources directly invested in the project, formally approved parliamentary amendments and the provision of infrastructure, personnel, and other indirect ways.

Principle of Additionality – The Amazon Fund guidelines includes the principle of additionality in its criteria for projects presented by government entities. The Additionality of Resources principle states:
> Projects must respect the principle of additionality to the direct public budgets earmarked for the Amazon Fund's areas of application. When applying this criterion, the following aspects, among others, may be considered: 1) Average direct public budget executed in the previous 2 (two) years in the public budget invested in the proposed action; 2) Variation in the budget of the institution or body responsible compared to the variation in the budget of the federative entity to which it is linked or integrated (in relation to the previous year); 3) Forecast in the current multi-year government plans (PPAs). (Key Document #1)

Procurement—there is no procurement outside of the projects funded by the AF. BNDES provides clear procurement rules for all its projects.

Work planning—is carried out by AF and COFA. Annual guidelines are put out by the COFA, and specific guidelines are issued for each RFP.

Narrative progress reports and financial reports—the Amazon Fund publishes annual reports. In addition to being accountability instruments, the reports record and disseminate to society the actions and results of the Amazon Fund. The structure and content of the annual report is described in the Amazon Fund Project Document, which is an annex to the all contracts between donors and the Amazon Fund.

Accounting and auditing—This is coordinated by BNDES and carried out by external, independent auditors. All audit results are available on the AF website. The Fund undergoes annually two auditing

processes. **The first process is a financial audit**, which occurs within the scope of the external audit of the BNDES' own financial statements. The financial audit evaluates the veracity of the balances recorded in the Financial Statements of the Amazon Fund, as well as the adequacy of the allocation of these balances in the BNDES' Financial Statements. The contracts with beneficiaries and the resources disbursed to the supported projects are checked, as well as the expenses incurred with the management of the Fund. **The second process is a compliance audit**. The purpose of this audit, performed by an independent external audit firm, is the application of limited assurance procedures on the compliance by BNDES.

As per the contract agreement, if there are issues during program implementation, Denmark may stop payment of pending disbursements. Denmark may also request that Danish funds be considered frozen until the issues are resolved. The AF will not return unspent funds or interest on funds. The AF will invest all funds in government bonds and apply the income to the fund's objectives along with the capital. Since the inception of the AF, this financial management process has allowed BNDES to nearly double its funds.

Both parties will strive for full alignment of the Danish support to the implementing partner rules and procedures, while respecting sound international principles for financial management and reporting.

9. Risk Management

Risks for this project come from ecological (climate change feedbacks), economic (global and national economic downturns), political (conflict between the executive and legislative branches in Brazil) and institutional (de-structuring and underfunding of key agencies) factors. A few, but not most, are amenable to mitigation by Amazon Fund donors. The major risks are highlighted below. A more detailed list of risks and their impact is in Annex 4.

1. Delay in activating that Amazon Fund Technical Committee, setting new deforestation reference baselines, and updating the Amazon Fund Project Document. If the Ministry of Environment delays the activation of the Amazon Fund Technical Committee beyond September, then it may be in breach of its own internal guidelines, which could affect donor contracts. This would also result in lack of clarity regarding future fund-raising capacity against new emissions reductions. Related to this, the AF Project Document is out of date. BNDES staff have stated that they expect minor changes to be made and that they will notify donors when this happens. The contract may have to be updated once the AF shares the updated Project Document with donors, as the Project Document is an attachment to the contract. Donors should urge the Ministry of Environment to resolve these issues as soon as possible.
2. A legacy of understaffing and weakening of key federal agencies as well as work stoppages and strikes by federal employees, limit the capacity of these agencies to implement key activities under PPCDAm. During the previous government, key agencies were de-structured, staff were fired or resigned, and motivation and morale decreased. The hiring/restaffing process is slow in a country with restrictive, inflexible labour laws and high labour costs. At the same time, salary levels for environmental staff are low, and unavailability of adequate field equipment and vehicles make field work extremely high risk for management and enforcement staff. There is no mitigating action donors can take to address this risk.
3. Forest degradation and loss in the Amazon is likely to accelerate due to altered fire behaviour, whereby, following sequential droughts, wildfires have greater access to dry fuel, including peat and leaf litter, than in the past, burn at higher temperatures, and are more likely to kill trees. In the long term stress on vegetation and changing hydrological regimes will also lead to increased tree mortality. Fires and extreme weather events will also lead to loss of resilience of communities, such that the cost of adaptation of economic activities will be progressively higher. Donors should urge the Brazilian government and the Amazon Fund to assess the real risk of fire and climate change damage to the forests and respond accordingly.

The no-earmarking, no-donor-intervention requirements of the Amazon Fund limit donor capacity to manage risks. On the other hand, strong technical support from the German government through separate funding to GIZ, and strong dialogue between the major donors (Norway, Germany), the Ministry of Environment, and the Amazon Fund team at BNDES facilitate identification of risks and the availability of assistance to manage these risks.

10. Closure

(i)   Implementing partner's final report—The final report will be the Annual Report submitted by the Amazon Fund for the fifth year after the first Danish disbursement.

(ii)   Responsible unit's final results report (FRR)—The Danish Embassy in Brazil should develop this report within 6 months of receiving the final annual report from BNDES.

(iii)   Closure of accounts: There is no need to close accounts as all funds and any interest will have been internalized by the Amazon Fund.

Annexes

Annex 1: Context Analysis

A1-1. Poverty and social-environmental vulnerability in the Brazilian Amazon as measured by the IPS (Social Progress Index)

The 28 million people living in the Brazilian Amazon have a lower quality of life on average than those in the rest of Brazil, with more limited access to education, information and water, and higher exposure to crime and violence. The 2023 Amazon Social Progress Index[8] found that:

- While at the country level, Brazil has an overall IPS score of 68.90, the Brazilian Amazon, considering the mean of all its municipalities, scored 54.32 and no Amazonian state had a higher score than the mean national score.
- While the Basic Human Necessities dimension was not far from the national mean at 64.83, the Opportunities dimension scored abysmally low (40.31) largely due to lack of educational opportunities in much of the Amazon. Of the 12 components in the index, the lowest scoring in the Amazon were Water and Sanitation, Personal Security, Access to Information and Communication, Individual Rights, Individual Freedoms and Choice, and Access to Higher Education.
- The predominant development model in the region is marked by social conflicts over deforestation and forest degradation, illegality and economic underdevelopment.
- In 2020, the Amazon was responsible for around 52% of Brazil's greenhouse gas emissions, despite contributing only 9% of the Gross Domestic Product (GDP).
- The score for the Personal Safety component in the Amazon in 2023 (53.06) shows that violence remains a chronic problem throughout the region, as evidenced by the high homicide rate in the region high homicide rate in the Amazon's municipalities.
- None of the nine Amazon states exceeded the national average. Mato Grosso (57.38), Rondônia (56.71), Amapá (55.58) and Amazonas (55.06) are the states with indices slightly above the Amazon IPS 2023 (54.32), while the other states scored lower than the Amazon.
- When Amazon municipalities are classified into five tiers, 181 are in the top two tiers, 280 are in the middle tier, and 311 are in the bottom two tiers.
- The average Amazon IPS 2023 for Tier 1 is 64.82. This group includes almost all the capitals and a good number of the most populous municipalities (> 200,000 inhabitants). However, there are municipalities with very small populations (< 15,000 inhabitants) among the best preserved in the Amazon.
- Among the 15 municipalities with the worst IPS scores, some are strongly associated with deforestation, forest degradation and social conflicts, such as the Pará municipalities of Pacajá and Portel.

A1-2. Deforestation in the Brazilian Amazon as reported by PPCDAm in 2023

Deforestation and forest degradation rates are very well described and understood in Brazil at the municipal, state and national scales due to 1) the existence of excellent remote monitoring systems by Inpe and complementary systems managed by civil society (Figs. A1-1 and A1-2) and increasingly 2) the implementation of the Rural Environmental Registry system (CAR) whereby all lands claimed as private property must be self-declared and georeferenced by the purported landowners. While registry in the CAR does not mean the property actually has legal title (many irregular properties located inside of protected areas have been registered) it does mean that the government can verify whether the self-declared properties are in compliance with and forest-protection laws and can track deforestation patterns on differently types of properties.

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[8] Santos et al. 2023. IPS Amazônia: Índice de progresso social na Amazônia brasileira. Resumo Executivo. Livro Eletrônico. Available at: imazon.org.br/publicacoes/ips-amazonia-2023/
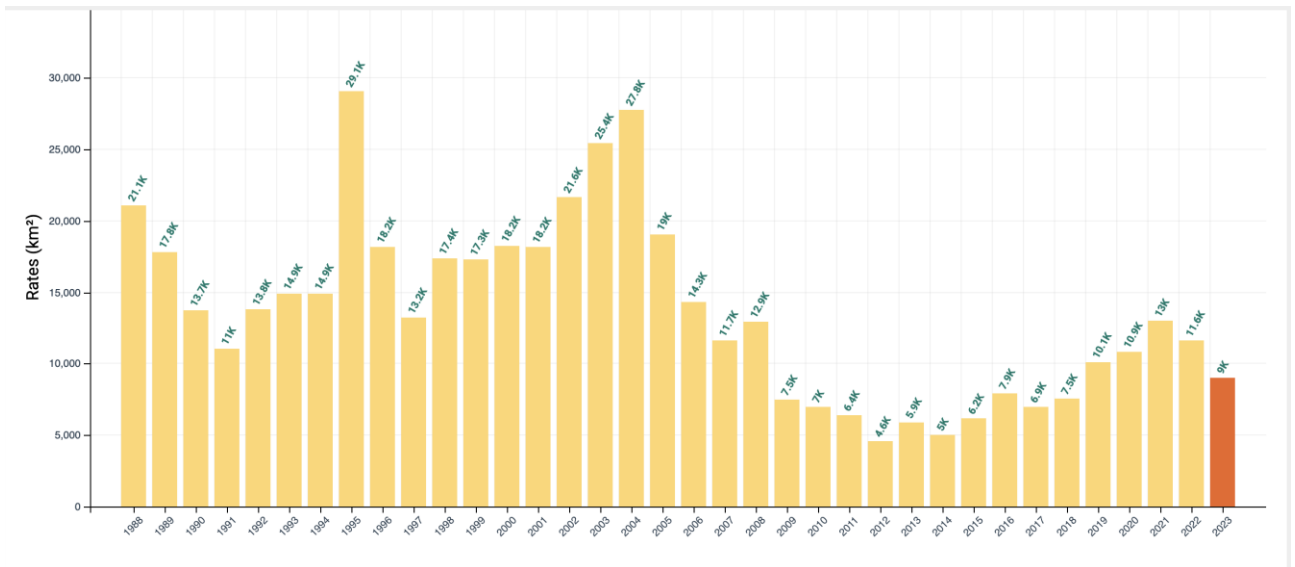
Figure A1-1. Deforestation rates in the Brazilian Amazon 1998-2023, from Inpe's TerraBrasilis platform.
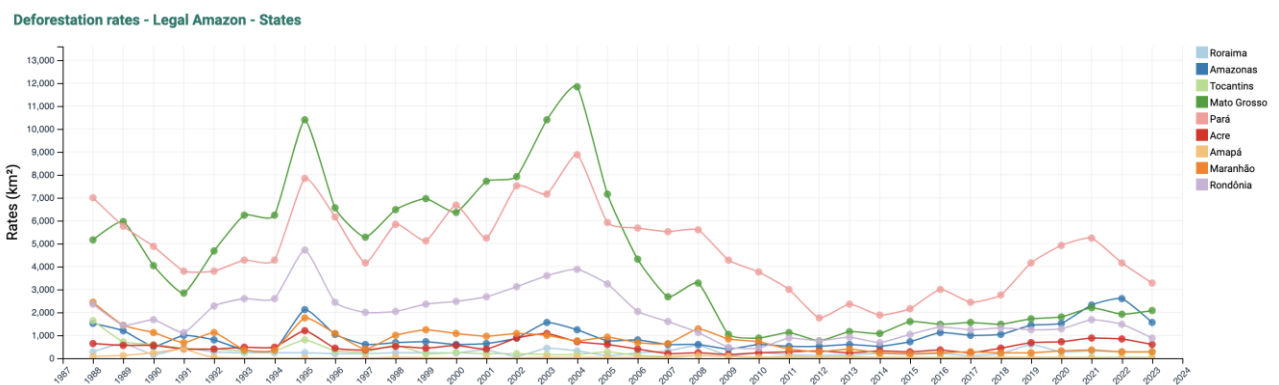
Figure A1-2. Deforestation rates by state in the Brazilian Amazon 1998-2023, from Inpe's TerraBrasilis platform.

The PPCDAm Phase 5 document (Key Document #2) describes deforestation trends in the Amazon over the last few decades, and the responses of those rates to various policy interventions. Deforestation patterns in the Amazon change through time, with variation in size (large properties vs smallholders) and location (interior forest vs frontier of deforestation) of cleared areas. After significant decreases in deforestation following the implementation of PPCDAm in 2004, and the decoupling of deforestation in the Amazon from soy and cattle production by 2006, deforestation rates increased again in the 2018-2022 period, when defunding of environmental agencies and reduction in their monitoring and management activities led to increased invasion of public lands on the expectation that land illegally occupied would eventually be regularized.

In 2022, half of the deforestation detected by Inpe's Prodes system was on rural properties registered in the CAR. Many of these properties are located in territories of unknown designation (18%), unallocated public lands (15%), land reform settlements (10%) and Conservation Units (6%). Deforestation detected in unregistered areas was primarily in land reform settlements (22%), unallocated public lands (14%), private areas or areas without land ownership information (7%) and conservation units (6%). Most deforestation (64%) occurred on federal lands, including conservation units, indigenous lands, and unallocated lands. This makes sense because most conservation and unallocated lands in the Amazon are under federal rather than state jurisdiction.

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Recent trends in deforestation patterns are characterized by location in remote, core areas rather than the arc of deforestation, which implies significant invasion of public lands; resurgence of deforestation in large contiguous areas (a trend that had previously been eliminated); reduced governance capacity in protected areas and settlements; persistence of illegal deforestation in production chains; and increased forest degradation rather than full clearing.

The Ministry of Environment assesses that two key factors drive the recent trends: (i) reduced monitoring and enforcement actions (ii) the expectation that illegal deforestation would be legalized under new government policies. As noted in PPCDAm Phase 5: "the strengthening of Ibama's activities in the context of the first phases of the PPCDAm allowed the agency to act more effectively against illegal deforestation. The increase in Ibama's enforcement efforts between 2004 and 2009, measured by the area embargoed, the number of notices and operations, was followed by a sharp reduction in deforestation rates in the Amazon. Similarly, the reduction in the area embargoed by Ibama after 2018 indicates a loss of priority for environmental inspection. There has also been a significant reduction in the number of Ibama inspectors due to the lack of public tenders and an ageing workforce. While in 2010 Ibama had more than 1,300 inspectors for the whole of Brazil, in 2023 there are only 723. This weakening of command-and-control actions, in turn, is related to the increase in deforestation rates in the last decade. The lack of precautionary action or environmental sanctions fosters a sense of impunity, which in turn encourages further deforestation."

A 1-3 Grants contracted and calls for proposals launched in 2023-24

The grants already approved or contracted in 2023 by the Fund, large-scale calls for proposals launched in 2024 and to be implemented in 2024, projects already received that are in analysis and are a priority for funding, all also provide additional information about allocation of funds. Eight grants have been contracted for a total of BRL 234,283,796 (about 48 million USD; Fig 8):

- 4 grants focus on sustainable, community-produced forest-based products, family / smallholder agriculture, and strengthening of associations and cooperatives linked to Amazon forest-products. They impact traditional, indigenous and rural peoples.
- 2 grants focus on improved territorial and environmental management of indigenous lands, as well as on productive chains and social organization
- 1 grant supports the Rondônia State Firefighters for integrated fire management
- 1 grant supports deforestation and forest degradation mapping in Brazil's entire territory (thus supporting work in non-Amazonian biomes)

Furthermore, IBAMA and FUNAI / Ministry of Indigenous Peoples have submitted grants that are undergoing review and are expected to be approved in the short term. The FUNAI program will strengthen the institutions capacity to support territorial and environmental management of indigenous lands.

Two calls for proposals were launched in 2023, and two in 2024, totalling BRL 1,536 million and are now receiving submissions; all will have an impact on rural, traditional and indigenous livelihoods:

- Sustainable Agriculture and School Meals, for local producers to provide better quality food to local schools.
- The Arc of Restoration, which aims to restore extensive areas along the deforestation arc. This will provide economic opportunities for indigenous and local peoples involved in the seed and seedling production chains and the restoration value chain as a whole.
- Union with Municipalities for the Reduction of Deforestation and Wildfires in the Amazon, which targets results-based payments for the municipalities with the highest levels of deforestation in the Amazon.
- Sanear Amazônia – Potable water for Amazonian Communities, a partnership with the Ministry for Social Development and Assistance, Family and the Fight Against Hunger, and the Ministry of Environment.

Annex 2: Partner Role and Assessment

Brazil's National Bank for Economic and Social Development—BNDES

The Brazilian Development Bank, a financial institution fully owned and controlled by the federal government, is in charge of the Amazon Fund's operation, in coordination with the Ministry of Environment. The Brazilian Development Bank's mission is to encourage the competitive and sustainable development of the Brazilian economy, creating jobs and reducing social and regional inequalities[9].

The BNDES was created in 1952 to supply long-term financing needs of the Brazilian economy. The bank played and plays an important role in the modernization of the Brazilian industry and infrastructure, chiefly from the management of several public funds, but also from the international financial market.

BNDES is the financial agent for several funds, such as the Fund for Assistance to the Workers (FAT), the Social Integration Program and the Public Servant Program Fund (PIS-PASEP Fund), the Telecommunications Technological Development Fund (FUNTTEL), the Export Credit Guarantee Fund (FGE), the Merchant Marine Fund (FMM), the Guarantee Fund for Investments (FGI), and the National Fund on Climate Change (FNMC).

The operations developed in managing those funds make the Brazilian Development Bank an important agent in the nation's development and modernization. From the 2022 annual report, the bank's disbursements totalled BRL 97.5 billion in 2022, with total assets of BRL 624.8 billion and BRL 41.7 billion in net profits. The default rate is minimal, only 0.13% of the entire portfolio.

In 1994, the bank signed the International Declaration of Financial Institutions on Environment and Sustainable Development, and became a member of the United Nations Environment Program – Financial Initiative (UNEP-FI). As a result of its constant interchange with UNEP-FI and also on its own initiative, the Bank adopts updated environmental and sustainable development practices.

The bank is also a signatory of the Green Protocol, a declaration of principles for sustainable development agreed among official Brazilian banks in 2005. In 2008, the Protocol was revised and enhanced, resulting in a new Socio-Environmental Responsibility Protocol, representing a mutual effort of the public banks managed by the federal government to ensure socio-environmental responsibility in the financed projects.

By this protocol, the Brazilian Development Bank pledged to endeavour banking policies and practices that are pioneering, multiplying, demonstrative, or exemplary in terms of socio-environmental responsibility and in harmony with the objective to promote development that does not jeopardize the needs of future generations.

The five main principles of the Protocol are:

- Finance sustainable development by means of credit lines and programs that promote the population's life quality, natural resource sustainability and environmental protection;
- Consider socio-environmental impacts and costs in asset and risk management of clients and investment projects, based on the National Environment Policy.
- Promote sustainable consumption of natural resources and derived materials inside the signatories.

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[9] https://www.bndes.gov.br/SiteBNDES/bndes/bndes_en

- Inform, sensitize and continuously engage the parties interested in the sustainability policies and practices of the signatories.
- Promote procedure harmonization, cooperation, and integration of efforts among the signatories.

The Brazilian Development Bank also has a support portfolio for environmental development projects, which must present special conditions for environmental projects that promote the sustainable development of the country, especially including the following areas:

- Basic Sanitation;
- Projects inserted in the Drainage Basin Committees Programs;
- Eco-Efficiency: Rational Use of Natural Resources;
- Reduction of the water resources use: Treatment, Reuse and Circuits Closing;
- Recovery and Preservation of Ecosystems and Biodiversity;
- Clean Development Mechanism;
- Planning and Management;
- Recovery of Environmental Risks.

With the beginning of the Fund Amazon operations in 2009, the Brazilian Development Bank structured an Environment area, which is responsible for the Fund operations and all businesses related to this subject. The Brazilian Development Bank is responsible for the fund's judicial and off-court representation.

The BNDES has a detailed Gender Equity and Valorization of Diversity Policy, available at www.bndes.gov.br/SiteBNDES/bndes/bndes_en/Institucional/Social_and_Environmental_Responsibility/gender_equity_and_valorization_of_diversity_policy.html. Of the nine Executive Directors at the bank, four are women.

Annex 3: Theory of Change, Scenario and Result Framework

Theory of Change

The Danish Tropical Forest Initiative is the strategic framework that will guide the implementation of an overall allocation of DKK 1 billion over the period 2024-2027 dedicated to support forest and nature, including DKK 350 million from the Finance Bill for 2024.

The general objectives of the ICTF are to "contribute to climate adaptation, protection of biodiversity, reduction of CO2 emissions, and social and economic development for local communities, including indigenous peoples" using "a wide range of implementation modalities and partnerships … including contributions to multilateral funds (including the Amazon Fund), expansion of existing bilateral country programs, as well as cooperation with relevant Danish and international NGOs, civil society organizations and possibly philanthropic foundations." This initiative will contribute to the 2021 Danish strategy for development cooperation, *The World we Share*, which calls for Denmark to "strengthen biodiversity and promote nature-based solutions through support to protecting, preserving and restoring natural resources, such as forest." Support through the ICTF is intended to "focus on forest and other wooded lands that are under increasing pressure as a result of deforestation and forest degradation."

The objective of the Amazon Fund is to, jointly with other policies and funding sources, contribute to reducing deforestation in the Brazilian Amazon and to the establishment of a sustainable development model of the Amazon that values the standing forest. Progress towards these objectives is measured through the relationship between annual deforestation rates and the contribution of Amazonian states GDP to the national GDP.

The Amazon Fund achieves its objectives primarily by implementing the PPCDAm and secondarily by supporting the National Redd+ Strategy (ENREDD+). Its theory of change acknowledges the driving contribution of other policies to the objectives, and its own additional nature. It therefore looks for contribution, not attribution at the objective and impact levels, but through projects looks for attribution at the project level and at the level of individual territories (conservation units, indigenous lands, small private landholdings and land reform settlements, and areas of forest and wetlands managed by communities for production).
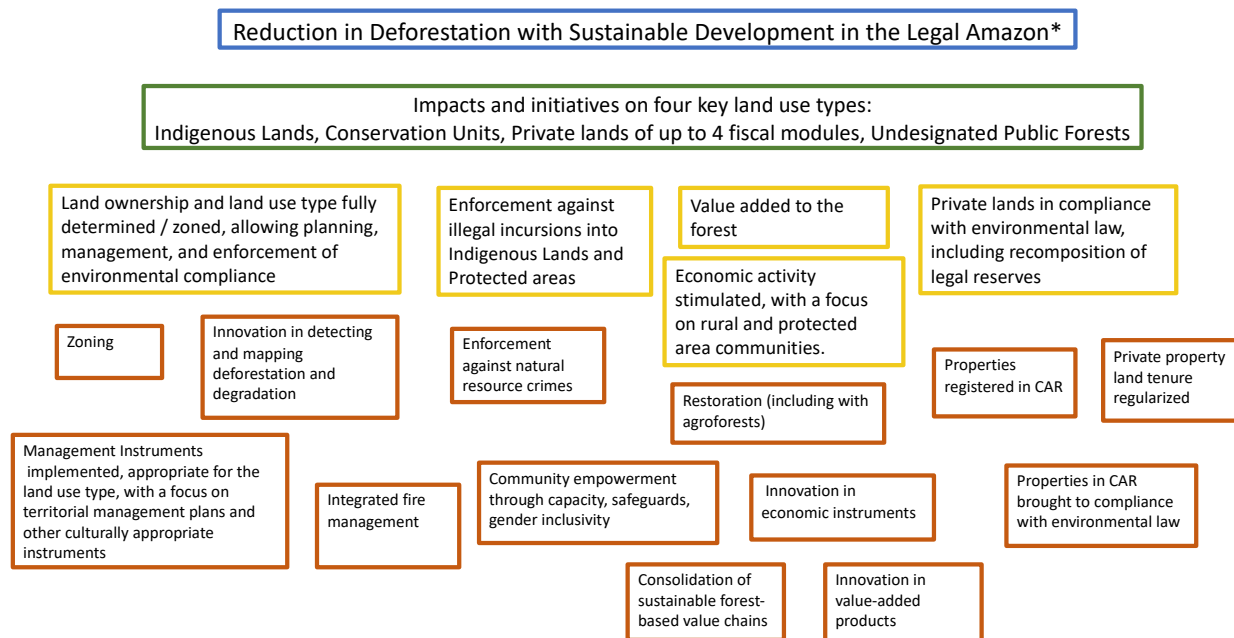
Figure A3-1: Amazon Fund Theory of Change. *The legal amazon includes some small portions of the Cerrado biome, located within the states that compose the legal Amazon. The TOC and logic framework does not address the Cerrado or other biomes, because the fund does not have specific objectives for those biomes and is not mandated to support a policy for deforestation reductions outside the Legal Amazon.

The Amazon Fund's strategic framework and prioritized strategic interventions are represented in a Logic Framework including Objective, Indirect Impacts, Direct Impacts (Outcomes) and indicators for each of these levels, with sources of data for each of the indicators. Risks / assumptions were assessed for each of the levels. The logic framework as a whole is not regularly updated, but as the vectors and patterns of deforestation shift or as new solutions become available, the biennial guidelines for priority interventions within that framework are updated, in line with the actions prioritized by updates to the PPCDAm.

The achievement of the AF's objectives depends on the portfolio of projects contracted, the specific objectives and outputs of those projects, and the success of those projects in achieving their objectives. Projects must align with the AF framework at the Impact and Outcome Levels, and specify the activities and products that will help them achieve their (and the AFs) outcomes (Figure 1).

The AF has control over its pipeline and active project portfolio because it only accepts project proposals that are aligned with the biennial guidelines, and it can induce the submission of proposals on priority themes and interventions through targeted calls for proposals and by engaging with the agencies it wishes to see submit proposals. In 2023-2025, for example, knowing that it needs to strengthen environmental compliance and enforcement in municipalities with critical levels of deforestation, it is making available modular application systems that direct the proponent as to the completion of the proposal in line with the AF guidelines. The COFA makes the decisions regarding the priority biennial topics as well as any new programmatic focus that may be necessary and strategic due to changing conditions.

GENERAL OBJECTIVE
Reduction of deforestation with sustainable development in the Brazilian Amazon

Component Sustainable production	Component Monitoring and control	Component Land-use planning	Component Science, innovation and economic instruments
IMPACT OF THE PROJECTS (1) Activities that maintain the forest standing are economically attractive	**IMPACT OF THE PROJECTS (2)** Governmental actions ensure the conformity of human activities to the environmental legislation	**IMPACT OF THE PROJECTS (3)** The Brazilian Amazon is submitted to land-use planning	**IMPACT OF THE PROJECTS (4)** Economic instruments, science, technology and innovation contribute to the recovery, conservation and sustainable use of biodiversity
OUTCOMES OF THE PROJECTS 1.1 - Economic activities that use the forest and biodiversity sustainably have been identified and developed 1.2 Production chains of agroforestry and biodiversity products with added value increased 1.3 - Management and technical capabilities expanded for the implementation of economic activities for the sustainable use of forests and biodiversity 1.4 - Deforested and degraded areas recovered and used for economic or ecological conservation purposes	**OUTCOMES OF THE PROJECTS** 2.1 Monitoring, control and environmental accountability institutions have been structured and modernized 2.2 Access of rural producers to environmental regularization of their properties has been increased	**OUTCOMES OF THE PROJECTS** 3.1 Public forests and protected areas have been expanded 3.2 Protected areas have infrastructure, territorial protection and consolidated management 3.3 Areas with regularized land titles have been expanded 3.4 Land areas with territorial organization defined through ecological-economic zoning (EEZ) have been expanded	**OUTCOMES OF THE PROJECTS** 4.1 Knowledge and technologies for the conservation and sustainable use of biodiversity, the monitoring and control of deforestation and land planning developed and disseminated 4.2 Economic instruments for the conservation and sustainable use of biodiversity, the monitoring and control of deforestation and land use planning developed and disseminated

Figure A3-2: Amazon Fund Summary Logic Framework at Impact Level.

A3-3. Amazon Fund Logic Framework at Outcome Level, with Indicators. Proposed indicators include standard Amazon Fund indicators, which will be reported by the Amazon fund to donors, and a few custom indicators that could be assessed by the Danish Embassy as a way of understanding impact that is in line with Danish values and ODA development goals, and also as a way of contributing to improvement of Amazon Fund indicators and indicator tracking through feedback to COFA about patterns revealed by these indicators. The AF sources data for its regional indicators from IBGE.

SPI is not an Objective or Impact Level Indicator within the Amazon Fund Logic Framework. However, it is recommended that Denmark monitor this indicator, using the 2023 Amazonian SPI as the baseline, because it better reflects the values and objectives of Danish ODA than does GDP. Denmark could assess changes in SPI at the end of the time of use of its contribution, to understand the relationship between priority funding by the AF and its ODA values and goals.

AF reports only the regional Impact-level indicators. The baseline year for those indicators for the AF is 2009. Outcome-level indicators are not tracked by the AF, except at the project level.

Project title			Danish Contribution to Brazil's Amazon Fund
Project objective			**Reduced Deforestation with Sustainable Development in Brazil's Legal Amazon**
Objective Indicator			• Deforestation Rates • Participation of the Brazilian Amazon states' GDP in the national GDP

Baseline	Year	2022
		 2020
			• Deforestation Rates
			    ○ Baseline—2022 deforestation rate—11,594 km2
			    ○ Target: 2027—max. 3,925 km^2; 2030--0.0 km^2
			 • % GDP of Amazonian States relative to national GDP
			    ○ Baseline: 2020—10.04%.
			    ○ Target: 2027—no quantitative target set by the AF, continuous gradual increase expected.

Target	Year 4	2027	• 80% of the 1996-2006 Average Annual Deforestation (3,925 km^{2}as recently mandated by the Supreme Court) • Demonstrated and continued decrease of deforestation inside of federal protected areas and indigenous lands, so that they are on track to eliminate deforestation on those lands by 2030, while respecting the resources use rights of indigenous and traditional peoples to use forest and biodiversity resources on their land. • Improvement in both GDP and the elements of the Social Progress Index that are relevant to the themes supported by Amazon Fund, in the municipalities where Amazon Fund projects are being implemented.
Impact 1			**Activities that maintain the forest standing are economically attractive**
Impact indicator			• Production of plant extraction and forestry • Legal log production in the Amazon
Baseline	Year	2022	• 2022 Volume produced and Revenue Generated from Key Value Chains—Brazil Nuts, Açaí, Pirarucu—from AF 2022 Annual Report • 2022 Volume of legal timber produced from commercial and community concessions in 2022, from AF Annual Report.
Target	Year 4	2027	▪ Increase in the volume and value of Brazil nut, açaí and pirarucu production at the community level as well as at other key points in the value chain concessions, ▪ Increase in the amount of timber produced by concessions, and in the ratio of legal-to-illegal log production in the Amazon. (The number of operations to detect and impound illegal timber should also increase, as should the capacity of Ibama, Federal Police to identify illegal species and illegal shipments, but those indicators are tracked under impact II.

Outcome 1.1			Economic activities that make sustainable use of forest biodiversity identified and developed	
Outcome indicator			• Revenue from sustainable use economic activities – unprocessed (raw) and processed products • Area of forest under direct management (hectares)	
Baseline	Year	2022	▪ Because outcome-level indicators are measured by AF only at the project level, and not at the regional indicator level, the baseline for the Danish contribution to the Amazon Fund would be zero (0), as it has not yet funded any projects.	
End target	Year 4	2027	• Targets are set at the outcome and output level by individual projects, and not by the AF. Donors do not have information on individual project logic frameworks and indicators until they are evaluated. Project reports in 2027 for projects relevant to this impact and indicator will have met their targets for areas under community or commercial forest concession, and under management for non-timber forest products and fish.	
Outcome 1.2			Production chains of agroforestry and biodiversity products with enhanced added value	
Outcome indicator			• Revenue from sustainable use economic activities – unprocessed (raw) and processed products • Area of forest under direct management (hectares)	
Baseline	Year	2022	As for Outcome 1.1	
End target	Year 4	2027	As for Outcome 1.1	
Outcome 1.3			Managerial and technical skills expanded to implement sustainable forest and biodiversity economic activities	
Outcome indicator			• Number of people trained / with capacity build for sustainable economic activities who are effectively using the knowledge gained, disaggregated by: Total individuals applying knowledge gained; Women, including indigenous women; Indigenous people, including indigenous women • N° of community-based organizations strengthened	
Baseline	Year	2023	▪ Zero for project-level results ▪ Numbers reported in 2019 mid-term evaluation for number of projects designed to address gender inclusivity	
End target	Year 4	2027	▪ project level results ▪ Increase in the number of contracted projects that appropriately address gender inclusivity. Also look for 1) improvement in the indicators used to measure gender equity; 2) an increase in the number of projects that include activities that facilitate participation and empowerment of women; 3) an increase in the representation of women within all links of value chains in the results of relevant projects; 4) interview-based information from women about how their role has changed.	
Outcome 1.4			Deforested and degraded areas recovered and used for economic or ecological conservation purposes	
Outcome indicator			• Extent of area with vegetation recovered and used for economic purposes	
Baseline	Year	2022	▪ Zero for project level. But look for data that will soon be available from ICMBio and FUNAI regarding reforestation in areas under their responsibility.	
End target	Year 4	2027	▪ Results of individual projects contracted on this topic, including those from the 2023 request for proposals.	
Impact 2			**Governmental actions ensure the conformity of human activities to the environmental legislation**	
Impact indicator			• Number of state environmental agencies outposts (regional units) • Number of municipalities capable of licensing activities with local environmental impact • Number of environmental licenses or authorizations granted annually by state environmental agencies	
Baseline	Year	2022	▪ From 2022 annual report	
Target	Year	2027	▪ The AF does not have targets for this, beyond an increase against the baseline. However, targets could be derived from the Pluriannual Plans (PPA)	

			developed by government agencies, which the Amazon Fund should be able to access.
Outcome 2.1			Monitoring, control, and environmental accountability agencies structured and modernized
Outcome indicator			• Number of wildfires or unauthorized burning events fought by the Firefighter Corps[10] • Number of civil servants trained who are effectively using the knowledge gained (disaggregated by gender) • Area monitored in other Brazilian biomes and in other tropical countries • Area and number of properties registered in the CAR (Rural Environmental Registry) with their registry analysed and in compliance.
Baseline	Year	2023	Zero for these project level indicators.
End target	Year 4	2027	▪ The first indicator is not useful for tracking the efficacy and effectiveness of agencies, with or without AF support, at preventing and suppressing wildfires. It should be modified and tracked by Denmark as: Proportion of detected wildfires suppressed by the competent state and federal agencies and their fire brigades or firefighter corps. And an additional indicator should be included: Number and extent of fire prevention actions and interventions by the competent agencies, including fire breaks. See footnote 10 as well. ▪ The second indicator is appropriate and will be tracked against project results ▪ The third indicator is appropriate and will be tracked against project results ▪ The fourth indicator is appropriate, but as mentioned before, targets could easily be set by AF at the project portfolio level.

Outcome 2.2			Increased access of farmers to the land environmental regularization process
Outcome indicator			• Number and area of properties whose application to enter the CAR was_formally registered. • Area with vegetation recovered to meet environmental compliance (regeneration in process)
Baseline	Year	2023	Zero for both these project level indicators.
End target	Year 4	2027	▪ Targets set at project level. But could easily be set at project portfolio level by the AF. ▪ Target set and indicator tracked at project level. Look for projects to meet their targets and contribute to an overall increase in restoration on private properties.

Impact 3			**The Brazilian Amazon is submitted to land-use planning**
Impact indicator			• Area of indigenous lands (IL) and federal protected areas (PA) in the Brazilian Amazon with a territorial management tool (document or other instrument)[11] • Deforestation in Brazilian Amazon PAs
Baseline	Year	2022	From 2022 Annual Report for the Amazon, plus data on ILs with management instruments in other Brazilian biomes (Data available from FUNAI upon request.)

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[10] This is a problematic AF indicator. It focuses on suppression *efforts* rather than suppression *success*, which means that the more fires there are, the better the indicator looks, even if the fires are fought but not suppressed. Also, the indicator does not address fire prevention, which at this point is more important than fire suppression. A better indicator would be proportion of wildfires prevented and suppressed, or proportion of fires with reduced intensity, or (better yet) total area burned (here you are looking for a decrease against a counterfactual). Integrated fire management is about prevention as much as suppression, and should actually be placed in a different outcome. The actors in the prevention of fires will also be different than those in suppression of fires. If and when the National Policy for Integrated Fire Management is finally approved, the AF will likely adapt its approach to supporting wildfire management and tracking impact. For now, it is clear that the AF, despite significant technical support from the German Development Support Agency through GIZ, does not have a coherent strategy for supporting the known needs of integrated fire management, and in its 2023-25 strategy does not demonstrate awareness of the dramatic increase in fire frequency and intensity, and changes in fire behavior, that can be expected to occur within the next decade in the context of climate change and expanding urban-wildland interface.

[11] Because the 2023 guidelines include support for management instruments and environmental enforcement on indigenous lands in biomes other than the Amazon in Brazil, this indicator needs to be updated by the Amazon Fund to include other biomes.

Target	Year 4	2027	▪ Increase in ILs with PGTA or other tool in all Brazilian biomes (check for FUNAI targets, after a major workshop that is planned for late this year / early next year). ▪ Decrease in deforestation within indigenous lands in all Brazilian biomes and conservation units in the Amazon.

Outcome 3.1			Public forests and protected areas expanded
Outcome indicator			• Area of conservation units (UCs) created • Area of recognized Indigenous Lands (TIs)
Baseline	Year	2023	Zero for this project level indicator
End target	Year 4	2027	A target cannot be set for either indicator, as the final creation decision is political/done by decree, but a pipeline of demands and proposals can be constructed. Look for at least a certain number of ILs and CUs that are in the creation pipeline to have advanced the formal proposal state, that is, have the background documents and surveys prepared and submitted (assuming that proposals are submitted to the AF to work on this)

Outcome 3.2			Protected areas with consolidated infrastructure, land protection, and management
Outcome indicator			• Area of conservation units (UCs) and Indigenous Lands (TIs) with strengthened infrastructure, territorial management and / or territorial control. • Number of individuals trained for activities related to UC and TI management who are effectively using / implementing the knowledge acquired. • Area with vegetation recovered to meet environmental compliance (regeneration in process)
Baseline	Year	2023	Zero for this project level outcome
End target	Year 4	2027	Targets set by projects. For the second indicator, look for disaggregation by gender.

Outcome 3.3			Areas with regularized land titling expanded
Outcome indicator			• Area of rural properties with land tenure fully regularized
Baseline	Year	2023	Zero for this outcome level indicator
End target	Year 4	2027	Targets set by project, but check for agency level targets in their annual or pluriannual plans.

Outcome 3.4			Areas with land- use planning defined by ecological-economic zoning (ZEE) expanded
Outcome indicator			• Areas with their land use defined through ZEE
Baseline	Year	2023	Zero for this project level outcome
End target	Year 4	2027	Check for projects meeting their targets

Impact 4			**Economic instruments, science, technology, and innovation contribute to the recovery and sustainable use of biodiversity**
Impact indicator			• Number of patent applications filed at the National Institute of Industrial Property (INPI) • Subsidy value paid to extractivists for the promotion of sociobiodiversity product chains in the states of the Brazilian Amazon (PGPM-Bio)
Baseline	Year	2022	From 2022 annual report
Target	Year	2027	▪ Increase in patents or rate of patent application against baseline ▪ Increase in number of families receiving subsidy, increase in the proportion covered by the subsidy of the difference between real production cost and market value, increase in the total amount of money paid out annually

Outcome 4.1			Knowledge and technology for conservation and sustainable use of biodiversity, deforestation monitoring and control, and land-use planning produced, disseminated, and utilized
Outcome indicator			• Number of scientific, educational or outreach publications produced

			Number of researchers and technical staff involved in Science, Technology and Innovation (CT&I) activities who are resident in the Amazon regions (disaggregated by gender)
Baseline	Year	2023	Zero for this project level outcome
End target	Year 4	2027	▪ Increase in publications ▪ Increase in staff, and proportional increase in number of women

Outcome 4.2			Economic instruments for conservation and sustainable use of biodiversity, deforestation monitoring and control, and land-use planning developed, disseminated, and employed
Outcome indicator			• Number of solidary financial operations implemented to promote sustainable productive activities through community-focused revolving funds or similar
Baseline	Year	2023	Zero for this project-level outcome
End target	Year 4	2027	Increase in operations, and also look for increase in the number and size of funds, loosely baselined against data from the NGO Conexsus (https://www.conexsus.org/).

Annex 4: Risk Management Matrix
Identified risks should be reviewed annually by the Danish MFA, along with the annual report and financial statements.

Contextual risks:					
Risk Factor	**Likelihood**	**Impact**	**Risk response**	**Residual risk**	**Background to assessment**
The legislative branch may continue to delay passage of necessary bills, or pass bills that are contradictory to PPCDAm, slowing implementation of strategic actions by states and municipalities	High	Medium	Political outreach by donor countries to legislative branch may be possible. Conversations at state level may be particularly productive, especially as more REDD+ instruments continue to be deployed in Brazil.	Medium	Opposition parties retain strong influence in congress and are still moving through bills that are counter to the intent of the Amazon Fund. Certain actions, such as parliamentary inquiry commissions, also restrict the ability on non-governmental groups to act efficiently and effectively.
Economic downturns may affect federal budget allocation to critical agencies, slowing implementation and putting at risk the additionality principle	Medium	Medium	None possible, any decision is up to COFA	Medium	Once in the past the MMA sought special authorization from the COFA to suspend the additionality principle, on an emergency, short term basis, following across the board federal budget cuts to agencies. The move, though counter to AF policies, was effective in maintaining key actions by the Environmental licensing and enforcement agency IBAMA.
Shifting pattern and drivers of deforestation—climate change feedbacks	High	High	Maintain visibility on the issue in diplomatic discussions to make stakeholders and COFA members are aware of the significant risk posed by fire and climate change and of the need to reassess the cost of planned Amazon Fund interventions in the face of these changing environmental scenarios. Dialogue with other donors regarding support for better scenario planning.	Medium	Forest degradation and loss will increasingly occur due to altered fire behavior, and in the longer term due to stress on vegetation and changing hydrological regimes. IBAMA, ICMBio and State Agencies do not currently have the capacity to address altered fire regimes in the Amazon, and are not addressing the threat of changed fire behavior due to climate change feedbacks. Fires and extreme weather events will also lead to loss of resilience of communities, such that the cost of adaptation of economic activities will be progressively higher.

Shifting drivers of deforestation: Mining, major infrastructure development, shifts in agriculture-linked deforestation to low governance / low environmental awareness states that lack sufficient civil society organization to influence state and municipal government behavior.	High	Medium	As above	Medium	
Continued focus on the Amazon leads to lack of focus on other biomes, especially Cerrado.	High	High	Maintain dialogue with Brazil regarding importance of Cerrado, give visibility to the AF's capacity to support deforestation reduction in the Cerrado through zoning and command and control actions.	Medium	Vegetation losses along the borders of the Amazon where vegetation is essential for resilience and adaptation to climate change for those areas that may transition to woodland, will impact resilience of the Amazon

Programmatic risks:

Risk Factor	Likeli-hood	Impact	Risk response	Residual risk	Background to assessment
Lack of capacity in key agencies—such as Ministry of Indigenous Peoples, FUNAI—to implement ENREDD+.	High	Low	Multiple donors are funding capacity building activities for federal and state agencies.	Low	There is a plethora of ill designed and possibly unscrupulous Redd+ projects being proposed to indigenous communities. Until Brazil approves and regulates its national carbon market and regulates the voluntary market, pressure from these projects will cause confusion and conflict within indigenous lands seeking to establish territorial management. At the same time, Brazil will forego opportunities for financing deforestation reduction projects due to limited access to carbon crediting systems.
Legacy of understaffing and other weakening of federal agencies, and work stoppages and strikes by federal employees, limit capacity	High	High	None possible from donors, but note that recent Supreme Court decisions has mandated extraordinary credit and restricted	High	During the Bolsonaro administration, key agencies were de-structured, staff were fired or resigned, and motivation and morale decreased. The hiring / restaffing process is slow in a country with

of agencies to implement key activities under PPCDAm.			budget cuts that would affect PPCDAm		restrictive, inflexible labor laws and high labor costs. At the same time, salary levels for environmental staff are low, have not been increased in many years, and lack of field equipment / badly maintained field equipment make field work very high risk. Staff at Ibama and ICMBio are currently undertaking a work stoppage action (*paralização*), whereby they will not undertake even routine field work, although they continue to carry out office work. They may go on strike in April. While this is likely to be resolved by the time the Danish contributions are in effect, such work stoppages could recur in the future.
Onerous application process continues to restrict some key entities from applying to the Amazon Fund.	Medium	Medium	Work with other donors to continue to support streamlining of grant processing, and possibly to allow higher coverage of AF overhead / operational costs from contributions.	Low	The Amazon Fund, with technical support from the German Overseas Development Cooperation / GIZ has shown significant improvement in this area over the last decade, and it is expected that improvement will continue.
Continued under-emphasis on cross-cutting gender focus.	Medium	Low	Recommend that AF or COFA have a gender expert review / give recommendations at project level for both improving and extracting gender impact.	Medium	AF has increased visibility of this theme in guidelines and calls for proposals, but AF indicators remain weak. Several federal government agencies remain resistant to increased gender inclusivity. However, indicators likely to be more effective at project level, and the theme is rapidly gaining traction in civil society organizations.
Institutional risks:					
Risk Factor	**Likeli-hood**	**Impact**	Risk response	**Residual risk**	**Background to assessment**
Limited funding allocated to management of the programmatic aspects of the Fund (3% overhead on donor funds)	High	Medium	Large donors continue to provide support outside of their contributions to Amazon Fund' donors in general support	Medium	Mid-term external evaluation recommends increase is allocation to administrative activities, to speed up the grant processing system.

restricts AF staffing and managerial capacity and slows down the grant solicitation, analysis, approval and contracting pipeline.			stakeholders in preparation of proposals.		
Delay in activating that Amazon Fund Technical Committee, setting new deforestation refence baselines, and updating Amazon Fund Project Document.	Medium	Low	Include the issue of CTFA and internal project document in final contract negotiations.	Low	If this process delays beyond September, it is likely that the contract will have to be reviewed once the AF shares the updated Project Document with donors, as the Project Document is an attachment to the contract.

Annex 5: Budget Details

97% of funds will be expended on grants made by the Amazon Fund in line with its grant-making priorities.

3% of funds will be applied to Amazon Fund operational costs, including logistics and consultancies, but not BNDES staff salaries.

Annex 6: List of Supplementary Materials and Key Documents

All documents and references are in the public domain. Those that are available only in Portuguese are labelled PORT and are available on the Portuguese language version of the Amazon Fund website. The documents in English language are available on the English language version of the Amazon Fund website.

1. Amazon Fund Project Document MMA
https://www.fundoamazonia.gov.br/export/sites/default/en/.galleries/documentos/amazon-fund/Amazon-Fund-Project_Document_MMA.pdf

2. PPDCAM 2023-20 (PORT)
https://www.fundoamazonia.gov.br/export/sites/default/pt/.galleries/documentos/politicas-publicas-orientadoras/PPCDAm_5a-fase-2023.pdf

3. Amazon Fund 2023-25 Vision
https://www.fundoamazonia.gov.br/export/sites/default/en/.galleries/documentos/amazon-fund/Strategic-vision-2023.pdf

4. Amazon Fund 2023-25 Guidelines for the Amazon
https://www.fundoamazonia.gov.br/export/sites/default/en/.galleries/documentos/amazon-fund/Guidelines-2023-Legal-Amazon.pdf

5. Amazon Fund 2023-25 Guidelines for Other Countries and Biomes
https://www.fundoamazonia.gov.br/export/sites/default/en/.galleries/documentos/amazon-fund/Guidelines-2023-Outside-Legal-Amazon.pdf

6. Amazon Fund 2017 Logic Framework Document, with indicators, risks and sources of data for each indicator (PORT)
https://www.fundoamazonia.gov.br/export/sites/default/pt/.galleries/documentos/monitoramento-avaliacao/0.home/FA_Quadro_Logico_2017.pdf

7. Amazon Fund Independent Mid-term Evaluation
https://www.fundoamazonia.gov.br/export/sites/default/en/.galleries/documentos/monitoring-evaluation/Independent-evaluations/Amazon-Fund-Mid-Term-Evaluation-Report-Effectiveness.pdf

8. Amazon Fund call for proposals on Amazon in the School—Healthy and Sustainable Food from Family Farmers and Forest-based Producers (PORT) https://www.fundoamazonia.gov.br/pt/como-apresentar-projetos/chamadas-publicas/amazonia-na-escola/

9. Amazon Fund call for proposals on Restore the Amazon—Ecological Restoration with Native Species of Degraded Areas in the Amazon Arc of Deforestation (PORT) https://www.fundoamazonia.gov.br/pt/como-apresentar-projetos/chamadas-publicas/restaura-amazonia/

Annex 7: Plan for Communication of Results

<u>At approval</u>:

- Fact sheet 1 explaining the link between reduced deforestation and reduced socioeconomic vulnerability and increased (sustainable) economic development for communities—show the value potential for forest-based value chains, the way they enter Europe, etc. Commodities coming out of Brazil go beyond soy—they include Brazil nuts, açaí fruits, large fish, special woods, oils, fruits and pulps, and value-added products from waste products.
    - Target—Danish society.
    - Responsible: Danish embassy in Brazil.

- Fact sheet 2 explaining Amazon Fund's nature as a Results-based Redd+ fund
    - Target: Danish decisions makers and Danish Civil Society
    - Responsible: Danish embassy in Brazil.

- Press release, emphasizing partnership with other donors, with comments from donors and AF.
    - Responsible: Danish embassy communications office.
    - Target: Brazilian society and partners

<u>Annually</u>:

- Release summary of AF annual report.
    - Danish embassy, relying on materials produced by AF

<u>At end of contribution cycle / end of GFP 4-year allocation</u>:

- Press release for Danish media vehicles, and associated narrative news item prepared by Danish embassy communications team or consultant. Addresses results achieved by AF during the 4 years, focus on deforestation and changes in forest-based production capacity by rural, traditional and indigenous peoples.

The Danish Initiative for the Conservation of Tropical Forests Support to the Central African Forest Initiative (CAFI) 2024 – 2027.

Key results:

- Reduction of carbon emissions in the Congo Basin through implementation of projects to reduce emissions, protect biodiversity, improvement of IPLC rights, and reduce poverty in the Congo Basin
- Restoration of degraded lands in smallholder properties, protected areas, and indigenous lands in the Basin
- Introduction of participatory and appropriate management approaches on Indigenous Lands and in local community lands.
- Supporting Governments in the Congo Basin in their efforts to reduce deforestation and forest degradation

Justification for support:

- CAFI is a transparent, ethically and administratively robust, and programmatically effective instrument for funding deforestation reduction interventions, improving IPLC rights and protection of biodiversity in the Congo Basin
- CAFI offers the opportunity to support climate change adaptation, biodiversity and development in very a fragile context where DK is not present bilaterally.

Major risks and challenges:

- Weak Governments and political/social unrest in the Region
- Political interference and suspension of additionality principles on the fund
- Shifting drivers of deforestation and loss of forest due to feedbacks from climate change

File No.					
Country	Global				
Responsible Unit	KLIMA				
Sector	Climate, Nature and Environment				
Partner	Central African Forest Initiative (CAFI)				
DKK mill.	2024	2025	2026	2027	Tot.
Commitment	150				150
Project. disbursement					
Duration	2024 - 2027 (4 years)				
Finance Act code	06.34.01.75				
Head of unit	Karin Poulsen				
Desk officer	Maja Svankjær Thagaard				
Reviewed by	Jacob Strange-Thomsen				

Relevant SDGs

No Poverty	No Hunger	Good Health	Quality Education	Gender Equality	Clean Water, Sanitation
Affordable Clean	Decent Jobs,	Reduced Inequalities	Sustainable Cities,	Responsible Consumption &	Climate Action
Life on Land	Partnership for Goals				

Strategic objectives [for projects under a Country Strategic Framework**]/Objectives [**for stand-alone

Strategic objective of CAFI is 1) Emission reductions and removals from land use sector and 2) poverty alleviation and sustainable development

Environment and climate targeting - Principal objective (100%); Significant objective (50%)

	Climate adaptation	Climate mitigation	Biodiversity	Other green/environment
Indicate 0, 50% or 100%	100%	100%	50%	N/A

Justification for choice of partner:

CAFI offers the opportunity to support climate change adaptation, biodiversity and development in very a fragile context where DK is not present bilaterally.

Summary:

The Congo Basin is the 2nd largest forest ecosystem in the world. It absorbs CO_2 equivalent to 4% of the Worlds emission and provides livelihood to 60 million people. The forest is threatened by increasing rates of deforestation. The project aims at utilizing the potential of the forest as nature-based solution to climate change, biodiversity loss and development.

Budget (engagement as defined in FMI**):**

Total	150 DKK million

Support to

The Central African Forest Initiative (CAFI)

Under

The Tropical Forests Initiative

for climate and development

2024-2027

Project Document

DRAFT

Ref: 24/19468

April 2024

List of acronyms

AA	Administrative agent
AFOLU	Agriculture, forestry, and other land use
AMG	Aid Management Guidelines
BOT	Built, operate, and transfer
CAFI	Central African Forest Initiative
CBD	Convention on Biological Diversity
CBFM	Community based Forest Management
CBFP	Congo Basin Forest Partnership
CCTF	UN Global Counterterrorism Strategy
CIFOR	Centre for International Forestry Research
CO2	Carbon Dioxide
COP26	UN Climate Change Conference in Glascow 2021
COP27	UN Climate Change Conference in Sharm el-Sheikh 2022
COP28	UN Climate Change Conference in Dubai 2023
COMIFAC	Central African Forest Commission
CSO	Civil Society Organization
DAC	Development Assistance Committee
DKK	Danish Kroner
DRC	Democratic Republic of Congo
EB	Executive Board
FAO	UN Food and Agriculture Organization
FCLP	The Forest and Climate Leaders Partnership
FLEGT	Action Plan for Forest Law Enforcement, Governance and Trade
FONORED	The DRC REDD+ National Fund
GCF	Green Climate Fund
GDP	Gross Domestic Product
GEF	Global Environment Facility
CGTF	UN Global Counter-Terrorism Strategy
GHG	Greenhouse Gasses
GtCO2	Giga-tonnes carbon dioxide
HRBA	human rights-based approach
IDH	Sustainable Trade initiative
IO	Implementing Organization
IPCC	Intergovernmental Panel on Climate Change
IPLC	Ingenious Peoples and local communities
IUCN	International Union of Conservation of Nature
KfW	Kreditanstalt für Wiederaufbau
LED	Low emission development
LoI	Letter of Intent
MEL	Monitoring, evaluation and learning

MFA	Danish Ministry of Foreign Affairs
MOP	Manual of Operations
MDTF	Multi Donor Trust Fund
NDC	National Determined Contributions
NGO	Non-Governmental Organization
NICFI	Norway's International Climate and Forest Initiative
NIF	National Investment Framework
NGO	Non-Governmental Organization
NUNO	Non-UN Organizations
NYDF	New York Declaration on Forests
OECD	Organisation for Economic Co-operation and Development
PES	Payment for environmental services
RBM	Result Based Management
REDD	Reducing Emissions from Deforestation and Degradation
REDD+	Reducing emissions from deforestation, forest degradation, conservation, sustainable management of forests and enhancement of carbon stocks
SDG	Sustainable Development Goal
ToC	Theory of Change
UNCED	United Nations Conference on Environment and Development
UNDP	United Nations Development Programme
UNFCCC	The United Nations Framework Convention on Climate Change
UNFF	United Nations Forum on Forests
UNDRIP	United Nations Declaration on the Rights of Indigenous Peoples
UN MPTF	United Nations Multi-Partner Trust Fund UN MPTF
UNO	UN Organizations
UN-REDD	UN REED Programme
USD	US Dollars

Table of Contents

1. Introduction

The present project document outlines the background, rationale and justification, objectives and management arrangements for development cooperation concerning Danish contribution to "The Central African Forest Initiative (CAFI)" as agreed between the parties, CAFI/UNDP and KLIMA in Danish Ministry of Foreign Affairs. The project document is an annex to the legal bilateral agreement with the implementing partner and constitutes an integral part hereof together with the documentation specified below. "The Documentation" refers to the partner documentation for the supported intervention, which is, among others "Terms of Reference (Strategy) for Central African Forest Initiative (CAFI), December 2021.

The World's forests are crucial for climate, biodiversity, ecosystem services as well as for socio-economic development and human livelihoods. Forests' role in climate change is two-fold. They act as both a cause and a solution for greenhouse gas emissions. Deforestation and forest degradation currently account for up to a fifth of global greenhouse gas (GHG) emissions. At the same time, forests are one of the most important solutions to addressing climate mitigation. Approximately 2.6 billion tonnes of carbon dioxide, one-third of the CO2 released from burning fossil fuels, is absorbed by forests every year. Estimates show that nearly two billion hectares of degraded land across the world offer opportunities for restoration. Increasing forest cover and maintaining forests is therefore an essential mitigating solution to climate change. Other benefits from protecting forests in support of both people and nature are considerable[1]; Globally, 1.6 billion people (nearly 20% of the world's population) rely on forests in different ways for their livelihoods, many of whom are the world's poorest. Forests provide US$ 75–100 billion per year in goods and services such as clean water and healthy soils. Finally, forests are home to 80% of the world's terrestrial biodiversity. While especially in the tropical forests are continuing to disappear and be destroyed at very high rates, invaluable biodiversity will be lost.

In this picture, the vast area of tropical forest in Central African is playing a vital role for the region and local communities, but also globally. It is the second largest tropical forest area of the World, and it is the only large tropical area of the World that still acts as a net carbon sink. The Central African forest has so far seen relatively limited deforestation as compared to other tropical forest areas of the World, but lately that the situation is changing and the rate of deforestation is increasing. It is therefore urgent to take action and reverse this trend.

In 2024 it was agreed to launch the Danish Initiative for Tropical Forests. On the Finance Bill for 2024, one billion Danish Kroner (DKK) was allocated for the initiative for the period 2024 -2027. It was decided that the initiative should focus on forests and other woodlands, which are under pressure from primarily deforestation and forest degradation. The objectives of the Danish initiative are to contribute to climate change mitigation and adaptation, protection of biodiversity and habitats, and support sustainable development and poverty alleviation, including the protection of the rights of indigenous peoples and local communities. The proposed Danish support to the Central African Forest Initiative (CAFI) will be a project under and fully in line with the objectives of the Danish Initiative for Tropical Forest Initiative. The proposed Danish support to CAFI is DKK 150 million of core grant support running for four years from 2024 to 2027.

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[1] IUCN. 2021. Forests and Climate Change. Issues Brief.

2. Context, strategic considerations, rationale and justification

2.1 Context

The Central African forest is the second largest in the world, spanning over an area as large as Western Europe. Each year, it absorbs close to 1.5 billion tons of CO2 from the atmosphere (approx. 4% if the world's emission). The Central African forest is the source of food, energy and shelter for over 60 million people living in and around the forest and it is home to more than 10.000 plants and animal species. Its contribution to fighting climate change and biodiversity loss and mitigating the negative impact on people at local level and in the region is more essential than ever. At the same time, while forest loss has been moderate so far, deforestation in the region is rising. In 2023 deforestation in the Central African forest has increased 12.5% compared to 2018-2020.[2]

Deforestation and forest degradation are complex issues that have many direct and structural causes. The direct and structural drivers of deforestation and forest degradation in the Congo Basin vary both regionally and temporally, but rapid population growth and local conflicts is a shared challenge for countries in the region. The most important direct drivers of deforestation include expansion of small scale and subsistence agricultural activities and local consumption of wood energy. Other direct drivers are selective logging and, to a lesser extent, fire, mining and infrastructure[3]. Although, historically, large-scale agriculture and mining have been relatively minor deforestation drivers in the Congo Basin, they are now expected to lead to larger-scale deforestation if no protective measures are taken. Artisanal mining plays a role in some parts, such as Eastern Democratic Republic of Congo (DRC). This region is also particularly attractive for expanding oil palm plantations, due to land availability and less regulations than in other regions. Weak governance indirectly favours deforestation and forest degradation, including insufficient legal frameworks, uncoordinated sectoral policies, lack of transparency in issuing logging concessions, and insecurity and competition over land tenure.

Faced with these challenges and recognising the importance of Central African forests both for national development and the global environment, donor countries have been scaling up efforts to support forests at all levels. Internationally, negotiations under the United Nations Framework Convention on Climate Change (UNFCCC) are searching for better mechanisms to preserve forests and compensate countries for doing so. Multi-and bilateral programmes are providing support to Central African countries to address forest loss. Regional initiatives, such as the Joint Declaration on REDD+ in the Congo Basin, the Central African Forest Commission (COMIFAC) or Congo Basin Forest Partnership (CBFP)[4], have contributed to better regional dialogue, as well as increasing awareness and action. At the national level, governments have engaged in activities either in the context of REDD+ or independently, to monitor forest loss and develop strategies to address the situation. Nevertheless, further efforts are needed and action to save the Congo Basin Forest remains underfinanced, fragmented, and could benefit of better coordination.

The six countries in the Congo Basin can be characterized as weak or fragile states. Fragile states have issues that substantially hinder their economic and social performance. These issues include weak governance, limited administrative capacity, chronic humanitarian crises, persistent social tensions, and

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[2] Major Rainforests Target: End Deforestation by 2030 | World Resources Institute Research (wri.org)
[3] A new Danish global forest programme. A preparatory analysis and strategic considerations Arild Angelsen et.al. September 2023
[4] Terms of Reference for CAFI. Revised March 2023

often, violence or the legacy of armed conflict and civil war. Some of the countries in the Congo Basin have issues with terrorism in the sense that they may be safe havens for terrorism groups. Both in Eastern RDC and the countries bordering the Sahel and Northern Nigeria (Cameroun, Central African Republic) are faced with increasing terrorist activity, which obviously is a challenge to Forest conservation activities[5]. The countries all have a very low Human Development Index (HDI)[6][7]. Looking isolated at the Gross National Product per capita (GNP) for the countries gives the same pattern. The socio-economic situation combined with the unstable political situation underlines the need for these countries to receive assistance to manage and protect their natural resources, although the weak governance and the limited administrative capacity constitute a risk that can complicate implementation of the project and affect outcomes and results.

In response to the above challenges, CAFI was established in 2015 on the basis that slowing down the loss of forests in Central Africa only can be attained through substantially scaled-up international support to transformational reforms and investments on the ground. CAFI is a multi-donor Trust Fund that supports direct investments on the ground and a political negotiations platform that aims to drive high-level policy dialogue.[8] CAFI is currently consisting of a coalition of nine donors contributing to the initiative: Belgium, The European Union, France, Germany, the Netherlands, Norway, the Republic of Korea, Sweden, and the United Kingdom (current chair), and six partner countries: the Central African Republic, the Democratic Republic of the Congo (DRC), the Republic of Cameroon, the Republic of Congo, the Republic of Equatorial Guinea, and the Republic of Gabon. CAFI describes itself as an organisation where climate and development objectives are attained through the implementation of ambitious national investment frameworks.

2.2 Strategic considerations

In accordance with the strategic framework for the Tropical Forests Initiative, a requirement to all interventions to be included under the programme is to apply the nexus of poverty alleviation and climate change mitigation and adaptation in their engagements in the forest sector. In addition, issues of rights of IPLCs and biodiversity conservation are important aspects of the strategic framework. Support to CAFI would be a strong support to the poverty/climate nexus and would also be supportive of IPLC rights and biodiversity conservation. In Annex 2 is provided a more detailed assessment of CAFI and the application of the above-mentioned strategic issues.

In order to address deforestation of the Central African forest system there is a need to address the complex and interrelated drivers of deforestation. Although there are differences between CAFI partner countries, there are also many similarities in terms of drivers. The existing and projected investments under CAFI are addressing the drivers of deforestation. Effectiveness of investments in addressing the drivers of deforestation varies, and results can potentially be affected by the difficult context.

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[5] https://ctc.westpoint.edu/the-rising-threat-to-central-africa-the-2021-transformation-of-the-islamic-states-congolese-branch/

[6] https://hdr.undp.org/about/human-development. The HDI provides the level of social and economic development by combining data on a number of areas of relevance to their development stage, e.g. life expectancy at birth, expected years of schooling, gross national income (GNP) per capita etc.

[7] Gabon with the highest index (0.693) among the countries, and Central Africa Republic as the lowest (0.387). For comparison Denmark has an index of 0.952.

[8] Who we are | Central African Forest Initiative (CAFI)

Given that the Central Africa Forest is the source of food, energy, shelter and spirituality for over 60 million people living in and around the forest, that it comprises countries with some of the lowest Human Development indices and with highest number of people in urgent need of food security assistance, it is crucial that CAFI efforts integrates poverty alleviation as a central part of it objective.

CAFI is providing by far the largest part of its support to the Democratic Republic of Congo (DRC), which is having a GDP per capita of USD 654[9] (2022). This is one of the lowest in the world, and it means that a general support (non-earmarked) to CAFI is also, in the future, likely to benefit some of the poorest and forest dependent people in world. From a poverty alleviation perspective, this is an important consideration to make. CAFI has safeguards and policies in place that addresses poverty alleviation and seeks to implement in ways that is Leaving No One Behind (LNOB). This is major strategic consideration for the proposed support to CAFI.

CAFI is very aware of the importance of engaging gender in the projects, and CAFI is monitoring the engagement of gender and recognize that women and youth are important actors when it comes to innovative and inclusive solutions. As such CAFI is aligned with the Danish cross-cutting priorities on gender and youth. A particular challenge and opportunity relate to improving job opportunities for women and youth and more generally the lives of women and youth through support to sustainable development, in particular for small and medium size businesses among IPLC´s in the Basin.

CAFI is addressing tenure issues and seeks to implement in accordance with the Human Rights Based Approach (HRBA). Protecting rights of IPLC's is crucial when working with land and forest and CAFI is seeking to include this as part of its way of working. Strengthening the rights-based approach to address deforestation and pursue further progress on this could be part of the focus areas for Danish support to CAFI.

Given the context, it is also important to support that CAFI, since it indirectly engages itself in anti-terrorism activities by improving governance and human rights in the Congo Basin countries and as such subscribe to peace and stability in the Region[10].

2.3 Rationale

The global, regional and local importance of keeping the Central African forest area relatively intact cannot be underestimated. The Congo Basin is extremely important for biodiversity, climate change mitigation, climate adaptation and people living in and adjacent to the forests in the basin. Support to implement essential reforms and complex investments to effectively address the drivers of deforestation is clearly needed to reserve the trend of increasing deforestation. This is the overriding rationale for providing support to the area/region and to the fight against deforestation.

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[9] https://data.worldbank.org/indicator/NY.GDP.PCAP.CD
[10] The general policy frameworks for Denmark's engagement in multilateral efforts to prevent and counter terrorism are the UN Global Counterterrorism Strategy (GCTF) (most recently revised in July 2021) and the EU Foreign Affairs Council Conclusions on EU External Action on Preventing and Countering Terrorism and Violent Extremism (adopted in June 2022).

Recent studies[11] [12]show an increase in the deforestation rate in the Congo Basin. And even though it and does not automatically imply that deforestation and degradation there are signs that the forest cover is diminishing. According to CAFI[13], the last data they have received confirms the same trend.

None of the existing multilateral REDD+ initiatives allow for supporting strategic and holistic REDD+ and/or Low emission development (LED) investment frameworks in Central African high-forest cover countries, because. CAFI provides this opportunity. In addition, CAFI is a platform for coordination for like-minded donors that opens for substantial international support to national efforts to mitigate deforestation and degradation of the forests.

Further, CAFI facilitates political commitment and reform willingness in partner countries, and it promotes that larger donor resources can be secured on the basis of development of common roadmaps and specific targets for the partner countries in the Region. The CAFI structure will allow for risk sharing among the donors, and it promotes a regional approach across several countries who share certain common characteristics, and it supports increased performance of investment programmes by fostering learning across countries in a spirit of South-South cooperation[14]. Provision of support to CAFI has a clear rationale in terms of strengthening actions to support climate change adaptation, biodiversity and resilience among the poorest and most vulnerable and fragile countries. This rational aligns with the objectives of the 'How to note on Climate Adaptation, Nature and Environment'.

The recognition of the importance of coordination among donors and collaboration at highest political level to drive transformative changes that protects the forest is a key rationale behind the proposed support to CAFI. Also, the possibilities to provide support to the forest activities on a bilateral basis would be difficult because Denmark is not present via Embassies in the countries in the Congo Basin. As a multi-donor trust fund CAFI contributes to the pooling of resources among donors, which facilitates the mitigation of shared risks, increases the visibility and transparency for all development actors and deliver finance at as scale required to address the structural drivers of deforestation and propel transformative change towards sustainable management of the natural resources of the Congo Basin.

Private sector plays a pivotal role in halting deforestation, since the private sector offers additional financing and private sector engagement will also eventually provide opportunities for job creation. The present management structure as a UN multi partner trust fund prevents CAFI from supporting private sector projects and various financial instruments, like blended finance, payment for environmental services (PES), soft lending etc.

Also, the fact that CAFI cannot easily engage private sector in project implementation, which *among others* leaves out private public partnerships, which could be an appropriate vehicle for forestry projects is seen as a weakness in the current CAFI set-up[15][16]. The CAFI Board has decided to establish a private sector facility, which was launched in October 2023[17]. USD 100 million in grants has already been allocated to the facility. Aimed at private companies wishing to invest in Central African value chains, the facility can

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[11] Shapiro, Aurelie et.al. Small scale agriculture continues to drive deforestation and degradation in fragmented forests in the Congo Basin (2015–2020). Land Use Policy Volume 134, November 2023.
[12] https://research.wri.org/node/198
[13] The last data on three cover loss has not been published, since they are contested by the countries in the Basin
[14] As 5)
[15] "A new Danish global forest programme. A preparatory analysis and strategic considerations" (September 2023), Arild Angelsen et.al.
[16] Interviews with CAFI Secretariat
[17] Areas to be supported by private sector facility: Charcoal value chains and clean cooking solutions, Agriculture, Forestry, Ecotourism and other innovative approaches to Forest Conservation, Landscape Restoration, Reforestation & Afforestation

de-risk investment by supporting early project stages and the piloting of new technologies. According to CAFI a soft pipeline amounting to more than USD 300 million has already been build.

In order to allow CAFI to enter into areas involving financial instruments and projects with active private sector participation, it is under consideration to create a so-called CAFI 2.0, which would operate in parallel with CAFI, and the new facility is currently being structured. During discussions with NICFI, Norway has urged Denmark also to contribute to this new facility. This new facility will not be managed by UNDP under a UN MPTF arrangement, and another fund manager will have to be identified.

As a multi-donor trust fund collaborating with a number of different countries with their individual investment plans, the results framework reflects the many different requests coming from country investment proposals. It is the assessment that Danish support in this case will be most effective if it is provided as core support to CAFI, because it is proposed that the contribution will be given with special attention to certain preselected areas of intervention, and since no special reporting will be carried out specifically for the Danish contribution it will be difficult to measure the attribution of the Danish support. As a donor, Denmark will have a seat on the CAFI board, which offers the opportunity for Denmark to actively pursue priorities, e.g. thematic as well as contribute to discussions on improvements for the effectiveness and further development of CAFI as an organization. These focus areas should not translate into earmarking but be used as areas of attention in active engagement with CAFI. participation in. These areas of attention are: (i) land use/tenure including rights of IPLC, (ii) forestry sector and protected areas including biodiversity conservation, (iii) sustainable agriculture including food security, and (iv) governance. The two impacts, 1) Emission and absorption is being addressed under (ii) and 2) Poverty and sustainable development is being addressed under (i) and (iii).

2.4 Justification

CAFIs mission and vision is relevant for the overall objective and strategic goals of the forest programme. Table 1 presents the justification of the project using the OECD DAC criteria[18].

Table 1. Project justification related to OECD DAC criteria.

Criteria	Justification
Relevance	- The Project focuses on the specific goals in the sustainable development agenda, including SDG1, SDG10, SDG12, SDG13, SDG 15 and several other SDGs as well as the Paris Agreement on Climate Change. - CAFI has gained valuable experience in implementation of projects in a region, where many of the countries are fragile states with weak governance. CAFI has established partnerships with all involved country Governments; - CAFI is well organized with well-described governance arrangements, and with adequate control and command functions; - CAFI has established partnerships with the Governments of the participating countries, and agreements have been signed; - CAFI is established to address deforestation in the Congo Basin and is the most prominent conservation trust fund active in the Congo Basin; - CAFI is a transparent, ethically and administratively robust, and programmatically effective instrument for funding deforestation reduction interventions, improving IPLC rights and protection of biodiversity in the Congo Basin;

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[18] https://www.oecd.org/dac/evaluation/daccriteriaforevaluatingdevelopmentassistance.htm

Internal and external coherence	• CAFI involves a number of *donors*: Belgium, The European Union, France, Germany, the Netherlands, Norway, the Republic of Korea, Sweden, and the United Kingdom (current chair), and *six partner countries*: the Central African Republic, the Democratic Republic of the Congo (DRC), the Republic of Cameroon, the Republic of Congo, the Republic of Equatorial Guinea, and the Republic of Gabon.
	• The engagements of all the countries and their Governments in the Congo Basin ensure a coherent effort to address drivers of deforestation, support sustainable management of natural resources and reduce carbon emissions by protecting the forests and the woodlands in the Basin.
	• The CAFI governance structures and Secretariat ensure coordination, complementarity and synergies with partner countries own policies/activities and other donor programmes.
	• All activities in the individual countries are aligned with the National Investment Frameworks (NIF) prepared prior to launching CAFI activities in the countries
Effectiveness	• CAFI has relevant implementing partners, both among UN special agencies, World Bank, Governments and relevant NGOs. Also, the project identification process aims at securing local ownership which is a prerequisite for effectiveness and long-term sustainability:
	• CAFI gives priority to interventions where transformational change can lead to addressing the drivers of deforestation and degradation of forests and create an enabling environment for combatting climate change. This includes changes aligned to partner country priority needs, including. data, analysis, policy design and implementation, capacity development and engagement of partner decision makers and stakeholders.
	• CAFI facilitates exchanges of good practice between the participating countries offers an opportunity to design projects based on lessons learned and reapplication of effective projects and interventions.
	• The CAFI Secretariat has long time experience in facilitating forest management and sustainable development in the project areas.
	• CAFI has gained valuable experience in implementation of projects in a region, where many of the countries are fragile states;
Efficiency	• CAFI builds upon the relationships, policy dialogue and experience of collaboration between CAFI and partner countries since 2016.
	• CAFI has developed a well-established system of identification and implementation of relevant activities in the Partner countries.
	• CAFI has already established collaboration with nine donor countries, and has instituted a relatively well-functioning management structure, with good and relevant risk management procedures financial management systems;
	• CAFI has already established strong direct relationships with other donors and multilateral development partners ensuring coordination and synergies and added value of the CAFI activities with other international cooperation.
Impact	• The CAFI work stream focus areas are designed to deliver the GHG emission reduction, biodiversity protection as well as alleviation of poverty in the Basin.
	• Partner countries will be in a better position to meet the national determined contributions (NDC) goals, and the achievement of particularly SDG13 targets.
	• CAFI's strong convening power enables political commitment and facilitate climate diplomacy, which is a prerequisite for impact in countries where states play a significant role in the economy, and in land-use plans. turn leads to impacts.
	• Due to CAFI interventions, in the DRC alone, figures compiled from projects show targets of emission reductions of 75 million tons of CO_2eq and an increase from 10 to 20% in household revenues. These numbers however are conservative, as they only take into account the figures estimated by some provincial projects in the DRC. Also, in Gabon and the Republic of Congo emission have been reduced (numbers not yet available);
Sustainability	• As part of CAFI's Theory of Change, impact deforestation drivers have been identified. Seeking to address these drivers is a key part of projects funded under CAFI

- Strong emphasis on country partner ownership to CAFI activities, as reflected in the demand-driven support will further reinforce sustainability.
- CAFI focuses on institution as well as capacity building at scale for planning and policy formulation. This is an important element of sustainability.
- CAFI supports private sector involvement by facilitating pre-investments in the development of sustainable value-chains, which creates sustainable, alternative for IPLC's dependent on the forest and its resources for their livelihood.
- The CAFI partnership with international and regional organisations adds to sustainability as it allows to define regional and global engagements/priorities that may be pursued even in the case of national political changes.

3. Project objective

The development objective of the project is to support partner countries in implementing the Paris Agreement on Climate Change, fulfill the post-2020 biodiversity framework and fight poverty and develop sustainability. The objective is achieved though supporting country-level efforts for reducing emissions from deforestation and forest degradation and the role of conservation, sustainable management of forests and enhancement of forest carbon stocks and low emission development investments to mitigate climate change and reduce poverty.

Overall, the support to CAFI will address the major and interrelated challenges of deforestation, carbon emissions from deforestation and forest degradation, biodiversity depletion (through forest conservation) and widespread rural poverty in the Congo Basin (through development of co-benefits). The impacts of the support to CAFI are in line with the objectives of the overall forest programme.

The proposed project is a DKK 150 million Danish support to CAFI running for four years (2024 – 2027) making Denmark a significant contributor to CAFI. The Danish support will be provided directly to CAFI as non-earmarked grant support, and the spending of the Danish funds will be aligned with the CAFI results framework and the CAFI Theory of Change (ToC) (both presented in the following chapters).

4. Theory of change and key assumptions

The CAFI theory of change operates with two overall impacts1) Emissions and Absorptions (Emission reductions and removals from land use sector), and 2) Poverty and Sustainable Development (Development co-benefits (increased food security, biodiversity conservation, empowerment of women, increased tenure security etc.). CAFI[19] uses the United Nations Results-based Management (RBM) terminology for the construction of its results framework

Regarding the first impact, CAFI seeks to significantly contribute to low emission development in partner countries through interventions in the land use and forestry sector because of the immense value forests represent. Emission reductions and CO2 removals will come from policies and measures that properly address drivers of forest loss. These are both direct/proximate drivers (such as agriculture, wood energy, forestry and infrastructure/mining) and indirect/underlying drivers (such as lack of land use planning and insecure land tenure, poor governance and rapid population growth)[20].

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[19] Central African Forest Initiative Monitoring, Evaluation and Learning Policy Version of December 22, 2022 Adopted via decision EB.2022.28

[20] "Drivers" refers in this context to the drivers of deforestation and forest degradation as well as the barriers to conserving, sustainably managing and enhancing forest carbon stocks

The second impact will measure the achievement of the socio-economic transformation required in relation to the transformation process and the co-benefits to be generated for low emission development. Successful results addressing drivers of deforestation constitutes the outcomes of the ToC. Not every country is supposed to deliver all the outcomes since each national investment framework will depend on the country specific dynamics of drivers. In addition to the outputs, a number of assumptions are given.

The ToC for CAFI is summarized in the table below, and outlines the formulated impacts for CAFI together with the seven outcomes and the outputs related to the outcomes. Below is provided the ToC of CAFI.
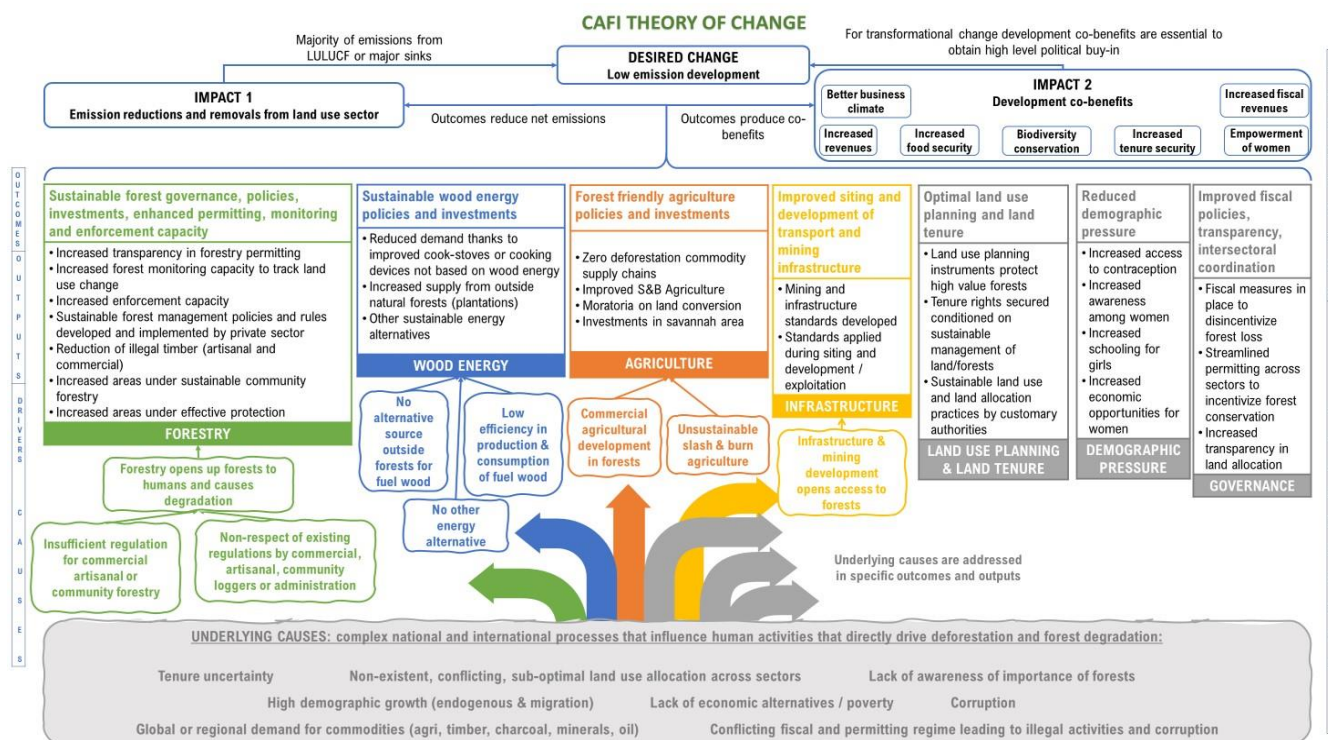
Figure 1. ToC for CAFI[21]

5. Summary of the results framework

CAFI's theory of change is supplemented by a detailed results framework[22], which has been approved by the Executive Board. The result framework functions as a guideline in the appraisal and monitoring of CAFI projects. As mentioned above, the overall impacts in the CAFI ToC have been revised. A revision that was initiated upon request from some donors[23]. The reformulated impacts are clearer, and they are also better aligned to the overall objective of the Danish development assistance with its focus on poverty reduction and climate change

CAFI's result framework reflects the two impacts and seven outcomes of the CAFI theory of change, cf. figure 1 above. The CAFI result framework is further developed with six impact indicators and 33 outcome indicators.

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[21] CAFI Terms of Reference. Revised November 2023
[22] CAFI Results Framework. Revised version, adopted at the 14th Executive Board meeting – 25 October 2019

The progress of CAFI will be measured through a selected number of outcomes and outcome indicators from CAFI's overall result framework. The selected outcomes reflect areas that will be part of the Danish priorities in the EB.

Table 2 below reflects the two overall impacts and the six corresponding impact indicators from CAFI's theory of change.[24] The table also includes the four outcomes and eight outcome indicators (cf. table 2 below), which reflects Danish priorities in CAFI's overall result framework.

Table 2. Result framework for the Danish engagement with CAFI – selected outcomes and selected outcome indicators.

Project	Support to The Central African Forest Initiative (CAFI)
Project Impacts	1. Emission and absorption. Emission reductions and removals from land use sector 2. Poverty and sustainable development. Development co-benefits (increased food security, biodiversity conservation, empowerment of women, increased tenure security etc).
Impact Indicators	1. Emissions reduced (tons of CO2eq) 2. Absorptions (tons of CO2eq) 3. Annual rate of deforestation and degradation (hectares per year and %) 4. Direct beneficiaries' money income (including women, youth and indigenous people) 5. Proportion of population with revenues below 1.25 dollars a day 6. Number and ratio of direct beneficiaries compared to the total population of the intervention area

Outcome 1	Agriculture. Sustainable agricultural practices lead to less land conversion and increased food security
Outcome indicators	1. Existence, implementation and supervision of policy and legal frameworks that limit the conversion of forests 2. Productivity on surface areas supported by the programmes

Outcome 2	Forestry. Forestry sector and protected areas institutions and stakeholders have the capacity and the legal framework to promote, monitor and enforce sustainable management of forests
Outcome indicators	1. Surface of community forestry established (hectares) 2. Surface areas (in ha) and percentage of forests with management plans 3. Small and medium-sized businesses change practices to address deforestation caused by forestry

Outcome 3	Land Use Planning. Land use planning decisions ensure a balanced representation of sectoral interests and keep forests standing, and better tenure security does not incentivize forest loss by individuals, communities or companies
Outcome indicators	1. Existence and implementation of an equitable land use policy – including with respect to issues of gender and vulnerable individuals as well as local communities and indigenous peoples 2. Existence and implementation of land use planning policies or laws that take account of the contribution of forests

Outcome 4	Governance. Better inter-ministerial coordination and governance resulting in a permitting, enforcement and fiscal regime of economic activities that do not push economic actors to forest conversion and illegal activities; and a business climate favourable to forest-friendly investments
Outcome indicators	1. Quality of civil society representation and participation (including indigenous people) investment plan decisions, their programmes and monitoring

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[24] CAFI Results Framework. Revised version, adopted at the 14th Executive Board meeting – 25 October 2019

For each of the above outcomes several outputs are identified. Baseline data and targets for the various countries can be seen in the CAFI Results Framework.

Table 3. Selected Outcomes and selected outputs

Outcomes	Selected outputs that reflect the priorities of the Danish engagement with CAFI
1. Agriculture	• Policy, legal and regulatory frameworks guide, regulate and enforce a limitation of the conversion of forests into agricultural concessions • Rural farmers are supported so that food security and incomes are safer
2. Forestry and protected areas	• Policy, legal and regulatory frameworks guide, regulate and enforce the sustainable management of forests • Percentage of forest areas under sustainable management plans increase • Surfaces of sustainable community forestry increase
3. Land use planning	• Land-use planning instruments protect high-value forests Tenure rights are secured, conditioned on the sustainable management of forests • Customary authorities practice sustainable land use and allocation
4. Governance	• Transparency in land allocations increased • Participation of civil society stakeholders is enhanced • Transparency about implementation of national investments framework enhanced

6. Inputs and budget

Donor contributions

Since 2015 the CAFI fund has received over USD 748 mill cumulatively. In 2023 donors deposited approx. USD 95 million to CAFI with Norway, Germany and the United Kingdom being the largest donors.

Table 4: Donors contribution to CAFI (cf. CAFI's annual report for 2023) (USD)

Contributor	Deposit in 2023	Cumulative deposits by December 2023
Germany	28,860,834	265,644,146
Norway	37,911,098	374,376,592
The Netherlands	12,000,000	34,000,000
France	3,151,056	19,637,184
Belgium	4,970,474	11,523,305
Sweden	734,081	4,397,109
European Union		15,096,179
South Korea	387,991	1,652,182
United Kingdom	7,785,906	22,483,546
Total	95,801,440	748,810,241

As of 31 December 2022, CAFI has funded 42 projects (amongst which 35 projects were active in 2022), implemented by 16 implementing organizations for a total of 843 million dollars

committed. As of April 2024, 73.5% of the deposits by donors have been transferred to implementing partners for projects. Projects vary in size, scale and scope, but include project all 7 outcomes of the CAFI theory of change (governance, demographic pressure, land-use planning and tenue, mining, forestry, wood energy and agriculture. Table 5 below shows CAFI's investments (in USD) per CAFI outcome.

Table 5: CAFI Investments per CAFI outcome
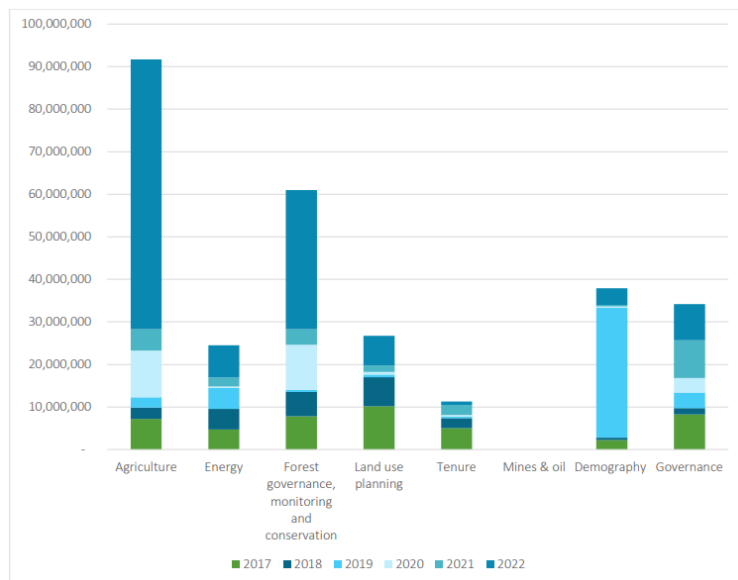
Denmark's financial contribution

The provisional Danish support to CAFI totals a DDK 150 mill pledge covering the period of 2024-2027. The Danish contribution will be committed and disbursed annually. The conditions for the Denmark's contribution to CAFI, including obligations on financial management and reporting, is described in the Grant Agreement between MFA and CAFI, cf. annex 5.

The Danish contribution is provided as core funding to support and strengthen CAFI's capacity and ability to efficiently develop and deliver high-quality projects and activities, which addresses the drivers of deforestation and forest degradation. With core funding Denmark aims to support the realization of CAFI's overall goal of contributing to the Paris Agreement on Climate Change, the fulfillment of the post-2020 biodiversity framework and to fight poverty and develop sustainability.

Denmark will in the engagement with CAFI, e.g. through active participation in the CAFI Executive Board, give priority to projects and activities that reflect the outcomes described in table 2 above.

7. Management arrangements

7.1 Governance and management arrangements for CAFI

CAFI is a Multi-Donor Trust Fund that supports direct investments on the ground and a political negotiations platform that aims to drive high-level policy dialogue.[25] CAFI is currently consisting of a

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[25] Who we are | Central African Forest Initiative (CAFI)

coalition of nine donors contributing to the initiative: Belgium, The European Union, France, Germany, the Netherlands, Norway, the Republic of Korea, Sweden, and the United Kingdom (current chair), and six partner countries: the Central African Republic, the Democratic Republic of the Congo (DRC), the Republic of Cameroon, the Republic of Congo, the Republic of Equatorial Guinea, and the Republic of Gabon.

At present, CAFI provides grants to projects in the six partner countries and to regional projects. The grants are provided on the basis of National Investment Frameworks (NIF), which is negotiated with and endorsed at the highest level by national institutions with cross sectoral mandates. Beside from providing funds to technical assistance, capacity building, scientific networks etc., CAFI support mobilization of funding from e.g. WB and other DFIs, by providing funds for pre-investment activities. CAFI is providing grants to a number of investment areas in the participating countries, with DRC holding by far the largest portfolio of projects.

CAFI is managed by an Executive Board (EB). EB is the decision-making authority where all major decisions are taken. EB is governed by the provisions outlined in the TOR for CAFI. The TOR also outlines the rules of procedure and the exact responsibilities of EB, complemented by a Manual of Operations (MOP) in which all operational procedures and guidelines are assembled. Beside from acting as the authority for CAFI, EB also deals with the policy dialogue with the donors, the Member countries and other stakeholders of CAFI.

The current members of the Executive Board are: Germany, Belgium, France, Norway, Sweden, the European Union, The Netherlands, the Republic of Korea, the United Kingdom (Current Chair), UNDP, on behalf of the UN implementing organisations, with voting rights on all matters except decisions on the allocation of funds, and The UN Multi-Partner Trust Fund (ex-officio). Permanent observers to the CAFI Executive Board are: The Congo Basin Forest Partnership (CBFP), the Food and Agriculture Organization of the United Nations (FAO), and the World Bank. The CAFI Executive Board has the discretion to grant observer status to other countries or entities to participate in its meetings on a case-by-case basis. To ensure and foster the strategic dialogue with partner countries, the EB organises annual reviews, where respective national government, civil society and Indigenous Peoples and private sector representatives are invited to discuss progress toward performance targets as agreed in the LoIs and review CAFI financial commitments in the disbursement plan. In addition to the day-to-day oversight, an annual forum with all stakeholders is organised to update progress, share experiences and obtain inputs. With the contribution to CAFI, Denmark will become Member of the EB. Since no earmarking of the Danish funds will be made, and substituted by active participation in the EB, Denmark is dependent on close liaison with the Secretariat in order to influence meeting schedules, setting of agendas etc. The secretariat functions as a company secretary and prepares meeting calendars and report on matters arising (follow up) between meetings etc.

A secretariat based in Geneva and hosted by the UNDP. The secretariat is responsible for:

- Supporting the development and submission of National Investment Frameworks (NIFs).
- Supporting strategic dialogue between partner countries, implementing organizations and the CAFI Executive Board.
- Supporting monitoring and evaluation efforts.
- Preparing and organizing Executive Board meetings Managing knowledge and supporting South-South cooperation and exchange.

Furthermore, the secretariat advises and supports the EB in strategic planning, consolidates progress reporting and coordinates the review process for the National Investment Frameworks (NIFs) and CAFI projects.

The UNDP's Multi-Partner Trust Fund Office (MPTF) acts as the permanent trustee. The management of the CAFI MPTF is carried out at three levels: 1) partnership coordination & fund operations (Executive Board and Secretariat) serving the overall initiative, 2) fund design and administration (MPTF Office), and 3) fund implementation (Implementing Organisations, or IOs, and national governments).

In order to ensure flexibility, the governance arrangements combine oversight by the Executive Board with country-specific arrangements, either through the existing relevant MPTF-administered national fund or directly through national coordination structures. The relatively small Secretariat ensures the operational support for the CAFI MPTF. The CAFI MPTF is administered by the MPTF Office. The fund's IOs are UN Organisations (UNOs); International Cooperation Agencies (ICAs) and International NGOs. Figure 5 provides the extended management and administrative structure.

All CAFI projects are implemented by Implementing Organisations (IO). CAFI itself is not implementing but is a so-called pass-through facility. The CAFI fund is implemented through three types of fund implementation modalities, namely: (i) UN Organisations, (ii) The World Bank, (iii) Non-UN Organisations that are invited by the Executive Board to sign a Framework and Financing Agreements with the MPTF Office. The choice of implementing organisations is based, *among others*, on existing international capacities required for supporting the implementation of the National Investment Frameworks (NIFs) of the CAFI countries.

Figure 5. Governance and management structure. The structure is further described in the TOR for CAFI
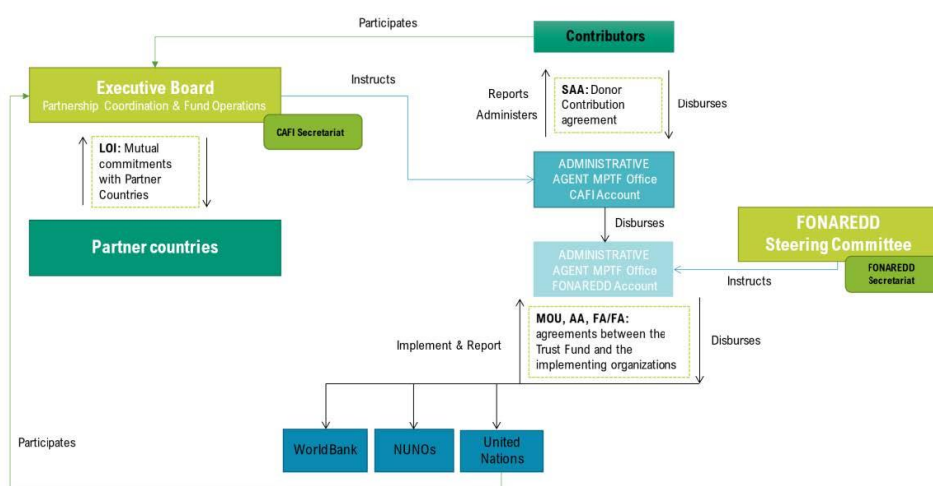
7.2 Implementation modalities for investments and donor funds

The partner country projects are selected in a well-defined process, where the partner countries first develop their NIFs, addressing drivers of deforestation and forest degradation according to their priorities. Based on the independent review, the Executive Board (EB) reviews the NIF and decides whether or not to engage in a strategic dialogue with the country. Following a review of the NIF and discussions with the

partner country, the EB agrees to support certain policy reforms and large-scale programs. Through a Letter of Intent (LOI)[26], approved by the EB and signed between the CAFI EB and by Ministers with coordination mandates (e.g., Minister of Finance) or Heads of state or government, agree on time-bound targets in policy reform and programmatic performance, and the corresponding financial support by CAFI if jointly defined milestones are met.

The LOI set out the respective responsibilities of the parties within the CAFI partnership, in which beneficiary countries commit to milestones to reduce emissions or increase removals of greenhouse gases (GHG) from deforestation and forest degradation, while CAFI donors commit to securing funding for the achievement of milestones. The LOIs are not legally binding agreements and are specific to each partner country.

In order to ease administration CAFI uses administrative agents (AA), who will take care of disbursement of funds and act as an intermediary between CAFI and the implementing organization. The agents also facilitate timely reporting and oversee accountability.

The MEL procedures as well as the ToC and the Results Framework is summarized in the Central CAFI Monitoring, Evaluation and Learning Policy[27], which was revised in 2022. The objectives and outcomes for the Danish contribution to CAFI will be aligned with the results framework of CAFI, and the Trust Fund's logical framework (LFA). CAFI uses the United Nations Results-based Management (RBM) terminology for the construction of its results framework.

7.3 Management of donor funds, relations, and private sector

CAFI has received donations from nine Governments (see table 4). The total committed capital since the inception of CAFI amounts to approx. to USD 892.5[28] Norway is by far the largest contributor. As Denmark will provide the contribution to the Fund directly, these funds will subsequently be disbursed into individual projects according to the CAFI policies and procedures, and since CAFI is a so-called pass-through structure, the Secretariat will only administer the funds. As mentioned above, all decisions will be taken by The Executive Board (EB) of CAFI.

Experience since 2015 and lessons learned so far has shown that there is a need for provision of project support with private sector involvement. The present management structure as a UN multi partner trust fund prevents CAFI from supporting private sector projects directly and from using various financial instruments, like blended finance, payment for environmental services (PES), soft lending etc. Some of the existing donors, e.g. Norway has seen this limitation as a severe hindrance for providing more efficient support.

Also, the fact that CAFI cannot engage private sector in project implementation, which *among others* normally will leave out private public partnerships, which in many ways could be an appropriate vehicle for forestry projects is seen as a weakness in the current CAFI set-up[29][30]. In response to the difficulties in engaging private sector, a private sector facility has been established in October 2023[31]. The facility will provide co-financing to various areas within the CAFI portfolio. A substantial pipeline has already been

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[26] As an example, letters o interests (LoI) were signed with the DRC in 2016 and in 2021, Gabon and the Republic of Congo
[27] CAFI Monitoring, Evaluation and Learning Policy Version of December 22, 2022
[28] www.cafi.org
[29] A new Danish global forest programme. A preparatory analysis and strategic considerations Arild Angelsen et.al. September 2023
[30] Personal Communications. CAFI Secretariat
[31] Central African Forests – a Global Treasure at Risk. Internal CAFI document. 28/11 2023

built with partners like KfW, IDH, Arise and others engaged in project implementation in the Congo Basin. The projects engaging the mentioned partners will typically be financed in a co-financing arrangement, where CAFI will provide part of the funds. Norway (NICFI) has already set aside USD 100 mill to the new private sector facility.

In order for CAFI to enter into areas involving financial instruments and further develop collaboration and projects with private sector participation, the CAFI EB has considered to create a so-called CAFI 2.0, which would operate in parallel with CAFI. The CAFI EB is expected to take a decision on CAFI 2.0 in June 2024. Pending that decision, a potential new CAFI 2.0 would be set-up during the fall of 2024. During discussions with NICFI, Norway has urged Denmark to consider contributing to CAFI 2.0. It is expected that the new facility will not be managed by UNDP under a UN MPTF arrangement, meaning that another fund manager will have to be identified. It will be agreed in the contracting phase how Danish funding could be allocated to take into account the potential institutional rearrangement of CAFI.

During the contract phase it will be further discussed, how the Danish thematic focus areas could form the basis for the Danish dialogue with CAFI beyond Denmark's participation in the EB, including how reporting procedure can be arranged to comply with relevant Danida guidelines. Further, during the contract phase, it will be discussed in more detail how best the Danish funding to CAFI can be placed to ensure best possible effectiveness in spending and reaching out to the areas that most in need.

Fig 3. Approval process of projects in CAFI[32]

MPTF managed National Fund modality
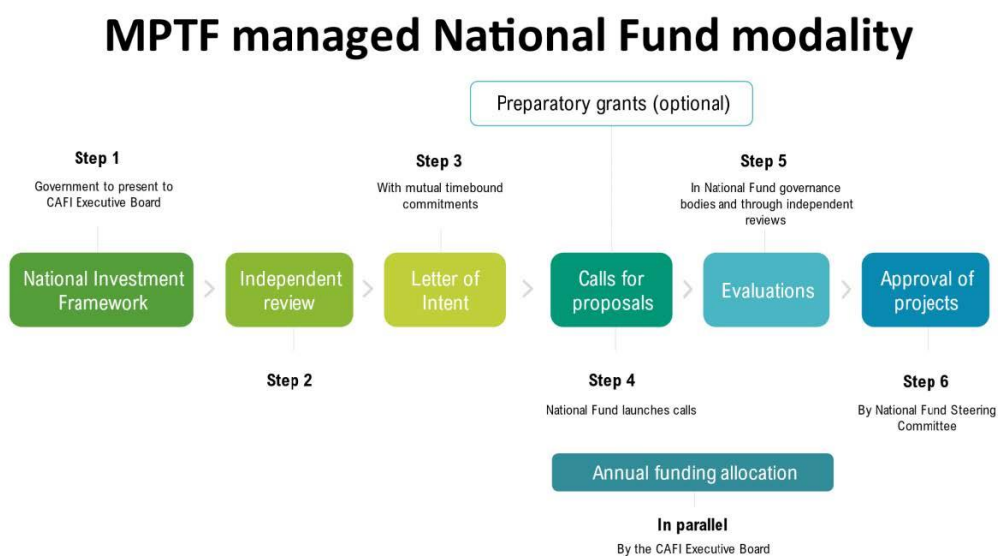
In the Danish support to CAFI an adaptative management approach could also be applied. That means, should CAFI wish to use Danish funds differently than originally envisaged, funds can be reallocated by using the *a priori* agreed procedure under adaptive management[33], which would allow for reallocating funds at a later stage, where demands occur. In principle, structuring of CAFI annual workplan would allow for adjustments and reallocations. The adjustments might involve changes to the result framework for the Fund donations from the Programme, and targets and indicators at the project level would be amended

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[32] www.cafiu.org. Terms of reference for CAFI. March 2023
[33] Guidance Note. Adaptive Management. Ministry of Foreign Affairs. November 2020

accordingly. Normally, the application of adaptive management will involve the addition or termination of new activities; proposal for the use of the adaptive management budget line; shifting of funds between or within activities/budget lines; An adaptive management procedure should be described as a part of the contracting arrangements between Danida and CAFI.

7.4 Contracting

The collaboration between Danida and CAFI would be rectified by signing of a Standard Administrative Arrangement between Danida for CAFI MDTF (Name of Multi Donor Trust Fund) using a pass-through fund management.

In this arrangement the Participating UN Organizations (UNDP) have agreed that they should adopt a coordinated approach to collaboration with Danida and other donors who wish to support the implementation of the Fund. Also, CAFI MDTP has developed a TOR to use as the basis for mobilising resources for the Fund, and CAFI have further agreed that they should offer donors the opportunity to contribute to the Fund and receive reports on the Fund through a single channel. Since Danida has entered into MDTF arrangements in other occasions, this arrangement would be relatively simple to implement. A standard MDTF agreement is provided in Annex 7.

8. Financial management and reporting

8.1 Financial management

The Danida contribution will be paid in yearly disbursements, following accountability procedures, which in the case of CAFI would be substituted by the yearly audited statements.

CAFI, being the recipients of funds is responsible for submitting periodic activity based financial reports, according to Danida financial management guidelines, which has to be assured to be compliant with the Danish requirements in regards to financial management. CAFI IOs shall submit annual financial reports to CAFI, via the AA for the activities, which it directly manages and implements. The financial reports will be consolidated and submitted to EB for approval and submission to the donors.

The MPTF Office is responsible for the following fund administration functions[34]:

1. Receive contributions from donors that wish to provide financial support to the Fund;
2. Administer such funds received including closing the Fund and related matters;
3. Subject to availability of funds, transfer such funds to implementing Organizations, upon instructions from the Executive Board or the National Fund Steering Committee in the case of an allocation to a National Fund administered by the MPTF Office;
4. Provide to donors an annual consolidated report based on narrative reports consolidated by the secretariat and financial reports provided by implementing Organizations;
5. Provide to donors a final consolidated report, including notification that the Fund has been fully expended or has been closed;
6. Disburse funds for any additional costs of the tasks that the Executive Board may decide to allocate.
7. Provide fund management tools to ensure transparency and accountability.

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[34] Terms of Reference for CAFI. Revised March 2023

CAFI will facilitate an annual external audit of the Program national account and submit the audit report to the development partners, including Danida. There will be no special audit for the Danish contribution. CAFI will also ensure that financial management and procurement activities are conducted in accordance with government procurement and financial management policies and procedures for UN MPTF arrangements.

Following the completion of the project period, all assets provided to implementing partners will be disposed of to the beneficiaries of the project in ways that can sustain project activities into the future and are compliant with CAFI policies. This may, in the case of government involvement, mean that investments and capital items remain with the government. In the case of other IOs, the implementing partners will prepare a plan for transfer of assets to downstream partners or beneficiaries. This could include local NGOs, local governments or community-based organisations.

Implementing partners will prepare final reports summarising the overall results, impacts and expenditure of their actions as described in the contractual arrangements, and in the CAFI reporting requirements[35].

8.2 Reporting, monitoring, and evaluation

CAFI is a UN Multi-partner Trust Fund that uses a "pass-through modality". This means that the financial and programmatic responsibility (including the M&E of programmes) lies mainly with implementing organizations.

The Output indicators are specific to each project and reflect changes in skills or abilities, or the availability of new products and services that have been achieved with the resources provided by the CAFI MDTF. The evaluation of the performance against each output indicator will take external factors into account as well as the pre-identified assumptions and risks. The IOs are responsible for the achievement of results and responsible for collecting and reporting data. The Outcome indicators are agreed upon in the CAFI Result Framework and NIF. They monitor implementation of national reforms and the effects of the interventions on drivers of deforestation and forest degradation. The performance targets associated with each outcome indicator is defined and mutually agreed in the LoI between CAFI and each partner country.

The M&E Framework is part of the M&E Policy and Guidelines presented in the CAFI MOP[36]. Every project funded by the CAFI MDTF has the responsibility to collect data associated with indicators of the Outcome they contribute to.

Reporting on safeguards, transparency and integrity, IOs must establish appropriate programmatic safeguarding measures in the design and implementation of its activities. Such safeguarding measures must address cross-cutting issues such as anti-corruption, climate and environment, gender equality and human rights. The measures should also include, as applicable, international conventions on the environment, on children's rights, and internationally agreed core labour standards. For the activities funded by CAFI, all recipient organisations must provide information on how their activities address and respect the social and environmental safeguards outlined in the MOP as part of the CAFI requirements for monitoring and reporting. For each project approved for funding and as agreed upon in the legal agreement, each IO provides the secretariat with narrative progress reports and annual financial statements. The annual and final reports must be results and evidence based.

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[35] Terms of Reference for CAFI. Revised March 2023
[36] CAFI Results Framework. Revised version, adopted at the 14th Executive Board meeting – 25 October 2019

The Danish MFA shall have the right to carry out any technical or financial supervision mission that is considered necessary to monitor the implementation of the project. After the termination of the project/programme support, the Danish MFA reserves the right to carry out evaluations in accordance with this article.

9. Risk management

The IOs and the CAFI Secretariat establishes a risk framework for the projects they are implementing. The risk matrices at IO level will identify specific risks and outlines risk outcomes and relevant risk mitigation measures. As such, the first level of risk management, and the monitoring of risks will be done by the IOs as part of their regular reporting, highlighting in particular the key mitigation or adaptation measures taken in accordance with the risk management strategy and their direct influence on achieving the expected results.

At the second level of risk management, the CAFI Secretariat will consolidate the risk mitigation measures and the reporting in a risk dashboard which will be presented annually to the EB for approval. Table 5 shows a risk management matrix, categorizing risks at CAFI level. Particular attention is paid to risks arising from conflict situations and insecurity in several of the countries supported by CAFI. These risks should be first dealt with at the portfolio level. The objective of CAFI is not to engage in and resolve conflicts, so it is expected that activities will concentrate in areas where implementation is possible. However, security situations can be volatile and subject to abrupt changes.

Also, in many contexts, the security situation drives migration and puts additional pressure on nearby forests. Thus, it is inevitable that certain projects/programmes will be affected by conflict situations or indirect impacts. With respect to results at the project/programme level, IOs are expected to ensure proper implementation arrangements in line with the capacities of local authorities and the security situation, and exercise careful considerations to guarantee the safety and security of staff, suppliers and contractors involved in the implementation of projects in unstable areas.

Table 5. Risk Management Matrix, showing selected risks and mitigation options.

Risk Category	Risk outcome	Likelihood	Impact	Risk response. Mitigation
Political and Safety Risks				
Civil war and local conflicts	Dysfunctional Government institutions	Likely	High	Strengthening Government institutions by capacity building
	Limited access to project areas	Moderate	High	Relocation of project areas
Ethnic conflicts	Displacement and migration from project areas, resulting in damages of adjacent areas	Moderate	High	Social and financial support to displaced IPLCs and protection of forestry areas threatened by migration
	Damage to infrastructure limiting operational activities	Likely	Moderate	Support rebuilding of essential infrastructure in project areas
Breakdown of democracy	Civil rights abuses	Likely	High	Mobilize judiciary and international support
	Risk of trained staff leaving key Government institutions	Moderate	High	Provide continuous training of relevant staff, eventually outside Government
Technical Risks				
No Government incentives to reduce deforestation and degradation	No ownership at Government level to climate change mitigation activities	Moderate	Moderate	Use the CAFI political platform for dialogue with Government

Limited technical capacity at Government level	Inadequate Government participation in project implementation	Moderate	Low	Engagement of international IOs. e.g. NGOs
No coherence between Government policies and international obligations	No understanding of importance of international obligation	Low	Moderate	Assist Governments in participating in international agreement in relation to climate, biodiversity etc.
Limited availability of qualified IOs at national level	Projects on deforestation and land use planning inadequate and unprofessional	Moderate	Low	Engagement of international IOs
Limited available expertise in forest management	Difficulties in professional implementation of projects	Moderate	Moderate	Mobilization of cross boundary expertise and assistance of international expertise
Inadequate tenure systems and unclear land ownership	Rights of IPLCs abused	Likely	High	Introduction of tenure systems and training of IPLCs in their rights
	No implementation of forest management systems	Likely	Moderate	Provision of support to establish adequate tenure systems and train IPLCs in the rights
Unsafe food security and limited livelihood opportunities for IPLCs	Poverty and unsustainable development	Moderate	High	Building of sustainable agricultural production among IPLCs Establishment of activities to develop alternative livelihood in local communities
Institutional and Social Risks				
No Government social policies and insufficient poverty reduction efforts	Poverty and unsustainable development	Likely	High	Implementation of projects leading to poverty reduction and provision of jobs for IPLCs
No Government attention to investment plans for forestry and woodlands	Inadequate forest management and increased deforestation and degradation	Low	High	Development of NIFs for forestry areas
Project support result in reduced public spending	Additionality compromised due to project support substituting project funding	Moderate	Moderate	Ensure public co-financing when implementation of projects
Government activities not sufficiently appraised for impacts on forests	Degradation of land and forests will occur due to Government actions without proper EIAs	Likely	High	Environmental impact assessments should be made prior to Government infrastructure development and other activities
Weak institutions and limited rule of law	Illegal forestry increases	Likely	High	Mobilizing judiciary and strengthening of Government institutions by capacity building
Gender issues not observed	Women's rights abused among IPLCs	Likely	Moderate	Integration of gender policies in projects as part of the appraisal procedure
IPLCs rights not observed	IPLCs will suffer from lack of ownership of land and no job opportunities	Likely	High	HRBA built into and integrated in all projects under implementation Building of sustainable SMEs among IPLCs
Financial and Fiduciary Risks				
Absorption capacity limits disbursement of international funds into projects	Slow implementation of projects in spite of available funding	Likely	High	Project implementation accelerated by allowing private sector to participate in projects
Government financial contribution limited and fiscal policies insufficient to protect forestry	Forestry sector receives insufficient and falling share of State budget	Likely	Moderate	All projects should demand Government co-financing to motivate Government to finance forestry activities
Corruption will hamper proper disbursement into forestry sector	Donors will shy away from financing forestry activities	Moderate	High	Strict anti-corruption and accountability measures should be integrated into all projects
Insufficient procurement standards	Inadequate procurement may cause misuse of funds due to inadequate procurement standards	Moderate	Moderate	Procurement manuals should be developed and associated with implementation and IOs should comply with these standards

The IOs will establish well-functioning risk management systems as a prerequisite for receiving funds from CAFI. The basis for the risk management is detailed risk registers, based on the analysis of the risk profile in the project areas. At CAFI level, the risk management is concerned with the selection of projects and a due diligence of the risks of supporting projects in the concerned areas. Annex 5 provides a basic risk register for the Congo Basin. This register will first of all serve the CAFI organisation in their due diligence efforts when selecting projects and in their discussion with the Congo Basin Governments[37].

10. Closure

The project period runs from signature (expected in Q3 2023) and until 31 December 2027. Regardless of the potential continuation of the Danish engagement with CAFI, CAFI will provide the Danish MFA with a completion report and a final audited statement no later than six months after the end of the project period.

Annex 1. Context analysis

The Central African forest is home to the world's second largest rainforest. It is one of the few remaining rain forests of the world that absorb more carbon than they emit. More specifically, the Central African forest removes about 1.1 billion tons of CO_2 of the atmosphere or 3% of the world's emissions every year. It is also home to more than 10,000 plant and animal species, 30% of which are unique to the region, and the main source of food, energy, shelter and spirituality for more than 60 million people living in and around it[38].

The six countries in the Congo Basin can be characterized as weak or fragile states. Fragile states have issues that substantially hinder their economic and social performance. These issues include weak governance, limited administrative capacity, chronic humanitarian crises, persistent social tensions, and often, violence or the legacy of armed conflict and civil war. They all have a very low Human Development Index (HDI)[39][40] which provides the level of social and economic development by combining data on a number of areas of relevance to their development stage, e.g. life expectancy at birth, expected years of schooling, gross national income (GNP) per capita etc. Looking isolated at the GDP for the countries gives the same pattern. The socio-economic situation combined with the unstable political situation underlines the need for these countries to receive assistance to manage and protect their natural resources, although the weak governance and the limited administrative capacity constitute to complicate implementation of the project.

Deforestation and forest degradation are complex processes that have many direct and underlying causes. The direct drivers of deforestation and forest degradation in the Congo Basin vary both regionally and temporally. Different studies refer to agricultural expansion (cropland and pasture) as the

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[37] CAFI is in the process of developing a more comprehensive Risk Management Framework to be used as part of a check list in connection with launching of new activities. This system is also discussed with the Member countries. Personal communication. CAFI Secretariat

[38] OFAC, The Congo Basin Forests - State of the Forests, 2021

[39] https://hdr.undp.org/about/human-development

[40] Gabon with the highest index (0.693) among the countries, and Central Africa Republic as the lowest (0.387). For comparison Denmark has an index of 0.952.

largest direct cause of global deforestation[41]. Agriculture is estimated to be responsible for around 70-80% of the worldwide deforestation and in Africa, both commercial and subsistence agriculture account for similar importance in terms of deforestation, while fuel wood collection, charcoal production, and, to a lesser extent, livestock grazing in forests are the most important drivers of degradation in large parts of Africa.

Historically, rates of deforestation have been low in Central Africa, primarily driven by small scale deforestation such as slash-and-burn agricultural activities, artisanal timber logging, artisanal charcoal production, and firewood harvesting. These observations do not take into account neither the recent upward trend in observed tree cover loss (Hansen et al., 2013; V6 updated for 2000-2018), nor the assessment of historical processes operating in these areas that may have contributed to current deforestation.

To address the issue of outdated data CAFI launched a regional study of deforestation and forest degradation dynamics in 2020. 11 and the intact forest. At the same time, they estimated that 10% of forest loss occurred within 5 kilometres of mining, logging or plantations, illustrating the need to contextualise this process to understand the dynamics of deforestation and degradation. Agricultural activities have been predominantly linked to village agriculture, which mainly supplies local markets and nearby urban centres. This agricultural production often involves inefficient land practices as farmers lack access to capital and technology to sustainably increase yields. To date, industrial agriculture has had limited impact on forest cover with the exception of oil palm and rubber plantations set up near large transportation axes. Due to growing local, regional and international demand and the increasing role of agro business, commercial agriculture has an increasing impact on forests in all CAFI countries[42].

Industrial logging is not currently considered to be an important direct factor in deforestation. Most industrial logging in the region involves low logging densities concentrated on a few high-value species. However, the concurrence of high population densities with the opening of logging roads promotes access to forests and substantial forest degradation. In addition, degradation due to logging can constitute a major source of land use emissions in countries where deforestation is low, aside of the negative impact logging has on forest ecosystems in general. Furthermore, artisanal logging that is often insufficiently regulated, is also a major contributor to forest loss.

Artisanal charcoal production, mainly to supply urban centres, creates degradation around major cities in the region (Kinshasa, Douala and Yaoundé, among others). Mining and oil sectors do not cause major deforestation, at least in terms of surface area, but they open access to pristine forests and encourage migrations. Numerous new projects are being considered in these sectors, for example, most of DRC's primary rainforest has been included in exploration concessions, while exploration contracts were issued in peatlands in the Republic of the Congo.

Underlying causes of forest loss are complex national and international processes that influence human behaviour that directly drives forest loss. The main underlying causes are poverty, rural and urban demographic pressure, weak and inadequate land use planning and land tenure rules, new infrastructure development, and inadequate governance. Commercial activities are driven by global, regional or national demands for commodities (for agricultural produce, timber, charcoal, minerals and oil) and facilitated by access to markets.

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[41] (Nepstad et al., 2008; Gibbs et al., 2010; Guitierrez-Velez et al., 2011; Hosonuma et al., 2012
[42] CAFI. Terms of Reference. Updated version March 2023

Numerous studies have documented these obstacles in various countries in the region, and mention issues such as close ties between the political and economic elites, or lack of national ownership over reform processes and inclusiveness of policy processes. The main development challenges of the region are poverty, inequality, food security, insufficient or non-transparent government revenues, gender inequality and a poor business.

Both reducing the pressure on forests and achieving the nation-wide emission reductions expected by the Paris Agreement require a systemic response led by governments in coordination with relevant stakeholders. This is because the drivers of deforestation span several economic sectors. As a result, focusing exclusively on one sector is insufficient in tackling forest loss. Intensifying agriculture without considering land use and land tenure issues can result in reverse effects and increased expansion into forests. Small scale project-based approaches to REDD+ do not deliver results at the national level, as they cannot prevent leakage of emissions to nearby areas. Furthermore, the Central African forests are at a crossroads, whereby the historically present small-scale activities are now compounded by existing or planned agro-industrial plantations.

Response measures must therefore address both the historical causes as well as more recent trends. Conclusively, a response is required through the coordination of a government entity with a multi-sector coordination mandate. This systemic response should aim to preserve high value forests, limit existing deforestation and degradation, and incentivise sustainable economic activities outside forests. This can normally be achieved through policies and reforms on land use and allocation as well as ambitious investments in sustainable productive activities in deforestation hot-spots (agriculture, wood fuel, logging, non-timber forest products) and in economic activities outside forests.

Annex 2. Partner assessment

The Central African Forest Initiative CAFI was established in 2015 on the basis that slowing down the loss of forests in Central Africa only can be attained through substantially scaled-up international support to transformational reforms and investments on the ground. CAFI is a multi-donor Trust Fund that supports direct investments on the ground and a political negotiations platform that aims to drive high-level policy dialogue.[43] CAFI is currently consisting of a coalition of nine donors contributing to the initiative: Belgium, The European Union, France, Germany, the Netherlands, Norway, the Republic of Korea, Sweden, and the United Kingdom (current chair), and six partner countries: the Central African Republic, the Democratic Republic of the Congo (DRC), the Republic of Cameroon, the Republic of Congo, the Republic of Equatorial Guinea, and the Republic of Gabon.

CAFI describes itself as an organisation where climate and development objectives are attained through the implementation of ambitious national investment frameworks. Such socio-economic transformation comes from measures that properly address both direct drivers of deforestation (such as agriculture, wood energy, forestry and mining) and underlying structural drivers (such as lack of land use planning and insecure land tenure, poor governance and rapid population growth)[44].

At present CAFI provides grants to projects in the six partner countries and to regional projects. The grants are provided on the basis of National Investment Frameworks, which is negotiated with and endorsed at the highest level by national institutions with cross sectoral mandates. . Beside from providing funds to technical assistance, capacity building, scientific networks etc., CAFI support mobilization of funding from e.g. WB and other DFIs, by providing funds for pre-investment activities. CAFI is providing grants to a number of investment areas in the participating countries, with DRC holding by far the largest portfolio of projects.
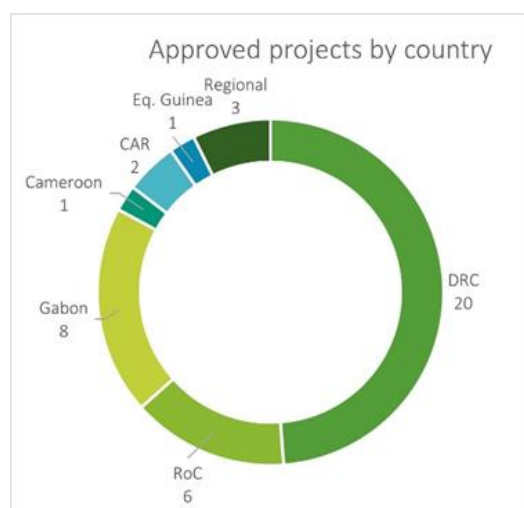
Figure 1. Approved number of projects by country up to 2022[45]

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[43] Who we are | Central African Forest Initiative (CAFI)
[44] www.cafi.org
[45] CAFI Annual Report. 2022
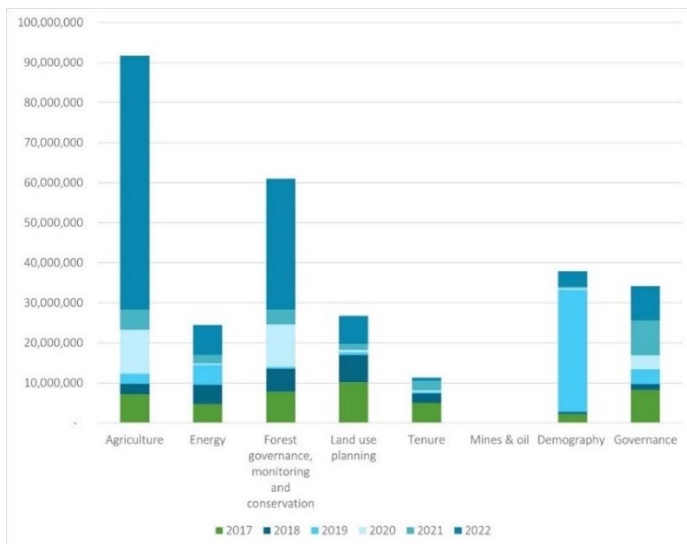
Figure 2. Amounts (USD) allocated to the seven intervention areas from the start of CAFI up to 2022

CAFI is hosted by the Multi Partner Trust Fund Office of UNDP (MPTF Office). It offers a coordination mechanism to donors who are part of CAFI and the office manages the approval, disbursement, and monitoring and reporting processes. Also, the MPTF Office administer the project identification and formulation process on behalf of the EB, in close collaboration with the donors and the recipient countries.

Characteristics of CAFI include:

- CAFI is established to address deforestation in the Congo Basin and is the most prominent conservation trust fund active in the Congo Basin;
- CAFI has gained valuable experience in implementation of projects in a region, where many of the countries are fragile states;
- CAFI has already established collaboration with nine donor countries, and has instituted a relatively well-functioning management structure, with good and relevant risk management procedures financial management systems;
- CAFI is a transparent, ethically and administratively robust, and programmatically effective instrument for funding deforestation reduction interventions, improving IPLC rights and protection of biodiversity in the Congo Basin;
- CAFI provides Denmark with an opportunity to support strategies and results fully aligned with its climate mitigation, deforestation reduction and poverty and vulnerability reduction goals;
- Due to CAFI interventions, in the DRC alone, figures compiled from projects show targets of emission reductions of 75 million tons of CO2eq and an increase from 10 to 20% in household revenues. These numbers however are conservative, as they only take into account the figures estimated by some provincial projects in the DRC. Also, in Gabon and the Republic of Congo emission have been reduced (numbers not yet available);
- Nine donors, Belgium, The European Union, France, Germany, the Netherlands, Norway, the Republic of Korea, Sweden, and the United Kingdom (current chair), have already pledged more

than USD 700 million to CAFI, of which $406 million has been transferred, including $151 million in 2022 alone[46];

- CAFI has established partnerships with the Governments of the participating countries, and agreements have been signed, investment plans have been made, and Letters of Intent has been exchanged.

CAFI has received donations from nine Governments (see 2.1). The total committed capital since the inception of CAFI amounts to approx. to USD 718 mill. Norway is by far the largest contributor. As Denmark will provide the donation to the Fund directly, these funds will subsequently be disbursed into individual projects according to the CAFI policies and procedures, and since CAFI is a so-called pass-through structure, the Secretariat will only administer the Fund. All decisions will be taken by The Executive Board (EB) of CAFI.

In order to allow for reallocation part of the support package to new initiatives underway in CAFI, the project will adopt an adaptive management approach to applied in the implementation modality. The approach will be amended in the CAFI Manual of Operations, specifically for management of the Danish support. The operational procedures will be described during the inception phase of the project. The first year of the project will allow experience to be gained and formalised in an internal review by Danida and any adjustments to the procedures, results frameworks, budgets and consultations between CAFI and MFA will decide on the procedures to be applied for reallocation of budgets.

The concept of adaptive management may become relevant following a discussion of some apparent current challenges in CAFI. The structure of CAFI limits the possibilities for the organization to provide support to projects with private sector engagements, and with the current structure, CAFI cannot provide finance as part of the support packages.
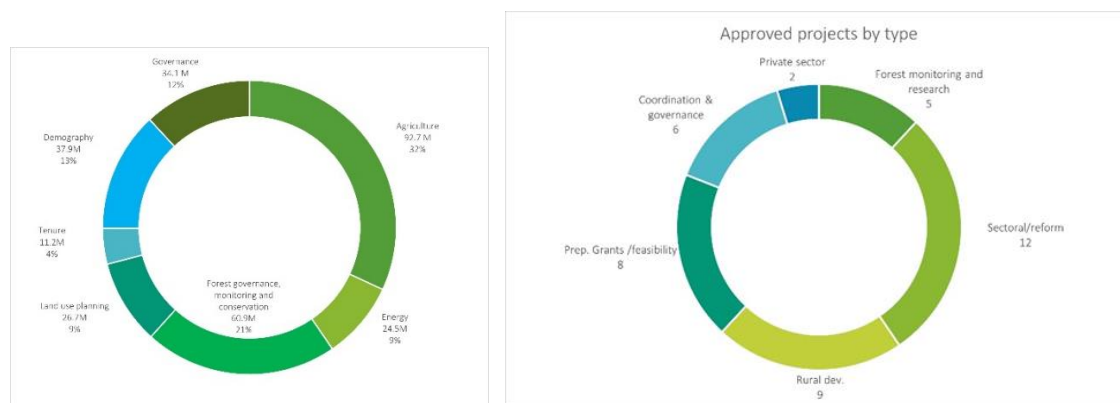
Figure 4. Approved projects by type and by thematic areas up to 2022[47]

The CAFI portfolio covers seven intervention areas and project types. Projects in relation to agriculture have been the largest number of both projects and in terms of allocated funds. The distribution of projects geographically shows that DRC has carried out, by far, the largest number of projects, whereas some of the smaller countries, e.g. Equatorial Guinea and Cameroun has only been engaged in very few projects so far. Analysing the pledges made by donors, compared with disbursements into projects may show signs

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[46] CAFI Annual Report 2022
[47] CAFI Annual Report. 2022

of issues with absorption capacity, which again has led to considerations on how to accelerate efforts of CAFI.

According to CAFI[48] there is a need for provision of project support with private sector involvement. The present management structure as a UN multi partner trust fund prevent CAFI from supporting private sector projects and various financial instruments, like blended finance, payment for environmental services (PES), soft lending etc. Some of the existing donors, e.g. Norway as the largest donor has seen this limitation as a severe hindrance for providing more efficient support.

Also, the fact that CAFI cannot engage private sector in project implementation, which *among others* normally will leave out private public partnerships, which in many ways could be an appropriate vehicle for forestry projects is seen as a weakness in the current CAFI set-up[49][50]. In response to the need for private sector participation a private sector facility was launched in October 2023 to support the objectives of the CAFI LOIs. The areas where the facility expects to engage private sector are, *among others* i) Agriculture, ii) Forestry, iii) Ecotourism and other innovative approaches to Forest Conservation, iv) Reforestation & Afforestation. Norway (NICFI) has already set aside USD 100 mill in the private sector facility.

In order to allow CAFI to enter into areas involving financial instruments and projects with private sector participation, it has been considered to create a so-called CAFI 2.0, which would operate in parallel with CAFI. CAFI 2.0 is currently been structured. During discussions with NICFI, Norway has urged Denmark also to contribute to this new facility. This new facility will not be managed by UNDP under a UN MPTF arrangement, and another fund manager will have to be identified.

In principle, every CAFI annual workplan process will open up and allow for adjustments. The adjustments might involve changes to the result framework for the Fund donations from the Programme, and targets and indicators at the project level will be amended accordingly. Normally, the application of adaptive management would involve the addition or termination of new activities; proposal for the use of the adaptive management budget line; shifting of funds between or within activities/budget lines; the introduction of new partners and withdrawal of old partnerships; changes in impact, outcome and output indicators etc. This procedure should be part of the Danish contribution and specified in the agreement with CAFI.

Another issue discussed during the formulation process is the issue of liability with the current CAFIs management structure as a UNDP MPTF. It has been raised by some donors, e.g. Norway that it represents a liability that CAFI is managed by UNDP under a MPTF arrangement and at the same time, UNDP is implementing a large number of projects in the various countries. It is felt that this could be a conflict of interest. From CAFI, it is argued that the Secretariat does not in any way take decisions regarding the selection of projects, including the implementing partners. The decision regarding selection of projects is entirely the responsibility of the EB and as such it is argued that the liability is well managed. However, this liability is another argument for creating a parallel structure to the current management set-up. The establishment of a new structure would inevitably result in UNDP losing control over some of the committed funds.

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[48] It was mentioned that a pipeline of projects with private sector, amounting to approx. USD 300 have been pledged to CAFI. Personal communications. CAFI Secretariat

[49] A new Danish global forest programme. A preparatory analysis and strategic considerations Arild Angelsen et.al. September 2023

[50] Personal Communications. CAFI Secretariat

As such, it should be further discussed whether the Danish contribution in full should be allocated to CAFI to be managed under the current structure, or whether some of the funds should be provided with the possibility to place some of the funds under the new structure, should it be established, eventually using the adaptive management approach. It should be noted that there are no plans in changing the role of the CAFI Secretariat, should the new structure be established. Likewise, the Executive Board would remain the same, maybe with adding some extra Members to the Board.

Annex 3. Theory of change, scenario and results framework
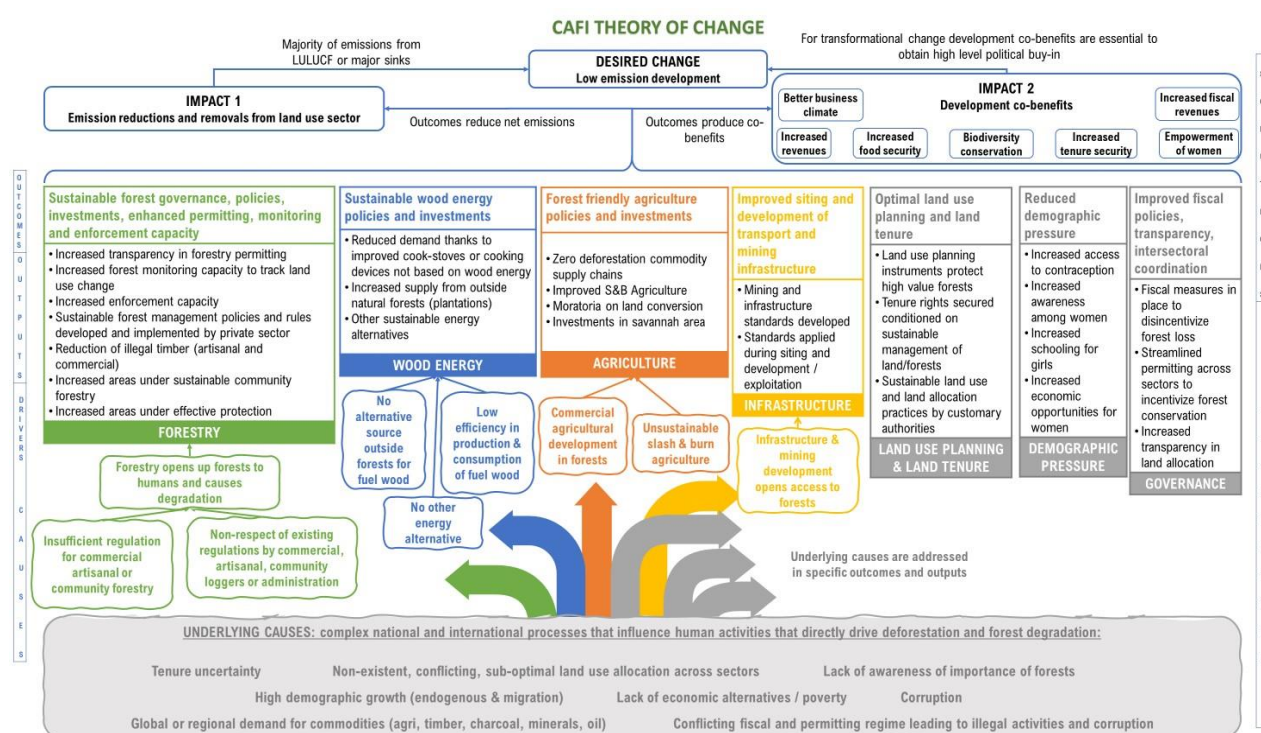
The objectives and outcomes for the CAFI project will be aligned with the results framework of CAFI, and the Trust Fund's logical framework (LFA). CAFI[51] uses the United Nations Results-based Management (RBM) terminology for the construction of its results framework. This results framework[52] has been developed based on the CAFI system and taking into account the demands from the Danish MFA as well as the practices of other donors to whom CAFI also refer.

The CAFI results framework at outcome and output level is given in the table below[53]

Table 2. Outcomes and outputs

Outcomes	Outputs (indicative – do not apply to each country)
Sustainable agricultural practices lead to less land conversion and increased food security	• Policy, legal and regulatory frameworks guide, regulate and enforce a limitation of the conversion of forests into agricultural concessions • More intensive agriculture is supported and directed towards savannahs areas • Rural farmers are supported so that food security and incomes are safer • Private sector is supported to direct its investments in savannahs areas
Sustainable alternatives to current wood energy practices are adopted	• Policy, legal and regulatory frameworks guide, regulate and enforce the sustainable management of, and alternatives, to fuelwood • Improved energy solutions are more available and used

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[51] Central African Forest Initiative Monitoring, Evaluation and Learning Policy Version of December 22, 2022 Adopted via decision EB.2022.28

[52] The RF and indicators attempt to strike a balance between the need to report on results and keeping monitoring to a realistic level (leaving more qualitative assessment of the contribution of the programme to outcomes and impact to the mid-term review).

[53] CAFI Terms of Reference. Version March 2023

	• Household spending on energy decreases • Production of sustainable fuelwood increases • Jobs are created along the value chain of improved energy solutions
Forestry sector and protected areas institutions and stakeholders have the capacity and the legal framework to promote, monitor and enforce sustainable management of forests	• Policy, legal and regulatory frameworks guide, regulate and enforce the sustainable management of forests • Percentage of forest areas under sustainable management plans increase • Share of industrial and artisanal illegal timber decreases • Percentage of areas under certification (vs non-certified) increases • Surfaces of sustainable community forestry increase • Timber traceability improves • Capacity to monitor and track land use increases
Future infrastructure, hydrocarbons and mining projects minimize their overall footprint on forests	• Standards are developed and applied during siting and development/exploitation infrastructure, hydrocarbons and mining investment and include requirements to undertake participatory and inclusive approaches to planning and implementation
Land use planning decisions ensure a balanced representation of sectoral interests and keep forests standing, and better tenure security does not incentivize forest loss by individuals, communities or companies	• Mechanisms are enhanced to document and map land uses, land allocations and their overlaps • Land-use planning instruments protect high-value forests Tenure rights are secured, conditioned on the sustainable management of forests • Customary authorities practice sustainable land use and allocation
Population growth and migration to forests and forest fronts are slowed down	• Movements from and to forest fronts are better understood • Access to modern family planning services increased • Family planning awareness amongst women and men increased • Education and schooling for girls is enhanced • Opportunities for women increased
Better inter-ministerial coordination and governance resulting in a permitting, enforcement and fiscal regime of economic activities that do not push economic actors to forest conversion and illegal activities	• Fiscal measures put in place to dis-incentivize forest loss • Streamlined permitting across sectors incentivize forest protection • Transparency in land allocations increased • Participation of civil society stakeholders is enhanced • Transparency about implementation of national investments framework enhanced

Annex 4. Risk management Matrix

The IOs and the CAFI Secretariat establishes a risk framework for the projects they are implementing. The risk matrices at IO level will identify specific risks and outlines risk outcomes and relevant risk mitigation measures. As such, the first level of risk management, and the monitoring of risks will be done by the IOs as part of their regular reporting, highlighting in particular the key mitigation or adaptation measures taken in accordance with the risk management strategy and their direct influence on achieving the expected results.

At the second level of risk management, the CAFI Secretariat will consolidate the risk mitigation measures and the reporting in a risk dashboard which will be presented annually to the EB for approval. Table 5 shows a risk management matrix, categorizing risks at CAFI level. Particular attention is paid to risks arising from conflict situations and insecurity in several of the countries supported by CAFI. These risks should be first dealt with at the portfolio level. The objective of CAFI is not to engage in and resolve conflicts, so it is expected that activities will concentrate in areas where implementation is possible. However, security situations can be volatile and subject to abrupt changes.

Table 6. Risk Management Matrix, showing selected risks and mitigation options.

Risk Category	Risk outcome	Likelihood	Impact	Risk response. Mitigation
Political and Safety Risks				
Civil war and local conflicts	Dysfunctional Government institutions	Likely	High	Strengthening Government institutions by capacity building
	Limited access to project area	Moderate	High	Relocation of project area
Ethnic conflicts	Displacement and migration from project areas, resulting in damages of adjacent areas	Moderate	High	Social and financial support to displaced IPLCs and protection of areas threatened by migration
	Damage to infrastructure limiting operational activities	Likely	Moderate	Support rebuilding of essential infrastructure in project areas
Breakdown of democracy	Civil rights abuses	Likely	High	Mobilize judiciary and international support
	Risk of trained staff leaving key Government institutions	Moderate	High	Provide continuous training of relevant staff, eventually outside Government
Technical Risks				
No Government incentives to reduce deforestation and degradation	No ownership at Government level to climate change mitigation activities	Moderate	Moderate	Assist Government in participating in international agreement in relation to climate, biodiversity etc.
Limited technical capacity at Government level	Inadequate Government participation in project implementation	Moderate	Low	Engagement of international IOs. e.g. NGOs
No coherence between Government policies and international obligations	No understanding of importance of international obligation	Low	Moderate	Provision of support to establish adequate tenure systems and train IPLCs in the rights
Limited availability of qualified IOs at national level	Projects on deforestation and land use planning inadequate and unprofessional	Moderate	Low	Engagement of international IOs
Limited available expertise in forest management	Difficulties in professional implementation of projects	Moderate	Moderate	Mobilization of cross boundary expertise and assistance of international expertise
Inadequate tenure systems and unclear land ownership	Rights of IPLCs abused	Likely	High	Introduction of tenure systems and training of IPLCs in their rights

Unsafe food security and limited livelihood opportunities for IPLCs	Poverty and unsustainable development	Moderate	High	
Institutional and Social Risks				
No Government social policies and insufficient poverty reduction efforts	Poverty and unsustainable development	Likely	High	Implementation of projects leading to poverty reduction and provision of jobs for IPLCs
No Government attention to investment plans for forestry and woodlands	Inadequate forest management and increased deforestation and degradation	Low	High	Development of NIFs for forestry areas
Project support result in reduced public spending	Additionality compromised due to project support	Moderate	Moderate	Ensure public co-financing when implementation of projects
Government activities not sufficiently appraised for impacts on forests	Degradation of land and forests will occur due to Government actions without proper EIAs	Likely	High	Environmental impact assessments should be made prior to Government infrastructure development and other activities
Weak institutions and limited rule of law	Illegal forestry increases	Likely	High	Mobilizing judiciary and international community for improved governance in relation to forests
Gender issues not observed	Women's rights abused among IPLCs	Likely	Moderate	Integration of gender policies in projects under implementation
IPLCs rights not observed	IPLCs will suffer from lack of ownership of land and little job opportunities	Likely	High	HRBA built into and integrated in all projects under implementation
Financial and Fiduciary Risks				
Absorption capacity limits disbursement of international funds into projects	Slow implementation of projects in spite of available funding	Likely	High	Project implementation accelerated by allowing private sector to participate in projects
Government financial contribution limited and fiscal policies insufficient to protect forestry	Forestry sector receives insufficient and falling share of State budget	Likely	Moderate	All projects should demand Government co-financing to motivate Government to finance forestry activities
Corruption will hamper proper disbursement into forestry sector	Donors will shy away from financing forestry activities	Moderate	High	Strict anti-corruption and accountability measures should be integrated into all projects
Insufficient procurement standards	Procurement may suffer misuse of funds due to inadequate procurement standards	Moderate	Moderate	Procurement manuals should be developed and associated with implementation and IOs should comply with these standards

Annex 5. Budget details

The contribution is tentatively been agreed to DKK 100 million, as committed capital. The detailed budgets and the disbursement structure of instalments will have to be agreed upon and elaborated later.

Table 4 Tentative allocation of the Danish donation distributed to outcomes

Outcome related budget items	DKK mill
Agriculture. Sustainable agricultural practices lead to less land conversion and increased food security	20
Forestry. Forestry sector and protected areas institutions and stakeholders have the capacity and the legal framework to promote, monitor and enforce sustainable management of forests	20
Land Use Planning. Land use planning decisions ensure a balanced representation of sectoral interests and keep forests standing, and better tenure security does not incentivize forest loss by individuals, communities or companies	20
Governance. Better inter-ministerial coordination and governance resulting in a permitting, enforcement and fiscal regime of economic activities that do not push economic actors to forest conversion and illegal activities; and a business climate favourable to forest-friendly investments	10
Allocation to CAFI 2.0	30
Total	100

As mentioned, there will be no hard earmarking of the money. Instead, it is proposed that specific outcomes are given priority when disbursing Danish funds. The allocation the Danish funds, distributed to *a priori* agreed outcomes is given in the table 4 below. It is also proposed that some funds will be allocated to the new facility 2.0 which is currently being structured.

The Danish donation will be provided in annual instalments. Since CAFI 2.0 is still being structured, it will probably only be ready by late 2025, and as such the proposed contribution hereto will come later. For the other areas to be supported, the actual disbursement will depend on the urgency and where there is a need to accelerate spending. As such, the expenditure should be negotiated and agreed upon, once the project has been approved.

Following the agreement on expenditure, funds must be spent solely on activities leading to the expected outputs and outcomes as agreed. The EB and the implementing partners are responsible for ensuring that the funds are spent in compliance with the agreement and with due consideration to economy, efficiency and effectiveness in achieving the results intended.

Annex 6. Process action plan.

Action	When	Responsible
Submission of CAFI draft project document	April 5th 2024	Consultant
Process of comments on project document	April	GDK
Integrating comments in project document and submission of documents	19th April	Consultants
Submission of the CAFI project document, together with other documents (Strategic Framework, Amazon Fund, Uganda Forests, and Ethiopia engagement) to Programme Committee	May 7th	GDK
Preparing draft pre contract with CAFI	May-June 2024	GDK
Appraisal of Programme Documents	May-June 2024	ELK / External Consultants
Integration of comments from appraisal and elaboration of final Programme Documents	July – August 2024	GDK/Consultants
Presentation of Programme Documents to Council for Development Policy	12 September 2024	GDK
Minister's approval	October 2024	MFA - Denmark
Signing of contract between MFA and CAFI	October-November 2024	MFA
Disbursement of Danish Funds	December 2024	MFA

STANDARD ADMINISTRATIVE ARRANGEMENT FOR
[NAME OF MULTI-DONOR TRUST FUND]
USING PASS-THROUGH FUND MANAGEMENT[54]

Standard Administrative Arrangement

between

[Name of Donor],

and

the UNDP Multi-Partner Trust Fund Office

WHEREAS, Participating United Nations Organizations that have signed a Memorandum of Understanding (hereinafter referred to collectively as the "Participating UN Organizations") have developed a [name of Multi-Donor Trust Fund] (hereinafter referred to as the "Fund") starting on [start date] and ending on [end date][55] (hereinafter "End Date"), as may be amended from time to time, as part of their respective development cooperation with the Government of **[name of country] (if applicable)** (hereinafter referred to as the "Host Government"), as more fully described in the Terms of Reference of the Multi-Donor Trust Fund (hereinafter referred to as the "TOR"), a copy of which is attached hereto as **ANNEX A;** and have agreed to establish a coordination mechanism (hereinafter referred to as the "Steering Committee")[56] to facilitate the effective and efficient collaboration between the Participating UN Organizations and the Host Government **(if applicable)** for the implementation of the Fund;

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[54] This Standard Administrative Arrangement has been agreed upon by the members of the United Nations Sustainable Development Group (UNSDG). Any substantial ('substantial' would imply changes that are linked to the legal relationships described in the Standard Administrative Arrangement, the governance mechanisms, reporting arrangements or equivalent) modification to the Standard Administrative Arrangement requires the prior written agreement of the Participating UN Organizations and Administrative Agent of the particular MDTF, and needs be cleared by the Fiduciary Management and Oversight Group through the UN Development Coordination Office (DCO).

[55] This is the date that the Fund is expected to come to operational closure as stipulated in the TOR and all programmatic activities are expected to be completed.

[56] The composition and role of the Steering Committee will be determined in line with the applicable UN rules and policies, and guidance for the Fund, namely the UNDG Guidance on MDTFs, and the UNDG Standard Operating Procedures for countries adopting the "Delivering as One" approach (SOPs).

WHEREAS, the Participating UN Organizations have agreed that they should adopt a coordinated approach to collaboration with donors who wish to support the implementation of the Fund and have developed a TOR to use as the basis for mobilising resources for the Fund, and have further agreed that they should offer donors the opportunity to contribute to the Fund and receive reports on the Fund through a single channel;

WHEREAS, the Participating UN Organizations have appointed **the United Nations Development Programme** (hereinafter referred to as the "Administrative Agent") (which is also a Participating UN Organization in connection with the Fund)[57] through the Multi-Partner Trust Fund Office in a Memorandum of Understanding (hereinafter referred to as the "MoU") concluded between, the Administrative Agent and Participating UN Organizations on **[date]**, attached hereto for informational purposes as Annex C to serve as their administrative interface between donors and the Participating UN Organizations for these purposes. To that end the Administrative Agent has established a separate ledger account under its financial regulations and rules for the receipt and administration of the funds received from donors who wish to provide financial support to the Fund through the Administrative Agent (hereinafter referred to as the "Fund Account");

WHEREAS, **[Name of Donor]** (hereinafter referred to as the "Donor") wishes to provide financial support to the Fund on the basis of the TOR as part of its development cooperation with the Host Government (if applicable) and wishes to do so through the Administrative Agent as proposed by the Participating UN Organizations; and

WHEREAS, this Standard Administrative Arrangement between the Donor and the Administrative Agent stipulates the terms and conditions of the financial support to the Fund, [and is not considered an international treaty and is not enforceable under international law][58];

NOW, THEREFORE, the Donor and the Administrative Agent (hereinafter referred to collectively as the "Participants") hereby decide as follows:

Section I

Disbursement of Funds to the Administrative Agent

and the Fund Account

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[57] In most cases, the Administrative Agent will also be a Participating UN Organization. However, where the Administrative Agent is not a Participating UN Organization, this provision can be deleted.

[58] DRAFTING NOTE: Some donor governments require this language in the Arrangement. Therefore, bracketed language should be deleted if not applicable.

1.   [Subject to annual parliamentary appropriation[59]], the Donor makes a contribution of [up to][60]**[amount in words]** (**[amount in figures]**) and such further amounts (hereinafter referred to as the "Contribution") to support the Fund. The Contribution will enable the Participating UN Organizations to support the Fund in accordance with the TOR, as may be amended from time to time. The Donor authorizes the Administrative Agent to use the Contribution for the purposes of the Fund and in accordance with this Standard Administrative Arrangement (hereinafter referred to as "Arrangement"). The Donor acknowledges that the Contribution will be co-mingled with other contributions to the Fund Account and that it will not be separately identified or administered.

2.   The Donor will deposit the Contribution by wire transfer, in accordance with the schedule of payments set out in ANNEX B to this Arrangement, in convertible currencies of unrestricted use, to the following account:

For payment in USD:

Name of Account: UNDP Multi-Partner Trust Fund Office (USD) Account

Account Number: 36349626

Name of Bank: Citibank, N.A.

Address of Bank: 111 Wall Street

New York, New York 10043

SWIFT Code: CITIUS33

ABA: 021000089

        Reference: [Name of Fund] Account

3.   When making a transfer to the Administrative Agent, the Donor will notify the Administrative Agent's Treasury Operations of the following: (a) the amount transferred, (b) the value date of the transfer; and (c) that the transfer is from **[name of Donor]** in respect of the Fund in **[name of country]** (if applicable) pursuant to this Arrangement. The Administrative Agent will promptly acknowledge receipt of funds in writing indicating the amount received in United States dollars and the date of receipt of the Contribution.

4.   All financial accounts and statements related to the Contribution will be expressed in United States dollars.

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[59] DRAFTING NOTE: Some donor governments require this language in the Arrangement. Therefore, bracketed language should be deleted if not applicable.
[60] DRAFTING NOTE: The bracketed language can be deleted if not applicable for the donor.

5.   The United States dollar value of a Contribution payment, if made in a currency other than United States dollars, will be determined by applying the United Nations operational rate of exchange in effect on the date of receipt of the Contribution. The Administrative Agent will not absorb gains or losses on currency exchanges. Such amounts will increase or decrease the funds available for disbursements to Participating UN Organizations.

6. The Fund Account will be administered by the Administrative Agent in accordance with the regulations, rules, policies and procedures applicable to it, including those relating to interest.

7. The Administrative Agent will be entitled to allocate an administrative fee of one percent (1%) of the Contribution by the Donor, to cover the Administrative Agent's costs of performing the Administrative Agent's functions.

8.   The Steering Committee may request any of the Participating UN Organizations, to perform additional tasks in support of the Fund not related to the Administrative Agent functions detailed in Section I, paragraph 2 of the MoU and subject to the availability of funds. In this case, costs for such tasks will be decided in advance and with the approval of the Steering Committee be charged to the Fund as direct costs.

9.   The Administrative Agent will be entitled to charge to the Fund Account a direct cost charge in an amount(s) consistent with then-current UNDG guidance to cover the cost of continuing to render Administrative Agent functions if and when the Steering Committee agrees to extend the Fund beyond the End Date with no further contribution(s) to the Fund.

Section II

Disbursement of Funds to the Participating UN Organizations

and a Separate Ledger Account

1. The Administrative Agent will make disbursements from the Fund Account in accordance with decisions from the Steering Committee, in line with the approved programmatic document[61]. The disbursements to the Participating UN Organizations will consist of direct and indirect costs as set out in the Fund budget.

2.   Each Participating UN Organization will establish a separate ledger account under its financial regulations and rules for the receipt and administration of the funds disbursed to

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[61] As used in this document, an approved programmatic document refers to an annual work plan or a programme/project document, etc., which is approved by the Steering Committee of a MDTF for fund allocation purposes.

it from the Fund Account. Each Participating UN Organization assumes full programmatic and financial accountability for the funds disbursed to them by the Administrative Agent. That separate ledger account will be administered by each Participating UN Organization in accordance with its own regulations, rules, policies and procedures, including those relating to interest.[62]

3.   Where the balance in the Fund Account on the date of a scheduled disbursement is insufficient to make that disbursement, the Administrative Agent will consult with the Steering Committee and make a disbursement, if any, in accordance with the Steering Committee's decisions.

4.   The Donor reserves the right to discontinue future deposits of its Contribution further to Annex B if there is: (i) failure to fulfil any obligations under this Arrangement, including those related to Section IX; (ii) if there are substantial revisions of the TOR; or (iii) if there are credible allegations of improper use of the funds in accordance with Section VIII of this Arrangement; provided however that before doing so, the Administrative Agent, the Steering Committee and the Donor will consult with a view to promptly resolving the matter.

Section III

Activities of the Participating UN Organization

Implementation of the Fund

1.   The implementation of the programmatic activities which the Donor assists in financing under this Arrangement will be the responsibility of the Participating UN Organizations and will be carried out by each Participating UN Organization in accordance with its own applicable regulations, rules, policies and procedures including those relating to procurement as well as the selection and assessment of implementing partners. Accordingly, personnel will be engaged and administered, equipment, supplies and services purchased, and contracts entered into in accordance with the provisions of such regulations, rules, policies and procedures. The Donor will not be responsible or liable for the activities of the Participating UN Organizations or the Administrative Agent as a result of this Arrangement.

2. The Participating UN Organizations will carry out the activities for which they are responsible in line with the budget contained in the approved programmatic document. Any modifications to the scope of the approved programmatic document, including as to its nature, content, sequencing or the duration thereof by the concerned Participating UN Organization(s), will be subject to the approval of the Steering Committee. The Participating

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[62]   Where the Administrative Agent is also a Participating UN Organization, it will need to open its own separate ledger account and transfer funds from the Fund Account to its separate ledger account.

UN Organization will promptly notify the Administrative Agent through the Steering Committee of any change in the budget as set out in the approved programmatic document.

3. Indirect costs of the Participating UN Organizations recovered through programme support costs will be seven percent (7%). All other costs incurred by each Participating UN Organization in carrying out the activities for which it is responsible under the Fund will be recovered as direct costs.

4.   The Participating UN Organizations will commence and continue to conduct operations for the Fund activities only upon receipt of disbursements as instructed by the Steering Committee.

5. The Participating UN Organizations will not make any commitments above the budgeted amounts in the approved programmatic document.

6. If unforeseen expenditures arise, the Steering Committee will submit, through the Administrative Agent, a supplementary budget to the Donor showing the further financing that will be necessary. If no such further financing is available, the activities to be carried out under the approved programmatic document may be reduced or, if necessary, terminated by the Participating UN Organizations.

7.   As an exceptional measure, particularly during the start-up phase of the Fund, subject to conformity with their financial regulations, rules and policies, Participating UN Organizations may elect to start implementation of Fund activities in advance of receipt of initial or subsequent transfers from the Fund Account by using their own resources. Such advance activities will be undertaken in agreement with the Steering Committee on the basis of funds it has allocated or approved for implementation by the particular Participating UN Organization following receipt by the Administrative Agent of signed Administrative Arrangements from donors contributing to the Fund. Participating UN Organizations will be solely responsible for decisions to initiate such advance activities or other activities outside the parameters set forth above.

8.   Each Participating UN Organization will establish appropriate programmatic safeguard measures in the design and implementation of its Fund activities, thereby promoting the shared values, norms and standards of the United Nations system. These measures may include, as applicable, the respect of international conventions on the environment, on children's rights, and internationally agreed core labour standards.

Special Provisions regarding Financing of Terrorism

9.   Consistent with UN Security Council Resolutions relating to terrorism, including UN Security Council Resolution 1373 (2001) and 1267 (1999) and related resolutions, the Participants are firmly committed to the international fight against terrorism, and in particular, against the financing of terrorism. Similarly, the Participants and the Participating UN Organizations recognize their obligation to comply with any applicable sanctions imposed by the UN Security Council. Each of the Participating UN Organizations will use all reasonable efforts to ensure that the funds transferred to it in accordance with the MoU are not used to provide support or assistance to individuals or entities associated with terrorism as designated by any UN Security Council sanctions regime. If, during the term of this Arrangement, a Participating UN Organization determines there are credible allegations that funds transferred to it in accordance with this Arrangement have been used to provide support or assistance to individuals or entities associated with terrorism as designated by any UN Security Council sanctions regime, it will as soon as it becomes aware of it inform the Steering Committee, the Administrative Agent and the Donor and, in consultation with the donors as appropriate, determine an appropriate response.

Section IV

Equipment and Supplies

Ownership of equipment and supplies procured, and intellectual property rights associated with works produced, using funds transferred to the Participating UN Organization under the MoU, will be determined in accordance with the regulations, rules, policies and procedures applicable to such Participating UN Organization, including any agreement with the relevant Host Government, if applicable.

Section V

Reporting

1. The Administrative Agent will provide the Donor and the Steering Committee with the following statements and reports, based on submissions provided to the Administrative Agent by each Participating UN Organization prepared in accordance with the accounting and reporting procedures applicable to it, as set forth in the TOR:

(a)   Annual consolidated narrative progress reports, to be provided no later than five months (31 May) after the end of the calendar year;

(b)   Annual consolidated financial reports, as of 31 December with respect to the funds disbursed from the Fund Account, to be provided no later than five months (31 May) after the end of the calendar year;

(c)   Final consolidated narrative report, after the completion of the activities in the approved programmatic document, including the final year of the activities in the approved programmatic document, to be provided no later than six months (30 June) after the end of the calendar year in which the operational closure of the Fund occurs;

(d)   Final consolidated financial report, based on certified final financial statements and final financial reports received from Participating UN Organizations after the completion of the activities in the approved programmatic document, including the final year of the activities in the approved programmatic document, to be provided no later than five months (31 May) after the end of the calendar year in which the financial closing of the Fund occurs.

2. Annual and final reporting will be results-oriented and evidence based. Annual and final narrative reports will compare actual results with expected results at the output and outcome level, and explain the reasons for over or underachievement. The final narrative report will also contain an analysis of how the outputs and outcomes have contributed to the overall impact of the Fund. The financial reports will provide information on the use of financial resources against the outputs and outcomes in the agreed upon results framework.

3.   The Administrative Agent will provide the Donor, Steering Committee and Participating UN Organizations with the following reports on its activities as Administrative Agent:

(a)   Certified annual financial statement ("Source and Use of Funds" as defined by UNDG guidelines) to be provided no later than five months (31 May) after the end of the calendar year; and

(b)   Certified final financial statement ("Source and Use of Funds") to be provided no later than five months (31 May) after the end of the calendar year in which the financial closing of the Fund occurs.

4.   Consolidated reports and related documents will be posted on the websites of the UN in [country] [website URL] and the Administrative Agent [http://mptf.undp.org].

<div align="center">

Section VI

Monitoring and Evaluation

</div>

Monitoring

1. Monitoring of the Fund will be undertaken in accordance with the TOR. The Donor, the Administrative Agent and the Participating UN Organizations will hold consultations at least annually, as appropriate, to review the status of the Fund. In addition, the Donor, the Administrative Agent and the Participating UN Organizations will discuss any substantive revisions to the Fund, and promptly inform each other about any significant circumstances and major risks, including those related to Section IX, which interfere or threaten to interfere with the successful achievement of the outcomes outlined in the TOR, financed in full or in part through the Contribution.

Evaluation

2. Evaluation of the Fund including, as necessary and appropriate, joint evaluation by the Participating UN Organizations, the Administrative Agent, the Donor, the Host Government (if applicable) and other partners will be undertaken in accordance with the TOR.

3. The Steering Committee and/or Participating UN Organizations will recommend a joint evaluation if there is a need for a broad assessment of results at the level of the Fund or at the level of an outcome within the Fund. The joint evaluation report will be posted on the website of the UN in [country] [website URL] and the Administrative Agent [http://mptf.undp.org].

4. In addition, the Donor may, separately or jointly with other partners, take the initiative to evaluate or review its cooperation with the Administrative Agent and the Participating UN Organizations under this Arrangement, with a view to determining whether results are being or have been achieved and whether contributions have been used for their intended purposes. The Administrative Agent and the Participating UN Organizations will be informed about such initiatives, will be consulted on the scope and conduct of such evaluations or reviews and will be invited to join. Participating UN Organizations will upon request assist in providing relevant information within the limits of their regulations, rules, policies and procedures. All costs will be borne by the respective Donor, unless otherwise agreed. It is understood by the Participants that such evaluation or review will not constitute a financial, compliance or other audit of the Fund including any programmes, projects or activities funded under this Arrangement.

Section VII Audit

External and Internal Audit

1. The activities of the Administrative Agent and each Participating UN Organization in relation to the Fund will be exclusively audited by their respective internal and external auditors in accordance with their own financial regulations and rules. The corresponding external and

internal audit reports will be disclosed publicly unless the relevant policies and procedures of the Administrative Agent or each Participating UN Organization provide otherwise

Joint Internal Audits

2.   The Internal Audit Services of the UN organizations involved in the Fund may consider conducting joint internal audits thereof in accordance with the Framework for Joint Internal Audits of UN Joint Activities, including its risk-based approach and provisions for disclosure of internal audit reports related to the Fund. In doing so, the Internal Audit Services of the Administrative Agent and the Participating UN Organizations will consult with the Steering Committee

Cost of Internal Audits

3.   The total costs of internal audit activities in relation to the Fund will be borne by the Fund.

Audits of Implementing Partners

4.   The part of the Contribution transferred by a Participating UN Organization to its implementing partners for activities towards the implementation of the Fund will be audited as provided under that Participating UN Organization's financial regulations and rules, as well as its policies and procedures. The disclosure of the corresponding audit reports will be made according to the policies and procedures of that Participating UN Organization.

Section VIII

Fraud, Corruption and Unethical Behaviour

1.   The Participants are firmly committed to take all necessary precautions to avoid and address corrupt, fraudulent, collusive, coercive, unethical, or obstructive practices. The Administrative Agent and the Participating UN Organizations recognize that it is important that all United Nations staff, individual contractors, implementing partners, vendors and any third parties which are involved either in joint activities or in those of the Administrative Agent or Participating UN Organization (such individuals and entities being hereinafter referred to, together as the "Individuals/Entities", and individually as the "Individual/Entity") must adhere to the highest standard of integrity as defined by each relevant UN organization. To this end, the Administrative Agent and each Participating UN Organization will maintain standards of conduct that govern the performance of the Individuals/Entities, to prohibit practices which are contrary to this highest standard in any activity related to the Fund/Programme. If an Individual/Entity is a UN organization, the Participating UN Organization engaging that Individual/Entity will rely upon that Individual's/Entity's standard of integrity. The Individuals/Entities must not engage in corrupt, fraudulent, collusive, coercive, unethical, or obstructive practices, as defined below.

2.   In this Arrangement,

(a)   "<u>Corrupt practice</u>" means the offering, giving, receiving, or soliciting, directly or indirectly, of anything of value to influence improperly the actions of another individual or entity;

(b)   "<u>Fraudulent practice</u>" means any act or omission, including misrepresentation, that knowingly or recklessly misleads, or attempts to mislead, an individual or an entity to obtain a financial or other benefit, or to avoid an obligation;

(c)   "<u>Collusive practice</u>" means an arrangement between two or more individuals and/or entities designed to achieve an improper purpose, including influencing improperly the actions of another individual or entity;

(d)   "<u>Coercive practice</u>" means impairing or harming, or threatening to impair or harm, directly or indirectly, any individual or entity or the property of the individual or entity to influence improperly the actions of an individual or entity;

(e)   "<u>Unethical practice</u>" means the conduct of behavior that is contrary to staff or supplier codes of conduct such as those relating to conflict of interest, gifts and hospitality, and post-employment provisions; and

(f)   "<u>Obstructive practice</u>" means acts or omissions intended to materially impede the exercise of contractual rights of audit, investigation and access to information, including destruction, falsification, alteration or concealment of evidence material to an investigation into allegations of fraud and corruption.

<u>Investigations</u>

3.   (a)   Investigations of allegations of wrongdoing by Individuals/Entities involved in the Fund which are contracted by the Administrative Agent or a Participating UN Organization will be carried out by the Investigation Service of the UN organization with which the potential subject of investigation is contracted (Administrative Agent or Participating UN Organization), in accordance with that UN organization's internal policies and procedures.

(b)

(i) In the event that the Investigation Service of the Administrative Agent determines that an allegation in relation to the implementation of the activities for which the Administrative Agent is accountable is credible enough to warrant an investigation, the Administrative Agent will promptly notify the Steering Committee to the extent that such notification does not jeopardize the conduct of the investigation, including but not limited to the prospects of recovery of funds or the safety or security of persons or assets.

(ii) In the event that the Investigation Service of a Participating UN Organization determines that an allegation in relation to the implementation of the activities for which that Participating UN Organization is accountable is credible enough to warrant an investigation, it will promptly notify the Steering Committee and the Administrative Agent of the Fund, to the extent that such notification does not jeopardize the conduct of the

investigation, including but not limited to the prospects of recovery of funds or the safety or security of persons or assets.

(iii) In the case of such notification, it is the responsibility of the Steering Committee and the Administrative Agent to communicate promptly with the relevant anti-fraud offices (or equivalent) of the Donor.

(iv) In case of a credible allegation, the relevant UN organization(s) will take timely and appropriate action in accordance with its regulations, rules, policies and procedures, which may include withholding further disbursements to the Individual(s)/Entity(ies) allegedly involved in the corrupt, fraudulent, collusive, coercive, unethical or obstructive practices as defined above.

(c)

(i) The UN organization's Investigation Service reviewing the credibility of an allegation or conducting the investigation will share information as appropriate with counterpart Investigation Services of the other UN organizations involved in the Fund (Administrative Agent or Participating UN Organization) to determine the best path towards resolution of the investigation and whether the alleged wrongdoing is limited to such UN organization or whether one or more other UN organizations involved in the Fund (Administrative Agent or one or more Participating UN Organizations) may also be affected. If the relevant Investigation Services determine that more than one UN organization could be affected by the alleged wrongdoing, they will follow the procedure described below in clause (ii).

(ii) Where a potential subject of an investigation is contracted by more than one UN organization involved in the Fund, the Investigation Services of the UN organizations concerned (Administrative Agent or Participating UN Organization) may consider conducting joint or coordinated investigations, determining which investigation framework to use.

(d) Upon completion of the internal reporting on their investigation by the Participating UN Organization(s) concerned as established in their respective internal policies and procedures, the Participating UN Organization(s) will provide information on the results of their investigation(s) to the Administrative Agent and the Steering Committee. In the case of the Administrative Agent, upon completion of its internal reporting, it will provide the information on the results of its investigation to the Steering Committee. Following such receipt of information on the results of the investigation(s), it is the responsibility of the Steering Committee and the Administrative Agent to communicate promptly with the relevant anti-fraud offices (or equivalent) of the Donor.

(e) Each UN organization(s) concerned (Administrative Agent or Participating UN Organization) will determine what disciplinary and/or administrative measures, including referral to national authorities, may be taken as a result of the investigation, according to its internal policies and procedures on disciplinary and/or administrative measures, including vendor sanction mechanism, as appropriate. The Participating UN Organization(s) concerned will share information on measures taken as a result of the

investigation(s) with the Administrative Agent and the Steering Committee of the Fund. The Administrative Agent will share information on measures taken as a result of its own investigation with the Steering Committee. Following such receipt of information on measures taken as a result of the investigation(s), it is the responsibility of the Steering Committee and the Administrative Agent to communicate promptly with the relevant anti-fraud offices (or equivalent) of the Donor.

Recovery of Funds

4. If there is evidence of improper use of funds as determined after an investigation, the UN organization(s) concerned (Administrative Agent or Participating UN Organization) will use their best efforts, consistent with their respective regulations, rules, policies and procedures to recover any funds misused. With respect to any funds recovered, the Participating UN Organization will consult with the Steering Committee, the Administrative Agent and the Donor. The Donor may request that such funds be returned to it in proportion to its Contribution to the Fund, in which case the Participating UN Organization would credit that portion of the funds so recovered to the Fund Account and the Administrative Agent would return that portion of such funds to the Donor in accordance with Section XI, paragraph 6. For any such funds the Donor does not request to be returned to it, such funds will either be credited to the Fund Account or used by the Participating UN Organization for a purpose mutually agreed upon.

5. The Administrative Agent and the Participating UN Organizations will apply the provisions of Section VIII, paragraphs 1 to 4 above in accordance with their respective accountability and oversight framework as well as relevant regulations, rules, policies and procedures.

Section IX

Sexual Exploitation and/or Sexual Abuse, and/or Sexual Harassment

1. The Participants have zero tolerance for and are firmly committed to take all necessary measures to prevent and address instances of sexual exploitation and sexual abuse in programming activities, and sexual harassment. The Administrative Agent and the Participating UN Organizations recognize that it is important that all United Nations staff, individual contractors, implementing partners, vendors and any third parties which are involved either in joint activities or in those of the Administrative Agent or Participating UN Organization (such individuals and entities being hereinafter referred to, together as the "Individuals/Entities", and individually as the "Individual/Entity") will adhere to the highest standards of integrity and conduct as defined by each relevant UN organization. The Individuals/Entities will not engage in Sexual Exploitation, Sexual Abuse and Sexual Harassment, as defined below.

2. Definitions:

(a)   "Sexual Exploitation" means any actual or attempted abuse of a position of vulnerability, differential power, or trust, for sexual purposes, including but not limited to, profiting monetarily, socially or politically from the sexual exploitation of another;

(b)   "Sexual Abuse" means the actual or threatened physical intrusion of a sexual nature, whether by force or under unequal or coercive conditions; and

(c)   "Sexual Harassment" means any unwelcome conduct of a sexual nature, that might reasonably be expected or be perceived to cause offense or humiliation, when such conduct interferes with work, is made a condition of employment or creates an intimidating, hostile or offensive work environment. Sexual harassment may occur in the workplace or in connection with work. While typically involving a pattern of conduct, sexual harassment may take the form of a single incident. In assessing the reasonableness of expectations or perceptions, the perspective of the person who is the target of the conduct shall be considered.

3.   Investigation and reporting:

(a) Investigation:

(i)   Investigations of allegations of Sexual Exploitation and/or Sexual Abuse arising in programmatic activities funded by the Fund, will, where appropriate, be carried out by the Investigation Service of the relevant Participating UN Organization in accordance with its rules, regulations, policies and procedures. Where the implementing partner of that funded activity and its responsible parties, sub-recipients and other entities engaged to provide services in relation to programmatic activities are UN Organizations, investigations of such allegations will be carried out by the Investigation Service of the relevant UN Organization in accordance with their rules, regulations, policies and procedures. In cases where the relevant Participating UN Organization is not conducting the investigation itself, the relevant Participating UN Organization will require that the implementing partner of that funded activity and its responsible parties, sub-recipients and other entities engaged to provide services in relation to programmatic activities, investigate allegations of Sexual Exploitation and Sexual Abuse credible enough to warrant an investigation.

(ii)   Where a potential subject of an investigation is contracted by more than one UN Organization involved in the Fund, the Investigation Services of the UN Organizations concerned (Administrative Agent or Participating UN Organization) may consider conducting joint or coordinated investigations, determining which investigation framework to use.

(iii)   Investigations of allegations of Sexual Harassment by UN staff and personnel involved in the Fund and contracted by the Administrative Agent and/or each Participating UN Organisation will be carried out by the Investigation Service of the relevant UN Organization in accordance with its rules, regulations, policies and procedures.

(b) Reporting on allegations investigated by PUNOs and their implementing partners

(i)   The Steering Committee, the Administrative Agent of the Fund and the Donors will be promptly notified of allegations of Sexual Exploitation and/or Sexual Abuse received/under investigation by the Participating UN Organization, as well as of any allegations credible enough to warrant an investigation received from the Participating UN Organization's implementing partners, through the Secretary-General's reporting mechanism on Sexual Exploitation and Sexual Abuse (the "Report")[63], without prejudice to the status of the Participating UN Organisation.

(ii)   The Participating UN Organizations that do not participate in the Report will promptly notify the Steering Committee, the Administrative Agent of the Fund and the Donors of allegations of Sexual Exploitation and/or Sexual Abuse received/under investigation by any such Participating UN Organization through their normal method of reporting of such matters to their relevant governing bodies.

(c) Reporting on credible allegations and measures taken following an investigation:

(i)   The Steering Committee, the Administrative Agent of the Fund and the Donors will be promptly notified of credible allegations of Sexual Exploitation and/or Sexual Abuse investigated by the Participating UN Organization, as well as of any credible allegations that have been investigated by and received from the Participating UN Organization's implementing partners, through the Report.

(ii)   In those cases where the respective Participating UN Organization determined that a case would have significant impact on a Participating UN Organisation's partnership with the Fund and/or with the Donor(s), the Participating UN Organization(s) will promptly provide information containing the level of detail as found in the Report, on the results of their investigation(s) or the investigations conducted by its implementing partners that they are aware of, with respect to the cases in the Report relating to the activities funded by the Fund, which resulted in a finding of Sexual Exploitation and/or Sexual Abuse, to the Administrative Agent and the Steering Committee Chair. Following such receipt of information on the results of the investigation(s), it is the responsibility of the Administrative Agent to communicate promptly with the relevant integrity / investigation offices (or equivalent) of the Donor.

 (iii) Following a determination of a credible allegation of Sexual Exploitation and/or Sexual Abuse, each Participating UN Organization will determine what contractual, disciplinary and/or administrative measures, including referral to national authorities, may be taken as a result of an investigation, according to its internal regulations, rules, policies and procedures on disciplinary and/or administrative measures, as appropriate. The Participating UN Organization(s) concerned will share information on measures taken as a result of the credible allegation of Sexual Exploitation and/or Sexual Abuse in its programmatic activities financed by the Fund with the Administrative Agent and the Steering Committee through the Report.

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[63] The level of detail of information included in the Report at different stages of the investigation process can be seen at https://www.un.org/preventing-sexual-exploitation-and-abuse/content/data-allegations-un-system-wide. Information is published both in real time and through monthly reports.

(iv)   With respect to credible allegations of Sexual Harassment (regarding Participating UN Organization's internal activities) the relevant Participating UN Organization will share information on measures taken with the Administrative Agent, the Steering Committee and the Donors of the Fund through their regular reporting to their relevant governing bodies. The Administrative Agent will share information on measures taken as a result of its own investigation which resulted in a finding of credible allegation of Sexual Harassment regarding its internal activities, with the Steering Committee and the Donors of the Fund through its regular reporting to its relevant governing body.

4.   Any information provided by Participating UN Organizations in accordance with the foregoing paragraphs, will be shared in accordance with their respective regulations, rules, policies and procedures and without prejudice to the safety, security, privacy and due process rights of concerned individuals.S

Section X

Communication and Transparency

1.   Subject to the regulations, rules, policies and procedures of the Participating UN Organization, information given to the press, to the beneficiaries of the Fund, all related publicity material, official notices, reports and publications, will highlight the results achieved and acknowledge the role of the Host Government, the Donor, the Participating UN Organizations, the Administrative Agent and any other relevant entities.

2.   The Administrative Agent in consultation with the Participating UN Organizations will ensure that decisions regarding the review and approval of the Fund as well as periodic reports on the progress of implementation of the Fund are posted, where appropriate, for public information on the websites of the UN in [country] [website URL] and the Administrative Agent [http://mptf.undp.org]. Such reports and documents may include Steering Committee approved programmes and programmes awaiting approval, fund level annual financial and progress reports and external evaluations, as appropriate.

3.   The Donor, the Administrative Agent and the Participating UN Organizations are committed to principles of transparency with regard to the implementation of the Fund, consistent with their respective regulations, rules, policies and procedures. The Donor, the Administrative Agent, Participating UN Organizations and the Host Government, if applicable, will endeavor to consult prior to publication or release of any information regarded as sensitive.

Section XI

Expiration, Modification, Termination and Unspent Balances

1. The Administrative Agent will notify the Donor when it has received notice from all Participating UN Organizations that the activities for which they are responsible under the approved programmatic document have been completed and the Fund is operationally closed.

2. This Arrangement may be modified only by written agreement between the Participants.

3. This Arrangement may be terminated by either Participant on thirty (30) days written notice to the other Participant, subject to the continuance in force of paragraph 4 below for the purpose therein stated.

4. Notwithstanding the termination of this Arrangement, the amount of the Contribution transferred to the Administrative Agent up to and including the date of termination of this Arrangement will continue to be used to support the Fund until completion of the Fund, at which point, any remaining balances will be dealt with according to paragraph 5 below.

5. Any balance remaining in the Fund Account upon completion of the Fund will be used for a purpose mutually agreed upon or returned to the Donor in proportion to its contribution to the Fund as decided upon by the Donor and the Steering Committee.

6. When returning funds to the Donor in accordance with paragraph 5 above or Section VIII, paragraph 4, the Administrative Agent will notify the Donor of the following: (a) the amount transferred, (b) the value date of the transfer, and (c) that the transfer is from the Multi-Partner Trust Fund Office in respect of the Fund in [name of country] (if applicable) pursuant to this Arrangement. The Donor will promptly acknowledge receipt of funds in writing.

7. This Arrangement will expire upon the delivery to the Donor of the certified final financial statement pursuant to Section V, paragraph 3(b).

Section XII

Notices

1. Any action required or permitted to be taken under this Arrangement may be taken on behalf of the Donor, by _____ or his or her designated representative, and on behalf of the Administrative Agent, by the Executive Coordinator of the Multi-Partner Trust Fund Office or his or her designated representative.

2. Any notice or request required or permitted to be given or made in this Arrangement will be in writing. Such notice or request will be deemed to be duly given or made when it will have been delivered by hand, mail, or any other agreed means of communication to the Participant

to which it is required to be given or made, at such Participant's address specified below or at such other address as the Participant will have specified in writing to the Participant giving such notice or making such request.

For the Donor [all issues except those related to fraud and investigation]:

Name (optional): _____

Title: _____

Address: _____

Telephone: _____

Facsimile: _____

Electronic mail: _____

For the Donor [all issues related to fraud and investigation][64]:

Name (optional): _____

Title: _____

Address: _____

Telephone: _____

Facsimile: _____

Electronic mail: _____

For the Donor [all issues related to SEA and SH][65]:

Name (optional): _____

Title: _____

Address: _____

Telephone: _____

Facsimile: _____

Electronic mail: _____

For the Administrative Agent:

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[64] DRAFTING NOTE: Retain second Donor notification only if applicable.
[65] DRAFTING NOTE: Retain third Donor notification only if applicable.

Title: Executive Coordinator, MPTF Office, UNDP

Address: 304 East 45th Street, 11th Floor New York, NY 10017, USA

Telephone: +1 212 906 6880

Facsimile: +1 212 906 6990

Electronic mail: executivecoordinator.mptfo@undp.org

Section XIII

Entry into Effect

This Arrangement will come into effect upon signature thereof by the Participants and will continue in effect until it expires or is terminated.

[If the Donor is a Government, use the following:]

Section XIV

Settlement of Disputes

[Any dispute arising out of the Donor's Contribution to the Fund will be resolved amicably through dialogue among the Donor, the Administrative Agent and the concerned Participating UN Organization.]

[Section XV

Privileges and Immunities]

[Nothing in this Standard Administrative Arrangement will be deemed a waiver, express or implied, of any of the privileges and immunities of the United Nations, the Administrative Agent, or each Participating UN Organization.]

Any dispute arising out of the Donor's Contribution to the Fund/Programme will be resolved amicably through dialogue among the Donor, the Administrative Agent and the concerned Participating UN Organization.

[If the Donor is not a Government, use the following:]

Section XIII

Settlement of disputes

[1.   <u>Amicable settlement.</u>   The Participants will use their best efforts to settle amicably any dispute, controversy or claim arising out of, or relating to this Standard Administrative Arrangement or the breach, termination or invalidity thereof. Where the Participants wish to seek such an amicable settlement through conciliation, the conciliation will take place in accordance with the UNCITRAL Conciliation Rules then obtaining, or according to such other procedure as may be agreed between the Participants.]

[2.   <u>Arbitration</u>. Any dispute, controversy or claim between the Participants arising out of this Standard Administrative Arrangement or the breach, termination or invalidity thereof, unless settled amicably under the preceding paragraph within sixty (60) days after receipt by one Participant of the other Participant's written request for such amicable settlement, will be referred by either Participant to arbitration before a single arbitrator in accordance with the UNCITRAL Arbitration Rules then obtaining. The arbitral tribunal will have no authority to award punitive damages. The Participants will be bound by any arbitration award rendered as a result of such arbitration as the final adjudication of any such controversy, claim or dispute.]

IN WITNESS WHEREOF, the undersigned, being duly authorized by the respective Participants, have signed the present Arrangement in English in two copies.

For the Donor:

Signature: _____

Name: _____

Title: _____

Place: _____

Date: _____

For the Administrative Agent:

Signature: _____

Name: Jennifer Topping

Title: Executive Coordinator, MPTFO

Place: _____

Date: _____

ANNEX A : TOR

ANNEX B: Schedule of Payments

ANNEX C: Standard MOU between Participating UN Organisations and Administrative Agent

SCHEDULE OF PAYMENTS

Schedule of Payments[66]:
Amount:

[Time of first payment]   [amount   in
figures]

[Time of second payment]   [amount   in
figures]

[Time of third payment]   [amount   in
figures]

SAA Tracking Information (IATI or other)		
Administrative Agent	Administrative Agent IATI organisation identifier: Administrative Agent IATI activity identifier:	XI-IATI-UNPF MPTF00…….
Donor (option 1) or Donor (option 2)	Donor IATI organisation identifier: Donor IATI activity identifier (contract number): Donor agreement reference	_____ _____ _____

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[66] Optional footnote: subject to Parliamentary appropriations

Annex 8. CAFI Results Framework

https://www.cafi.org/search/find?keys=Results+framework

Support to
REDD+ Investment Programme phase II (RIP II) in Ethiopia, 2023-2027

Key results:

- Forest sector transformation strengthened, and private sector engagement enhanced.
- Conservation of biodiversity and carbon rich natural forests scaled up.
- Degraded Forest landscapes restored and commercial and species diverse plantations established.
- MRV strengthened and Results Based Payment piloted.

Justification for support: Addressing deforestation of natural forest and promoting reforestation of degraded lands is highly needed in Ethiopia. RIP II is the flagship government programme re. forest conservation and management. RIP II is on-going and is in direct need of additional funding to cover the projected funding gap. It represents a good opportunity for Nordic collaboration in a delegated partnership.

Major risks and challenges: Weak institutional capacity for implementation and coordination as well as inadequate capacity at lower level of government; Sporadic civil unrest in the country and in project areas can lead to slow down and/or suspension of RIP II operations in target areas.

File No.	
Country	Ethiopia
Responsible	Embassy of Denmark, Addis Ababa
Sector	Climate, Nature and Environment

DKK million	2024	2025	2026	2027	Total
Commitment	95.4				95.4
Projected					95.4
Duration	54 months (DK contribution 36 m)				
Finance Act	FL24 §06.34.01				
Head of unit	Karin Poulsen				
Desk officer	Maja Svankjær Thagaard				
Reviewed by CFO	Jacob Strange-Thomsen				

Relevant SDGs

No Poverty	No Hunger	Good Health, Wellbeing	Quality Education	Gender Equality	Clean Water, Sanitation
Affordable Clean Energy	Decent Jobs, Econ. Growth	Industry, Innovation, Infrastructure	Reduced Inequalities	Sustainable Cities, Communiti.	Responsible Consumption & Production
Climate Action	Life below Water	Life on Land	Peace & Justice, strong Inst.	Partnerships for Goals	

Strategic objectives for the project

To contribute to Ethiopia's meeting its Nationally Determined Contributions (NDCs) targets of emission reduction, increased forest cover, and increased GDP.

Environment and climate targeting - Principal objective (100%); Significant objective (50%)

	Climate adaptation	Climate mitigation	Biodiversity	Other green/environment
Indicate 0, 50% or 100%	100	100	50	N/A

Justification for choice of partner:

RIP II is the flagship forest programme in Ethiopia. DK participation offers the opportunity to enhance Nordic coordination and enhance partnership and collaboration with Ethiopia on a projects that meets the strategic goals of the forest.

Summary:

Forest play a key role in the country's green growth strategy and is expected to deliver 50 % of the 68 % reduction target in Ethiopia's NDC. The objective of RIP II to increase GNP and contribute to Ethiopia meetings it's NDC through 1) forest sector transformation, 2) conservation of biodiversity and carbon rich natural forest, 3) restoration of degraded landscapes and 4) strengthening infrastructure for RBP.

Budget (engagement as defined in FMI):

Total	94,5

Danish Ministry of Foreign Affairs

Draft Project Document

**Support to
REDD+ Investment Programme phase II (RIP II) in Ethiopia,
2023-2027**

Under

The Tropical Forest Initiative
for Climate and Development

List of content

Annex 1: Context Analysis
Annex 2: Partner Assessment
Annex 3: Theory of Change, Scenario and Result Framework
Annex 4: Budget Details
Annex 5: Risk Assessment Matrix
Annex 6: Process Action Plan
Annex 7: RIP II Programme Document - Partner documentation

Acronyms and Abbreviations

A/R	Afforestation/Reforestation
ANR	Assisted Natural Regeneration
ART	Architecture for REDD+ Transaction
TREES	The REDD+ Environmental Excellence Standard
BOA	Bureau of Agriculture
BOFEC	Bureau of Finance and Economic Cooperation
CIFOR	Center for International Forestry Research
CRFL	Climate Resilient Forest Livelihood
CRGE	Climate Resilient Green Economy
COP	Convention of Parties
DANIDA	Danish International Development Assistance
D&D	Deforestation and forest degradation
EFCCC	Environment, Forest and Climate Change Commission
EFD	Ethiopian Forestry Development
ER	Emission reduction
EIA	Environmental Impact Assessment
ERR	Emission reductions and removals
EU	European Union
FAO	Food and Agricultural Organization
FI	Forest Inventory
FRL	Forest Reference Level
FSSU	Forest sector Support Unit
FSTU	Forest Sector Transformation Unit
GCF	Green Climate Fund
GDP	Gross Domestic Product
GGGI	Global Green Growth Institute
GHG	Green House Gas
GIS	Geographic Information System
GoE	Government of Ethiopia
GLI	Green Legacy Initiative
HRBA	Human Rights Based Approach
HHs	Households
IPCC	Intergovernmental Panel on Climate Change
IPLC	Indigenous Peoples and Local Communities
KPI	Key Performance Indicator
KMS	Knowledge Management System
LULC	Land Use Land Cover
M&E	Monitoring and Evaluation
MEAL	Monitoring, Evaluation, Accountability and Learning
MoA	Ministry of Agriculture
MoF	Ministry of Finance
MoU	Memorandum of Understanding
MoWIE	Ministry of Water, Irrigation and Electricity
MRV	Monitoring, Reporting and Verification
NAP	National Adaptation Plan
NDC	Nationally Determined Contribution
NICFI	Norwegian International Climate and Forest Initiative
NFI	National Forest Inventory
NFMS	National Forest Monitoring System

NFSDP	National Forest Sector Development Program
NGO	Non-Government Organization
NPC	National Planning Commission
NRS	National REDD+ Strategy
NRSC	National REDD+ Steering Committee
NTFPs	Non-Timber Forest Products
ARD	ART Registration Document
PES	Payment for Ecosystem Services
PFM	Participatory Forest Management
PMO	Prime Minister's Office
PPP	Public-private-partnership
RBPs	Results based Payments
RCU	REDD+ Coordination Unit
REDD+	Reducing Emissions from Deforestation and forest Degradation
RIP I	REDD+ Investment Program phase I
RIP II	REDD+ Investment Program phase II
RRCU	Regional REDD+ Coordination Unit
RPCU	Regional Program Coordination Unit
RNE	Royal Norwegian Embassy
RRCUs	Regional RIP II Coordination Unit
RS	Remote Sensing
SDGs	Sustainable Development Goals
SESA	Strategic Environmental and Social Assessment
SFM	Sustainable Forest Management
SIS	Safeguard Information Systems
SMEs	Small and medium-sized enterprises
SNNPR	Southern Nations, Nationalities and People's Region
SOP	Standard Operating Procedures
SWEPR	Southwest Ethiopia Peoples Region
TA	Technical Assistance
TAPs	Technical Assistance Partners
tCO2e	tonne Carbon Dioxide Equivalent
ToT	Training of Trainers
ToC	Theory of Change
UNFCCC	United Nations Framework Convention on Climate Change
UNDP	United Nations Development Program
USD	United States Dollar
WGCF-NR	Wondo Genet College of Forestry and Natural Resources
WOFEC	Woreda Office of Finance and Economic Cooperation
WRCU	Woreda RIP II Coordination Unit

1. Introduction

The present project document outlines the background, rationale and justification, objectives and management arrangements for development cooperation concerning Danish contribution to REDD+ Investment Programme Phase II, Ethiopia 2023-2027 as agreed between the parties: The Ministry of Agriculture, Ethiopian Forestry Development and the Embassy of Denmark in Addis Ababa. It is part of the Tropical Forest Initiative and contributes to the overall objective and strategic goals of the programme.

The project document is an annex to the legal bilateral agreement with the delegated partner and constitutes an integral part hereof together with the documentation specified below. "The Documentation" refers to the partner documentation for the supported intervention, which is REDD+ Investment Programme, phase II (RIP II) Programme Document, June 2023.[1]

RIP II is a USD 40 million programme under the lead of the Ethiopian Forestry Development (EFD) and with participation of Norway as the main donor. The proposed Danish support is an approximate USD 14 million (DKK 95,3 million) contribution to RIP II, which will close a funding gap in the program. RIP II is a forestry programme that aims at contributing to the implementation of the Ethiopian NDC, increase forest cover and increase GDP. The implementation of RIP II started mid-2023 and as such the programme has gone through all necessary processes of formulation, appraisal and entering of agreement between Norway and Government of Ethiopia.

The RIP II programme document[2] presents a time frame of 3 years from 2023 to 2026. However, it has been agreed among the partners that the duration of RIP II will be extended if and when the agreement on Danish support is finalized. That is why, RIP II in the present project document is presented as running from 2023 to 2027 and not only to the originally stated end date of 2026. The proposed prolonged duration of RIP II will, since some delays have already occurred, also better match the likely achievement of the expected results.

Since the Danish support is closing a finance gap in an ongoing programme by contributing to the full programme with no earmarking, the present project document is, although it has been condensed considerably in several places, largely mirroring the information in the current RIP II programme document. The present project document presents additional information compared to the RIP II document in chapters and sections with specific relevance for the Danish involvement in RIP II. This includes chapters on context, strategic consideration, rationale and justification, partner assessment, theory of change and financial and administrative management. Additional information and analysis on Context, Partner Assessment, TOC and results framework, Budget details, Risks as well as the RIP II programme document can be found in Annex 1 to 7.

The proposed Danish contribution to RIP II will be implemented through a delegated partnership with Norway and will promote close Nordic collaboration. Current Danish-supported forestry activities under the Embassy's Country Programme in Ethiopia, which will end in 2024, will to a large extent be brought forward into RIP II. The formulation of the Danish support to RIP II has been undertaken in a collaboration between the Climate Department of the Danish MFA, the embassy of Denmark in Addis Ababa, the EFD, the CRGE Facility as well as the embassy of Norway in Addis Ababa. A Process Action Plan for the next steps is shown in Annex 6.

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[1] See Annex 7 "RIP II Programme Document"
[2] See Annex 7 "RIP II Programme Document"

2. Context, justification, strategic considerations, rationale

2.1 Context

Ethiopia recognizes the key role forestry plays in setting the country on a sustainable and green development path. In Ethiopia – a mountainous and climatically precarious country – forests play a crucial role in protecting watersheds and is positively influencing water quantity and quality, which are necessary resources that supports livelihoods of millions of Ethiopians living in rural areas. Although the current 17.2 per cent forest cover is a slight increase from 15% a decade ago it still represents a historical decrease from around 35%, and it is inadequate to provide an economic and ecological support system in this.[3] Ethiopia's ambition is to protect the existing 19 million hectares of forest and increase total forest cover to 30 per cent by 2030.

Ethiopia is facing various natural and anthropogenic challenges, of which the impact of climate change is one of the biggest. Continued deforestation contributes to 37% of the national GHG emission and further exacerbates the negative effects of climate change on access to water resources and on food security. Rising temperature and variability of rainfall caused by changing climate is posing major threats to the socio-economic development of the country. Climate variability and change affect availability of surface and ground water for crop and livestock production on which most Ethiopians depend on for their livelihoods. Projections show a continuation of expansion of land for agriculture in the next few decades. This could potentially reduce forest cover and increase incidences of floods unless agricultural and forest policies are reconciled and concerted efforts are made, among others, to increase tree cover and conserve existing forests.

Climate variability and change also influence the incidence of forest fires, pests, and diseases in Ethiopia. The degradation of natural resources and the underlying economic risks put the country's natural capital at minimal capacity to absorb future shocks. This fuels conflicts because of competition over access to natural resources, in addition to aggravating unemployment and/or underemployment, internal displacement, and outmigration that undermine peace, security, and stability internally, in Ethiopia, and externally.

The existing forest stock in the country is under serious threat from various forces. The most prominent <u>direct drivers</u> of deforestation and degradation are small-scale agricultural conversion, large-scale agricultural conversion (investment), increased wood extraction for fuel and construction, and livestock grazing. The <u>indirect drivers</u> are gaps in the implementation of the forest policy and regulations, poorly defined and enforced forest tenure, the absence of clear benefit-sharing mechanisms, lack of private investment in forestry development, weak law enforcement regarding EIA and land use, rapid demographic growth and widespread poverty, institutional gaps, lack of national land use policy and plan, and failure to timely and adequately address Participatory Forest Management (PFM)-related implementation gaps. Ethiopia continues to face severe environmental degradation that increases social and ecological vulnerability. Land degradation is closely linked to deforestation with majority of degraded areas having lost a significant part of their tree cover. A total area of 54 million ha of land in Ethiopia is considered degraded at different scale and in need of restoration[4]. Land degradation lowers land productivity, increases vulnerability of communities to drought, and negatively affects the hydrological and carbon cycle. It aggravates flooding and siltation of lakes and dams. Land degradation has a direct negative impact on food security for a large part of the rural population in Ethiopia[5]. To achieve sustainable development Ethiopia needs to restore the productivity of agricultural and forest lands and adopt improved forestry practices that help rehabilitate degraded lands and improve soil fertility and water resources, while also improving the livelihoods of communities that could otherwise engage in

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[3] Ethiopia's Forest Sector: Investing in Climate, Nature and People, Investment Opportunity 2023-2026, CRGE Facility, 2023
[4] ibid
[5] Climate Resilience and Green Economy Strategy (CRGE), Ministry of Finance, Ethiopia, 2011

deforestation or over-exploitation of the remaining forests. Ethiopia is undertaking large-scale afforestation/reforestation and landscape restoration measures.

Addressing unemployment, under-employment and ensuring food security are instrumental in reducing pressure on existing forest resources. In Ethiopia, the contribution of forests to local livelihoods and the national economy is significant, but largely unrecorded and unrecognized. Fuelwood production is by far the largest employment generator associated with forestry among rural communities in Ethiopia. Increasing demand for forest products encourages smallholder farmers to establish woodlots. Plantations and natural forests are the main energy sources for over 80% of Ethiopians. Annual per capita fuelwood consumption is around 1.35m^3 for a population of about 118 million and projected to grow. This represent is a huge demand for energy that needs to be met, amongst others, through forest development and sustainable management of existing forest resources, but which also requires a shift in energy consumption patterns over time with decreasing dependence on wood fuels. There is a significant gap in demand and sustainable access to wood fuel and forest-based products with a current (2020) yearly import gap of USD 700 million.[6]

Land degradation, population growth, climate variability and change on one hand, and the increasing demand for food, fodder, wood and other forest-based products and services on the other, create competing demands on land and on forests that trigger conflict and migration. This is putting the most vulnerable people and their environment at risk. Conflicts has impacts on forest degradation through break down of management regimes with the recent conflict in Tigray impacting negatively on forest management and livelihoods and leading to increased deforestation in that region[7]. Migration, driven by conflict and drought, causes forest cover change. Ethiopia has a long-standing history of hosting refugees and currently hosts more than 800.000 refugees. Refugee hosting areas are exposed to over exploitation of natural resources, forest, land, water, etc. Unsustainable natural resources management, conflict over access to scarce resources and internal displacement could trigger violence and unrest and could destabilize Ethiopia and the Eastern African countries. This could further push the youth to migrate to other countries.

Policy development
Ethiopia has ratified the Paris Agreement on Climate Change, and Ethiopia's climate plans as indicated in its Nationally Determined Contribution (NDC) are committed to an ambitious emission reduction aiming to reduce emission levels by 68.8%. Forestry plays a key role in this and expected to deliver 50% of the emission reductions. Ethiopia's response to adapt to and mitigate the negative effects of climate change is guided by the national CRGE Strategy. By integrating the CRGE Strategy into the Ten-Year Perspective Plan as one of the key pillars, the GoE have demonstrated a strong interest to continue transforming the forestry sector. Ethiopia's REDD+ Strategy issued in 2018, promotes the protection, conservation, and restoration of forest ecosystems to increase carbon stock by developing local capacities and strengthening PFM. The long-term forestry sector goal is based on Ethiopia´s Ten-Years Development Plan, Forest Sector Development Plan, the Green Legacy Initiative, and the REDD+ Strategy. Ethiopia has just passed a new Forest Law, which is central for the implementation of forest policy in the country, and Ethiopia is in the final stage of establishing a fund for land restoration, which will be of key importance for financing land restoration.

Although tree planting, forestry and forest conservation are high on the political agenda, it should also be noted that other sectors, notably agriculture, are getting significantly more resources and political traction. This means that forestry, during the last couple of decades, has been living a rather turbulent history of different institutional attachment, now ending with forestry (through Ethiopian Forestry Development) being a semi-autonomous entity under Ministry of Agriculture. But it also means that forestry policies and plans might not, when all comes to all, be the first priority in terms of government fund allocation and planning decisions of GoE.

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[6] Ethiopia's Forest Sector: Investing in Climate, Nature and People, Investment Opportunity 2023-2026, CRGE Facility, 2023
[7] Ethiopia's Forest Sector: Investing in Climate, Nature and People, Investment Opportunity 2023-2026, CRGE Facility, 2023

Ethiopia is committed to gender equality, and as a Party to the UNFCCC, Ethiopia is working towards gender responsive climate action. Engaging and empowering women and forest-dependent groups in equitable benefit sharing through meaningful participation is an imperative. RIP II will seek to a) addressing gender and social inclusion issues to ensure that forest-dependent social groups (women, resource-poor households, and youth) are included; b) establishing women only enterprises/ cooperatives. RIP II ensures that there is a focus on provision of livelihood, social, and environmental benefits for women, girls, youth, and other forest-dependent people with the aim of protecting their rights, including equity and fair distribution of benefits.

Progress and results of RIP I and scope of RIP II

In 2013 Norway and Ethiopia entered into a Partnership Agreement on Reducing Emissions from Deforestation and Forest Degradation, conservation of forest carbon stocks, sustainable management of forests and enhancement of forest carbon stock (REDD+), within the context of Ethiopia's Climate Resilient Green Economy (CRGE) Strategy. In 2017, Ethiopia and Norway signed a 600 million NOK (app. 60 mill. USD) grant support for the implementation of the first phase of the REDD+ Investment Program (RIP I) across 122 woredas[8] in seven regional states. Spearheaded by the Ethiopian Forestry Development (EFD), RIP I made considerable progress in: a) reversing the loss of forest cover through protection, restoration, afforestation and reforestation; b) enhancing forest-based economic, social, biodiversity and environmental benefits; c) promoting forest governance frameworks by issuing and implementing polices and laws; and d) enhancing cooperation, coordination, coherence and synergies on forest-related interventions across sectors, development partners and other stakeholders at all levels.[9]

Building on RIP I, RIP II is the flagship government programme regarding forest conservation and management, it covers the most important government owned process for REDD+ implementation including working with transformation of the forestry sector, natural forest conservation, addressing land restoration and regeneration, and developing monitoring, reporting and verification (MRV) for results-based payments (RBP). RIP II is implemented across the country and at large scale and supports directly the climate ambitions of Ethiopia and more generally that of many developing countries. Key drivers of deforestation, that RIP II addresses, include small holder agricultural expansion into forest and forest landscapes (partly fuelled by population increase and linked to poverty), large-scale agricultural conversion of forest and land use, increased wood extraction for fuelwood, charcoal and construction, and more indirectly the unclear and insecure tenure and land certification at multiple levels.

An important policy/regulation development that is relevant for the RIP II context is the EU Deforestation Regulation (EUDR), which will enter into force by 1st January 2025 and which potentially will have a negative impact on deforestation. Ethiopia, and especially small-scale coffee producers in Ethiopia (of which most grow coffee in forest margins/ shade coffee) are likely to be severely impacted by EUDR.

The donor landscape and resent Danish engagement in for forest sector

Several donors are active in the forestry sector, most are implementing through NGOs or multilateral organizations. Norway is the largest donor in the forestry sector in Ethiopia and has been that for long and implements both through government and through NGOs. Sweden is supporting several NGO projects within the forest sector. World Bank is a key donor when it comes to landscape management and increasingly will become central within the forestry sector.

In the forestry sector in Ethiopia, Denmark has for the last three years been supporting the Climate Resilient Forest Livelihoods (CRFL) under the Ethiopian-Danish country programme. The initiative has clearly shown the importance of working with quality of PFM and generally the importance of promoting PFM as the crucial tool to conservation and management of natural forest in Ethiopia. The more general experience of Danish engagement in the forestry sector globally (although some it of older date) has

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[8] Woreda is the Ethiopian equivalent of District
[9] Appraisal of REDD+ Investment Program Phase II in Ethiopia , NORAD, 2020

shown the importance of including rights of IPLC in forest work, it has also shown the importance of working with governments if national programmes on community forestry and participatory forest management shall be taken to scale and be sustained over time. Key Danish lessons also include the central importance of support forest seed production if land restoration and tree planting is to be successful.

2.2 Justification

The GoE has renewed its commitment to address the impacts of climate change not only by submitting an ambitious NDC to the UNFCCC Secretariat, but also by integrating the CRGE Strategy into the Ten-Year Perspective Plan as one of the key pillars. Forestry is playing a key role in the NDC and in the CRGE Strategy. The GoE demonstrates a strong interest to continue transforming the forestry sector. The challenges faced and experiences gained justify continued REDD+ cooperation to transform Ethiopia's forestry sector by introducing changes at strategic and operational levels to scale up innovative forest conservation and management practices that also improve local livelihoods. This is what RIP II will contribute towards and form part of the justification for RIP II investments.

Although good practices in forest conservation and landscape restoration have been piloted and promoted in Ethiopia, prior to RIP I they have not been scaled up to bring lasting transformative change in delivering conservation and improving livelihoods. The ongoing forest development and management interventions are limited to a few regions and woredas, covering small areas compared to the ambitious restoration and conservation targets of GOE. Hence, RIP II efforts to package best practices and create enabling conditions for scaling-up tested and successful REDD+ interventions, while addressing the fundamental drivers of deforestation and issue presented in the context, will be needed and this is another key justification for RIP II. Further, RIP I has achieved considerable outcomes and forms a justified basis for the development and implementation of RIP II especially because the design of RIP II has carefully taken the challenges of RIP II into account.[10]

Ethiopia is seeing many important NGO-implemented programmes supporting forest conservation and land management. This is important and has created significant traction on the issues. However, to achieve transformative and lasting change and address underlying and structural drivers of deforestation, e.g. tenure rights and lack of enforcement of policies, there is a need for also working with government to ensure that government role in the forest sector is supportive of providing national guidance, coherence, and can promote national scaling up of activities. Being a national programme that works across 122 (and increasing) woredas and include central government agencies, RIP II is centrally placed to facility this role of government.

In response to EUDR, RIP II, through its extensive work on PFMs that have been geo-located, and of which many are small-scale coffee producers, has the potential to contribute to meeting the requirements of geo-localization of coffee produced by the PFM members and thereby meet some of the EUDR requirements.

RIP II offers an opportunity to engage in a programme, which is designed to deliver transformative change at scale and designed and formulated on the basis of substantive experience and learnings from the 1st phase. Further, the project is formulated by the GoE meaning that there is political buy-in at highest and relevant level. Given, the status of RIP II, there is also a major opportunity for improved aid effectiveness in the support to RIP II through close collaboration/partnership with Norway as the main donor.

RIP II builds on the achievements of and lessons learnt during the first phase of RIP. RIP I has been assessed as being a relatively successful programme with good impact. RIP II is the key government-owned forest development programme promoting reforestation, natural forest conservation and restoring of degraded forest landscapes in Ethiopia playing a central role in the NDC and the CRGE Strategy of Ethiopia. The new Danish Tropical Forest Initiative will be implemented from 2024 and RIP

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10 Appraisal of REDD+ Investment Program Phase II in Ethiopia , NORAD, 2020

II objectives are in line with the objectives of the Programme "*Reduce deforestation and forest degradation in response to global climate change, to protect biodiversity, and to support and promote sustainable development, including among Indigenous Peoples and Local Communities living in and off forests",* as it includes addressing deforestation, climate, biodiversity and poverty alleviation.

RIP II also has an important focus on supporting rural livelihoods and achieving poverty reduction. RIP II shows a significant degree of underline relevance related to Danish policies and priorities within the forest sector. Impacts, as stated in the results framework, are significant and found to be achievable. Although effectiveness and efficiency can be an issue when working with government structures, the long-term importance of ensuring a stronger government role in sustainable and decentralized forest management in Ethiopia outweighs the sometimes relatively more limited effectiveness and efficiency of government-led programmes. All in all, RIP II is assessed to be an effective and efficient way of supporting forest conservation/ management in Ethiopia. RIP II is found to be quite coherent, and a would further bring coherence to the many non-government interventions in forest management and land restoration. Sustainability of RIP II is relatively good with a number of sustainability strategies in place including performance-based payments and establishment of a funding mechanism for restoration. Based on the above, the Danish contribution to RIP II is justified.

2.3 Strategic considerations

In the following strategic considerations are made around RIP II contribution to the following issues: Government policies and plans; Emission reductions through halting deforestation; Biodiversity conservation; SDGs and gender/inclusion; Land restoration; Employment and private sector development; Tenure and rights; Government coordination; and Aid effectiveness and additionality.

Ethiopia is committed to reducing its emission from the forestry sector and has developed a range of policies and plans in support of this. Implementation of these policies and plans are well underway but also needs further support. RIP II is a central government programme for meeting its committed targets and for implementing the forestry related policies and plans. RIP II is a strategically well-placed programme supportive of the Ethiopian emission reduction ambitions and, more generally, of its forestry sector more generally.

Overall, RIP II addresses deforestation through promoting sustainable forest management and conservation and land restoration at large scale. It contributes to significant emission reduction from the forestry sector and works with a range of important institutional, capacity and governance aspects of the forestry sector. These fundamental aspects of RIP II form a key part of the strategic consideration for supporting it.

Ethiopia is party to the UN Convention on Biological Diversity (CBD) and contributed to approving of the new Biodiversity Framework at the COP 15 in December 2022. Through the effective management and conservation of existing natural forests and restoration of degraded landscapes, RIP II will contribute to maintaining and increasing biodiversity. RIP II's contribution to several targets of the new Global Biodiversity Framework is important to note as part of the strategic consideration.

RIP II will contribute to the 2030 Sustainable Development Goals (SDGs), particularly to the goals of (1) poverty reduction (through supporting rural livelihood improvements and improving resilience of local communities), (8) economic growth and decent green jobs creation (through improving forest based value chains and industries and through creating jobs in restoration and sustainable forest management), (13) climate action (through addressing emission reduction from forest, forest lands and restoration of lands, and through improving adaption capacity of forest-based ecosystem), and (15) life on land (through supporting conservation and sustainable management of biodiversity rich natural forest). It is an important strategic consideration for Denmark that RIP II is designed to address the climate-development nexus by addressing relevant SDG's such a no. 1 on poverty and no. 8 on growth and employment, and at the same time is supportive of the climate/environment SDGs no. 13 on climate and no. 15 on land/biodiversity.

RIP II constitutes an important example on integrating climate/conservation actions with poverty reduction and RIP II is, at the same time, addressing inclusion of forest dependent communities and important aspects of rights of IPLCs. Specifically, the RIP II activities on tenure and management rights will be important for local forest dependent communities (IPLCs). The multiple and integrated activities addressing several of the drivers of deforestation forms an important part of strategic consideration.

RIP II has specific strategies and activities addressing gender and inclusion. RIP II is assessed to address issues with gender, youth, equity and social inclusion, something which is important for the proposed Danish support to RIP II. Given the context, it is also fair to say that RIP II is in line with a human rights-based approach (HRBA). It addresses inclusion and poverty reduction so it can be expected to live relatively well up to the principle of Leaving No-one Behind. The fact that RIP II is addressing several of the cross-cutting issues of importance in Danish development assistance, is important part of the strategic consideration.

Addressing deforestation and land degradation contributes to curbing the negative effects of climate variability and change including drought. Protecting forests helps to protect water supplies and building drought resilience. The effect of RIP II and its forest interventions in terms of water balance, water quality and drought mitigation are important contributions to climate adaptation and local climate resilience and thereby contribute to poverty reduction among local rural communities is of central importance in assessing relevance of RIP II.

RIP II is addressing issues around unemployment, under-employment and food security, amongst others, by supporting forestry related employment, small scale business and employment in land rehabilitation. This underscores the significance of the RIP II to job creation, income generation and, by extension, food security. RIP II has the potential to have significant impact on employment and on poverty reduction. The engagement of the private sector in supporting sustainable forest management and enhancing forest carbon stocks could have positive impact on REDD+ outcomes. RIP II is addressing the need for private sector engagement, something the RIP I, according to evaluations, did not succeed so well in doing. For Denmark, the added emphasis on more private sector involvement in RIP II is of importance since it is likely to create more efficient forestry management and since it is part of Danish policies to enhance private sector involvement in such interventions. But it should also be recognized that it is not an easy undertaking to get more (and sustained) private sector involvement in the forest sector because of the notoriously long-term nature of investments and because of the weak framework for private sector participation in the sector.

Issues of tenure and rural land certification are having significant impact on the status and potential development of the forestry sector. Without secure tenure and proper certification of land as well as its link to land use planning, it is difficult to see sustained progress in forest management and land restoration. RIP II is seeking to address issues of tenure, rural land certification and land use planning as part of its activities. Through these activities, RIP II is addressing rights of IPLCs. Tenure and rights are, however, one of the areas where the RIP II document is not overly clear. Progress in working with tenure and land certification, including how rights of IPLC's in terms of land and forest management actions are being promoted, are areas of RIP II that are worth having a focus on in Danish donor dialogues with government during implementation.

RIP II will try to address the problems associated with limited horizontal coordination among different government institutions (such as forestry, agriculture, water etc) and limited vertical coordination and integration among different levels of government. The fact that RIP II is seeking to address the coordination and integration problems is important for the effectiveness of RIP II implementation and is an important strategic consideration.

The strategic consideration includes consideration of the additionality of Danish support. By filling a funding gap in the programme, the additionality of the Danish support is that it makes it possible to implement RIP II as planned and thereby contribute to important impacts and results in terms of forest conservation, climate mitigation, climate adaptation, biodiversity conservation, employment, and poverty reduction. Bringing in some experience from the CRFL under the country programme into RIP II does

also bring some additionality. Finally, active Danish participation by the Embassy in the policy dialogues regarding forest and forestry with the Ethiopian Government will be an important additionality to the bilateral cooperation and partnership between Denmark and Ethiopia.

2.4 Rationale

At the policy level the rationale behind Danish support to RIP II relates to several factor. Firstly, RIP II represents key actions to meet Ethiopian policy priorities related to forest and forestry. Secondly, RIP II contributes to the overall Danish policy priorities on preventing and fighting poverty and inequality and on leading the fight to stop climate change and restore balance to the planet. Thirdly, providing support to RIP II is also in line with the partnering with Africa approach, it supports the SDG agenda and the Paris Agreement at the same time, and it aligns well with the priorities under the new Tropical Forest Initiative. It is a direct example of practical application of nature-based solutions to problems of climate and development.

Ethiopia is seeing many important NGO-implemented programmes supporting forest conservation and land management. However, to achieve transformative and lasting change and direct underlying and structural drivers of deforestation, e.g. tenure rights and lack of enforcement of policies, there is a need for also working with government to ensure that government is supportive of the objectives and activities in the forest sector. In practical terms, government has an important role in providing national guidance, coherence, and promotion and national scaling up of successful activities. Being a national programme that works across 122 (and increasing) woredas and includes central government agencies, RIP II is the best opportunity for supporting and promoting this role of the government. This is a key rationale behind Danish support to RIP II.

The effect of RIP II and its forest interventions in terms of water balance, water quality and drought mitigation are important contributions to local climate resilience and hence poverty reduction among local rural communities in the RIP II areas. Further, RIP II addresses local livelihoods, local employment and businesses as well as tenure issues, participation, and local ownership, which contributes importantly to poverty alleviation. Central in RIP II, is the development of forest management related benefit sharing with communities, which will contribute to sustained socio-economic changes. The dual focus of RIP II, fighting deforestation and promoting poverty alleviation, is an important rationale behind the proposed Danish RIP II support.

The results that RIP II will deliver are assessed as important and significant, and the results framework of RIP II is found to be a sound basis for project implementation. The nature and scale of results of RIP II forms a key argument for supporting RIP II. However, for some of the results it is difficult to assess the quality of the results as they are only based on quantity. This scaling up of results is important, but the scaling up should also reflect that results are delivered with the right quality. Issues of quality of results, is an area that Denmark together with Norway should try to raise in the donor dialogue with the government. This is also linked to CRFL experiences and target areas (from the Danish supported forestry activities) being brought into RIP II and giving the opportunity for contributing to the dialogue on quality. All in all, it supports the rationale for supporting RIP II.

The rationale for Danish support to RIP II also includes the fact that RIP II represents a well-developed programme with lesson learned integrated from previous phases; it is the best available and most promising programme in the forestry sector in Ethiopia that supports key government roles; and RIP II is assessed positively with regards to the DAC criteria of relevance, impacts, effectiveness and efficiency as well as with coherence and sustainability.

3. Project Objective

The development objective of the development cooperation among the parties is *"To contribute to Ethiopia's meeting its Nationally Determined Contributions (NDCs) targets of emission reduction, increased forest cover, and increased GDP."* Four outcomes will contribute to the attainment of the development objective, namely: (1) Forest

sector transformation strengthened, and private sector engagement enhanced; (2) Conservation of biodiversity and carbon rich natural forests scaled up; (3) Degraded Forest landscapes restored and commercial and species diverse plantations established; (4) MRV strengthened, and Results Based Payment piloted.

Overall, RIP II will address the major and interrelated challenges of deforestation, carbon emissions from deforestation and forest degradation, climate change related risks, biodiversity depletion and widespread rural poverty in Ethiopia. RIP II is designed to institutionalize forest sector transformation by scaling up results achieved during the first phase of RIP, and by advancing forestry innovation, knowledge management, and capacity of key stakeholders. RIP II development objective is supportive of implementation of key Ethiopian strategies for climate resilient green economic transition.

It fits with the vision "to improve the stability, resilience, and green development in Ethiopia" of the draft Denmark-Ethiopian strategic framework, 2025-29, and it fits well with one of the main pillars of support, namely "support conflict sensitive and inclusive green growth".

4. Theory of change and key assumptions

4.1 Theory of Change

The overall ToC, which RIP II is based on is presented in the RIP II programme document. The Danish support to RIP II will be based on this same ToC. The ToC is summarized as: Through addressing forest sector transformation, scaling up conservation of natural forest, restoring degraded forest landscapes, and improving MRV and RBP, RIP II will be able ensure an improved management of Ethiopian forests with less deforestation and forest degradation, it will also contribute to healthier and expanded forest landscapes and to improved livelihoods and income from forest enterprises for forest dependent and forest related rural communities. Addressing the high rates of deforestation and forest degradation will contribute to mitigating climate change and will improve climate adaption functions of Ethiopian landscapes as well as the climate adaptation capacities of rural communities in Ethiopia.

Four outcomes are to be achieved in RIP II, cf. the box below. This is to be achieved by addressing the major institutional, technical, financial, and socio-economic barriers for better forest management in Ethiopia. The four outcomes will be undertaken simultaneously as they complement, and have direct impact on, each other, and synergistically contribute to the attainment of overall development objective "to contribute to Ethiopia's meeting its Nationally Determined Contributions (NDCs) targets of emission reduction, increased forest cover, and increased GDP". The stated change processes for outcomes is presented below.

The change process for **outcome 1 "Forest sector transformation strengthened, and private sector engagement enhanced"** will be: **If** activities encompassing: technologies and models; financing systems; enabling of forestry management systems and quality; supporting various cross sector initiatives; knowledge management and private sector involvement, are implemented, **then** outputs related to: operationalisation of innovative models; access to additional financial resources; implementation of policies; improved cross sector collaboration; better monitoring, communication and learning, and increased private sector engagement, will be achieved. And **then** it is likely that we will see a transformed and strengthened forestry sector with better private sector engagement. **This** will address some of the institutional and policy barriers and contribute towards the development objective.

The change process for **outcome 2 "Conservation of biodiversity and carbon rich natural forests scaled up"** will be: **If** activities encompassing: mapping, certification and tenure; supporting new and existing PFM groups; and developing value chains and livelihood options for forest dependent communities, are implemented, **then** outputs related to: improved conservation/management of natural forest; improved management of forests and buffer zones; and inclusive improvement of livelihoods of forest dependent communities, will be achieved. And **then** it is likely that additional natural forest will be conserved and better managed. **This** will address some of the social, financial, and institutional barriers and contribute towards the development objective.

The change process for **outcome 3 "Degraded Forest landscapes restored and commercial and species diverse plantations established"** will be: **If** activities encompassing: identification of sites; scaling up best restoration practises; producing quality seeds; supporting value chains; enhancing biodiversity; and building capacity of actors, are implemented, **then** outputs related to: restoration of degraded lands; establishment of forest plantations; and enhancement of biodiversity in restored areas, will be achieved. And **then** it is likely that additional land will be restored and stronger development in plantations will be achieved. **This** will address some of the social, institutional, and financial barriers and contribute towards the development objective.

Lastly, the change process for **outcome 4 "Monitoring, Reporting and Verification (MRV) strengthened, and Results Based Payment piloted"** looks like the following: **If** activities related to: building of a functional MRV system; implementing a safeguards information system; ensuring legal and benefit sharing frameworks; and developing Results Based Payment (RBP) strategy, are implemented, **then** outputs related to: a fully function National Forestry Monitoring System; implemented REDD+ safeguards; REDD+ policies and guidelines in place; and REDD+ RBP scheme initiated, will be achieved. And **then** the capacity to implement MRV and administer a sound RBP scheme will be strengthened. **This** will address several barriers across financial, social and technical fields, and will contribute towards the development objective.

An illustration of the ToC scenario can be found in Annex 3. The RIP II narrative ToC, as presented in the RIP II programme document, states:

Barriers to be addressed: To reverse the trend, some structural drivers of deforestation and land degradation are more difficult or would require longer time than this project's time period to change, such as population growth and land-use policies. RIP II will mainly focus on addressing the following barriers to achieve the desired objective of meetings Ethiopia's NDC, increase forest cover, and increase GDP:

Category	Barriers to be addressed
Technical	- Underdeveloped forestry research and innovations for forestry sector transformation - Low capacity on sustainable forest management and restoration planning and implementation, product and value chain development, and resource mobilization
Institutional	- Lack of coordinated institutional mechanism for forestry sector transformation - Incoherent and poorly implemented policies, regulations, guidelines on sustainable forest management, biodiversity conservation, carbon ownership, REDD+ incentive distribution, etc. - Weak and ineffective land-use planning and administration system
Social	- Marginalization, unemployment, resource scarcity leading to conflict and youth migration - Isolation and limited access to markets, information, and alternative livelihood options - deep rooted gender inequality, limited access to resources and education
Financial	- Lack of forest financing strategy and limited financial resources to support sustainable forest management - Limited access to finance for PFM communities for alternative livelihoods

If barriers are not addressed: If these barriers are not adequately addressed, the following are anticipated consequences:
- Rapidly increasing GHG emissions due to continued and potentially increased deforestation and forest degradation.
- Increasing community vulnerability to the impacts of climate change related extreme events leading to increased poverty.
- Increased levels of conflicts and migration due to tenure insecurity, lack of access to livelihoods and necessary eco-system services.
- Low income from the forest sector/missed opportunities to fill national supply gap of wood products due to weak national, sub national and local capacity for forest sector transformation.
- Increasing income and gender inequalities, deepening marginalization of the poor, women, and girls.

Entry points: In addressing the above-mentioned barriers, the main entry points identified are:

- Mapping, demarcating, certifying, classifying, and sustainably managing existing natural forests
- Promoting rehabilitation of degraded forests and landscapes in view of restoring production and ecological functions of landscapes and producing biomass to meet needs
- Promoting forest friendly livelihood options and diversifying income sources of communities to reduce excessive exploitation of forests and build their adaptive capacities
- Building capacities of actors at all levels to bring about transformation in the forestry sector

4.2 Key assumptions

The underlying assumptions for the TOC are:

(i) there is political will among key partners and actors to develop the forestry sector through stable, well positioned and adequately resourced forestry institutions at all levels, and to support efforts to increase public awareness, expand community ownership, and increase private sector engagement in forestry;

(ii) opportunities to leverage climate finance will be tapped and international support for forest conservation continues,

(iii) there is willingness to improve vertical and horizontal linkages at all levels of the government structure dealing with forests, and increased capacity at all levels will lead to better and sustained results;

(iv) increased alignment of sectoral policies facilitate better cross sectoral coordination among forestry, agriculture, land and finance sectors; and

(v) security in project areas prevails and will not significantly affect project implementation;

(vi) putting Ethiopia's forests under improved conservation/management systems will reduce deforestation and hence emissions from forests;

(vii) by improving livelihood options of forest dependent communities, dependence on and excessive exploitation of natural forests is reduced.

Further, it is assumed that in order to take good practices from conserving carbon and biodiversity rich forests and rehabilitating degraded landscapes to scale and piloting new innovations that facilitate forest sector transformation in Ethiopia, the following is needed: (i) having dependable baseline information; (ii) proposing forest and forest frontier management options that reduce deforestation while also improving the livelihoods; (iii) strengthening programme planning, implementation and coordination; (iv) bridging sectoral gaps between forestry and other sectors; (v) using experiences gained to inform policy makers and planners (vi) developing sustainable financing mechanism to support forest conservation and landscape rehabilitation; (vii) building knowledge management system, synthesizing lessons, building capacity, and promoting experience sharing.

5. Summary of the results framework

For results-based management, learning and reporting purposes Denmark will base the actual support on progress attained in the implementation of the project as described in the documentation. Progress will be measured through the Ethiopian Forest Development´s (EFD) monitoring framework focusing on a selected number of key outcome(s) and corresponding outputs and their associated indicators. Below is the objective and outcome level of the results framework for RIP II. The full results framework can be found in Annex 3.

Result framework for REDD+ Investment Programme, Phase II (RIP II)

Project	REDD+ Investment Programme, Phase II (RIP II)
Project Objective	To contribute to Ethiopia's meeting its Nationally Determined Contributions (NDCs) targets of emission reduction, increased forest cover, and increased GDP.
Impact Indicators	(i) # mill. tons co2e emissions from LUCF (target: reduced to 21,4 mill. tons)

	(ii) % national forest cover (target 22%)	
	(iii) % forestry contribution to the GDP (target: reduced to 15%)	
Baseline	(i) 133 million tons emission from LUCF	
	(ii) 17% national forest cover	
	(iii) 12,8 forestry contribution to GDP	

Outcome 1		Forest sector transformation strengthened, and private sector engagement enhanced.
Outcome indicator		(i) Forest sector transformation strategy/roadmap/KPIs adopted by EFD (ii) A center of excellence for forestry knowledge management established
Baseline	2023	(i) 0 (no strategy/roadmap existing), (ii) 0 (no center of excellence existing)
Target	2027	(i) 1, (ii) 1

Outcome 2		Conservation of biodiversity and carbon rich natural forests scaled up.
Outcome indicator		(i) # ha of forest put under conservation system - PFM and Priority Forest Areas (´000)
Baseline	2023	670 ha
Target	2027	1500 ha (additional)

Outcome 3		Degraded Forest landscapes restored and commercial and species diverse plantations established.
Outcome indicator		(i) # of ha degraded land restored through Assisted Natural Regeneration ('000), (ii) # of ha new plantations established with species diversity ('000)
Baseline	2023	(i) 800 ha, (ii) 44 ha
Target	2027	(i) 630 ha (additional), (ii) 40 ha (additional)

Outcome 4		MRV strengthened and Results Based Payment piloted.
Outcome indicator		(i) Legal provisions for REDD+ payment scheme clarified, (ii) REDD+ result-based payment schemes initiated and preparation for REDD+ results-based payments (RBPs) completed
Baseline	2023	(i) 0, (ii) 1
Target	2027	(i) 1, (ii) 1 (additional)

Outcome 1: RIP II will focus on institutionalizing the transformation of forestry through developing, piloting, and scaling up innovative forest management, restoration, conservation, and utilization approaches. In addition, RIP II will generate and disseminate knowledge and information on forestry innovation and technology. RIP II will develop and adopt innovative models and technologies. A forest sector financing strategy will be developed and implemented to mobilize resources, and improving efficiency and effectiveness in implementing policies, strategies, and regulations will be emphasized to drive forestry sector transformation. Cross-sectoral coordination will be enhanced by supporting and strengthening a forestry related CRGE cross sectoral coordination mechanism, and the Green Legacy Initiative governance structure from federal to local levels will be strengthened and institutionalized. Forest sector transformation monitoring, communication, outreach and learning system will be strengthened and the promotion of increased private sector engagement in forestry activities will be one of the key undertakings of the RIP II.

Outcome 2: The conservation of carbon and biodiversity rich natural forests will primarily happen through scaling up PFM to wider areas and bringing more natural forest under improved conservation management, enhancing buffer management and mapping carbon and biodiversity rich forest for establishing conservation priority forest areas. The PFM intervention will also consolidate the forest-agriculture frontier by closely working with communities and agricultural offices to establish and better manage the buffer zones and in establishing green corridors. RIP II will provide legal support for PFM groups and update the PFM national user guide. It will focus on improving the livelihoods of forest dependent communities, particularly for women and youth through provision of various types of tested livelihood support options, capacity building actions and promotion of revolving fund schemes. RIP II will provides training support to 180 PFM or forest-based business group members. Business investment support will be in the areas of alternative energy/energy efficiency, climate smart crop and livestock management, and forestry value chain and market linkage development for wood and non-wood products. Improved conservation management of biodiversity rich natural forest will be promoted through a range of different activities and strategies.

Outcome 3: RIP II will continue to scale up successful forest restoration models promoted during the first phase with special focus on enriching indigenous tree species to enhance biodiversity. 630,000 ha of degraded lands will be identified, mapped, demarcated, and certified in collaboration with regional and woreda forestry and land administration authorities, and the certified lands will be restored through assisted natural regeneration. It is expected that more than 10,000 households will directly benefit from livelihood options that will be introduced to the new assisted natural regeneration sites. RIP II will support production of 145 million quality seedlings to support afforestation and reforestation activities on 40,000 ha of land. It will support the establishment of new or upgrading existing SMEs through different incentives and will work with private sector and financial institutions to facilitate access to finance for community groups. RIP II will promote use of mixed indigenous species in plantation to be established. To make assisted natural regeneration and afforestation/reforestation activities successful and sustainable, capacity building at various levels will be conducted and logistical support provided to district offices.

Outcome 4: RIP II will strengthen Ethiopia's National Forest Monitoring System (NFMS), including a MRV System, to measure emission reductions and removals of carbon resulting from policy measures and from actual on-the-ground measures. Under RIP II, necessary preparations to achieve the results-based payment (RBP) phase following guidance by the REDD+ Environmental Excellence Standard (TREES) will be made. RIP II will strengthen capacity and accountability to achieve and administer REDD+ results-based payments in Ethiopia and will establish a fully functional NFMS capable of informing decision-makers about the status and change of Ethiopian forests. Existing institutional arrangements, networks, and collaboration with partners for the NFMS at national and regional levels will be refined and strengthened. The MRV system will be developed and operationalized in collaboration with Wondo Genet College of Forestry and Natural Resources (WGCF-NR) and FAO. Ethiopia's forest sector MRV capacity will be build, with an aim of full integration into the national GHG accounting systems. To roll out result-based payment, policy and guidelines for national REDD+ payment and benefit sharing systems will be established. It is expected that the successful implementation of this outcome will help pave the way for Ethiopia reaching the results-based payment phase of REDD+, to sustainably generate finance to support continued forest conservation and development in the country.

RIP II has set transformation of the forest sector, conservation, livelihoods improvement and capacity building related targets. It aims to put 1,5 million ha of natural forests under improved conservation system, and mapping and rehabilitating 670,000 ha of degraded lands through assisted natural

regeneration, afforestation, and reforestation. This will help Ethiopia significantly reduce emissions of CO2. The members of 180 PFM groups will be supported to diversify their income sources and reduce their dependence on natural forests and over 10,000 households will be assisted to be engaged in forest friendly business opportunities. To support and scale up forest sector transformation initiatives, a centre of excellence in forestry knowledge management will be established, and at least 300 senior experts would get on the job training.

6. Inputs/budget

Below is the budget as presented in the RIP II document and with the proposed Danish contribution shown in the last column. The budget is available on outcome and output level. The budget is shown in NOK as this is how it is presented in the RIP II document. The proposed Danish contribution is shown in DKK (at the exchange rate of end March 2024 NOK/DKK 0,637). A budget breakdown per year is not available but will be developed when the Danish contribution is agreed - an agreement, which will also trigger a change in the timespan of RIP II (from ending in 2026 to ending in 2027).

Project: REDD+ Investment Programme, phase II, Ethiopia, 2023-27					
Outcomes	**Budget for RIP II**				
	Total budget (in NOK 000´)	Funded by Norway (in NOK 000´)	Unfunded by March 2024 (in NOK 000´)	Proposed Danish contribution (in NOK 000´)	Proposed Danish contribution (in DKK 000´)
Outcome 1: Forest sector transformation strengthened, and private sector engagement enhanced.	103,008	63,539	39,469	39,469	25,128
Outcome 2: Conservation of biodiversity and carbon rich natural forests scaled up.	132,631	82,124	50,506	50,506	32,194
Outcome 3: Degraded Forest landscapes restored and commercial and species diverse plantations established.	166,527	109,765	56,762	56,762	36,181
Outcome 4: MRV strengthened, and Results Based Payment piloted.	17,622	16,622	1,000	1,000	637
Unallocated	3,800	1,900	1,900	1,900	1,211
Total	**423,588**	**273,950**	**149,637**	**149,637**	**95,381**

The total budget of RIP II is NOK 423 million. The budget allocated for outcomes 1 to 4 is respectively NOK 103 million, NOK 133 million, NOK 166 and NOK 18 million. In addition, NOK 3,8 million is allocated for contingencies (although this is not shown in the budget annex), see Annex 5 for details. Budget for contingencies will be utilized, upon written agreement between the parties, for unforeseen costs during the project period.

The CRGE Facility of MoF will be responsible for financial management decisions and will follow the government of Ethiopia's financial rules and regulations for fiduciary management. MoF will sign the Government Cost Sharing Agreement with RIP II's Technical Assistance Partners regarding funding of activities managed by them.

Danish funding is expected to be committed and available by the end of 2024. Since RIP II is ongoing and planned for finalization in mid 2026 and Danish funding will only be available towards the very end of 2024, it has been agreed that the capacity of RIP II to utilize the funding effectively within the given time would be significantly improved with an extension of RIP II to end 2027. It is also understood that currently RIP II is managing the funding in such a way that all activities are implemented full scale from the start and that the funding gap (if covered) will finance the activities in the latter part of the project. That, combined with the expected extension of RIP II duration, ensures feasibility of utilization of the planned Danish funding in accordance with the RIP II plan.

The Danish grant must be spent solely on activities leading to the expected outputs and outcomes as agreed between the parties. The implementing partner is responsible for ensuring that the funds are spent in compliance with the agreement and with due consideration to economy, efficiency and effectiveness in achieving the results intended.

7. Institutional and Management arrangement

The below description of the institutional and management arrangement is based on the RIP II programme document as part of the Agreement between GoE and Norway. The successful delivery of RIP II requires the collaborative engagement of stakeholders at federal, regional, and woreda levels and the engagement of Technical Assistance Partners (TAPs). The Ministry of Finance (MoF) and the Ethiopian Forestry Development (EFD) will assume the full financial (MoF) and implementation responsibility (EFD) for RIP II through the CRGE Facility and through RIP II coordination units at federal, regional and woreda levels, respectively.

Implementation of RIP II will be carried out at three levels: federal, regional and woreda. The United Nations Development Program (UNDP), the Center for International Forestry Research (CIFOR) and the Global Green Growth Institute (GGGI), referred to as Technical Advisory Partners (TAPs), shall provide technical, advisory, research, capacity building, knowledge management and procurement services to the CRGE Facility and EFD for timely delivery of results.

The RIP II management and coordination structure from federal to woreda level is presented below.

Figure: Management and coordination structure of RIP II
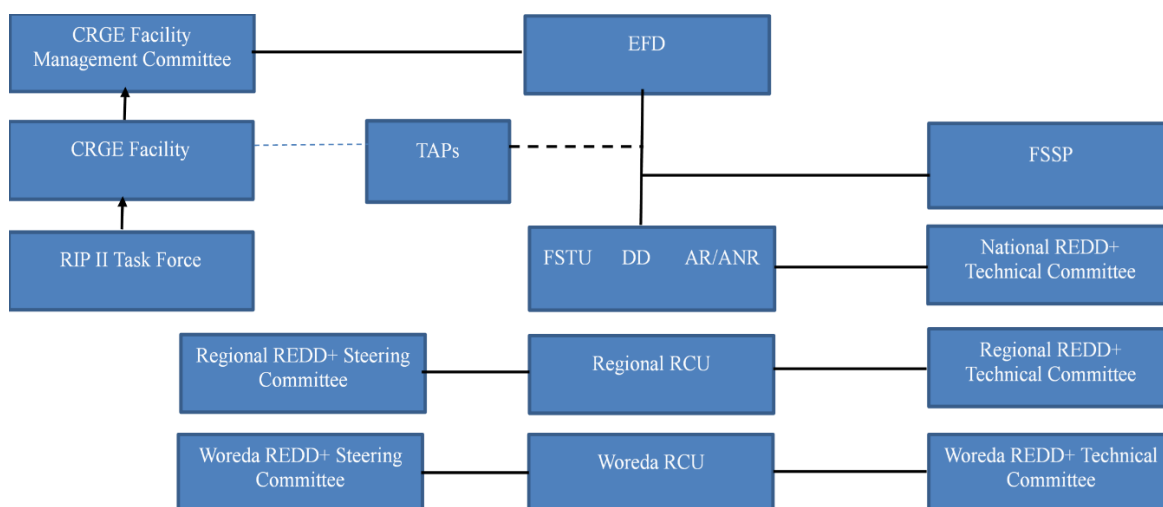
The roles and responsibilities of the main RIP II stakeholders are described in the sections below. Additional information can be found in Annex 2.

CRGE Facility Management Committee: The committee is chaired by the MoF State Minister and comprises of State Ministers from the MoA and other relevant sectors. The Management Committee has an overall programme implementation oversight role. Donor representatives and selected development partners will attend Management Committee meetings as observers. The Committee will meet biannually to review RIP II's performance and provide strategic guidance to the CRGE Facility and the RIP implementation coordination body. A RIP II high-level body, which includes the MoF State Minister for External Economic Cooperation, the EFD Commissioner and ambassadors from development country embassies, shall meet biannually to discuss strategic and high-level issues.

CRGE Facility/ Ministry of Finance: The CRGE Facility team in the Ministry of Finance, in collaboration with the Bureaus and Offices of Finance at regional and woreda levels respectively, is responsible for the financial and procurement management of RIP II, consistent with government policies. In collaboration with the RIP II management at federal level, it will facilitate annual work planning, periodic review meetings, joint monitoring missions, assess and assure the quality of the proposed programme plans and reports submitted by EFD. Furthermore, it will exercise the necessary diligence, efficiency, and transparency in line with acceptable best principles and practices and ensure that grants are used according to approved work plans and budgets. The CRGE Facility liaises with development partners and organizes quarterly Task Force (TF) meetings. The **RIP II Task Force** (TF) shall be chaired by the CRGE Facility. The CRGE Facility will organize quarterly TF meetings composed of the CRGE Facility, development partners, EFD and TAPs. The TF shall review program implementation, financial and procurement management, reporting, provide monitoring and supervision of RIP II.

Ethiopian Forestry Development (EFD): EFD was established under the Ministry of Agriculture in 2021. EFD is an autonomous federal institution having its own legal personality. In general, EFD's responsibilities are to ensure that forest development contributes to economic development in ways that are participatory, socially, and regionally inclusive, and to put in place and operationalize mechanisms to ensure equitable benefits to communities from sustaining ecosystem service provisions. EFD will also conduct research on wide range of forestry related issues. RIP II is designed to allow EFD to deliver on its mandate. EFD is responsible for the overall RIP II implementation and will be accountable for the delivery of program results. EFD shall ensure that RIP II is implemented through strong management and coordination structures at federal, regional and woreda levels, ensuring adequate collaboration with relevant stakeholders and communication of progress and results to all relevant audiences. It will work closely with TAPs, a broad group of stakeholders, and public sector agencies at federal, regional and woreda levels.

EFD shall manage the **Forest Sector Support Unit** (FSSU), which is established within EFD and will ensure RIP-II coordination, development and resource mobilization and donor relations, monitoring, and communication. EFD shall also manage the **Forest Sector Transformation Unit** (FSTU), which will comprise the key staff working on forest sector transformation and implementation and management of RIP II. EFD shall also manage and oversee regional and woreda level **Regional RIP II Coordination Units** (RRCU) and **Woreda RIP II Coordination Units** (WRCU), constituted of regional and woreda representatives of different departments and with the overall role of ensuring delivery, coordination, and oversight of RIP II activities at the respective levels. Specifically, at the woreda level, accountants will be recruited to improve financial management capacities and reduce implementation risk.

In the RIP II management structure, there are also regional and woreda level **REDD+ steering committees** composed of respectively various regional and woreda heads of departments, and which will provide overall supervision and review of plans and performance. Also, at the regional and woreda level, **REDD+ technical committees** are established, they are composed of technical experts of the various technical entities and will advise on technical issues and review technical documents. The RIP II programme document gives more detailed description of the various units and committees.

A number of **technical assistance partners** (TAPs) are involved in the RIP II implementation and play a role in the management and coordination set up of RIP II. EFD and the CRGE Facility shall partner with TAPs to take advantage of their knowledge, technical expertise, and their networks for effectively implementing activities and delivering results. The TAPs shall sign a Cost Share Agreement with MoF and submit budget disbursement requests. The TAPs shall apply their own financial and procurement policies and regulations when managing RIP II funds. The TAPs shall submit regular technical and financial reports to MoF and EFD.

Center for International Forestry Research (CIFOR) has a significant capacity in forestry related research worldwide as well as in Ethiopia. CIFOR will support the work of EFD and will partly co-host the FSTU team so that they will benefit from the administrative agility that CIFOR has in implementing its mandates. CIFOR will organize office space and admin support for the team to spend at least two days a week in its office. Arrangements with CIFOR will ensure close working relations with FSTU and will ensure more effective working conditions for FSTU/EFD. Working closely with EFD (FSTU), CIFOR will amongst others be responsible for developing innovative models for forest management, concepts for addressing drivers of deforestation, guidelines/manuals, and monitoring tools, establishing policy platforms, building capacity and organize trainings, supporting commercial tree growers and forest product processing, and producing forest maps and undertaking forest studies.

The Global Green Growth Institute (GGGI) has a strong presence in Ethiopia and has played key roles in various climate related processes. In RIP II, GGGI will further strengthen the financial management, coordination, and general management of RIP II. Working closely with EFD (FSTU), GGGI will amongst others be responsible for developing forest financing strategy, forest business guidelines, revolving fund guidelines, documentation regarding ART TREES standards, for supporting CRGE coordination mechanism and CRGE Facility functioning, for operationalization of GLI and degraded landscapes restoration special fund, and for assessing and identifying biodiversity rich forest. GGGI will also be responsible for some technical assistance procurement including procurement of joint monitoring and supervision functions.

The **UNDP** will continue to provide the services under RIP II as it has been doing under RIP I, namely facilitating procurement of goods and services, recruitment of consultants, and deployment of FSTU staff and senior officers for the RIP components. The RIP II programme document gives more detailed description of the TAPs.

EFD is responsible for measuring forest based GHG emissions and removals and for reporting findings to the national MRV system. The forest sector is foreseen to be the main contributor to Ethiopia's climate change mitigation targets delivering an estimated 50% of the emission reductions, and EFD has over the last years focused on strengthening the forest MRV system both at federal and regional levels. Despite the achievements so far, there is a need for further strengthening the forestry MRV system as part of RIP II phase. A simplified institutional arrangement for the national MRV system is shown below. Accordingly, the MRV unit at EFD will serve the forest sector and be responsible for gathering, processing and archiving data and prepare reports that will be submitted to the national MRV system.

Figure: Institutional arrangement of the MRV system

UNFCCC

Ministry of Planning and Development

Final report preparation, documentation and submission

National MRV System

Ethiopian Statistical Service

GHG data compilation and calculation

Data collection, archiving, QA/QC of data

Sectoral CRGE Units

Forestry MRV

(EFD)

FAO

Space Science and Geospatial Institute

Wondo Genet College of Forestry &Natural Resources

Ethiopian Statistical Service
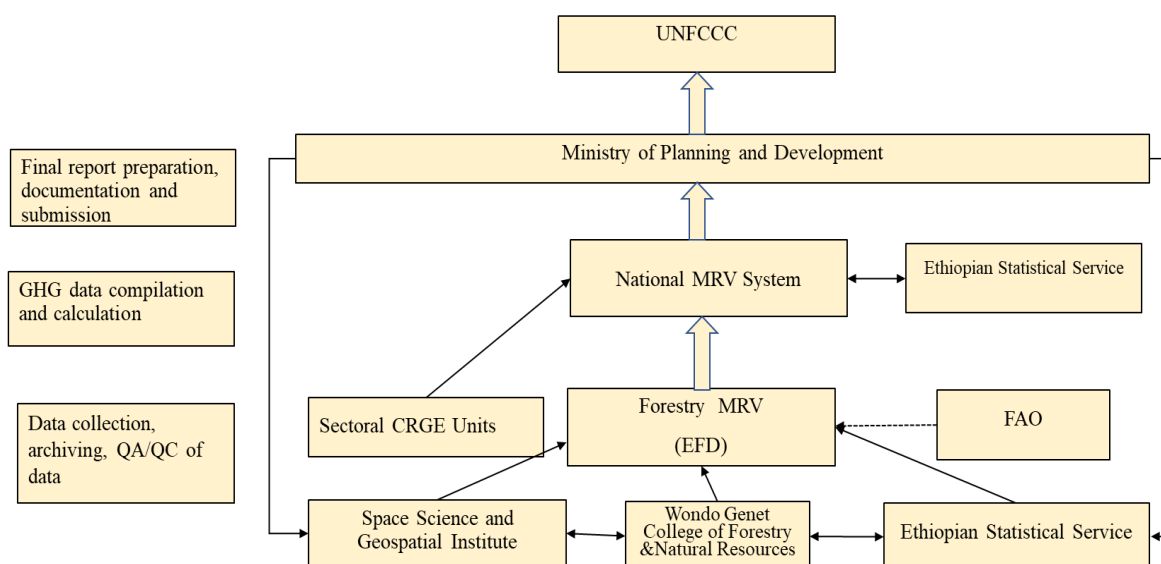
Institutional and management agreement for the Danish engagement

Denmark will join as a delegated partner through a delegated partnership agreement with Norway. Norway will be managing and overseeing RIP II from the donor side. Denmark will participate in the relevant steering committees and political dialogues at the overall RIP II programme level. Denmark have had close dialogues with Norway on joining in the support to RIP II. Following the principles outlined in the Nordic Plus guidelines for delegated co-operation, the agreement on delegated partnership will be based on the principles of mutual trust. The co-operation donors (in this case, Denmark) will use the Lead Donor's general principles, guidelines, formats, and procedures for development co-operation. Some additional arrangements with regards to financial monitoring and independence of review/joint monitoring and supervision process have been made to comply with Danish guidelines[11]

Based on experiences from RIP I and since the implementation phase for the programme is relatively short it has been decided to conduct a real-time monitoring and evaluation, instead of a traditional midterm-review. GGGI, in collaboration with Norway as the main donor, will contract a team to be responsible for the ongoing monitoring and evaluation, referred to as the "joint monitoring and supervision –process" of RIP II. The argument for this approach is that the process is more likely than an external mid-term review to provide findings on an ongoing basis allowing for agile adaptation of activities to better support desired results and outcomes. The joint monitoring and supervision-process is important, not only to comply with Danish Aid Management Guidelines, but also as a stock taker of results in terms of quantity and quality. The approach of the joint monitoring and supervision has been discussed with Norway, and it will be developed and implemented in a way to make sure it's compliant with relevant Danish guidelines on financial and project monitoring and reporting. The development and implementation of joint monitoring and supervision approach will be followed by the Danish embassy. Further, the embassy of Denmark in Addis Ababa shall have the right to carry out any technical or financial supervision mission that is considered necessary to monitor the implementation of the project. After the termination of the project support, the embassy of Denmark in Addis Ababa reserves the right to carry out evaluations in accordance with this article.

To ensure adequate resources for the Embassy to participate in the ongoing monitoring, and to be able to participate on an ongoing basis in the broader collaboration with the Ethiopian Government and other

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[11] See chapter 8 last section

partners on the programme, including bringing in relevant Danish experiences to the programme and to fully utilize the potential for strengthening the bilateral relation and the partnership with Ethiopia it should be considered to finance a sector adviser on forest, climate and development at the Embassy in Addis as part of the engagement.

8. Financial Management, planning and reporting

The Program's financial management and procurement will be governed by the GoE's public finance management and procurement regulations.

Donor funds are transferred from the donors to the UNDP Multiple Partner Trust Fund Office, from where funds will be channelled to the CRGE facility national account. The CRGE Facility will disburse funds to EFD and regional Bureaus of Finance and Economic Cooperation (BOFEC) and Woreda Office of Finance and Economic Cooperation (WOFEC) through the "Channel One" system. The CRGE Facility requests fund disbursements from development partners biannually, based on the approved annual work plan. It will also request the development partners to disburse funds directly to the TAPs as per the approved work plan.

The CRGE Facility effects fund disbursement biannually to EFD, Wondo Genet College of Forestry and Natural Resources (WGCF-NR) and BOFEC's in RIP II target regions as per the approved work plan. EFD receives funds from the CRGE Facility biannually for activities, which it directly manages and implements. Similarly, the RRCUs will receive funds directly from the BOFEC for activities, which they directly manage and implement. For woreda level activities, BOFEC disburses fund to WOFEC in accordance with the approved plan and based on disbursement request from the RRCU on quarterly basis. BOFEC notifies WOFEC regarding fund disbursement and shares copy of the approved work plan. Both BOFEC and RRCU shall ensure settlement of 75% of the previous disbursement before requesting the next disbursement. RRCU can request BOFEC to transfer fund to better performing woredas as soon as they meet the 75% settlement threshold irrespective of the settlement levels of other woredas. Approved annual or quarterly work plans and fund utilisation will be monitored through an internal control framework. The Fund disbursement and reporting arrangement for RIP II is presented below.

Figure. Fund disbursement and Reporting arrangement for RIP II
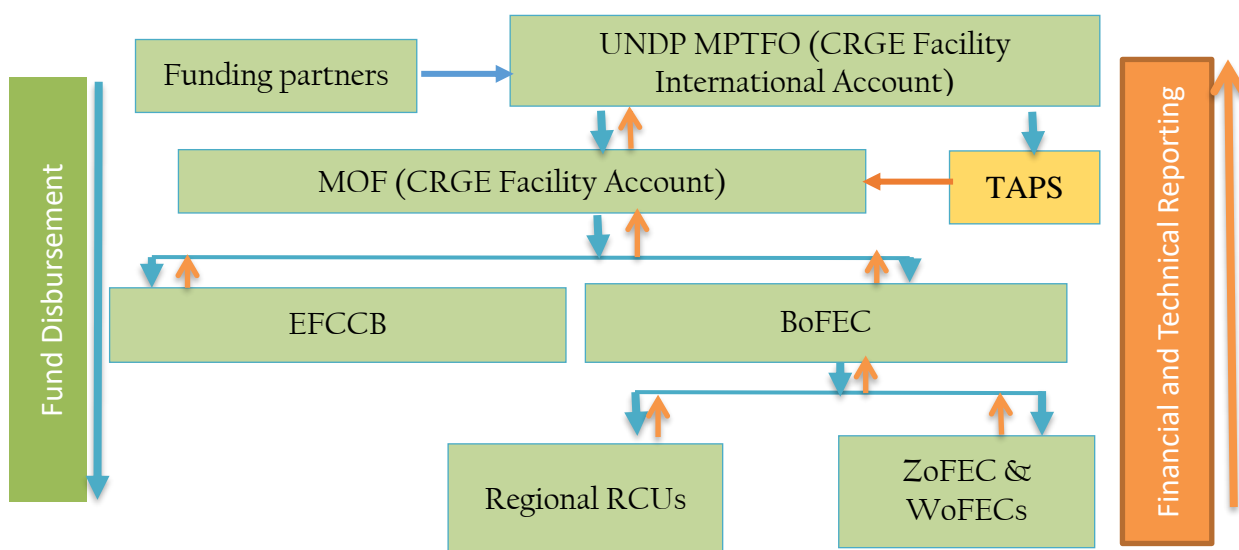
Recipients of funds at federal, regional and woreda levels and TAPs are responsible for submitting periodic activity based financial reports. EFD shall submit quarterly financial reports to the CRGE Facility for activities, which it directly manages and implements. Similarly, the Environment, Forest and Climate Change Bureau shall submit quarterly financial report to the BOFEC for activities, which it directly manages and implements. BOFEC receives financial reports from WOFEC on a quarterly basis for woreda level activities. It will consolidate the regional and woreda financial reports and send to the CRGE Facility. It will share copy of the consolidated financial report to the Environment, Forest and Climate Change Bureau and provide status updates during the regional REDD+ Steering Committee meetings. BOFEC will receive copy of a consolidated technical report from the Environment, Forest, and Climate Change Bureau.

The CRGE Facility consolidates the financial reports it receives from the BOFECs, EFD and TAPs and submits these to development partners annually. The Facility will facilitate an annual external audit of RIP II national account and submit the audit report to the development partners. BOFECs ensure and support timely submission of activity based financial reports by WOFECs. The CRGE Facility will conduct periodic financial spot-checks and facilitate regular trainings, workshops, review meetings for the RIP Finance Officers and programme staff. The Facility ensures preparation and dissemination of customized and fit for propose financial and procurement management guidelines to the woreda Finance Officers. It will also ensure that financial management and procurement activities are conducted in accordance with existing government procurement and financial management policies and procedures. Reporting requirements for TAPs will be specified in the agreements MoF signs with development partners.

All procurement of goods and services shall be in accordance with the procurement provisions of the legal agreement between MoF and development partners. Procurements will be made at different levels based on the nature, complexity, and size of the requirements. The Ethiopian Federal Government Procurement and Property Administration Proclamation No. 649/2009 and the Federal Government Public Procurement Directive will be applied in all procurement processes. The Proclamation and Directive aim to ensure that public procurements promote value for money and is conducted fairly, openly and without discriminating against any person or firm. The procurement of goods and services will be based on the value-for-money principle and guided by competitive bidding. Price, quality, delivery time and procurement feasibility will determine the procurement source, modality and delivery mode of required equipment and associated supplies. EFD will engage TAPs (UNDP) for procurement of staff, goods, and services internationally. The latter will apply their policies and regulations for procurement of goods and services. The TAPs should conduct procurement as per the agreed timeline and allocated budget and in accordance with rules and regulations stated in the legal agreements with development partners.

EFD will through FSSU be responsible for progress reporting. Semi-annual narrative progress reports will be provided and form the basis for semi-annual meetings in CRGE Facility Management Committee.

Under the arrangement with Norway as the sole current donor to RIP II, there are agreed procedures set up for financial management and monitoring of RIP II. The Government of Ethiopia through the Ministry of Finance has been through a long and thorough process of accreditation by the Green Climate Fund (GCF), and GoE financial management systems has been found sufficiently robust to be accredited by the GCF for projects up to USD 50 million. Norway has used this as their fiduciary risk assessment and have decided that GCF accreditation will be sufficient assessment for Norway for them to channel donor funds through the GoE system. Denmark will through it delegated partnership with Norway also consider the GCF accreditation as sufficient. In order to comply with Danish financial management guidelines, financial monitoring will be part of the joint monitoring and supervision process, and aspects of quality assurance of the RIP II financial reports and audits by Norway will be supported by the embassy of Denmark in Addis Ababa.

Audits are undertaken as stipulated above. Steps have been taken to ensure that the audits undertaken under RIP II are compliant with Danish guidelines. The specific Danish requirements in terms of audits will be communicated to embassy of Norway by the embassy of Denmark in Addis Ababa.

9. Risk Management

RIP II has identified the probability and consequences of political, operational, fiduciary, environmental and social risks, and proposed mitigation measures. A risk matrix for RIP II with the most important risks is shown below and a longer version with more risks can be found in Annex 5. The Forest Sector Support Unit (FSSU) will be responsible for monitoring the occurrence of risks and for ensuring appropriate and timely mitigation measures are taken by all the responsible actors shown in the risk assessment matrix. In this regard, the FSSU will proactively assess the state of risks and report on their potential impact considering their likelihood of occurrence. Depending on the magnitude of the risk, they will be conferred to the relevant decision makers. The FSSU will also ensure that the risk management system described below is operationally effective. RIP II risk analysis and management builds on experiences gained during RIP-I. Following the risks presented from the RIP II programme document there are some further specific risks associated with the Danish support to RIP II.

	Risk	Probability	Potential Impacts	Proposed Mitigation measures	Responsibility
Political and governance	Sufficient priority might not be accorded to the identification of gaps in policies and strategies and formulating options to reduce deforestation and forest degradation	Low	Moderate	• EFD takes the lead in forest conservation and landscape restoration initiatives within the country. They actively identify policy gaps and work diligently to establish and implement suitable policies and strategies. • The Steering Committees and Technical Implementation Team collaborate to provide essential support to the FSSU. Together, they create vital connections and engagement among sectors, ensuring that forestry receives the attention it deserves from other sectors. RIP II will provide support focused on sectoral policy and plans harmonization, introducing innovations, and scaling up of good practices, and in knowledge management and sharing • EFD revised the forestry component of the agricultural policy and submitted it to the Prime Minister's Office for review and approval	EFD, FSSU, Steering committees at different levels
	Sporadic civil unrest in the country and in project areas can lead to slow down and/or suspension of the program operations in target areas	Moderate	High	• The government will address the core issues of civil unrest across the country. • Furthermore, the RIP II Coordination Units at federal, regional and woreda levels as well as the CRGE Facility, BOFEDs and WOFEDs shall adopt a risk minimization and aversive approaches during the course of RIP II implementation. • RIP II will contribute to alleviating some of the drivers of civil unrest, including natural resource degradation and rural landlessness	EFD, CRGE Facility, FSSU, RCUs, Steering committees at different levels
Operational	Weak Institutional capacity for implementation and coordination	Moderate	High	• Ensure there is a sufficient number of available field staff and administrative support to undertake the required establishment of the interventions at all levels • Strengthen/build the required skills through training of the office and field staff • Mobilize the TAPs to provide demand-led technical assistance for targeted support and issue resolution • Collaborate with regional and woreda level existing institutions, such as REDD+ Coordination Units and regional institutions for improved coordination and to leverage existing capacity to work together to implement RIP II	FSSU
	Inadequate capacity at the lower level of government structure to coordinate sectors and implement planned activities	Moderate	High	• RIP II will continue strengthening capacity of experts and institutions at lower levels of government structure to effectively take part in the coordination of actors, planning and implementation of activities as well as monitoring and evaluation of the process and outcome of RIP II in the selected regions and districts • At the local level, participatory process will ensure the preparation and implementation of planned activities while building capacity to do so	FSSU and RCUs

	Lack of adequate involvement of the poor, women, and marginalized groups in the community	Moderate	Moderate	• This risk of exclusion or limited involvement will be mitigated by ensuring active participation women and other vulnerable groups in programme related decision-making process at local levels. Participatory approaches will be used to empower communities and to ensure that women, the poor and other marginalized segments of the community are aware of their rights to participate and benefits of program interventions. • RIP II has planned training of experts at different levels on how to engage communities in forest conservation and in rehabilitation of degraded landscapes	FSSU and all the program components
	Land holders and forest users fail to observe regulations and bylaws	High	High	• RIP II has plans to first increase awareness about the need for reducing D&D and for rehabilitating degraded landscapes • Stakeholders' engagement strategy that promotes active involvement of communities in decision-making and that increase their benefits will be promoted • These measures will increase ownership by communities and respect for rules and by-laws. Also, the program will collaborate with local authorities to support efforts to make sure that laws governing access to and use of natural resources are respected by all	FSSU and all the program components
	Limited financial capacity of forest managers to conserve forests and of land users to rehabilitate degraded lands	High	Moderate	• The risk will be addressed through involvement of various local and international organizations including incentivizing the private sector to invest in forest conservation and rehabilitation of degraded landscapes through Assisted Natural Regeneration and Afforestation/Reforestation	FSSU and all the program components
Fiduciary	Delay in finance disbursement, utilization, settlement, and auditing	Moderate	Moderate	• Ensure recruitment and/or assignment of finance officer in RIP II target woredas • Provide periodic on-job trainings and capacity building support • Conduct financial-pot checks and periodic monitoring • Strengthen the coordination between finance and RCU • Delegate more mandate to the RCU regarding fund disbursement requests • Prepare customize financial manual and train the woreda finance officers • Organize financial training for the non-finance professionals within the RIP-II coordination structure from federal to woreda level	EFD, FSSU, The CRGE Facility
	Corruption and/or mismanagement of programme resources;	Moderate	Moderate	• Ensure proper execution of the financial and procurement policies and procedures of the government • Create clear programme management rules and regulations with explicit delegation of authority, especially on financial oversight and management • Undertake regular financial hot-spot checks and document verifications • Undertake regular capacity building and awareness creation • Undertake regular pre-audit checks and execute annual audits in time and ensure proposed audit management actions are taken • Strengthen the internal audit capacity and take actions based on the findings without much delays • Create whistle blower hotline and policy and provide training to all staff to encourage anonymous reporting from throughout the organisation on financial or other forms of resource mismanagement	MoF, The CRGE Facility, BoFEDs,

It is important to note that security related challenges in the country are showing signs of improvement and will be managed on case-by-case basis during annual planning.

Ethiopia's environmental and social safeguards mechanism will be applied by RIP II investments to fulfil all safeguard requirements in line with the CRGE framework.[12] Further, grievance redressal mechanisms

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[12] Ethiopia's environmental and social safeguards framework (ESSF) for the CRGE initiative, Ministry of Environment, Forest and Climate Change, February 2015, Addis Ababa

will be set up, including grievance addressing committees in each kebele and feedback mechanism at all levels. RIP II will also develop an effective benefit sharing mechanism with input from communities. This will ensure fair and equitable sharing of responsibilities, as well as benefits from results-based payments.

Risk specific relevant for the Danish engagement:
- A number of risks are specific to the Danish engagement in the programme. These are elaborated below. The relatively late arrival of Danish funding into RIP II (end 2024) potentially influences the implementation of RIP II activities negatively and the expected results can therefore not be achieved. This has been mitigated by front-loading existing finance from Norway to the activities planned for the first year of implementation. The risk will be further mitigated through the proposed extension of RIP II with one year and through ongoing communication to RIP II on the progress of the proposed Danish contribution.
- There is a potential risk that some of the fiduciary risks associated with RIP II are not managed sufficiently effectively and hence, which could lead to issues with compliance with Danish guidelines on financial management and reporting. This risk has been mitigated by offering Denmark, via the Embassy in Addis, the opportunity to define and set requirements for the proposed 'joint monitoring and supervision'. To risk will be continuously managed through ongoing and close dialogue between the financial management teams of the Embassy of Denmark and Embassy of Norway and inclusion of financial management expertise in the joint monitoring and supervision process.
- There is a potential risk that the policy dialogue, where Denmark as a donor will participate, is not able to solve some the more complex issues facing RIP II, such as the issue of rights of local communities (IPLCs), the issue of quality of operations and the issue of building capacity and reaching out to decentralised levels. The risk will be mitigated by preparing joint positions with Norway for the relevant policy dialogues.

10. Closure

Through support to RIP II, Denmark will contribute to the programme objectives of contributing to Ethiopia's NDC, increase forest cover and increase GDP. This is achieved though activities that will create the basis for economic sustainability through ensuring economic benefits of sustainable forest management and landscape restoration practices. Unless forests and rehabilitated landscapes are productive, forest managers and landholders will not continue investing in their management. RIP II will improve the livelihoods that are compatible with the principles and practices of sustainable forest management. Social sustainability will be promoted by RIP II through inclusive participation of particularly local communities. RIP II will ensure transparent selection of beneficiaries, and the involvement of local communities and vulnerable groups at all stages of RIP II implementation cycle. This will help to empower local communities and disadvantaged groups, and lead to more inclusive societies. With a strong focus on sustainable, alternative livelihoods, RIP II aims to help poverty reduction and shared prosperity. RIP II has promoted institutional sustainability as an important consideration in design. As RIP II was designed under the lead role of EFD, government ownership is assured, and institutional sustainability enhanced. With the government as lead implementer, experiences, lessons learned, and best practices generated will be maintained within the government structure. During implementation, cross sectoral planning mechanisms are proposed to bridge gaps in sectoral plans and strategies and to minimize trade-offs and maximize synergies by working together at landscape level. The national level oversight committees will also support these processes and contribute to the institutionalization of cross-sectoral planning and coordination.

The exit strategy of the project involves putting in place mechanisms that will sustain project impacts after the development partner funding ends. Key aspects of the exit strategy will be the creation and maintenance of incentives for forest managers in terms of income and tenure security so that they will

continue to sustainably manage forests and rehabilitated landscapes. RIP II is designed to promote tenure security for forestland managers and develop value chains for products and services. Specifically, the PFM groups will, as forest managers, benefit from the funding flows coming from future expected results-based payments, which will be a further incentive for sustaining forest management. Other key aspects supporting an exit strategy is building the capacity of local stakeholders, so that ownership and improved capacity will strengthen the possibilities of RIP II activities being sustained, fostering partnerships of a wide variety of stakeholders so that collaboration, and securing sustainable finance for forest management, can be continued, and supporting the establishing a dedicated funding source so that there will be continued government and non-government funding for restoring landscapes at scales.

EFD will provide a final report on RIP II 3 months after closure in 2027. The embassy of Denmark in Addis Ababa will provide the final results report 6 months after project closure in 2027. Closure of accounts will take place no more than 3 months after project closure and final audit will take place 4-5 months after project closure, and following that, return of possible unspent funds and accrued interest will take place, and the administrative closure, by reversing remaining provision, will be undertaken.

Annexes

Annex 1: Context Analysis

Deforestation and land degradation issues: Ethiopia's forest resources are faced with high rates of deforestation and forest degradation, owing to rapid population growth, increase in number of people highly dependent of wood to meet their energy demands, and expansion of farming and grazing activities into forests and woodlands. Climate change and variability induced droughts and floods are expected to increase in frequency and severity, significantly increasing the vulnerability of communities and ecosystems. High rates of deforestation and forest degradation will aggravate natural resources degradation in general, which in turn will aggravate vulnerability of agricultural production systems and the people at large. Ethiopia recognizes the need to change this trajectory and to conserve its forest resources and has also pledged to restore millions of hectares of degraded forests and landscapes and to conserve biodiversity. These efforts need to be further expanded and supported with technical and financial means.

Achievements of RIP I. RIP I has achieved considerable outcomes.[13] Progress has been made in restoring extensive degraded landscapes into forested landscapes through Assisted Natural Regeneration and Afforestation/Reforestation (ANR/AR), and progress has been made in conservation of natural forests through Participatory Forest Management (PFM) arrangements. Technical solutions and building of capacity at several levels has been achieved. Moreover, the program has made positive contributions in establishing resilient livelihoods, conserving biodiversity, and sustaining ecosystem services. At strategic and policy level, EFD has been able to ensure a more positive development in policies and plans in support of more sustainable forest management in Ethiopia. RIP I forms a justified basis for the development and implementation of RIP II. That said, RIP I also faced challenges specifically related to longer than anticipated time for various preparatory activities and activities to be implemented, high staff turnover and issues in building capacities, COVID outbreak and insecurity affecting field implementation, problems in engaging the private sector in forestry, and problems in identifying solutions to gaps and overlaps in policies and mandates across sectors. The design of RIP II has carefully taken these challenges into account.

Strengthening the Forest Sector Transformation Agenda: To achieve the targets set out in the ten-year forest sector plan, a transformational approach will be implemented by RIP II. Existing challenges will be addressed and include: poor policy implementation, limited institutional capacity, inadequate investment, weak knowledge management system, nascent level of innovation and adoption of best practices. This signify the imperative for transforming the forest sector and shows that business as usual is not sustainable. RIP II represents a fundamental shift in strategy, operating model, structure, skills, competencies, and processes to transform the forestry sector and RIP II will realize this, among others, by developing and implementing a comprehensive Forest Sector Transformation Roadmap. Alignment between federal and regional structures, addressing institutional fragmentation at various levels, improving cross-sectoral coordination, and building human resources and institutional capacity at all levels are some of the issues that will be given immediate attention.

Contribution to the Global Biodiversity Framework targets: RIP II will directly contribute to several targets of the new framework: (no 2) on restoring degraded freshwater ecosystem; (no 3) on ensuring that at least 30 per cent of land areas important for biodiversity management are equitably managed and conserved; (no. 8) minimizing the impact of climate change on biodiversity, and contribute to mitigation and adaptation through ecosystem-based approaches; (10) ensure that all under agriculture, aquaculture and forestry are managed sustainably; (11) Maintain and enhance nature's contributions to regulation of air quality, quality and quantity of water, and protection from hazards and extreme events for all people; (no 20) Ensure that relevant knowledge, including IPLC knowledge, guides biodiversity management

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[13] Appraisal of REDD+ Investment Program Phase II in Ethiopia , NORAD, 2020

decision making; (no 21) Ensure equitable and effective participation in decision-making related to biodiversity by IPLCs and respect their rights over lands.

The Contribution to Reducing the Effects of Drought: Ethiopia has been ranked 5th out of 184 countries in terms of its risk of drought resulting in food shortages, malnutrition, and internal displacement. The efforts made so far to protect forests and restore degraded lands has not only increased forest cover, but also increased the resilience of ecosystem services. This will contribute to curbing the negative effects of climate variability and change including drought. Protecting forests helps to protect water supplies and building drought resilience. In Ethiopia gross primary production in restored landscapes grew by 13.5% on average in areas affected by severe droughts. This shows that landscape restoration has important drought-buffering effects and enhances the resilience of communities to weather shocks.

Implementing Ethiopia's REDD+ Strategy: Although progress has been made in implementing the REDD+ Strategy, there is still a need to conserve existing forests by strengthening PFM groups, improve livelihoods through business-oriented investments, implementing climate smart conservation and ensuring that benefits from trees and forest products accrue to communities that would otherwise resort to deforesting the remaining forests. RIP II is directly a contribution to further implementing the REDD+ Strategy and the proposed Danish support will therefore also be a strong support in making REDD+ work in practice in a country where there is good mitigation potential, strong adaptation needs, and a significant level of political will in wanting to make REDD+ work. An important aspect is also the introduction of RBP and the benefit sharing mechanism being developed. In this respect a new forestry regulation is about to be issued with clearer direction on benefit sharing and division of management responsibilities and options.[14]

Job Creation, Food Security and Poverty Reduction: Increasing demand for forest products encourages smallholder farmers to establish woodlots. Expansion of assisted regeneration could increase revenue with value addition. Furthermore, significant amount of revenue could potentially be generated by selling GHG emission reduction credits from reduced deforestation and rehabilitation of degraded lands through assisted natural regeneration. This underscores the significance of the program to job creation, income generation and, by extension, food security. RIP II has the potential to have significant impact on employment and on poverty reduction.

Gender, Equity and Social Inclusion: RIP II will seek to a) addressing gender and social inclusion issues to ensure that forest-dependent social groups (women, resource-poor households, youth, etc.) are included; b) establishing women only enterprises/ cooperatives. RIP II will ensure that the program focus on provision of livelihood, social, and environmental benefits for women, girls, youth, and other forest-dependent people with the aim of protecting their rights, including equity and fair distribution of benefits.

Private Sector Engagement: Given the long gestation period of forest crops, access to long-term financing is crucial for investment in forest establishment and forest products value chains. Furthermore, existing industries and enterprises are weak technically and institutionally and their capacity in terms of skilled human resources as well financial and logistical aspects remain limited. To ensure the active engagement of the private sector there is need for making flexible financing arrangements; encouraging the private sector to participate actively in policy and technical dialogue forums; providing financial institutions with policy instruments to enable them to create a separate forest investment funding window with a specific mandate to engage the private sector; and to ensure that diverse entrepreneurs can participate in implementation of the Green Legacy Initiative and the Degraded Land Restoration Fund.

Linkages with Complementary Sectors: RIP II will seek to address coordination and integration by: Establishing a Policy and Technical Advisory Council; Establishing strong institutional partnerships between responsible ministries/ institutions and stakeholders at federal, regional, and local level,

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[14] Personal communication CRGE Facility, March 2024

including coordination among different regions or zones; and Decentralizing the process of coordination at different levels while maintaining cohesive standards for monitoring and improving the vertical integration.

Annex 2: Partner Assessment

The project is designed to involve all actors in the forestry sector from federal to local levels. Forestry sector actors engaged in education (Wondo Genet College of Forestry in particular), research, extension, and in manufacturing will be actively involved. By so doing, the strategy is to bridge the forestry education-research-extension-industry gaps. By working closely with land authorities, notably at regional level, the program aims to get high carbon and biodiversity rich forests to be demarcated and certified. This legally defines the boundaries as well as user rights of entities administering these forests. Once certified, forests with defined boundaries will be classified as either reserve, protected or production forest and accordingly management plans will be prepared, and forest will increasingly be managed accordingly. Communities around forests will be supported to organize themselves and engage in the management and use of production and protection forests, and forestry authorities will assume responsibilities for facilitating this and monitoring forest management and use. This is believed to reduce the prevailing high rates of deforestation and forest degradation. Below key institutional actors and partners in RIP are presented.

Ethiopian Forest Development (EFD). The EFD was established under the Ministry of Agriculture following the Ethiopian national election in 2021. EFD is an autonomous federal institution having its own legal personality, hence the ministry shall not interfere in the day-today activities of EFD. EFD's responsibilities are to ensure that forest development contributes to economic development in ways that are participatory, socially, and regionally inclusive, and to put in place and operationalize mechanisms to ensure equitable benefits to communities from sustaining ecosystem service provisions. EFD will also conduct research on agroforestry and forest development; on climate change and forest; on forest policy and governance; on forests and their socioeconomic contributions; on value addition and marketing of forest products and services; and on forest industries to generate evidence, knowledge, and technologies for forest sector development.

RIP II is designed to allow EFD to deliver on its mandate. EFD is responsible for the overall program implementation and will be accountable for the delivery of program results. EFD shall ensure RIP II is implemented through strong management and coordination structures at federal, regional and woreda levels, ensuring adequate collaboration with relevant stakeholders and communication of program progress and results to all relevant audiences. It will work closely with TAPs, a broad group of stakeholders, and public sector agencies at federal, regional and woreda levels. It shall manage FSSU, FSTU, DD and AR/ANR. It also manages and oversees regional and woreda level RCUs.

Under EFD, the Forest Sector Support Unit (FSSU) is established to enhance RIP-II coordination, program development and resource mobilization, monitoring and communication. More specifically, the FSSU will be responsible for providing information on potential funding sources, liaising with development partners, communicating with stakeholders, coordinating joint monitoring missions, organizing program review meetings and preparing regular progress reports for submission to MoF. In addition, the FSSU will work closely with FSTU, DD and AR/ANR, it will also coordinate EFD's externally funded projects and liaise with other programs/ projects supporting the forest sector. The FSSU under EFD shall have the following roles and responsibilities:

- Coordinate the preparation of annual work plans and consolidate periodic progress reports to be submitted to EFD management and MoF;
- Based on requests from RIP II components, initiate fund disbursement requests on bi-annual basis to be submitted to MoF and ensure the timely transfer of funds;
- Organize joint monitoring missions and periodic program level review meetings;
- Prepare and disseminate communication materials in consultation with RIP II components; and
- Identify potential funding sources and regularly provide information;

- Liaise with development partners and other actors supporting the forest sector.

EFD is the key player in RIP II, it is assessed as having good capacity at the central level, but capacity at lower levels is less good. Currently, there are a number of different staffing arrangements in EFD with UNDP and CIFOR, which ensures that EFD at central level has access to experienced and qualified staff, which is crucial in terms of its capacity. Ensuring access to these staff members in the longer run is an issue. Institutional home of EFD has seen several changes over the past decades and given this, the institutional set up in future might not be taken for granted. Building government capacity is central to RIP II. RIP II is primarily working with EFD as the key government agency. RIP II is designed to promote working effectively at lower and decentral level, this includes working closely with Ministry of Agriculture staff as they are much better represented at these lower levels. RIP II is not very strong in its programme formulation to give directions and details on how capacity development of government staff will be undertaken and how capacity development will be measured. In addition, sustainably in terms of government take-over of various functions, which are currently supported by TAPs and/or provided with added funding, would be good to be further addressed.

The CRGE Facility. The CRGE Facility team in the Ministry of Finance, in collaboration with the Bureaus and Offices of Finance at regional and woreda levels respectively, is responsible for the financial and procurement management of the program, consistent with government policies. In collaboration with the RIP II management at federal level, it will facilitate annual work planning, periodic review meetings, joint monitoring missions, assess and assure the quality of the proposed program plans and reports submitted by EFD. Furthermore, it will exercise the necessary diligence, efficiency, and transparency in line with acceptable best principles and practices and ensure that grants are used according to approved work plans and budgets.

The CRGE Facility shall have the following roles and responsibilities:
- Ensure the grant is managed in accordance with the financial and procurement management policies of the Government of Ethiopia and the terms and conditions of partnership and implementation agreements;
- Facilitate fund disbursements, account auditing, periodic review, monitoring and supervision, preparation and submission of reports;
- Organize quarterly RIP II review meetings to discuss program implementation, financial and procurement management, reporting, monitoring and supervision and related issues;
- Ensure that the Regional RCUs and RIP finance officers from BOFEC of the target regions, FAO and WGCF-NR are invited to RIP II technical meetings on biannual basis;
- In collaboration with EFD, facilitate the establishment of a forestry working group within the donor coordination platform to enhance sectoral and cross-sectorial coordination and stronger support from donors to the forest sector transformation in Ethiopia;
- Ensure deployment of adequate finance officers, program management team and logistics at federal, regional and woreda levels; and
- Facilitate platforms for periodic high-level consultations between development partners, Ministry of Finance and EFD.
- The CRGE Facility liaises with development partners and organizes quarterly Task Force (TF) meetings.

The CRGE Facility is a central player in RIP II and is guarantee for close (and important) involvement of Ministry of Finance. It functions at the central level and is well staffed (and supported). Its capacity is assessed as being good.

The Embassy of Norway/NICFI. Norway has been the main forestry donor in Ethiopia for long. It plays a key role as the main donor (at present only) for RIP II. NICFI at Oslo level and the Embassy is

highly committed to supporting and monitoring the implementation of RIP II and they have good capacity to do this. Norway's take and procedures for supporting RIP II are largely in line with Danish procedures, and a delegated partnership with Norway as lead would mean that the Danish contribution would be in safe hands. Amongst others, Norway's approach to anti-corruption measures and position on child labour, SEAH and anti-terrorism, are well reflected in Norwegian development cooperation and are in compliance with Danish guidelines on this.

A number of **committees, task forces and units** are established to manage and implement RIP II. They are:

- The CRGE Facility Management Committee is chaired by the MoF State Minister and comprises State Ministers from the MoA and other relevant sectors. The Management Committee has an overall program implementation oversight role. Donor representatives and selected development partners will attend Management Committee meetings as observers. The Committee will meet biannually to review the program's performance and provide strategic guidance to the CRGE Facility and the RIP implementation coordination body.

- A RIP II high-level body, which includes the MoF State Minister for External Economic Cooperation, the EFD Commissioner and ambassadors from development country embassies, shall meet biannually to discuss strategic and high-level issues.

- The RIP II Task Force (TF) shall be chaired by the CRGE Facility. The CRGE Facility will organize quarterly TF meetings composed of the CRGE Facility, development partners, EFD and TAPs. The TF shall review program implementation, financial and procurement management, reporting, provide monitoring and supervision of the program. The Regional RCUs and a RIP finance officers from BoFEC in target regions, FAO and WGCF-NR shall be invited to the RIP-II TF meetings on biannual basis. The TF can also meet more frequently if deemed necessary.

- Under the auspices of the appropriate Head of Bureau, the regional RIP II Coordination Units (RRCU) will have the following roles and responsibilities: Ensure the timely delivery of program results and targets at regional level and monitor the program in close collaboration with partners and relevant public institutions; Ensure that the application of monitoring tools is understood, properly used and that data on program activities is regularly collected, compiled, analyzed, and submitted to federal level for compilation; Review and consolidate annual work plans, budgets and procurement plans submitted by woredas; Review and approve implementation progress reports (including M&E, safeguards, etc.) from woredas; Provide technical and capacity building support to the woreda RIP II Coordination Units (WRCU); Request fund disbursements on quarterly basis; Coordinate annual planning, and prepare periodic reports to federal level; Facilitate periodic regional REDD+ steering- and technical committee meetings; Facilitate periodic monitoring visits; Support preparation of forest user group bylaws, PFM agreement, procurement of goods and services at local levels; and Ensure proper beneficiary selection criteria are put in place to ensure women and disadvantaged groups equally benefit from the program and are adequately represented in local level management positions, committees, etc.

- The regional REDD+ Steering Committees (RRSC) are chaired by the head of Environment, Forest and Climate Change Bureaus and comprises members from the Bureau of Agriculture, Land Administration, Bureau of Water, Irrigation and Energy, Bureau of Finance and Economic Cooperation, Academia and NGOs. The Steering Committee will meet biannually and review program implementation progress and provide overall guidance and supervision. This committee

will have the following roles and responsibilities: Overall supervision for program implementation; Annual regional work plan and procurement plan review; Annual implementation performance report review; Oversee corrective actions implementation; Approval and endorsement of guidelines and manuals; and Approval of best practices.

- The Regional REDD+ Technical Committees (RRTC) are comprised of technical experts drawn from the above stated regional entities. The RRCU coordinators will chair the committees. The committees meets quarterly and review program implementation progress, provide technical advice on the quality of implementation performance reports and special studies such as policy and legislative drafts, financial and audit reports and documentation of best practices. They will have the below roles and responsibilities: Advice regional Coordination Unit's on the technical quality of RIP II implementation; Advice on issues related to coordination and synergies; Address emerging technical issues; Review technical documents, manuals, guidelines.

- The woreda RIP II Coordination Units (WRCU) are responsible for the following: On the ground planning and execution of activities under the program; The day-to-day implementation of program activities at landscapes level, including site identification, boundary demarcation, Forest Resource Assessment and certification, nursery establishment and management, beneficiary selection, bylaws, PFM agreements, community mobilization, etc; facilitate annual planning, periodic reports and submits to the regional Coordination Units; Provide regular training and other capacity building activities; Undertake participatory monitoring and evaluation of program activities; In collaboration with the WOFEC, facilitate procurement of goods and services at the woreda level; and Ensure the project budget and logistics are used for the intended purposes. Accountants will be recruited at woreda level to improve financial management capacities and reduce implementation risk.

- The Woreda REDD+ Steering Committees (WSC), chaired by the Woreda Administrator, will be responsible for the overall guidance and coordination of RIP II activities. The committees shall ensure project activities are implemented in accordance with work plans and the approved budget. It will meet quarterly to review program implementation and take corrective measures if/when challenges are reported by the WRCU. Furthermore, it will support the WRCU in the identification of implementation sites.

- The Woreda REDD+ Technical Committees (WRTC) are chaired by the WRCU Coordinator and comprise technical experts from woreda offices of agriculture, finance and economic cooperation, water and energy and development agents from the target kebeles. The Committees shall provide technical support to the WRCU. The committees will meet on monthly basis and will play a key role in site and beneficiary selections, boundary demarcation, community mobilisation and implementation, establishment of bylaws, conflict resolution and law enforcement.

The many and various units/committees is established in order to ensure coordination and implementation at all levels. It has not been possible to assess the relevance and capacity of the many different units/committees, but it fair to say that RIP is having a rather complicated, but probably necessary, set up with risks of losing sight of who is responsible for what.

Important in terms of supporting the implementation is the Technical Assistance Partners. They are:

Center for International Forestry Research. CIFOR conducts research, capacity development, outreach, and policy engagement on the pressing challenges in forestry and landscape management

around the tropics. Its research work focuses on sustainable landscapes and livelihoods; value chains, finance, and investments; equal opportunities, gender, justice, and tenure; forest management and restoration; and climate change, energy, and low-carbon development. Its research findings are shared widely to help policymakers, practitioners and communities make evidence-based decisions about how they can sustainably manage forests and rehabilitated landscapes. CIFOR also coordinates the [Global Landscapes Forum](#) (GLF), the world's largest science-led multi-sectoral platform designed to produce and disseminate knowledge and accelerate action to build more resilient, climate friendly, diverse, equitable and productive landscapes. CIFOR has project management, fiscal management and procurement management systems in place that are compliant with most donor requirements. In Ethiopia, CIFOR opened its office in 2005 and has been working mainly on: (i) studying the status and importance of forests in Ethiopia, and challenges hindering sustainable forests sector development in the country; (ii) contributing to building the capacity of staff in forestry education, research, and extension institutions; (iii) supporting processes of revising national forest law, and formulating sectoral plans; (iv) generating evidences on the need for putting in place responsibility and benefit sharing mechanism amongst key stakeholders to encourage the engagement of communities and the private sector in forestry sector development; (v) introducing technical, managerial and institutional innovations that help conserve forests and enhance their roles for societal well-being; and (v) synthesizing and sharing lessons nationally to inform national forest policy makers and practitioners in Ethiopia and the global forestry actors. CIFOR has managed to build good working relationships with the Ethiopian Forestry Development and contributed to building capacity of policy makers, researchers, and educators in the forestry sector.

During the implementation of RIP II, CIFOR shall partly co-host the FSTU team so that they will benefit from the administrative agility that CIFOR has in implementing its mandates. CIFOR will organize office space and admin support for the team to spend at least two days a week in its office.

Working closely with EFD (FSTU), CIFOR will be responsible for the following:
- Develop and pilot new innovative models
- Develop bankable concept notes/proposals
- Establish policy platforms for policy dialogues and organise program coordination and policy dialogue meetings
- Review relevant policies, regulations and plans and provide evidence-based policy advice
- Develop and disseminate directives, guidelines and manuals
- Organize trainings and awareness raising events for federal and regional stakeholders
- Develop monitoring tools and guidelines
- Produce high resolution maps of Ethiopia's forest areas for conservation planning
- Recommend conservation prioritization of forest areas using landscape metrics
- Organize joint monitoring missions
- Support small scale forest products processing initiatives through introducing modern improved processing and drying technologies
- Support commercial tree growers' associations through market linkages and value addition
- Study the current status of Ethiopia's carbon rich forests and generate up-to-date information on their current state and dynamics over the last 20 years
- Undertake field-based assessments to strengthen information and knowledge base for planning forest biodiversity conservation
- Build the capacity of relevant GoE stakeholders for demarcation, mapping and certification of state forests

CIFOR in Ethiopia is having a long history and appears to have good capacity. It works very closely with the Government and has collaboration agreements with EFD, which needs to be sustained.

The Global Green Growth Institute. GGGI is a treaty based international, inter-governmental organization that supports developing country governments' transition to a model of economic growth that is environmentally sustainable and socially inclusive. Since its commencement, GGGI has been renowned by its multidisciplinary approach, high caliber expertise and experiences to support member countries in promoting inclusive, green, and sustainable development approach including in urban settings. As an institution, GGGI brings wealth of knowledge, resources, and value to its member countries by serving as a trusted advisor and partner in supporting green growth planning, advising on policies and regulatory matters, introduce methodologies and leveraging green investment.

In Ethiopia, GGGI has supported the design of climate change policies such as the CRGE, NDC, and Low Emission Development Strategy (LEDS). It has also supported the design of sector climate resilient strategies. GGGI has closely partnered with the Ministry of Finance in the he operationalization of the CRGE Facility. It has supported the accreditation of MoF to GCF and Adaptation Fund as well as preparation of funding proposals and concept notes. It is currently supporting the re-accreditation and accreditation upgrading of MoF to the GCF from 50 million to 250 million per project or activities within a program. GGGI has a demonstrated experience of working with the CRGE Facility. Over the years, GGGI has proactively responded to the needs and priorities of the government. Currently, it has transitioned to implementation of projects and programs on the ground in close collaboration with the relevant government stakeholders at all levels. For instance, it is jointly implementing a PFM project in South West Ethiopia People Regional State, and A/R projects in selected woredas in Oromia and Sidama Regional States with the EFD and MoA.

In RIP II, GGGI will further strengthen the financial management, coordination and general management of the program.

Working closely with EFD (FSTU), GGGI will be responsible for the following:

- Develop a forest sector financing strategy
- Support and strengthen CRGE cross-sectoral coordination mechanisms
- Assess and identify biodiversity rich forests to be considered as reserve forests
- Support the proper functioning of the CRGE Facility, including its resource mobilization and financial management capacities at all levels
- Support the operationalization of the GLI and Degraded Landscapes Restoration Special Fund
- Develop forest-based business incubation guidelines
- Develop revolving fund guideline to support PFM Groups and pilot its application
- Prepare the required documentation to fulfill the ART TREES standards

GGGI is playing an important TAP role in RIP II. GGGI in Ethiopia is having good capacity in terms of supporting the EFD in forestry sector issues.

United Nations Development Program. The UNDP will continue to provide the services under RIP II as it has been doing under RIP I, namely facilitating procurement of goods and services, recruitment of consultants, and deployment of FSTU staff and senior officers for the RIP components.

Roles of partners and status of capacity development for different partners are not so easily assessed in RIP II. Issues of further gauging progress in government capacity development are important to address, and it will be part of the MEAL system that is being developed currently within RIP II. A MEAL system

that also will further clarify roles of different partners. GGGI is in charge of developing the MEAL system.

Annex 3: Theory of Change, Scenario and Result Framework

Four outcomes are to be achieved in RIP II as the program works towards addressing the major institutional, technical, financial, and socio-economic barriers for better forest management in Ethiopia. As shown in the figure below, the four outcomes have been formulated to be undertaken simultaneously as they complement each other, and synergistically contribute to the attainment of overall objectives of the program. Each outcome are interrelated and key activities that inform detailed activities will produce planned outputs under each outcome.

Key activities: (i) developing technologies and business models to drive FST; (ii) establishing sustainable financing system and mobilize additional resources; (iii) creating enabling environment to enhance harmonization and quality delivery in the forestry sector; (iv) supporting implementation of the GLI and other cross sectoral initiatives; (v) establishing and operationalizing a knowledge management system for forest sector transformation; (v) increasing private

Key activities: (i) to map, demarcate, classify, certify, and manage carbon rich forests; (ii) to establish new PFM groups and support existing ones, and (iii) develop and promote value chains and livelihood options that improve communities' wellbeing, with a particular emphasis on vulnerable and marginalized groups

Outputs 1.1 -1.6

Outputs 2.1-2.3.

Outcome 1. Forest sector transformation strengthened and institutionalized

Outcome 2. Conservation of carbon and biodiversity rich forests scaled up

Project objective

Outcome 3. Degraded forest landscapes restored, and species rich plantations

Outcome 4. Capacity to administer results-based payment scheme strengthened

Outputs 3.1-3.4

Outputs 4.1-4.4

Key activities: (i) identification, mapping, certification, and development of new AR/ANR sites; (ii) scaling up best practices in restoration; (iii) producing quality seed and seedlings; (iv) supporting value chain development and establishing community level forest based small businesses; (v) enhancing biodiversity of restored sites; and (vi) building capacity of actors to sustainably mange restored sites.

Key activities: (i) building functional MRV to monitor changes in the forests; (ii) establishing and implementing safeguard information system; (iii) putting in place and implementing suitable legal frameworks to ensure RBPs and benefit sharing; and (iv) developing RBP strategy and guideline and national Emission Reduction Program Documents

The program has been designed in such a way that by the end of the program period, Ethiopia will be able to mobilize resources from results-based payments from REDD+. By use of such sustainable finance, institutions established as part of RIP I and II are expected to prevail and activities to continue.

Results framework. Key activities to promote results include certification of forest land, establishing buffer zones around natural forests, planting diverse indigenous tree species, strengthening knowledge management systems, undertaking need-based capacity building, identifying and addressing cross sectoral gaps in policies and plans, and improving policy alignment and sectoral coordination. Activities will also

help reduce poverty and support the livelihoods of communities living in and around natural forests and rehabilitated landscapes.

On the following pages the results framework for RIP II is presented. Please note that this is current framework ending in June 2026, but this will be adjusted, so that end date will be end of 2027 and activities will be adjusted accordingly.

Results Framework for REDD+ Investment Program Phase II: June 2023 - July 2026

Results level	Expected result	Indicators	Baseline	Total Target	Target Year 1	Target Year 2	Target Year 3	Data sources	Methodology for data collection	Means of Verification
IMPACT: The Program contributes to NDC targets of emission reduction, increased forest cover, and to increased GDP		# tons co2e emissions from LUCF (million)	133	21,4				National inventory BUR CSA		National reports
		% national forest cover	17	22						
		% forestry contribution to the GDP	12.8	15						
OUTCOME 1: Forest sector transformation strengthened, and private sector engagement enhanced		Forest sector transformation strategy/roadmap/KPIs adopted by EFD	0	1		1		Final sector strategy, Program monitoring report		
		A center of excellence for forestry knowledge management established	0	1		1		Program reporting, research and training evaluation reports, reports of Ethiopian Standards Authority	Program monitoring system, review of research and training reports, review of approved standards, interview with regional offices	Joint program monitoring and final evaluation reports, publication of research outputs, copy of communication materials, program website
OUTPUT 1.1	Innovative models and technologies generated and operationalized	# of on-going innovative models and practices scaled-up	5	5	5	5	5			
		# of new innovative models and practices piloted	5	5	2	2	1			
		# of forestry experts trained	0	300	100	100	100			
		% of innovative model/practice participants of which are women	0	30	10	20	30			
		% women leaders in innovative models/practices	0	10	3	6	10			
		% of innovative model/practice participants of which are youth	0	30	10	20	30			

Results level	Expected result	Indicators	Baseline	Total Target	Target Year 1	Target Year 2	Target Year 3	Data sources	Methodology for data collection	Means of Verification
OUTPUT 1.2	Forest sector financing strategy developed, and resources mobilized	Forest sector financing strategy issued	0	1			1	Final financing strategy, program monitoring reports, proposals and concept notes, final program report	Review of concept notes and proposals, interview with team of EFD	Donor's website, program approval letters
		# of bankable concept notes/proposals developed	3	3	1	1	1			
		Value of funds mobilized ($ millions)	0	100		50	50			
OUTPUT 1.3	Policies, strategies, and regulations developed and implemented	# of existing policies, and/or regulations reviewed	1	3	1	1	1	Program monitoring reports, Training reports, meeting minutes, final program report	Review of policies and plans, manuals and communication materials, and interview with the beneficiaries	Program final evaluation, EFD website, program website.
		# of forest policy documents developed and disseminated	0	3		2	1			
		# of forest-based business incubation guidelines developed	0	1		1				
		# of trainings and awareness raising events for federal and regional stakeholders organized	0	3	1	1	1			
		# of policy platforms established	0	3	1	1	1			
OUTPUT 1.4	Cross-sectoral coordination and GLI governance structure strengthened	# of yearly joint planning meetings	0	3	1	1	1	Program monitoring reports, EFD and regional offices, GLI secretariat or offices, final program report	Interview with officials from EFD, GLI officials, review of reports	Program final evaluation, program website, GLI website
		Forestry-related CRGE cross-sectoral coordination mechanism supported and strengthened	0	1	1	1	1			
OUTPUT 1.5	Forest sector transformation, monitoring, communication	Monitoring tool and guidelines developed and used	0	1		1		EFD, program monitoring reports, training reports on result-based	Review of monitoring tools and guidelines, interview with	Final program report, program website

Results level	Expected result	Indicators	Baseline	Total Target	Target Year 1	Target Year 2	Target Year 3	Data sources	Methodology for data collection	Means of Verification
	outreach and learning system strengthened	# of joint monitoring missions conducted	0	6	2	2	2	management, mission, study tour reports, and final program report	trainees and study tour visitors; review of forest sector roadmap document	
		# of people trained in results-based program management	70	150		100	50			
		Functional webpage for communicating results	0	1	1					
		Communication strategy developed and implemented	0	1	1	1				
OUTPUT 1.6	Increased private sector engagement in forestry	# of innovative small-scale forest products processing initiatives supported	0	3	1	1	1	Program monitoring report, regional authorities	Interview with private sector, review of policies and guidelines prepared to support private sector	Joint monitoring reports and final evaluation of the program
		# of new medium and small-scale business partnerships established and operationalized	0	10	3	3	4			
		# of commercial tree growers associations supported	0	4	1	2	1			
		# of new standards developed for forest products	0	3	1	1	1			
		Awareness raising event on private sector engagement conducted	0	1		1				

Results level	Expected result	Indicators	Baseline	Total Target	Target Year 1	Target Year 2	Target Year 3	Data sources	Methodology for data collection	Means of Verification
OUTCOME 2: Conservation of biodiversity and carbon rich natural forests scaled up		# ha of forest put under conservation system - PFM and Priority Forest Areas ('000)	670	1,500	600	600	300	Program reporting, MRV report, National Forest Assessment report	Review of remote sensing and ground inventory data	
OUTPUT 2.1	Carbon and biodiversity rich natural forests brought under improved conservation system	# of high resolution maps for conservation planning	0	5	1	3	1	Forest assessment report	Satellite image and field assessment	Review of maps
		# of field-based assessments conducted in natural forests	0	4	1	2	1			
		# of ha of conservation priority forest areas with landscape metrics ('000)	0	500	200	200	100	Assessment report	Field assessment	Review of the maps
OUTPUT 2.2	Forests under PFM & buffer zones around forests established and managed	# of ha of forest under PFM (million)	0.67	1.0	0.4	0.4	0.2	Program monitoring report; regional and woreda authorities, buffer zone maps, National Forest assessment report, MRV report	Review of a few of newly prepared PFM management plans, interview with PFM group members, review of NFS and MRV reports	Joint Monitoring, Final evaluation report of the program, Biannual communication report to UNFCCC
		# of new PFM groups established	330	177	50	100	27			
		# of existing PFM groups supported (legal, technical, and other supports) including at least 20% women in leadership	330	250	250	250	250			
		# of regions monitoring and reporting the effectiveness of certification in forest management	0	7	7	7	7			
		# ha plantation forests established as buffer to natural forests and connecting these through green corridors ('000)	0	10	4	4	2			
		# ha buffer plantation with indigenous tree species established ('000)	0	3	1	1	1			

OUTPUT 2.3	Livelihoods of forest dependent communities improved, with emphasis on women, youth and/or resource poor people	# of PFM groups provided with livelihoods	330	180	180	180	180	Program monitoring report; regional and woreda authorities, EFD; livelihood development capacity building reports	Interview with the beneficiaries of livelihood development activities including women cooperatives; reviewing statistical reports of the program	Joint Monitoring; Program final evaluation reports
		# of PFM/business groups trained	0	250	50	75	75			
		% of PFM groups consisting of women, youth and vulnerable individuals	17	20	20	20	20			
		Revised PFM guideline adopted	0	1	1					
		Guideline to manage revolving funds for local communities developed	0	1	1					

Results level	Expected result	Indicators	Baseline	Total Target	Target Year 1	Target Year 2	Target Year 3	Data sources	Methodology for data collection	Means of Verification
OUTCOME 3: Degraded Forest landscapes restored and commercial and species diverse plantations established		# of ha degraded land restored through ANR ('000)	800	630	257,5	207	165	NFMS and MRV reports,	Review of the documents, interviews with officials and communities, field observation	Joint Monitoring, final evaluation report
		# of ha new plantations established with species diversity ('000)	44	40	20	10	10			
OUTPUT 3.1	Degraded lands restored and turned into biodiversity rich forests	# of ha ANR sites with geo-referenced maps ('000)	800	630	257,5	207	165,5	Program annual progress report; land authority, regional authority, NFMS reports, site observation, stakeholders Shapefiles	Review of maps with land demarcated and certified, Review of NFMS report, interview with regional and woreda authorities, field observation of conservation structures and land certified and restored	Joint monitoring and final evaluation report of the program
		# of experts trained in forest management plan preparation	0	200		200				
		# of ha restored land with conservation structures ('000)	78	40	20	10	10			
		# of HH participating in ANR and engaged in alternative livelihood options ('000)	9	10	5	3	2			
OUTPUT 3.2	High value plantation forest established through afforestation and reforestation	# of ha AR sites with Management Plan ('000)	0	8	3	5		Program monitoring reports, regional and woreda authorities, approved management plans, site observation, stakeholders Shapefiles	Field observation of nurseries, plantation sites and conservation structure sites, review of layouts and maps of plantation and conservation sites, interview with communities	Joint monitoring and program final evaluation report.
		# of ha AR sites with ownership certificate issued ('000)	0	31.5	10	11	10.5			
		# of seedlings produced (millions)	243	145	48.3	48.3	48.4			
OUTPUT 3.3	Biodiversity conserved and sustainably managed to gradually create old growth forest	# of ha new pilot plantations established with diverse indigenous species ('000)		3.5	1	1.5	1	Program monitoring report, training reports, Regional and woreda authorities, Ethiopian Standards Authority	Field observation of nursery sites, review of training reports, review of standards development report, interview with officials and trainees	Joint Monitoring and program final evaluation reports, program website
		# of seedlings produced (millions)	243	145	48.3	48.3	48.4			

Results level	Expected result	Indicators	Baseline	Total Target	Target Year 1	Target Year 2	Target Year 3	Data sources	Methodology for data collection	Means of Verification
OUTCOME 4: **MRV strengthened and Results Based Payment piloted**		Legal provisions for REDD+ payment scheme clarified	0	1	1			Final program evaluation report, REDD+ payment strategy, ART/TREES registration document, MRV reports	Review of documents, interviews with officials and communities	
		REDD+ result-based payment schemes initiated and preparation for REDD+ results-based payments (RBPs) completed	1	1		1				
OUTPUT 4.1 **FAO project**	Fully functional NFMS capable of informing decision-makers about the status and change of Ethiopian forests and levels of emissions or removals is in place	# of MRV/NFMS experts trained	105	206	100	50	56	Program annual progress reports, MRV training reports, regional lab facilities; MRV report	Review of MRV system and reports, Interview with experts, review of reports on ER determination system	Final evaluation reports of the program; bi-annual reports sent to UNFCCC
		% of MRV/NFMS experts trained that are women	0	10	10	10	10			
		# of existing MRV labs strengthened	5	5	5	5	5			
		# of new MRV labs established	0	2	2					
		Development of new ART-TREES compliant FREL following IPCC GPG for LULUCF	0	1		1				
		Updated 2000-2013 FREL	0	1		1				
		Emissions/removals monitoring report produced (both for DD and AR/ANR – national scale)	0	1			1			

Results level	Expected result	Indicators	Baseline Year 0	Total Target	Target Year 1	Target Year 2	Target Year 3	Data sources	Methodology for data collection	Means of Verification
OUPUT 4.2	REDD+ safeguards addressed and respected at all levels	Online system for safeguards data collection, analysis, and reporting in place	0	1		1		National REDD+ Secretariat, REDD+ safeguards strategy and guidelines	Review of safeguards monitoring system and platform, review of safeguard monitoring report, Interview with REDD+ stakeholders	Program evaluation report, SIS online platform
		# of Grievance Redress Committees established at *Kebele level* and Feedback mechanism created	330	250	0	0	250			
		# of safeguards reports communicated to funder/UNFCCC	0	2	1	1				
OUTPUT 4.3	Policy and guideline for national REDD+ payment and benefit sharing systems established	National guideline for REDD+ RBPs design and implementation drafted and presented to the government for approval	0	1		1		EFD, National REDD+ office, policies, and guideline documents	Review of policies and guidelines, interview with REDD+ stakeholders	Program final evaluation, EFD website, program website.
		Legal instrument providing clarifications on carbon ownership and transfer rights developed and approved	0	1		1				
		Benefit sharing guideline drafted and presented to the government for approval	0	1			1			
OUTPUT 4.4	REDD+ Results based payment scheme initiated and documentation process completed	# of documents prepared for completing the RBP under ART-TREES	0	5	1	1	3	EFD/National REDD+ Secretariat, Regional authorities, ART TREES Five Documents, training reports	Verification: Review of TREES Concept, ART Registration Document, Monitoring Report ((MR), Validation & Verification Report (VVR), interview with REDD+ stakeholders	Program evaluation report
		# of capacity building events on RBP schemes development (including trainings of national MRV stakeholders for timely submission of international reports)	0	9	3	5	1			

Annex 4 Budget details

REDD+ Investment Program (RIP) Outcome and Output Level Program Summary							
Outcome 1	**Forest Sector Transformation System Strengthened and private sector engagement enhanced**						
SN	**Activities**	**Unit**	**Quantity**	**Rate (NOK)**	**Revised Total (NOK)**	**Funded**	**Unfunded**	**Supporting TAPs**
Output 1.1	Innovative technologies generated and operationalized				27.640.350	19.534.666	8.105.684	CIFOR, UNDP, GOE
Output 1.2	Forest sector financing strategy developed and resources mobilized				2.352.961	2.352.961	-	CIFOR, GGGI
Output 1.3	Improved efficiency and effectiveness in implementing policies, strategies, and regulations				2.912.814	1.916.324	996.490	CIFOR
Output 1.4	Cross-sectoral coordination and GLI governance structure strengthened				9.147.040	2.815.354	6.331.686	
Output 1.5	Forest sector transformation, monitoring, communication, outreach and learning system strengthened				31.414.132	18.973.288	12.440.844	GGGI, CIFOR,UNDP,GOE
Output 1.6	Increased private sector engagement in forestry				6.596.472	2.267.032	4.329.440	CIFOR, GOE
	Subtotal				**80.063.769**	**47.859.625**	**32.204.144**	
	Programme management, coordination and monitoring costs including staff salary				**22.944.795**	**15.679.795**	**7.265.000**	UNDP, GOE
Outcome 1 Grand Total					**103.008.564**	**63.539.420**	**39.469.144**	
Outcome 2	**Reducing emission and supporting biodiversity Conservation**						
SN	**Activities**	**Unit**	**Quantity**	**Rate (NOK)**	**Revised Total (NOK)**	**Funded**	**Unfunded**	**Supporting TAPs**
Output 2.1	Carbon and biodiversity rich natural forests brought under improved conservation system				14.731.469	9.371.367	5.360.102	CIFOR, UNDP, GOE
Output 2.2	Forests put under PFM and buffer zones established and managed				51.311.633	30.419.633	20.892.000	
Output 2.3	Livelihoods of forest dependent communities improved, with emphasis on women groups				29.847.774	17.840.367	12.007.407	GOE, UNDP, GGGI
	Subtotal				**95.890.876**	**57.631.367**	**38.259.509**	
	Programme management, coordination and monitoring costs including salary				36.740.148	24.493.432	12.246.716	
Outcome 2 Grand Total					**132.631.023,00**	**82.124.798,00**	**50.506.225,00**	
Outcome 3	**Degraded landscapes restored and species diverse plantations established**						
SN	**Activities**	**Unit**	**Quantity**	**Rate (NOK)**	**Revised Total (NOK)**	**Funded**	**Unfunded**	**Supporting TAPs**
Output 3.1	Degraded lands restored and turned into biodiversity rich forests				45.880.000	29.822.000	16.058.000	GoE, UNDP
Output 3.2	High value plantation forest established through afforestation and reforestation				66.848.824	43.067.694	23.781.130	GoE, UNDP
Output 3.3	Biodiversity conserved and sustainably managed to gradually create old growth forest				7.005.950	4.553.867	2.452.083	
	Subtotal				**119.734.774,00**	**77.443.561,00**	**42.291.213,00**	
	Programme management, coordination and monitoring costs including Staff Salary				46.792.949	32.321.883	14.471.066	
Outcome 3 Grand Total					**166.527.723,00**	**109.765.444,00**	**56.762.279,00**	
Outcome 4: RBPs	**Strengthen capacity and accountability to administer REDD+ results based payment scheme**						
SN	**Activities**	**Unit**	**Quantity**	**Rate (NOK)**	**Revised Total (NOK)**	**Funded**	**Unfunded**	**Supporting TAPs**
Output 4.1	Fully functional NFMS capable of informing decision-makers about the status and change of Ethiopian forests is in place*		1	12.538.685	12.538.685	12.538.685		GoE, FAO
Output 4.2	REDD+ safeguards addressed and respected at all levels				1.418.100	1.418.100		GoE, UNDP
Output 4.3:	Policy and guideline for national REDD+ payment and benefit sharing systems established				255.510	255.510		UNDP
Output 4.4:	REDD+ Results based payment program initiated and documentation process completed				3.410.028	3.410.028		GoE, UNDP, GGGI
Outcome 4 Grand Total					**17.622.322,82**	**16.622.322,82**	**1.000.000,00**	
All Outcomes(1-4) Grand Total					**419.789.632,82**	**272.051.984,62**	**147.737.648,20**	**-**

Annex 5 Risk Assessment matrix

<table>
<tr><th colspan="2">Risk</th><th>probability</th><th>Potential Impacts</th><th>Proposed Mitigation measures</th><th>Responsibility</th></tr>
<tr>
<td rowspan="4" style="writing-mode: vertical-rl">Political and governance</td>
<td>Sufficient priority might not be accord to the identification of gaps in policies and strategies and formulating options to reduce deforestation and forest degradation</td>
<td>Low</td>
<td>Moderate</td>
<td>
• EFD takes the lead in forest conservation and landscape restoration initiatives within the country. They actively identify policy gaps and work diligently to establish and implement suitable policies and strategies.
• The Steering Committees and Technical Implementation Team collaborate to provide essential support to the FSSU. Together, they create vital connections and engagement among sectors, ensuring that forestry receives the attention it deserves from other sectors. The Program will provide support focused on sectoral policy and plans harmonization, introducing innovations, and scaling up of good practices, and in knowledge management and sharing
• EFD revised the forestry component of the agricultural policy and submitted it to the Prime Minister's Office for review and approval
</td>
<td>EFD, FSSU, Steering committees at different levels</td>
</tr>
<tr>
<td>Failure of law enforcement in newly planted and protected forests reversing investments made</td>
<td>Moderate</td>
<td>Moderate</td>
<td>
• The work on supporting and strengthening the law enforcement institutions and community organizations will be further strengthened
• The Program will provide support focused on sectoral policy and plans harmonization, introducing innovations, and scaling up of good practices, and in knowledge management and sharing
• The Steering Committees and the FSSU and FSTU Team will help create the needed linkages and interactions amongst sectors and to ensure that forestry also gets due attention by other sectors
</td>
<td>EFD, CRGE Facility, FSSU, Steering committees at different levels</td>
</tr>
<tr>
<td>Sporadic civil unrest in the country and in project areas can lead to slow down and/or suspension of the program operations in target areas</td>
<td>Moderate</td>
<td>High</td>
<td>
• The government will address the core issues of civil unrest across the country.
• Furthermore, the Program Coordination Units at federal, regional and woreda levels as well as the CRGE Facility, BOFEDs and WOFEDs shall adopt a risk minimization and aversive approaches during the course of the program implementation.
• The program will contribute to alleviating some of the drivers of civil unrest, including natural resource degradation and rural landlessness
</td>
<td>EFD, CRGE Facility, FSSU, RCUs, Steering committees at different levels</td>
</tr>
<tr>
<td>Unavailability of land to carry out sufficient scale of planned programme work due to competing needs for land</td>
<td>Low</td>
<td>High</td>
<td>
• Make sure to include land availability as a key specification in the selection criteria for target kebeles and sites. Engage all levels of government from regions down to kebele administrations to ensure there is full support for the shift in land use for the community of land users
• Engage the other ministries and woreda-level offices involved in land use management
• The Land Use Policy, which is now presented to the Council of Ministers for ratification, will contribute to solve such an issue
</td>
<td>EFD, FSSU, RCUs, Steering committees at different levels</td>
</tr>
</table>

	Risk	probability	Potential Impacts	Proposed Mitigation measures	Responsibility
Operational	Weak Institutional capacity for implementation and coordination	Moderate	High	• Ensure there is a sufficient number of available field staff and administrative support to undertake the required establishment of the programmes • Strengthen/build the required skills through training of the office and field staff • Mobilize the TAPs to provide demand-led technical assistance for targeted support and issue resolution • Collaborate with regional and woreda level existing institutions, such as REDD+ Coordination Units and regional institutions for improved coordination and to leverage existing capacity to work together to implement the programme	FSSU
	Inadequate capacity at the lower level of government structure to coordinate sectors and implement planned activities	Moderate	High	• The Program will continue strengthening capacity of experts and institutions at lower levels of government structure to effectively take part in the coordination of actors, planning and implementation of activities as well as monitoring and evaluation of the process and outcome of the Program in the selected regions and districts • At the local level, participatory process will ensure the preparation and implementation of planned activities while building capacity to do so	FSSU and RCUs
	Low level of stakeholders' support and buy in from both Government and non-government players	Low	High	• This risk of exclusion or limited involvement will be mitigated by developing a specific strategy targeted at ensuring active participation in decision making by the poor and other vulnerable groups. • The program will engage in public awareness campaigns targeting policy makers, development practitioners and the public at large on the need for reducing D&D and on restoration of degraded lands in the era of climate variability and change to ensure sustainability of agricultural production systems and other sectors of the economy (e.g. water, energy, etc.)	FSSU and all the program components
	Weak multi-sectoral coordination in planning, implementation, monitoring and supervision	Moderate	Moderate	• Strengthen inter-sectoral coordination through steering committees, joint monitoring visits, CRGE Facility Management Committee meetings • Continual training on project management & monitoring at all levels • Organize periodic review and stakeholders' consultation meetings and joint monitoring visits, joint planning	EFD, The CRGE Facility, RCUs, WCUs, Steering Committees
	Lack of adequate involvement of the poor, women, and marginalized groups in the community	Moderate	Moderate	• This risk of exclusion or limited involvement will be mitigated by ensuring active participation women and other vulnerable groups in program related decision-making process at local levels. Participatory approaches will be used to empower communities and to ensure that women, the poor and other marginalized segments of the community are aware of their rights to participate and benefits of program interventions. • The program has planned training of experts at different levels on how to engage communities in forest conservation and in rehabilitation of degraded landscapes	FSSU and all the program components
	Communities and private sector investors not willing to	Moderate	Moderate	• The Program shall attempt to mitigate this risk by proposing incentive mechanisms to attract private sector engagement in forest conservation	FSSU and all the program components

	Risk	probability	Potential Impacts	Proposed Mitigation measures	Responsibility
	invest in forest conservation and in landscape restoration:			and landscape restoration and by introducing innovative financing mechanisms to be identified and tested. • The program will also develop business cases for supporting forest-based enterprises to become investment opportunities. • Communities and CBOs in the project sites will be trained and supported to develop investment-worthy forestry business plans that are attractive to private investor	
	Land holders and forest users fail to observe regulations and bylaws	High	High	• The program has plans to first increase awareness about the need for reducing D&D and for rehabilitating degraded landscapes • Stakeholders' engagement strategy that promotes active involvement of communities in decision-making and that increase their benefits will be promoted • These measures will increase ownership by communities and respect for rules and by-laws. Also, the program will collaborate with local authorities to support efforts to make sure that laws governing access to and use of natural resources are respected by all	FSSU and all the program components
	Limited financial capacity of forest managers to conserve forests and of land users to rehabilitate degraded lands	High	Moderate	• The risk will be addressed through involvement of various local and international organizations including incentivizing the private sector to invest in forest conservation and rehabilitation of degraded landscapes through ANR and AR	FSSU and all the program components
Fiduciary	Delay in finance disbursement, utilization, settlement, and auditing	Moderate	Moderate	• Ensure recruitment and/or assignment of finance officer in the program target woredas • Provide periodic on-job trainings and capacity building support • Conduct financial-pot checks and periodic monitoring • Strengthen the coordination between finance and RCU • Delegate more mandate to the RCU regarding fund disbursement requests • Prepare customize financial manual and train the woreda finance officers • Organize financial training for the non-finance professionals within the RIP-II coordination structure from federal to woreda level	EFD, FSSU, The CRGE Facility
	Rise in labour and material costs due to inflation and market volatility.	Moderate	Moderate	• Advance planning in anticipation of the risks, follow-up of trends in the state of finance and markets changes, both domestically and internationally, and forecasting and managing risks associated with financial and market volatility • The program allocates contingency budget that could be used for unforeseen expenses as well adjust inflations • In a situation where changes are too high, the Project technical committee shall discuss and present the case for bilateral discussion and decision	FSSU, The CRGE Facility
	Corruption and/or mismanagement of programme resources;	Moderate	Moderate	• Ensure proper execution of the financial and procurement policies and procedures of the government • Create clear programme management rules and regulations with explicit delegation of authority, especially on financial oversight and management • Undertake regular financial hot-spot checks and document verifications • Undertake regular capacity building and awareness creation	MoF, The CRGE Facility, BoFEDs,

	Risk	probability	Potential Impacts	Proposed Mitigation measures	Responsibility
Environmental and social				• Undertake regular pre-audit checks and execute annual audits in time and ensure proposed audit management actions are taken • Strengthen the internal audit capacity and take actions based on the findings without much delays • Create whistle blower hotline and policy and provide training to all staff to encourage anonymous reporting from throughout the organisation on financial or other forms of resource mismanagement	
	COVID-19 Pandemic	Moderate	Moderate	• Practice COVID-19 safety measures and implement the protocols and guidelines provided by the FMOH and WHO • Ensure regular virtual meetings • Ensure the RCUs and the WCUs have adequate internet and communication facilities	EFD, FSSU, RCU and WCUs
	Gender inequality	Small	High	• Ensure adequate women representation in the local level management structures such as PFM and other committees • Ensure beneficiary selection criteria are favourable to women and disadvantage groups • Ensure a defined percentage of program beneficiaries are women and other vulnerable groups • Provide preferential loans and other forms of business assistance to any NTFP businesses owned primarily by women • Implement a Grievance Redress Mechanism (GRM)	FSSU, RCUs and WCUs

Annex 6 Process Action Plan

Action	When	By Who?
Submission of Ethiopia draft project document (together with other documents)	April 5th	Consultant
Process of comments on project document	April	GDK
Integrating comments in project document	End of April	Consultants
Submission of the Ethiopia project document, together with other documents (CAFI, Amazon Fund, Uganda and Global Programme Document) to Programme Committee	April 25th	GDK
Programme committee meeting	May 7th 2024	
Preparing documents and settling issues re delegated partnership with Norway	May-June 2024	Danish Embassy Addis Ababa
Appraisal of Programme Documents	May-June 2024	ELK / External Consultants
Integration of comments from appraisal and elaboration of final Programme Documents	July – August 2024	GDK/Consultants
Presentation of Programme Documents to Council for Development Policy	12 September 2024	GDK
Minister's approval	October 2024	MFA - Denmark
Signing of agreement between Danish Embassy and GoE and partnership agreement between Danish Embassy and Norway	October-November 2024	Danish Embassy in Addis Ababa
Disbursement of Danish Funds to RIP II	December 2024	Danish Embassy, Addis Ababa

Annex 7 RIP II Programme Document - Partner documentation

The Federal Democratic Republic of Ethiopia

Ethiopian Forestry Development

REDD+ INVESTMENT PROGRAM: PHASE II PROPOSAL July 2023-June 2026

June 2023

Addis Ababa

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Summary of the Program

In Ethiopia, limited alternative livelihood options compounded by poverty and climate variability and change aggravate forest resources degradation. In 2011, Ethiopia issued the Climate Resilient Green Economy (CRGE) Strategy, which recognizes the role of forestry as one of the four pillars of the carbon-neutral economy to be achieved by 2030. Over the last ten years, efforts have been made to conserve forests and reduce emission from deforestation and forest degradation.

Ethiopia's Ten-Year Perspective Plan (2021-2030) has set targets to reduce emissions from various economic sectors, and to strengthen the conservation and development of forests, biodiversity, and wildlife. Moreover, Ethiopia's recently updated Nationally Determined Contribution (NDC) aims to reduce GHG emissions by 277.7 Mt CO2e by 2030 and increase national forest cover to 30% by 2030. The Green Legacy Initiative (GLI), a major Ethiopian flagship project that among other things has coordinated planting of 25 billion tree seedlings from 2019 until 2022, will contribute significantly to both of these important national targets. Despite good results, Ethiopia still needs to do more to achieve its emission reduction targets, goal of expanding forest cover to 30% and significantly increase the contribution of forestry to the national economy by 2030.

In the first phase of the REDD+ Investment Program (RIP I), Ethiopia made considerable progress in: a) reversing the loss of forest cover through protection, restoration, afforestation and reforestation; b) enhancing forest-based economic, social and environmental benefits by improving the livelihoods of forest dependent people; c) promoting governance frameworks by issuing and implementing polices and laws; and d) enhancing cooperation, coordination, coherence, and synergies on forest-related issues at all levels, across sectors, development partners and other stakeholders.

RIP II is a three-year program, building on good practices and lessons learned in phase I. The second phase will scale the successes of RIP I, and promote innovation and transformational practices to further accelerate action. The following actions will be instrumental for delivering results: a) scaling up good practices to maximize conservation gains at landscape level and livelihood gains for communities; b) bringing relevant international practices and lesson learned from forestry research to inform program planning and implementation, and building the capacity of national partners to engage in development-oriented forestry action research to help bridge the forestry-development gap in forestry; c) strengthening value addition and processing of forest products.

The overall objective of RIP II is to **contribute to NDC targets of emission reduction, increased forest cover, and to increased GDP**.

In order to achieve this overall objective, RIP II is designed to deliver the following four outcomes.

  (i) **Outcome 1:** Forest sector transformation strengthened, and private sector engagement enhanced
  (ii) **Outcome 2:** Conservation of biodiversity and carbon rich natural forests scaled up
  (iii) **Outcome 3:** Degraded forest landscapes restored and commercial and species diverse plantations established
  (iv) **Outcome 4:** REDD+ MRV strengthened and Results Based Payment piloted

A total of 16 outputs and 61 activities will contribute to achieve the outcomes. Key activities include certification of forest land, establishing buffer zones around natural forests, planting diverse indigenous tree species, strengthening knowledge management systems, undertaking need-based capacity building, identifying and addressing cross sectoral gaps in policies and plans, and improving policy alignment and sectoral coordination. RIP II is also designed to help reduce poverty and support the livelihoods of communities living in and around natural forests and rehabilitated landscapes.

The program will be implemented in 134 *woredas* located in six regional states where the share of poverty from Ethiopia's total population is high (see Figure 2). Communities organized into 330 participatory forest management (PFM) cooperatives and engaged in conserving Ethiopia's carbon rich forests will receive technical, legal and logistical support. A total of 110,000 households will directly benefit from RIP II, and over 800 forestry experts will be trained. The Ethiopian Forestry Development (EFD) will implement the program in partnership with UNDP, CIFOR and GGGI as technical assistance partners, and with FAO as partner on the MRV component (see Annex 2).

The current total budget of the program is USD 40.3 million, of which the Royal Norwegian Government has pledged to support up to 273 million NOK. The Norway Embassy in Addis Ababa, EFD and the Ethiopian Ministry of Finance shall closely collaborate in mobilizing more funds, including the current budget gap of USD 15 million. The program can be further expanded to deliver additional results, should funds over and above the current funding gap be made available.

Anticipated Start Date
July 2023

Program Duration
The program will be implemented over four years from July 2023 to June 2026

Total Funding Requested
USD 40.3 million *(See budget details in NOK and in USD in Section 11)*

Information About the Applicant

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Acronyms and Abbreviations

A/R	Afforestation/Reforestation
AD	Activity Data
ANR	Assisted Natural Regeneration
APR	Annual Performance Review
ART	Architecture for REDD+ Transaction
TREES	The REDD+ Environmental Excellence Standard
BAU	Business as Usual
BOA	Bureau of Agriculture
BOFEC	Bureau of Finance and Economic Cooperation
CIFOR	Center for International Forestry Research
CRGE	Climate Resilient Green Economy
D&D	Deforestation and forest degradation
EF	Emissions Factor
EFCCC	Environment, Forest and Climate Change Commission
EFD	Ethiopian Forestry Development
ER	Emission reduction
ERR	Emission reductions and removals
FAO	Food and Agricultural Organization
FI	Forest Inventory
FLRD	Forest Landscapes Restoration and Development
FRL	Forest Reference Level
FSSU	Forest sector Support Unit
FSTU	Forest Sector Transformation Unit
GDP	Gross Domestic Product
GGGI	Global Green Growth Institute
GHG	Green House Gas
GIS	Geographic Information System
GoE	Government of Ethiopia
GLI	Green Legacy Initiative
HHs	Households
IPCC	Intergovernmental Panel on Climate Change
KPI	Key Performance Indicator
KMS	Knowledge Management System
LULC	Land Use Land Cover
M&E	Monitoring and Evaluation
MEAL	Monitoring, Evaluation, Accountability and Learning
MoA	Ministry of Agriculture

MoF	Ministry of Finance
MoU	Memorandum of Understanding
MoWIE	Ministry of Water, Irrigation and Electricity
MRV	Monitoring, Reporting and Verification
NAP	National Adaptation Plan
NDC	Nationally Determined Contribution
NICFI	Norwegian International Climate and Forest Initiative
NFI	National Forest Inventory
NFMS	National Forest Monitoring System
NFPAs	National Forest Priority Areas
NFSDP	National Forest Sector Development Program
NGO	Non-Government Organization
NPC	National Planning Commission
NRS	National REDD+ Strategy
NRSC	National REDD+ Steering Committee
NTFPs	Non-Timber Forest Products
PAMs	Prioritized Policies and Measures (for REDD+)
ARD	ART Registration Document
PES	Payment for Ecosystem Services
PFM	Participatory Forest Management
PMO	Prime Minister's Office
PPP	Public-private-partnership
PPR	Program Progress Report
RBPs	Results based Payments
RCU	REDD+ Coordination Unit
REDD+	Reducing Emissions from Deforestation and forest Degradation
REFCCA	Regional Environment, Forest, and Climate change Authorities
RF	Results Framework
RFSDPs	Regional Forest Sector Development Programs
RIP I	REDD+ Investment Program phase I
RIP II	REDD+ Investment Program phase II
RRCU	Regional REDD+ Coordination Unit
RPCU	Regional Program Coordination Unit
RNE	Royal Norwegian Embassy
RNG	Royal Norwegian Government
RRCUs	Regional RIP II Coordination Unit
RS	Remote Sensing
SDGs	Sustainable Development Goals
SESA	Strategic Environmental and Social Assessment
SFM	Sustainable Forest Management

SIDA   Swedish International Development Agency
SIS   Safeguard Information Systems
SMEs   Small and medium-sized enterprises
SNNPR   Southern Nations, Nationalities and People's Region
SOP   Standard Operating Procedures
SWEPR   Southwest Ethiopia Peoples Region
TA   Technical Assistance
TAPs   Technical Assistance Partners
tCO2e   tonne Carbon Dioxide Equivalent
ToT   Training of Trainers
ToC   Theory of Change
UNFCCC   United Nations Framework Convention on Climate Change
UNDP   United Nations Development Program
USD   United States Dollar
WGCF-NR Wondo Genet College of Forestry and Natural Resources
WOFEC   Woreda Office of Finance and Economic Cooperation
WRCU   Woreda RIP II Coordination Unit

1.　　　Introduction

The Government of Ethiopia launched the CRGE strategy in 2011 at COP17 in Durban, South Africa. During the COP, the governments of Norway, United Kingdom of Great Britain (UK) and Ethiopia signed a joint declaration statement regarding joint collaboration on international climate change policy and strategic support for the implementation of the CRGE Strategy. During the past decades, both UK and Norway have honored their commitments, and provided support to the implementation of various climate change actions in Ethiopia. At the COP20 in Lima in 2014, the partnership was expanded with France, Germany, Sweden and Denmark signing the Lima Declaration. A bit later, EU and the US also formally joined the partnership.

In 2013 Norway and Ethiopia entered into a Partnership Agreement on Reducing Emissions from Deforestation and Forest Degradation, conservation of forest carbon stocks, sustainable management of forests and enhancement of forest carbon stock (REDD+), within the context of Ethiopia's Climate Resilient Green Economy (CRGE) Strategy. The Agreement supports: (i) the establishment and operationalization of the REDD+ secretariat and Regional REDD+ Coordination Units, (ii) preparation of relevant guidelines and manuals, and commissioning of specific studies; (iii) the establishment of mechanisms to ensure that social and environmental safeguards are embedded in REDD+ investments; (iv) the development of a National Forest Monitoring System to provide updated, consistent and high-quality information to decision-makers about the status and change of Ethiopian forests and to report emission reductions that can be verified and traded.

In 2017, Ethiopia and Norway signed a 600 million NOK (app. 60 mill. USD) grant support for the implementation of the first phase of the REDD+ Investment Program (RIP I) across 122 woredas in seven regional states. Spearheaded by the Ethiopian Forestry Development (EFD), RIP I has made considerable progress in: a) reversing the loss of forest cover through protection, restoration, afforestation and reforestation; b) enhancing forest-based economic, social, biodiversity and environmental benefits; c) promoting forest governance frameworks by issuing and implementing polices and laws; and d) enhancing cooperation, coordination, coherence and synergies on forest-related interventions across sectors, development partners and other stakeholders at all levels.

Although considerable progress has been made so far, the need to fight against the vagaries of climate change remains enormous. Cognizant of this, the GoE has renewed its commitment to address the impacts of climate change not only by submitting an ambitious NDC to the UNFCCC secretariat, but also by integrating the CRGE strategy into the Ten-Year Perspective Plan, which marks the strategic policy focus of the government during 2020-2030, as one of the key pillars. The GoE demonstrates a strong interest to continue transforming the forestry sector through innovation and technology, to reduce greenhouse gases (GHG) emissions from deforestation and forest degradation (D&D), to conserve and sustainably manage biodiversity and carbon rich forests and to enhance forest carbon stock on rehabilitated and managed landscapes. The challenges faced and experiences gained from implementing past and on-going forestry programs justify continued REDD+ cooperation, to transform Ethiopia's forestry sector by introducing changes at strategic and

operational levels to scale up innovative forest conservation and management practices that also improve local livelihoods.

2. Progress made and Challenges Faced in Implementing RIP I

2.1 Progress and success

RIP I has achieved considerable outcomes. The mid-term review revealed that significant progress has been made in restoring extensive degraded landscapes into forests and conservation of natural forests through Participatory Forest Management (PFM) arrangements. Among others, RIP I successes include: (i) integrating soil and water conservation in assisted natural regeneration (ANR) sites to improve rates of regeneration; (ii) successful restoration of degraded lands and establishment of plantations on these lands; (iii) introducing an alternative planting season during the short rainy season (*Belg*) and to maximize benefits from the longer rainy season (*meher*) for faster early growth and better survival of planted seedlings than the common practice; (iv) building good rapport with communities to support forest conservation, ANR and afforestation/reforestation (AR) activities; (v) technically leading the initiation and progressive implementation of the national Green Legacy Initiative (GLI); (vi) building of technical and institutional capacity at national, regional and district levels; and (vii) encouraging high level of women participation in the program (though mainly in the areas of seedling production). Moreover, the program has made positive contributions in establishing resilient livelihoods, conserving biodiversity, and sustaining ecosystem services. The achievements of RIP I both at strategic level (such as developing a ten-year National Forest Sector Development Program), and at operational level (such as actively engaging with implementing institutions, developing governance structures, and piloting model approaches) have helped EFD to showcase what can be achieved on the ground and can be an example even to other government agencies. Given its national mandate, EFD plays a lead role in national flagship initiatives such as the Green Legacy Initiative. Preliminary analysis shows that the restoration and conservation efforts are increasing Ethiopia's carbon stock, and foundations have been laid to pave the path for transforming the forestry sector. Table 1 presents summary of some of the achievements of RIP I.

Table 1. Main achievements of RIP I disaggregated by program outcomes

Impact/outcome	Achieved by June /2022
Outcome 1: Large scale community forestry program in place	• Community forests established in 63 woredas and 342 Kebeles • 45,696 ha of land put under AR, and 757,280 ha restored via ANR • 230 million tree seedlings raised • 188,590 alternative livelihoods and jobs created (for 114,200 males and 74,390 females)
Outcome 2: Large-scale Forest protection program, and targeted PFM covering carbon rich forest in place	• 660,000 ha natural forests demarcated • PFM established in 330 kebeles in 59 woredas and forest demarcation and participatory forest assessment completed, and forest management plan developed • 72,000 beneficiaries supported (about 20% women) • 450 business groups created and business plans prepared

	• Steering and technical committees established at all levels.
Outcome 3: Capability built in forests sector to generate new models and proactively seek funding	• FSTU established and operational since October 2018 • Challenge fund guideline and policy brief developed to support the private sector and communities in promoting commercial forestry, land restoration, and wood and bamboo processing • Five model integrated landscape restoration sites and four model nurseries established • Concept notes and proposals to support implementation of the national forest sector development plan developed and submitted for financing • Informed and shaped bamboo strategy & action plan, efforts to revise the national forest policy and strategy • Commissioned studies to inform & guide investment in the sector • Contributed to the development of forestry strategies for the African Union Council and Intergovernmental Authority on Development
Outcome 4: Public-private (PPP) and civil society organization (CSO) partnerships strengthened	• Training provided on results-based management (RBM), value chain analysis and development, selection of livelihood enterprises, land use planning, and forest restoration • ToT conducted on value chain analysis to RIP staff from Amhara, Gambella, SNNP, Oromia and Tigray Regions
Outcome 5: Forest-related livelihood created	• 120,000 individuals have benefited from livelihood interventions such as beekeeping, poultry, small ruminant fattening, cook stove making etc.

Thus, building on RIP I, RIP II will identify, adopt, and scale up innovations, practices and working mechanisms that accelerate and sustain the conservation of biodiversity rich forests of the country. Lessons learned from RIP I show that, promotion of the PFM scheme in Ethiopia, though it has brought ample benefits, is faced with challenges. One major challenge is population growth in and around forests, in relation to benefits the forests sustainably can offer. Similarly, the extensive experiences of RIP I in forest landscape restoration will be applied to larger scale and will use approaches that also support product and market development. Moreover, lessons learned from RIP I led RIP II to link ANR and AR interventions with forest conservation work. By working in adjacent areas, the different approaches in combination can help minimizing pressure on the carbon rich forests.

Benefiting from the recommendations of the mid-term review of RIP I, RIP-II will have a strong and aligned coordination system where the different components of the program will be put under one program management. The institutional arrangement to be established will serve as a framework to drive the ambition to transform the forest sector. There will be a fully functional Monitoring and Evaluation Team to closely follow the day-to-day performance of the program and consistently give feedback to improve implementation. This will enable the program team to make timely and informed decisions in program planning and implementation. RIP II promotes field level experiences to inform policy reform processes to facilitate learning. Similarly, the engagement of new technical assistance partners, namely CIFOR and GGGI, with renown international experience in forestry, forest finance and climate change issues, will further strengthen the program to achieve its ambitious targets and to sustain momentum.

The input from RIP I in leading the technical aspects of GLI over the last three years has been substantial. The program has helped improve the Initiative's governance structure and coordination mechanism. RIP II will continue to work closely with key actors in the GLI, by way of developing standard framework for the planning, implementation, and monitoring of the interventions. It will also continue to help strengthening and institutionalizing governance of GLI. Finally, the experiences from RIP I highlight the need to be ready for results-based payment. Ethiopia has been engaged in, and invested in, REDD+ for a long time and aspires to benefit from results-based payments for its work in the forestry sector. This calls for putting in place strong MRV system that independently and objectively can collect, analyze and interpret data, and clearly communicate changes in the forest sector of the country. Thus, RIP II will work on these aspects as well.

2.2   Challenges faced in Implementing RIP I

Despite the above successes, RIP I also faced challenges. The design of RIP II has carefully taken these challenges into account. The major challenges were a) late start of the Program; b) slow staff recruitment processes; c) delays in the procurement of goods and services; d) late disbursement of funds; e) high staff turnover and (f) limited capacity at the beginning of the project. Starting from the first quarter of 2020, COVID outbreak and insecurity in parts of the country further affected the completion of planned PFM initiatives, private sector engagement, and support to communities managing protected and restored lands. Creating working relationships with private sector, and introducing and implementing transformational change within the sector, has required more time than expected. Furthermore, identifying gaps and overlaps in policies and mandates across sectors and incorporating new schemes, such as payment for environmental services, has not been easy. In RIP II, these challenges have been thoroughly analyzed and taken into account in the design of the implementation plan, in choice of partnerships, and in resource distribution.

3. Justification for RIP II

3.1.   Climatic Challenges

Ethiopia is facing various natural and anthropogenic challenges, of which climate change is one of the biggest. Rising temperature and variability of rainfall is posing major threats to the socio-economic development of the country. The predictions based on IPCC's mid-range emission scenario for the baseline (1961-1990)[15] show that the mean annual temperature is expected to increase between 0.9 and 1.1°C by 2030, between 1.7 and 2.1°C by 2050, and between 2.7 and 3.4°C by 2080. The variation in mean annual rainfall is 25%, although it can be as high as 50% in some regions[16]. Climate variability and change affect availability of surface and ground water for crop and livestock production on which most Ethiopians depend on for their livelihoods. The impact of climate change

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[15]National Meteorological Agency. (2007). Climate Change National Adaptation Programme of Action (NAPA) of Ethiopia. Addis Ababa, Ethiopia

[16]*Ibid*

forces vulnerable households to fall deeper into poverty[17], because of its adverse effects on agricultural production, particularly in reducing the production of staple crops. Projections show the likely expansion of land for agriculture in the next few decades. This could potentially reduce forest cover and incidences of floods unless agricultural and forest policies are reconciled[18] and concerted efforts are made[19], among others, to increase tree cover and conserve existing forests. A USAID report shows that extreme events such as droughts and floods have increased in the last 10 years relative to past decades[20]. There were five major national droughts since 1980, along with dozens of localized drought events. Ethiopia ranked 5th out of 184 countries in terms drought risk as droughts often result in food shortages, malnutrition, and internal displacement. In 2015/2016, El Niño caused severe drought, which affected 10.2 million people in the first quarter of 2016. The frequency of floods and landslides have increased over time, making Ethiopia 34th in terms of flood risk and 5th out of 162 in terms of landslide risks. Riverine and flash floods regularly cause crop and infrastructure damage, contribute to soil erosion, gulley formation and farmland degradation, and siltation of dams, besides losses in human life. In this regard, the value of forests in protecting watersheds and positively influencing water quantity and quality is vital.

Climate variability and change also influence the incidence of forest fires, pests, and diseases in Ethiopia. The incidence of forest fire has increased by 50% between 1990 and 2017 and areas affected by forests have expanded even to natural forests in the southern parts of the country[21]. Similarly, diseases and pest attacks on high value commercial trees such as Eucalyptus and Pinus species increased over time. The degradation of natural resources and the underlying economic risks put the country's natural capital at minimal capacity to absorb future shocks. This fuels conflicts because of competition over access to natural resources, in addition to aggravating unemployment and/or underemployment, internal displacement, and outmigration that undermine peace, security, and stability internally, in Ethiopia, and externally.

3.2.   Deforestation and Forest Degradation

Ethiopia recognizes the key role forestry plays in setting the country on a sustainable and green development path. The current 17.2 per cent forest cover is inadequate to provide an economic and ecological support system in this mountainous and climatically precarious country. While protecting the existing 19 million hectares of forest[22], Ethiopia is also undertaking large-scale afforestation/reforestation and landscape restoration measures to increase total forest cover to 30 per cent by 2030. Afforestation and reforestation are also key to alleviating the pressure on natural forests. REDD+ has great

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[17] United Nations University, Institute for Environment and Human Security (UNU-EHS). (2003).

[18] Franks, P et al. (2017). Reconciling Forest conservation with food production in sub-Saharan Africa: case studies from Ethiopia, Ghana, and Tanzania. IIED Research Report, London.

[19] UNDP. (2021). Future Perspectives on Land for Eastern Africa. Pilot Study focusing of Ethiopia and Kenya. United Nations Development Program (UNDP) PBL Netherlands Environmental Assessment Agency Joint Research Centre of the European Commission (JRC) Wageningen University and Research (WUR)

[20] USAID. (2015). Climate Variability and Change in Ethiopia. Summary of Findings.

[21] CIFOR (2019). Preliminary report on fires in Pantropical forests. PPP made at workshop in Addis.

[22] Federal Democratic Republic of Ethiopia (2020). Updated NDC of Ethiopia. Full document

potential to deliver on the country's targets to reduce deforestation and increase forest cover. Increasing the country's forest resource base through REDD+ support has the potential to contribute to a range of policy goals, including reducing greenhouse gas emissions, biodiversity conservation, provision of ecosystem services, such as water resource development, and improved livelihoods.

The existing forest stock in the country, however, is under serious threat from various forces. The annual rate of deforestation between 2008 and 2013 was 92,000 ha. Deforestation is a major source of emissions, representing 37%[23] of the total national GHG emissions. The most prominent direct drivers of deforestation and degradation are small-scale agricultural conversion, large-scale agricultural conversion (investment), increased wood extraction for fuel and construction, and livestock grazing. The agents of such drivers are smallholder farmers, immigrants, investors, illegal loggers, local communities, pastoralists, and farmers. The indirect drivers are gaps in the implementation of the forest policy and regulations, poorly defined and enforced forest tenure, the absence of clear benefit-sharing mechanisms, lack of private investment in forestry development, weak law enforcement regarding EIA and land use, population growth, institutional gaps, lack of national land use policy and plan, and failure to timely and adequately address Participatory Forest Management-related implementation gaps[24].

Due to various engagements in the forestry sector, notably through partner supported forestry projects, the deforestation trend in recent years seems to be changing. A preliminary study conducted by the EFD shows that the rate of deforestation between 2014 and 2020 has decreased to about 32,000 ha[25]. This shows the efforts the GoE, in collaboration with its development partners, has made to promote the protection, conservation, and restoration of forest ecosystems; to strengthen governance; to develop local capacities; and to create an enabling environment for sustainable forest management. RIP has been implemented to address the drivers of deforestation and forest degradation and to bring a large proportion of the carbon rich high and lowland forests under sustainable management practices. The massive reforestation and restoration efforts currently being undertaken through initiatives such as GLI and RIP, with 22 million hectares targeted as a long-term forestry sector goal, will significantly contribute to climate mitigation.

If sustainably managed, natural forests contribute to reduced carbon emissions and enhanced carbon stock, while improving livelihoods, biodiversity conservation and hydrological functions. To achieve these goals, the GoE has established a legal and institutional framework; increased investments in forest conservation and restoration interventions; and taken actions to ensure the sustained capacity of institutions and increased finance sources including, but not limited to, carbon finance.

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[23] FDRE (2011) Climate Resilient Green Economy Strategy
[24] Ministry of Environment, Forest and Climate Change (2018). REDD+ Strategy Document.
[25] EFCCC (2021). Reporting on performance in GHG Emission from deforestation and removals from afforestation/forest Restoration. EFCCC. FDRE, Addis Ababa.

3.3.　　　Increasing Demand for Wood and Biomass Energy

Plantations and natural forests are the main energy sources for over 80% of Ethiopians. Annual per capita fuelwood consumption is around $1.35m^3$ for a population of about 118 million. The projected demand for wood fuel based on estimated per capita consumption is on the increase and is expected to be over 202 million m^3 in 2030[26]. So far, only a third of the demand is met from forest plantations and the remaining volume is unsustainably extracted from natural forests and wood lands. Annually, Ethiopia on average imports wood and wood-based products worth over USD 350 million. This is projected to grow to about USD 6 billion by 2040[27]. This is a huge demand that needs to be met through forest development and sustainable management of existing forest resources. In this regard, forest plantations will remain a source of wood for household use and for the construction industry. Buffer plantations around natural forests, smallholder farmers' woodlots, and commercial tree growers could bridge the demand-supply gap. To achieve import substitution, the production of wood needs to surpass household consumption and adequately supply the wood industry. Similarly, the productivity of trees for biofuel, fodder and other uses needs to be boosted.

3.4.　　　Land Degradation

According to a joint report by FAO and UNEP, over 40% of Ethiopia's natural resource base has been lost, and a further 20% is being degraded. Together with the World Resources Institute (WRI), Ethiopia has identified and mapped a total area of 54 million ha of degraded lands of which 11 million ha, 18 million ha, and 25 million ha are identified as priority I, II and III respectively for restoration[28]. Land degradation lowers land productivity, increases vulnerability of communities to drought, and negatively affects the hydrological and carbon cycle. It aggravates flooding and siltation of lakes and dams. Land degradation reinforces the impacts of frequent droughts on remaining forests and ecosystem functions, leaving the natural capital at minimal capacity to absorb future shocks. A country with a declining natural capital is unlikely to achieve sustainable development. Yet Ethiopia continues to face severe environmental degradation, and high rates of deforestation and forest degradation that in turn increase social and ecological vulnerability. The country hence needs to restore the productivity of agricultural and forest lands and adopt improved forestry practices that help rehabilitate degraded lands and improve soil fertility and water resources while also improving the livelihoods of communities that could otherwise engage in deforestation or over exploitation of the remaining forests.

3.5.　　　Resource Related Conflicts and Migration

Land degradation, population growth, climate variability and change on one hand, and the increasing demand for food, fodder, wood and other forest-based products and services on

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[26] EFCCC (2018). National Forest Sector Development Plan. EFCCC, FDRE.

[27] Indufor (2016). Ethiopian commercial plantation industrial investment plan, Study for the World bank, by Indufur, Finland.

[28] https://assets.forest-atlas.org/eth/documentation/MEFCC-Ethiopia-National-Landscape-Restoration_high-res.pdf

the other, create competing demands on land and on forests that trigger conflict and migration. This is putting the most vulnerable people and their environment at risk[29]. Migration, driven by conflict and drought, causes forest cover change. The resettlement program designed in the 1980s to improve the lives of people affected by recurrent drought and famine, resulted in the clearing of vegetation and forested land in the western and southern parts of the country. Ethiopia has a long-standing history of hosting refugees. The country maintains an open-door policy for refugee inflows and allows humanitarian access and protection to those seeking asylum on its territory. The revised national refugee law enacted in January 2019 is one of the most progressive refugee policies in Africa. Ethiopia is the third largest refugee-hosting country in Africa, sheltering 806,541 registered refugees and asylum-seekers as of 31 May 2021[30]. In view of the size of the refugee population, host areas are exposed to over exploitation of natural resources, forest, land, water, etc. Unsustainable natural resources management, conflict over access to scarce resources, internal displacement, unemployment and/or underemployment could trigger violence and unrest and could destabilize Ethiopia and the Eastern African countries. This could further push the youth to migrate to other countries in search of a better life at high financial and human cost. One of the ways of addressing the problem could be through sustainable forest management that create jobs, increase household income, stimulate local economies through forest-based enterprises, improve ecosystem services, and contribute to carbon sequestration.

3.6. Structural Barriers

Various structural barriers prevent the adoption and implementation of measures to reduce emission in ways that also improve the livelihood of forest dependent communities. The main barriers that undermine efforts to conserve biodiversity and accumulate carbon stock at landscape level are categorized into technical, institutional, financial, & socio-economic barriers.

(i) ***Technical/technological barriers***; Technical barriers include limited capacity in forestry research to innovate and develop new technologies, models and practices that could support sustainable forest management and add value to the processing and marketing of forest products, enhance the adaptive capacity of communities and forests to climate variability and change.

(ii) ***Institutional barriers****:* Institutional stability is important to retain qualified and experienced staff and maintain institutional memory. RIP II will strengthen institutional capacity at Federal, Regional and Woreda levels based on progress made in RIP I.

(iii) ***Financial barriers:*** The GoE has made considerable progress in increasing investment for the conservation and sustainable management of forests. However, the dearth of financial resources remains a constraint. The total investment required to realize emission reduction targets from the forestry sector, improve ecosystem services and build community resilience was estimated at

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[29] Leary, N., Conde, C., Kulkarni J., Nyong A., Pulhin J. (2009). Climate change and vulnerability. Earthscan, London.
[30] https://reliefweb.int/report/ethiopia/unhcr-ethiopia-fact-sheet-may-2021.

USD 8 billion (including 6 billion per annum for NAP implementation)[31]. However, the average annual investment between 2011 and 2019 was USD 120 million out of which 65% was mobilized from bilateral and multi-lateral development partners. The absence of a national forest financing strategy continues to limit opportunities for attracting funds from domestic and international sources.

(iv) ***Socio-economic barriers:*** Deep-rooted gender inequality manifested by limited access to resources and education, isolation and limited access to markets, information and alternative livelihood options of forest dependent communities, resource related conflicts and youth migration remain major challenges. Despite rapid economic growth, poverty rates in Ethiopia are still high. In 2016, close to 90 percent of the poor lived in rural areas. Poverty increases the dependence of communities on natural resources, notably in areas endowed with forests, which in turn increases D&D. This is partly because of lack of alternative income sources, economic marginalization, unemployment and underemployment. The percentage share of poverty rates, poverty shares from the total, and population shares in regions where RIP II will be implemented is shown in Table 2. It demonstrates that RIP II will be implemented in regions where over 85% of the poor live.

Table 2. State of poverty in Regional States where RIP will be implemented[32]

Regional State	Regional Poverty Rate (%)	Share from national poverty (%)	Population share from total (%)
Tigray	27.0	6.6%	5.8%
Amhara	26.1	25.5%	23.0%
Oromia	23.9	38.3%	37.8%
SNNPR[33]	20.7	17.5%	19.9%
Gambella	23.1	0.4%	0.4%

3.7.   Taking Forest Conservation to Scale

Although good practices in forest conservation and landscape restoration have been piloted and promoted, they have not been scaled up to bring lasting change in delivering conservation and livelihood outcomes. The ongoing forest development and management interventions are limited to a few regions and woredas, covering small areas compared to the ambitious restoration and conservation targets set in the CRGE Strategy and the pledges Ethiopia has made to the international community, such as the Bonn Challenge.

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[31] Federal Democratic Republic of Ethiopia (2011). Ethiopia's Climate-Resilient Green Economy Green economy strategy, Addis Ababa

[32] World Bank (2020). Ethiopia Poverty Assessment: Harnessing Continued Growth for Accelerated Poverty Reduction. Washington DC. https://documents1.worldbank.org/curated/en/992661585805283077/pdf/Ethiopia-Poverty-Assessment-Harnessing-Continued-Growth-for-Accelerated-Poverty-Reduction.pdf   Accessed on June 24, 2021.

[33] South West Ethiopia People Regional State was part of the SNNPR when the referenced report was complied

Despite the encouraging progress made during RIP I, the conservation activities are yet to be expanded to cover larger areas of the carbon rich forests of the country. Hence, efforts to package best practices and create enabling conditions for scaling-up tested and successful REDD+ interventions must continue to bring larger impacts in the forestry sector.

3.8. Supporting the Green Legacy Initiative

In 2019 H.E. Prime Minister Abiy Ahmed launched the National Green Legacy Initiative (GLI) that aims to plant at least 20 billion seedlings over four years. The initiative brought a new dawn for protecting the environment and increasing tree cover. Urban greening has also become an important component of the GLI through cleaning and developing polluted rivers in urban areas and supporting green space development initiatives in major cities and towns. This ambitious and desirable initiative needs to be supported with appropriate planning, organization, and provision of technical support to ensure that the right types of tree species are planted for the desired objectives and at appropriate sites. Essential tending operations must be carried out for increasing the survival rate of planted seedlings. Improving sectoral coordination and providing the required technical support will be needed to improve the effectiveness, efficiency, and sustainability of the important initiative.

3.9 Strengthening the Forest Sector Transformation Agenda

To achieve the targets set out in the ten-year forest sector plan, a transformational approach is needed. Existing challenges in policy implementation, limited institutional capacity, inadequate investment, weak knowledge management system, nascent level of innovation and adoption of best practices signify the imperative for transforming the forest sector. Business as usual is not sustainable. It is therefore high time to make fundamental shifts in strategy, operating model, structure, skills, competencies, and processes to transform the forestry sector. This could be realized, among others, by developing and implementing a comprehensive Forest Sector Transformation Roadmap. The basis for Ethiopia's forest sector transformation will be the National and Regional Forest Sector Development Programs (NFSDP and RFSDPs) coupled with the National REDD+ Strategy, the draft revised Forest Policy and Strategies, the 2018 Forest Proclamation and related laws and regulations. The entry points to transform the forest sector include providing strategic policy influence by focusing on the provision of evidence-based advice to address policy, institutional, and capacity constraints that hamper the development of the sector. Alignment between federal and regional structures, addressing institutional fragmentation at various levels, improving cross-sectoral coordination, and building human resources and institutional capacity at all levels are some of the issues that need immediate attention. The policy influence initiative could be supported by a Policy and Technical Advisory Council, which could provide evidence-based policy and technical guidance on high-level policy, strategic and programmatic issues, review progress and deliver recommendations to implement the transformation agenda. This effort needs to be

supported by putting in place a national Center of Excellence that has a strong Knowledge Management System (KMS) and a functioning MRV System. The purpose of the MRV system will be to measure, report and verify the status of Ethiopia's forests, and associated GHG emissions and removals, including changes over time. The KMS will provide timely and easy access to information (policy papers, research reports, regulations and procedures, ongoing projects, and investments), which in turn reduces the time required to develop policies, increases the quality of plans and programs and stimulates investment in forestry. This in turn could encourage new investments and enable research to focus on real gaps in knowledge, and to develop models, technologies, and innovative practices that could transform the forestry sector. The Center of Excellence will be a strong link between forestry education, research, extension and industry, and bridge the prevailing gaps.

4.   Strategic Significance

4.1.   Alignment to Global and National Emission Reduction Commitments

As desertification affects large area of its land mass, Ethiopia has become among the first African countries to be involved in the African Union's Great Green Wall Initiative. In 2012, Ethiopia developed a National Strategy and Action Plan for the Implementation of the Initiative[34]. RIP II contributes also to this initiative. Likewise, Ethiopia is a pioneering country in global climate work, both nationally and internationally. The country ratified the Paris Agreement on Climate Change on 9 March 2017. Ethiopia's Paris Agreement target has been rated by the Climate Action Tracker as "2°C compatible", one of the few countries to earn this rating. This rating indicates that Ethiopia's climate plans as indicated in its Nationally Determined Contribution (NDC) are within the range of what is a fair share of global efforts[35]. Ethiopia remains committed to an ambitious emission reduction contribution towards the Paris Agreement goals of containing the global average temperature increase below 2°C above pre-industrial levels and pursuing efforts to limit temperature increases to 1.5°C. Ethiopia updates its NDC in July 2021 and aims to reduce emission levels by 68.8%, which is 4.8% higher than the first communication. The updated NDC shows that policy interventions will reduce the emission level in 2030 by 241 Mt CO2e (under the conditional pathway), which turns the entire sector into a significant GHG sink. This equals a relative reduction of emissions of 277.7 Mt CO2e compared to the revised BAU emissions of 412.1 Mt CO2e by 2030. The unconditional pathway foresees a reduction of emission levels of 347.3 Mt CO2e, which represents a reduction against revised BAU of 14% (-56 Mt CO2e) in 2030. The potential for net emission removals in LUCF can be realized through massive reforestation and restoration of a total of up to 22 million hectares. This long-term forestry sector goal is based on Ethiopia´s Ten-Years

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[34] FDRE. 2012. National Strategy and Action Plan for the Implementation of the Great Green Wall Initiative in Ethiopia. July 2012. Addis Ababa, Ethiopia.
[35] https://climateactiontracker.org/countries/ethiopia/current-policy-projections/ Accessed, June 7, 2021.

Development Plan, Forest Sector Development Plan, the Green Legacy Initiative and the REDD+ Strategy.

The ambition of RIP is to support Ethiopia's efforts to protect and develop its forests and reduce greenhouse gas emission from deforestation and forest degradation, which is consistent with the country's national growth and development ambitions. This is epitomized in the commitment of developed country parties to the climate convention and the Paris Agreement, which includes a) contribution to the inclusion of REDD+ under the UN Framework Convention on Climate Change (UNFCCC); b) contribution to early actions for measurable emission reductions from deforestation and forest degradation; c) promoting the conservation of primary forests, due to their particular importance as carbon stores and for their biological diversity.

4.2.   Contribution to SDGs and Biodiversity Framework

Ethiopia is party to the UN Convention on Biological Diversity (CBD) and developed a National Biodiversity Strategy and Action Plan for the period 2015 to 2020. Parties to the CBD approved a Biodiversity Framework at the 15th biodiversity COP in December 2022. The framework has four major goals, 21 targets and 10 'milestones' to be reached by 2030. The project will directly contribute to the following targets of the new framework:

Target 2: Ensure that at least 20 per cent of degraded freshwater, marine and terrestrial ecosystems are under restoration, ensuring connectivity among them and focusing on priority ecosystems;
Target 3: Ensure that at least 30 per cent globally of land areas and of sea areas, especially areas of particular importance for biodiversity and its contributions to people, are conserved through effectively and equitably managed, ecologically representative and well-connected systems of protected areas and other effective area-based conservation measures, and integrated into the wider landscapes and seascapes;
Target 8: Minimize the impact of climate change on biodiversity, contribute to mitigation and adaptation through ecosystem-based approaches, contributing at least 10 $GtCO_2e$ per year to global mitigation efforts, and ensure that all mitigation and adaptation efforts avoid negative impacts on biodiversity;
Target 10: Ensure all areas under agriculture, aquaculture and forestry are managed sustainably, in particular through the conservation and sustainable use of biodiversity, increasing the productivity and resilience of these production systems;
Target 11: Maintain and enhance nature's contributions to regulation of air quality, quality and quantity of water, and protection from hazards and extreme events for all people.
Target 20: Ensure that relevant knowledge, including the traditional knowledge, innovations and practices of indigenous and local communities with their free, prior, and informed consent, guides decision-making for the effective management of biodiversity, enabling monitoring, and by promoting awareness, education and research.
Target 21: Ensure equitable and effective participation in decision-making related to biodiversity by indigenous peoples and local communities, and respect their rights over lands, territories and resources, as well as by women and girls, and youth.

Through the effective management and conservation of existing natural forests and restoration of degraded landscapes, the program will contribute to maintaining and increasing biodiversity. Biodiversity related results are reported through Ethiopian Biodiversity Institute.

RIP II will also contribute to the 2030 Sustainable Development Goals (SDGs), particularly to the goals of poverty reduction, economic growth and decent green jobs creation, climate action, and life on land (preservation of forest and mountain ecosystems). The program will directly contribute the below SDGs:

Goal 1: End poverty in all its forms everywhere
Goal 5: Achieve gender equality and empower all women and girls;
Goal 8: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all
Goal 13: Take urgent action to combat climate change and its impacts
Goal 15: Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, halt and reverse land degradation, and halt biodiversity loss.

4.3.   Implementing Ethiopia's REDD+ Strategy

Ethiopia's response to adapt to and mitigate the negative effects of climate change is guided by the national CRGE Strategy. Forestry is one of the key pillars of the CRGE expected to provide 50%[36] of the emission reduction potential by 2030. Ethiopia's REDD+ Strategy issued in 2018, promotes the protection, conservation, and restoration of forest ecosystems to increase carbon stock by developing local capacities and strengthening PFM. REDD+ is being implemented in several parts of the country. Every year, large areas of degraded lands are put under area closure or are subject to afforestation and reforestation, and tree seedlings are distributed to local communities. Most of the forestry projects and programs have a mitigation focus with considerable adaptation co-benefits. It is estimated that efforts made to halt, reduce, and reverse the degradation of forests through REDD+, afforestation and reforestation have led to a net reduction in atmospheric GHGs. For example, the Humbo and Soddo afforestation/reforestation Project and the Bale Mountain REDD+ Project have sequestrated 29,343 tCO2e or have reduced GHG emissions by 1,288,821 tCO2e per year using the Clean Development Mechanism Standard and Verified Carbon Standard, respectively. Although progress has been made in implementing the REDD+ Strategy, there is still a need to conserve existing forests by strengthening PFM groups, improve livelihoods through business-oriented investments, implementing climate smart conservation and ensuring that benefits from trees and forest products accrue to communities that would otherwise resort to deforesting the remaining forests. The work that needs to be done going forward, call for increased investment in the forestry sector to achieve Ethiopia's ambitious emission reduction targets.

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[36] MEFCC (2018) REDD+ Strategy

4.4. Job Creation, Food Security and Poverty Reduction

Addressing unemployment, underemployment and ensuring food security are instrumental in reducing pressure on existing forest resources. The problem of deforestation has been compounded following the outbreak of COVID-19, which resulted in loss of jobs, forcing many otherwise engaged in urban-based wage labor to return to their rural villages in the hope of securing alternative sources of income from forests. This is mainly done by collecting and selling fuel and construction wood, predominantly through illegal means, particularly in the south-west forest block. Furthermore, conflict in various parts of the country and the displacement of people has made many people unemployed and dependent on humanitarian assistance. This is in addition to the number of chronically food insecure people that are affected by recurring drought in many parts of Ethiopia. In 2020, the total unemployment rate (% of total labor force)[37] in Ethiopia was 2.8%[38]. In Ethiopia, the contribution of forests to local livelihoods and the national economy is significant, but largely unrecorded and unrecognized. This is because the system of national accounts doesn't capture the full contribution of the forests to GDP. This is partly attributed to the lack of forestry-related data which should be provided by Ethiopian Statistical Service (ESS). The ESS has not been collecting data on forests at household level which contribute to tree growers' income. The percentage contribution of forest to the total rural household annual income in Tigray, Central Shewa, Bale, Bonga and Hamer is 27%, 39%, 34%, 33% and 21.4% respectively[39]. FAO states that most forestry operations are undertaken in rural Ethiopia and large numbers of laborers are required for forest nursery operations, afforestation and for the construction and maintenance of access roads. This is a major source of income for rural people. People also earn income from forestry employment through firewood, charcoal collection and sales, incense, and gum collection. Fuel wood production is by far the largest employment generator accounting for nearly 50% of the total forestry employment, followed by afforestation contributing for about 34%[40].

Increasing demand for forest products encourages smallholder farmers to establish woodlots. Expansion of AR could increase revenue with value addition, for instance through production of chip wood rather than selling poles as the primary commodity. Furthermore, significant amount of revenue could potentially be generated by selling GHG emission reduction credits from reduced deforestation and rehabilitation of degraded lands through assisted natural regeneration. This underscores the significance of the program to job creation, income generation and, by extension, food security.

4.5. Gender, Equity and Social Inclusion

Since the launching of the CRGE Strategy in 2011, the Government of Ethiopia has been striving to direct its development in a gender responsive, climate compatible direction.

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[37] Percentage of the unemployed population over the total number of economically active population.
[38] https://data.worldbank.org/indicator/SL.UEM.TOTL.ZS?locations=ET Accessed June 7, 2021.
[39] Melkie A A. Review of Opportunities, Challenges and Future Directions of Forestry Development and Conservation in Ethiopia. Agri Res & Tech: Open Access J. 2020; 24(5).
[40] http://www.fao.org/3/ab582e/AB582E02.htm Accessed June 7, 2021

Ethiopia is committed to gender equality, as outlined in the National Action Plan for Gender Equality and the national development Plan. Further, as a Party to the UNFCCC, Ethiopia is working towards gender responsive climate action, in line with the Gender Action Plan agreed in 2017. Progress has been made in recent years including the integration of gender considerations in Ethiopia's National Adaptation Plan (NAP) development process, gender analysis of the NDC, and gender action plan for projects financed through the CRGE Facility, including the gender mainstreaming strategy. The overall goal of the CRGE Facility gender mainstreaming strategy 2020 -2023 is to enable vulnerable women and men, young girls and boys to improve their livelihood, to raise their incomes and strengthen their resilience to climate change by creating equitable and fair opportunities. The strategy has four strategic outcomes which addresses both the supply and demand sides of the pathway to achieve gender equality and social inclusion. Each strategic objective sets out clear outputs, activities needed to deliver the outputs, and a gender action plan to ensure its implementation and monitoring and evaluation.

Engaging and empowering women and forest-dependent groups in equitable benefit sharing through meaningful participation is an imperative. In this regard, the program's significance, as highlighted in the Gender and Social Inclusion Strategy and Women Based Enterprise Models[41], will be manifested in a) addressing gender and social inclusion issues to ensure that forest-dependent social groups (women, resource-poor households, youth, etc.) are included; b) establishing women only enterprises/cooperatives. This will be conducted through a *MenEngage*[42] approach to circumvent entrenched traditional barriers to women's empowerment, c) building capacity and raise awareness on gender related issues at various levels; d) ensuring the development and implementation of viable enterprises based on functional value chains; and e) increasing the number of women leaders in groups managing forests through PFM. This will ensure that the program will focus beyond climate-related objectives to include the provision of livelihood, social, and environmental benefits for women, girls, youth, and other forest-dependent people with the aim of protecting their rights, including equity and fair distribution of benefits. This will facilitate the establishment and implementation of modalities for accessing, using, and distributing resources and incentives, decision-making practices, and knowledge systems that are gender and social inclusive[43].

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[41] Environment, Forest, and Climate Change Commission/UNDP (2021). Gender and Social Inclusion Strategy and Women Based Enterprise Models. REDD+ Investment Program.

[42] Working as allies with existing women's rights movements; engaging men from a positive perspective, a human rights and gender transformative approach as a means of achieving gender equality; building on evidence, collaboration and transparency and promoting existing UN mandates. http://menengage.org/regions/africa/ethiopia/ Accessed June 7, 2021.

[43] Manohara Khadka, Seema Karki, Bhaskar S. Karky, Rajan Kotru and Kumar Bahadur Darjee, (2014). Mountain Research and Development, Aug 2014, Vol. 34, No. 3, Gender and Sustainable Development in Mountains— Transformative Innovations, pp. 197-207.
https://www.jstor.org/stable/mounresedeve.34.3.197?seq=1#metadata_info_tab_contents. Accessed on June 13, 2021.

4.6.   Private Sector Engagement

The private sector can make vital contributions to the development of the forestry sector and be part of the solution in mitigating climate change by addressing key drivers of deforestation under attractive incentives. The engagement of the private sector in supporting sustainable forest management and enhancing forest carbon stocks could have positive impact on REDD+ outcomes. Moreover, the private sector can be an important partner in attracting much-needed financing for sustainable forest management. The private sector is a heterogeneous stakeholder group, including large corporations, small- and medium-sized enterprises, which may be community-based, NGOs, industry and producers' associations, and banks and credit institutions. In Ethiopia, forest industries are underdeveloped because of lack of adequate inputs such as finance, raw material, and energy. The expansion and development of small-scale wood-based enterprises is challenging because of limited access to credit, training opportunities, business development services and limited knowledge in responsible forest management[44]. Given the long gestation period of forest crops, access to long-term financing is crucial for investment in forest establishment and forest products value chains. Furthermore, existing industries and enterprises are weak institutionally and their capacity in terms of skilled human resources as well financial and logistical aspects remain limited. The level of modernization in terms of processing equipment and machines used is largely low. Most of the forest-based industries still use either old machines or used machines imported from China or Europe. Their efficiency is, therefore, very low and the value they add remains limited. This significantly reduces Ethiopia's international competitiveness. In addition, the forestry sector in Ethiopia is characterized by the dominance of public investment with little contribution from the private sector. Engaging the private sector through private-public-partnership (PPP) schemes is still underdeveloped in the forest sector. Furthermore, industrial plantations that can supply inputs to forest industries and enterprises are not adequately developed because of limited understanding on production forestry and failure to identify and designate land suitable for commercial plantations.

To ensure the active engagement of the private sector the following policy actions would be required.
- Making flexible financing arrangements. In this regard, analyzing and addressing the needs of the private sector and developing and implementing financing modalities could create better incentives for the active participation of the private sector.
- Encourage the private sector to participate actively in policy and technical dialogue forums. Private sector actors need to be fully informed about government policies, including financial, environmental, and social criteria, and be given an estimate of the time it takes to move from business proposal development to approval of their proposals.

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[44] Teshome, B.T. (2021). Cluster analysis for forest and wood processing industry sector development in Ethiopia. PhD Thesis. Dresden Technical University, Dresden, Germany

- Providing financial institutions with policy instruments to enable them to create a separate forest investment funding window with a specific mandate to engage the private sector.
- The Green Legacy and Degraded Land Restoration Fund needs to be made inclusive to encourage and support diverse entrepreneurs - creating job opportunities for organized youth, and women for example. Implementation of the challenge fund model developed by the EFD/FSSP needs to be accelerated.

4.7.   Fostering Partnerships

Developing and promoting strong partnerships and strengthening ownership of the program at national and local levels is crucial. This will facilitate efficiency and effectiveness in addressing issues arising from weak forest governance system, ineffective legal frameworks, inadequate institutional capacity, and insufficient participation of stakeholders. Meaningful participation of forest dependent communities in decision-making processes and sharing benefits or costs will also be an important consideration. This needs to be supported by specific action plans and simplified procedures fully anchored by solid government policy and guidelines driving participatory forest management arrangements and establishing tree farming cooperatives that would produce high-quality products through value addition.

4.8.   Linkages with Complementary Sectors

Horizontal and vertical coordination has been an impediment, not only to efforts to reduce deforestation and forest degradation, but also to the implementation of the country's development programs. To deliver results when it comes to reducing deforestation and restoring degraded landscapes, horizontal and vertical coordination among complementary sectors such as agriculture, water and energy, is essential. Good coordination can help to create synergies and to boost efficiency and effectiveness.

Between 2000 and 2019, Ethiopia's HDI value increased from 0.292 to 0.485, an increase of 66.1%.[45] Much of the economic growth was gained from the agricultural sector. Yet, natural resources degradation remains high, undermining the sustainability of economic growth gains made over the last two decades. Between 2005 and 2010, growth in the agricultural sector emanated from a 15% expansion of agricultural land and a 40% yield increase[46], recognition by the government that agricultural expansion is a concern. In this regard, there is a realization that discontinuing the business-as-usual (BAU) approach and moving towards green growth model is an imperative. Over the next ten years, the GoE's focus will be to realize climate resilient green economic growth by developing, managing, conserving, sustainably managing forests, wildlife, biodiversity, and promoting healthy

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[45] Human Development Report (2020), The Next Frontier: Human Development and the Anthropocene, briefing note for countries on the 2020 Human Development Repo http://hdr.undp.org/sites/default/files/Country-Profiles/ETH.pdf Accessed on June 23, 2021.
[46] FDRE (2011). Ethiopia's Climate Resilient Green Economy Strategy. Addis Ababa.

ecological balance.[47] Achieving this objective requires strong coordination with complementary sectors.

Important actions that need to be taken include:

- Establishing a Policy and Technical Advisory Council. The Council shall provide evidence-based policy and technical input on high-level forestry-related programmatic matters, review progress and deliver recommendations to guide the forest sector transformation agenda.
- Establish strong institutional partnerships between responsible ministries/institutions and stakeholders at federal, regional, and local level, including coordination among different regions or zones.
- Decentralize the process of coordination at different levels while maintaining cohesive standards for monitoring and improving the vertical integration and concurrence of actions by the different executive bodies within relevant ministries (improving management efficiency, aligning the program to policies to local realities, and improving transparency and accountability among implementing agencies at various levels.[48] In this regard, establishing a mechanism and providing incentives in the form of increased performance-based budget allocation would improve intra and cross sectoral coordination at regional and federal state level through improved communication and increased level of accountability.

4.9 The Contribution to Reducing the Effects of Drought

A USAID report[49] shows that extreme events such as droughts and floods have increased in the last 10 years relative to the decade before. There were at least five major national droughts since 1980, along with dozens of localized drought events. Ethiopia has been ranked 5th out of 184 countries in terms of its risk of drought resulting in food shortages, malnutrition, and internal displacement. In 2015/2016, El Niño caused severe drought, which affected 10.2 million people in the first quarter of 2016.

The efforts made so far to protect forests and restore degraded lands has not only increased forest cover, but also increased the ecosystem services. This will contribute to curbing the negative effects of climate variability and change including drought.

Protecting forests helps to protect water supplies and building drought resilience – a major concern in a country where more than 9.4 million Ethiopians face food shortages50 because of climate change-related drought, land degradation and conflict.

Forests influence rainfall patterns and buffer the effects of droughts. This is possible because of the water retention capacity of forests, which affects the amount and timing of the water delivered to streams and groundwater by increasing and maintaining infiltration and storage capacity of the soil. By releasing water in the dry season, forests provide clean water and mitigate the effects of droughts. Studies show that compared to basins

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[47] Plan and Development Commission (2021). Ten-Year National Development Plan 2021-2030 (Amharic version).
[48] Bekele M, Tesfaye Y, Mohammed Z, Zewdie S, Tebikew Y, Brockhaus M and Kassa H. (201. The context of REDD+ in Ethiopia: Drivers, agents, and institutions. Occasional Paper 127. Bogor, Indonesia: CIFOR.
[49] USAID, 2015. Climate Variability and Change IN ETHIOPIA: SUMMARY OF FINDINGS.
[50] OCHA Ethiopia Situation Report, April l2023

with a forest cover of 10%, total water retention is 25% and 50% higher in water basins where the forest cover is more than 30% and 70%, respectively51.

In Ethiopia gross primary production in restored landscapes grew by 13.5% on average in areas affected by severe droughts. This shows that landscape restoration has important drought-buffering effects and enhances the resilience of communities to weather shocks52 – changing rainfall patterns and occurrence of frequent draught.

5. Program Description

5.1. Program Outcomes and Expected Results

The REDD+ Investment Program phase II (RIP II) is designed to institutionalize forest sector transformation by scaling up results achieved during the first phase, and by advancing forestry innovation, knowledge management, and capacity of key stakeholders. The expected impact of the program is **to contribute to NDC targets of emission reduction, increased forest cover, and to increased GDP**. To achieve its overall goal, the program is designed to deliver four outcomes and16 outputs (see results framework in Annex 1) by implementing 62 activities (see work plan).

5.1.1. Outcome 1: Forest Sector Transformation Strengthened and Private Sector Engagement Enhanced

The REDD+ Investment Program phase I (RIP I) has laid out a solid foundation for propelling Ethiopia's forest sector transformation agenda. The Forest Sector Transformation Unit (FSTU) was established to drive forestry transformation through research, innovation, hands-on implementation support and evidence-based policy advice. During the first phase, FSTU established nine model restoration and nursery sites, commissioned several studies to inform decision-making and to guide the improvement of on-going and future forest development and management practices. As shown in Chapter 3.1 above, RIP II will focus on institutionalizing the transformation of forestry through developing, piloting, and scaling up innovative forest management, restoration, conservation, and utilization approaches. In addition, RIP II will generate and disseminate knowledge and information on forestry innovation and technology to: a) facilitate informed decision making by the GoE, the private sector and other actors; b) establish a learning platform for researchers, practitioners and entrepreneurs; c) improve forestry practices based on the findings and recommendations of monitoring and evaluation reports; and d) enhance transparency and upward accountability by allowing access to forestry-related data including investments, progress reports, etc.

The Program will develop and adopt innovative models and technologies (Output 1.1) by implementing the following activities: Establishing a center of excellence in forest knowledge management in collaboration with Wondo Genet College of Forestry and

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51 [Forests can help prevent floods and droughts — European Environment Agency (europa.eu)](#). September 2015

52 Large-scale land restoration improved drought resilience in Ethiopia's degraded watersheds, June 2022, Nature Sustainability 5(6):1-10 [Large-scale land restoration improved drought resilience in Ethiopia's degraded watersheds | Request PDF (researchgate.net)](#)

Natural Resources (WGCF-NR) and CIFOR to drive forest sector transformation; strengthening existing innovative models and developing and piloting new innovative models and technologies to drive forest conservation, development, management, and utilization; organizing training for forestry experts on various aspects of forest management; and developing standards for forest products to facilitate domestic and international trade. The program will develop models for establishing and managing green corridors and buffer zones around natural forests. In addition, a communication strategy for the forest sector will be developed and implemented. As the current forest accounting system is not comprehensive, the program will support the establishment of proper forest accounting system that captures the real contribution of the forestry sector to the national economy.

A forest sector financing strategy will be developed and implemented to mobilize resources (Output 1.2). The program will closely work with GGGI and other partners to establish a system that ensures a sustainable forest financing system to drive forest sector transformation. The program aims to mobilize more than 100 million USD from bilateral, multilateral, and other public and private sources. The capacity of national and regional partners will be enhanced through training on proposal writing, project management and engaging with development partners.

Improving efficiency and effectiveness in implementing policies, strategies, and regulations is another key area of the program to drive forestry sector transformation (Output 1.3). To achieve this, the program will review relevant policies, laws, regulations, directives and plans as well as generate evidence-based policy advises; develop and disseminate directives, guidelines and manuals; organize training and awareness raising events for federal and regional stakeholders; and establish policy platforms for policy dialogue to facilitate review and suggest necessary revisions to existing policies, strategies, and regulations. Various guidelines, manuals and templates will be prepared, and forestry practitioners will be trained to support smooth implementation of policies and strategies. Cross-sectoral coordination will be enhanced by supporting and strengthening a forestry related CRGE cross sectoral coordination mechanism, and the Green Legacy Initiative governance structure from federal to local levels will be strengthened and institutionalized (Output 1.4). A comprehensive GLI roadmap will be developed and implemented, and various technical guidelines will be developed to ensure lasting impact of the initiative.

Forest sector transformation monitoring, communication, outreach and learning system will be strengthened (Output 1.5), by developing the required instruments and institutional structures, notably monitoring tools and guidelines; by organizing joint monitoring missions; and by organizing ToT on results-based program management. The program will develop a roadmap with clear milestones and performance indicators for forest sector transformation. A monitoring and learning system will be institutionalized by establishing a dedicated monitoring unit with qualified staff. To ensure transparency and to validate monitoring reports, an annual joint planning and review meeting will be organized with key stakeholders. The Forest Sector Support Unit (FSSU) will work with various non state actors working in the forestry sector to learn about and share best practices, and explore opportunities for scaling up successful forestry practices. Platforms for experience sharing and policy dialogue to inform policy and decision makers will be organized. The program

will develop a number of program management manual and guidelines to be distributed widely to raise awareness of stakeholders.

Promotion of increased private sector engagement in forestry activities is one of the key undertakings of the program (Output 6). The program will create enabling environments to encourage investment in forestry. The program will identify needs and support innovative small scale forest product processing initiatives; support commercial tree growers associations to add value and be linked with markets; and organize awareness raising events on private sector engagement in forestry. The program will continue work to operationalize the Challenge Fund, which aims to support and encourage forest industries, concession holders and commercial tree growers. Most importantly, FSTU will work with TAPs that can provide flexibility to engage the private sector, such as through already established business incubators, to identify, design and develop forestry business models. Working with the incubators, FSTU will build internal capacity in private business development skills. The mapping exercise that FSTU began to identify private sector actors engaged in forest-based businesses will support this initiative. The program will also assess existing policies and strategies to identify gaps and provide policy recommendations to attract private sector investments.

5.1.2 Outcome 2: Conservation of biodiversity and carbon rich natural forests scaled up

Ethiopia's national REDD+ strategy provides strategic guidance for the implementation of an effective and efficient national REDD+ program. Ethiopia's immediate priority in implementing REDD+ is to save the large biomass stocks in carbon and biodiversity rich highland forests. These forests are largely concentrated in the moist afro-montane forests of the southeastern and southwestern Ethiopia, in the south-central Oromia (Bale Mountains), western Oromia, west and southwest SNNPR, Southwest Ethiopia Peoples Region (SWEPR) (Kafa-Sheka- Bench Maji zones), and eastern highlands of Gambella regions. These forested landscapes have been the main targets for the both the Oromia Forested Landscape Program (OFLP) and RIP I.

In alignment with RIP I and the OFLP, Outcome 2 of RIP II primarily aims at reducing emissions from deforestation and forest degradation (D&D) and the conservation of carbon and biodiversity rich natural forests. This will primarily happen through scaling up PFM to wider areas (1 million ha), enhancing buffer management (13 000 ha), and mapping carbon and biodiversity rich forest for establishing conservation priority forest areas (500 000 ha).

A new aspect of the PFM interventions in RIP II will be investment in buffer zone plantation development. This will create a permanent and high-value asset for sustainably supporting livelihoods from forestry. The PFM intervention will also consolidate the forest-agriculture frontier by closely working with communities and agricultural offices to establish and better manage the buffer zones. The buffer zone intervention will also support development of diversified agroforestry practices that help meet wood and food needs of the communities living nearby natural forests. The intervention will thereby effectively reduce pressure on

natural forests, while also contributing to enhancing food security and reduced poverty. As much as possible, the DD intervention will also establish green corridors to connect fragmented patches of natural forests and biodiversity hotspots. Like the buffer zones, green corridors will also be established by closely working with communities and concerned rural development authorities. These activities will contribute to the conservation and enhancement of habitat and species biodiversity.

Under output 2.2, the program will provide legal support for PFM groups and update the PFM national user guide. The output will also focus on improving the livelihoods of forest dependent communities, particularly women and youth through provision of various types of tested livelihood support options, capacity building actions and promotion of revolving fund schemes. A guideline on the management and administration of revolving funds will be prepared to reduce default rates and misuse of the fund. The program will identify the needs and provide training support to 180 PFM or forest-based business group members. Business investment support will be in the areas of alternative energy/energy efficiency, climate smart crop and livestock management, and forestry value chain and market linkage development for wood and non-wood products. The money invested in supporting livelihoods will be split into direct investment on improved livelihoods and setting up revolving funds with a aim to sustaining businesses of the organized forest dependent communities in the future.

Outcome 2 shall also bring carbon and biodiversity rich natural forest under an improved conservation system through mapping, demarcation and certification of natural forests; assessing and identifying biodiversity rich forests that could be considered as candidate reserve forests; developing forest-based business incubation guidelines and supporting local authorities and communities around natural forests.

5.1.3 Outcome 3: Degraded Forest landscapes restored and commercial and species diverse plantations established

Despite several challenges, RIP I was able to restore over 757,000 ha of degraded lands and established 44,000 ha of plantation forests. The program supported the establishment of functional institutional structures at federal, regional and district levels to implement planned program activities. The second phase will continue to scale out successful forest restoration models promoted during the first phase with special focus on enriching indigenous tree species to enhance biodiversity.

Under Output 3.1, 630,000 ha of degraded lands will be identified, mapped, demarcated, and certified in collaboration with regional and woreda forestry and land administration authorities, and the certified lands will be restored through ANR. It is expected that more than 10,000 households will directly benefit from livelihood options that will be introduced to the new ANR sites. Training will be organized for 200 experts on management plan preparation. Management plans will be prepared for site that will be restored to provide guidance on their establishment, management and use and to ensure their sustainability. Production of quality seed and seedlings is necessary for successful ANR and AR. Under Output 3.2, the program will produce 145 million quality seedlings to support afforestation and reforestation activities on 40,000 ha of land. Baseline data will be collected from each

site to facilitate long-term monitoring. Feasibility assessment will be carried out in each site for the establishment of potential forest-based SMEs. Forest owners will be organized into cooperatives and community-based enterprises to facilitate various start up support and ensure their sustainability. Based on the resource and market potentials, the program will support the establishment of new or upgrading existing SMEs through different incentives, such as providing appropriate processing technologies. The program will work with private sector and financial institutions to facilitate access to finance for community groups. It will also establish revolving funds to help farmers to promote small scale forest-based businesses.

RIP II gives high emphasis to biodiversity conservation and ecosystems services provision. Under Output 3.3, the program will promote use of mixed indigenous species in plantation to be established on 3500 ha of land, maintaining structural diversity through uneven aged silviculture system, and avoiding tree species that hinder undergrowth. Various education programs including tailored trainings and awareness raising activities will be conducted, targeting local communities and institutions to raise awareness on values of increasing biodiversity and indigenous species in the landscape.

To make ANR/AR activities successful and sustainable, capacity building at various levels will be conducted and logistical support provided to district offices. The program will design and implement hands-on training tailored to different stakeholder groups on ANR/AR methods, preparation of management plans, and application of various tools and equipment for restoration, management, and silviculture. Under outcome 3, experts will be trained and shall be exposed to exchange visits to facilitate co-learning at different levels. Similarly, exchange visits to successful sites will be organized for smallholders so that communities can learn from each other.

Systematic monitoring of results and impacts (social, ecological and economic) from ANR in degraded land/forests, including long-term recovery of ecologically important species and ecosystems, will be undertaken in collaboration with TAPs by designing appropriate methodology.

5.1.4   Outcome 4: MRV strengthened and Results Based Payment piloted

Ethiopia has completed its REDD+ readiness requirements under the UNFCCC framework. The national REDD+ Strategy as well as the CRGE Strategy and NDC all have clear emission reduction targets for the forestry and land use sectors. RIP I implemented prioritized policies and measures (PAMs) identified by the REDD+ Strategy in targeted regions for reducing deforestation and forest degradation (DD) through PFM, and increasing forest area by afforestation, reforestation, and assisted natural regeneration (AR/ANR). RIP II will not only take successful DD and AR/ANR activities and good lessons learned from RIP I to scale, but it will also strengthen Ethiopia's National Forest Monitoring System (NFMS), including a MRV System, to measure emission reductions and removals resulting from policy and on the ground measures, such as RIP II. Under RIP II, necessary preparations to achieve the results-based payment (RBP) phase following guidance by the REDD+ Environmental Excellence Standard (TREES) will be made. TREES is a standard for the quantification, monitoring, reporting and verification of Greenhouse Gas (GHG) emission reductions and removals from REDD+ activities at a jurisdictional and national

scale, upholding rigorous social and environmental integrity, which Ethiopia is committed to.

Outcome 4 aims to strengthen capacity and accountability to achieve and administer REDD+ results-based payments in Ethiopia. One of the key outputs of this component is to establish a fully functional NFMS capable of informing decision-makers about the status and change of Ethiopian forests. The MRV system will be developed and operationalized in collaboration with Wondo Genet College of Forestry and Natural Resources (WGCF-NR) and FAO, which have been engaged in MRV related tasks under RIP I. Both FAO and WGCF-NR shall continue to build the capacity of Ethiopia's forest sector MRV, with an aim of full integration into the national GHG accounting systems. FAO and WGCF-NR will continue to execute the below listed planned activities under output 4.1, which are part of a separate MRV project (please see Annex 2) funded under RIP. Activities are thus carried forward from RIP I to RIP II.

- Refine institutional arrangements for the NFMS at national and regional levels, strengthen networking and collaboration among MRV institutions, and make the system fully operational
- Establish MRV Labs in Gambella and Southwest Ethiopia and reinforce existing labs in EFD, Oromia, Amhara, SNNPR, and Tigray with networks to national NFMS and provide skill training to staff in their use
- Update IPCC Compliant Activity Data at both national and subnational levels, including forest degradation, and train staff to autonomously generate the required data
- Update IPCC Compliant Emission factors for remaining forests through correlation with change detection analysis and field visits to collect biomass data
- Improve assessment and monitoring of forest gain on REDD+ intervention areas at national and subnational levels
- Improve national and regional GHG inventories and use them in National Communications through updated AD and EFs
- Improve data accessibility and dissemination for expanded utilization of valuable datasets

Under this outcome, existing institutional arrangements, networks, and collaboration with partners for the NFMS at national and regional levels will be refined and strengthened. Capacity need assessment will be conducted to assess existing capacity and to prepare capacity development plan. A clear protocol will be developed for information sharing and communication between MRV units and different directorates within EFD and other relevant stakeholders. The MRV taskforce will be strengthened to oversee progress and quality of work done by MRV units. The program will improve the technological system for the assessment and monitoring of forest gain on REDD+ intervention areas at national and subnational levels. A forest accounting system will be established for locating and monitoring A/R activities.

Under outputs 4.2, 4.3 and 4.4, the program will put in place an environmental and social safeguard system, develop national guidelines on REDD+ design implementation framework and prepare the required documentation to fulfill the TREES standards. Ethiopia has prepared a REDD+ safeguards information system (SIS) as a part of the REDD+ readiness framework. REDD+ safeguards will be addressed and respected at all levels during implementation and result based payment phase (Output 4.2). The program will implement the SIS and build capacity on REDD+ safeguards for actors at federal, regional, and woreda levels. Compliance with Ethiopia's safeguards policies will be ensured. A guideline will be developed to collect, analyze, and report safeguard data. A data flow mechanism will be developed to receive safeguards information from the local level. The SIS will be integrated with the NFMS to ensure safeguard indicators are embedded in the system. Moreover, a SIS dashboard will be developed for making reporting accessible to national and international stakeholders. Capacity building and awareness raising at all levels will be the key for successfully addressing and monitoring REDD+ safeguards.

To roll out result-based payment in the 3rd phase of REDD+, policy, and guidelines for national REDD+ payment and benefit sharing systems will be established (Output 4.3). This will be done thorough consultations with stakeholders on REDD+ RBPs design and implementation framework. Free and Prior Informed Consent (FPIC) and grievance redress mechanisms will be developed and used at all levels to implement REDD+. Various national guidelines on REDD+ design and implementation will be developed, including a carbon accounting framework by determining scale and size of the program boundaries, analyzing drivers of D&D and barriers for sustainable forest management, demonstrating additionality, and ensuring that biodiversity, livelihoods, and gender issues are also properly addressed.

Under output 4.4 an emission reduction program at national level that fulfill the TREES standard will be prepared for submission to the Architecture for REDD+ Transaction (ART). Lessons from the World Bank's program in Oromia will be used when developing the ART Registration Document (ARD). Consultations will be carried out to define the scale, scope, and design of the ARD, with clear action plan and timelines. Guidance from ART will be followed. All requirements of TREES will be considered in the design and registration. These will include, among other things, monitoring, and carbon accounting standards at subnational levels (ensuring permanence, reducing leakage and uncertainty in estimates, avoiding double counting, etc.), respecting the 14 criteria and indicators of the Cancun REDD+ safeguards, and meeting the ART registry procedures for validation and verification). Furthermore, the program will build capacity of relevant stakeholders on the design and implementation of the ARD. It is expected that the successful implementation of this Outcome will help pave the way for Ethiopia reaching the results-based payment phase of REDD+, to sustainably generate finance to support continued forest conservation and development in the country.

5.2   Theory of Change

The sections below present in a narrative form the ToC informing the design of RIP II project focusing on the context, challenges, entry points to bring about change, implementation

strategies, expected achievements and targets, rationale or evidence informing project design, as well as risks and underlying assumptions. Other key elements of the ToC – notably main activities to be implemented, expected outcomes, and impacts along with indicators and the necessary conditions for changes to happen - are illustrated visually using a diagram.

Contextual analysis: Ethiopia's forest resources are faced with high rates of deforestation and forest degradation, owing to rapid population growth. A large and growing part of Ethiopia's population is highly dependent of wood to meet their energy demands. Population growth also leads to expansion of farming and grazing activities into forests and woodlands. Climate change and variability induced droughts and floods are expected to increase in frequency and severity, significantly increasing the vulnerability of communities and ecosystems. Unless measures are taken, high rates of deforestation and forest degradation will aggravate natural resources degradation in general, which in turn will aggravate vulnerability of agricultural production systems and the people at large. Already in 2011, Ethiopia recognized the need to change this trajectory and to conserve its forest resources and as a result developed and committed to the CRGE strategy. Ethiopia has also pledged to restore millions of hectares of degraded forests and landscapes and to conserve biodiversity. Though efforts are being made, they need to be further expanded and supported with technical and financial means. In the face of mounting pressure on forest resources and high rates of poverty, conserving Ethiopia's forest and rehabilitating degraded lands and forests requires well though project design and international support.

Barriers to be addressed: To reverse the trend, some factors are more difficult or would require longer time than this program's time period to change, such as population growth and land-use policies. The program will engage in awareness raising and policy dialogue as and when opportunities arise but will otherwise consider them as fixed or slow to change factors. The program will mainly focus on addressing the following barriers:

Category	Barriers to be addressed
Technical	• Underdeveloped forestry research and innovations for forestry sector transformation • Low capacity on sustainable forest management and restoration planning and implementation, product and value chain development, and resource mobilization
Institutional	• Lack of coordinated institutional mechanism for forestry sector transformation • Incoherent and poorly implemented policies, regulations, guidelines on sustainable forest management, biodiversity conservation, carbon ownership, REDD+ incentive distribution, etc. • Weak and ineffective land-use planning and administration system
Social	• Marginalization, unemployment, resource scarcity leading to conflict and youth migration • Isolation and limited access to markets, information, and alternative livelihood options • deep rooted gender inequality, limited access to resources and education
Financial	• Lack of forest financing strategy and limited financial resources to support sustainable forest management • Limited access to finance for PFM communities for alternative livelihoods

If these barriers are not adequately addressed, the following are anticipated consequences:
- Rapidly increasing GHG emissions due to deforestation and forest degradation.
- Increasing community vulnerability to the impacts of climate change related extreme events leading to increased poverty
- Increased levels of conflicts and migration due to tenure insecurity, lack of access to livelihoods and necessary eco-system services
- Low income from the forest sector/missed opportunities to fill national supply gap of wood products due to weak national, sub national and local capacity for forest sector transformation
- Increasing income and gender inequalities, deepening marginalization of the poor, women, and girls

Entry points: In addressing the above-mentioned barriers, the main entry points identified are:
- Mapping, demarcating, certifying, classifying, and sustainably managing existing natural forests
- Promoting rehabilitation of degraded forests and landscapes in view of restoring production and ecological functions of landscapes and producing biomass to meet needs
- Promoting forest friendly livelihood options and diversifying income sources of communities to reduce excessive exploitation of forests and build their adaptive capacities
- Building capacities of actors at all levels to bring about transformation in the forestry sector

Implementation strategies, key actors, and their roles: The project is designed to involve all actors in the forestry sector from federal to local levels. Forestry sector actors engaged in education (Wondo Genet College of Forestry in particular), research, extension and in manufacturing will be actively involved. By so doing, the strategy is to bridge the forestry education-research-extension-industry gaps. By working closely with land authorities, notably at regional level, the program aims to get high carbon and biodiversity rich forests to be demarcated and certified. This legally defines the boundaries as well as user rights of entities administering these forests. This is the missing link in legally protecting forests from land use changes in front of the court of law. Once certified, forests with defined boundaries will be classified as either reserve, protected or production forest and accordingly management plans will be prepared. Then forest will be managed as per the management plan as stated in the national forest law. Communities around forests will be supported to organize themselves and engage in the management and use of production and protection forests, and forestry authorities will assume responsibilities for facilitating this and monitoring forest management and use. This is believed to reduce the prevailing high rates of deforestation and forest degradation.

Targets and anticipated achievements: The program has set conservation, livelihoods improvement and capacity building related targets. It aims to put 1,5 million ha of natural

forests under improved conservation system, and mapping and rehabilitating 670,000 ha of degraded lands through assisted natural regeneration, afforestation, and reforestation. This will help Ethiopia significantly reduce emissions of CO_2. The members of 180 participatory forest management groups will be supported to diversify their income sources and reduce their excessive dependence on natural forests, and over 10,000 households will be assisted to be engaged in forest friendly business opportunities. To support and scale up forest sector transformation initiatives, a center of excellence in forestry knowledge management system will be established and at least 300 senior experts would get on the job training.

Evidence/theory informing project design: The root causes of high rates of deforestation and forest degradation are believed to be lack of demarcation and certification of forests, poverty induced high dependence on forests of communities in and around forests, lack of national land use policy and plan to govern land use changes, weak law enforcement, and weak capacity of forestry institutions at different levels of the governance structure. Mapping, demarcating, and certifying Ethiopia's forests is the first step in legally combating deforestation and illegal investments and settlements inside forests. In addition, when state forests are put under PFM, deforestation and forest degradation slow down. Thus, putting Ethiopia's forests under improved conservation systems reduces deforestation and hence emissions from forests. By improving livelihood options of forest dependent communities, dependence on and excessive exploitation of natural forests is reduced. By supporting communities to rehabilitate degraded landscapes and forest frontiers, communities will also produce biomass to meet their needs. Market links will also be created to support PFM and business groups engaged in forest products production, processing, and marketing. Forestry experts at all levels will also be trained and supported to engage in forest sector transformational activities. The combinations of all these interventions will result in better conservation and livelihood outcomes. The planned four outcomes will contribute to the higher-level nation impacts of reducing GHG emissions and increasing forest cover by 30% by 2030. The capacity being built by this program to administer REDD+ results-based payment schemes is expected to form the basis to attract funding to support sustainable forest management in the country.

Risks and underlying assumptions: The program has identified the probability and consequences of political, operational, fiduciary, environmental and social risks, and proposed mitigation measures as shown in Annex 4. Security related challenges in the country are showing signs of improvement and will be managed on case-by-case basis during annual planning. The underlying assumptions are that: (i) there is political will to develop the forestry sector through stable, well positioned and adequately resourced forestry institutions at all levels, and to support efforts to increase public awareness, expand community ownership, and increase private sector engagement in forestry; (ii) opportunities to leverage climate finance will be tapped and international support for forest conservation continues, (iii) there is will to improve vertical and horizontal linkages at all levels of the government structure dealing with forests, and increased capacity at all levels will lead to better and sustained results; (iv) increased alignment of sectoral policies facilitate better cross sectoral coordination among forestry, agriculture, land and finance

sectors; and (v) security in project areas prevails and will not significantly affect project implementation.

Taking good practices from conserving carbon and biodiversity rich forests and rehabilitating degraded landscapes to scale and piloting new innovations (technologies, management practices, working mechanisms, institutional arrangements, etc.) that facilitate rapid forest sector transformation in Ethiopia requires: (i) having dependable baseline information to objectively measure outputs and outcomes, (ii) identifying and addressing technical, technological and institutional challenges faced during implementing RIP I and considering recommendations from RIP I reviews; (iii) proposing forest and forest frontier management options that significantly reduce deforestation and carbon emissions while also simultaneously improve the livelihoods of communities living around forests; (iv) strengthening program functions to better coordinate activities among program outcomes and to take measures that improve planning, implementation, and M&E of the program; (v) bridging sectoral gaps between forestry and other sectors, most importantly agriculture and energy, and take steps to work in a more coordinated manner at landscape level; (vi) linking field work and experiences gained to national level engagements to inform policy makers and planners as well as practitioners in communities, private companies, and government agencies; (vii) developing sustainable financing mechanism to support forest conservation and landscape rehabilitation initiatives in the country; (viii) building knowledge management system to synthesize, and systematically document and widely share experience and knowledge in sustainable forests management; and (ix) synthesizing lessons, organizing capacity building and training and promoting experience sharing among actors at all levels to facilitate co-learning. These undertaking are the basis of having four outcomes in RIP II as the program works towards addressing the major institutional, technical, financial, and socio-economic barriers indicated above.

As shown in the figure below, the four outcomes have been formulated to be undertaken simultaneously as they complement each other, and synergistically contribute to the attainment of overall objectives of the program. RIP II shows a departure from the business-as-usual practice. It builds on the achievements of RIP I and has been designed to address persisting challenges of forest sector development in Ethiopia.
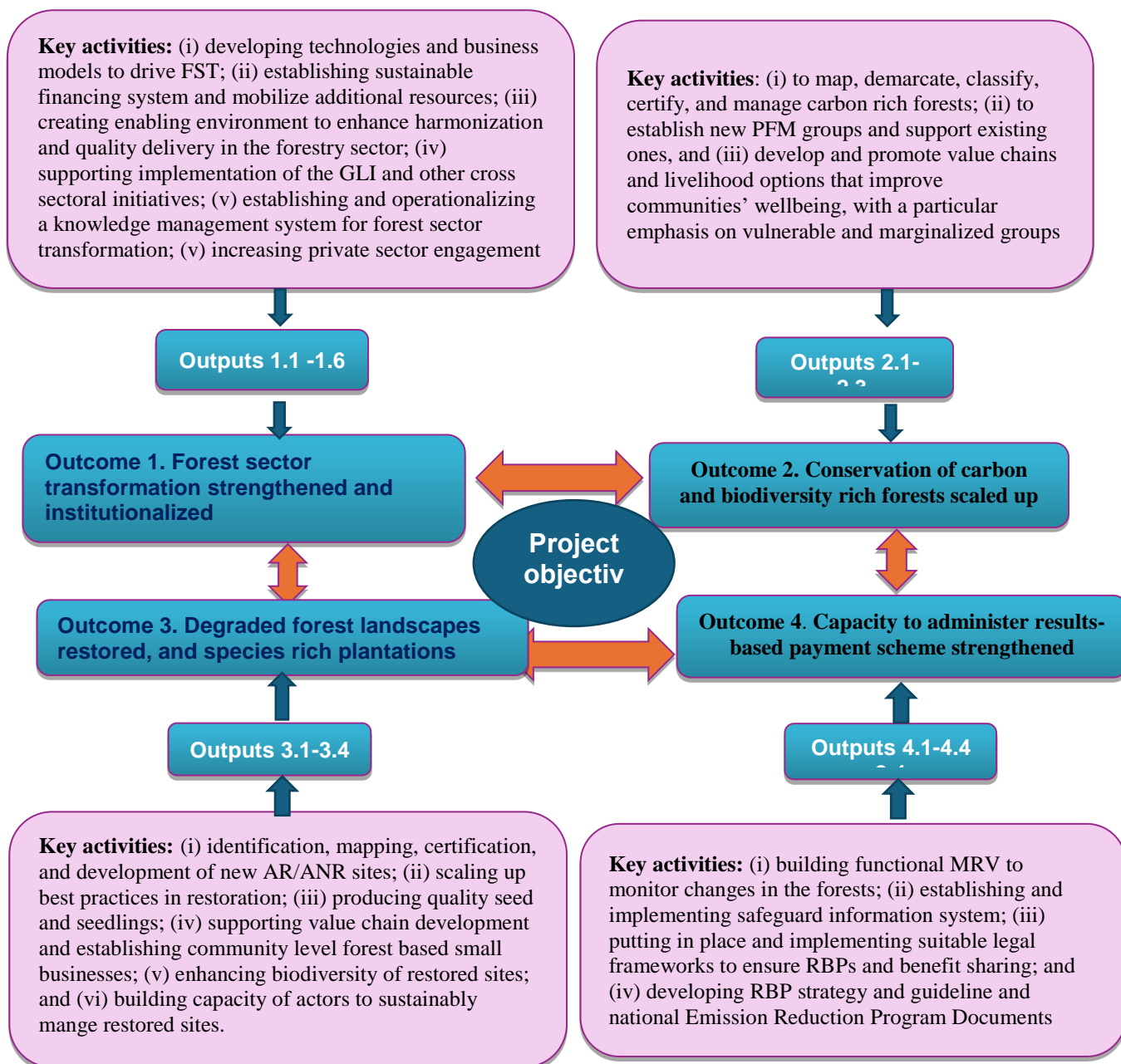
Figure 1: Figure showing how each outcome are interrelated and key activities that inform detailed activities will produce planned outputs under each outcome.

The program has been designed in such a way that by the end of the program period, Ethiopia will be able to mobilize resources from results-based payments from REDD+. By use of such sustainable finance, institutions established as part of RIP I and II are expected to prevail and activities to continue.

5.3   Program Implementation Areas

RIP II will be implemented in all the woredas where RIP I has been operational. As only very limited kebeles (three per woreda) were covered during RIP I, RIP II plans to expand its coverage within the RIP I target woredas. More forest within the same wordeas will be

put under improved management and restored. No new woredas shall be targeted under RIP II. Woredas to be covered under Outcomes 2 and 3 are shown in Figure 2. With additional funding, the program intervention could expand to other woredas focusing on saving natural highland forests patches in north and central highlands that are highly vulnerable to D&D. Following the improved situation in Tigray regional state after the signing of the peace agreement, RIP II shall continue full scale operation in the region. Utmost attention and special focus shall be given to supporting the restoration and proper functioning of coordination structures at regional and woreda levels.
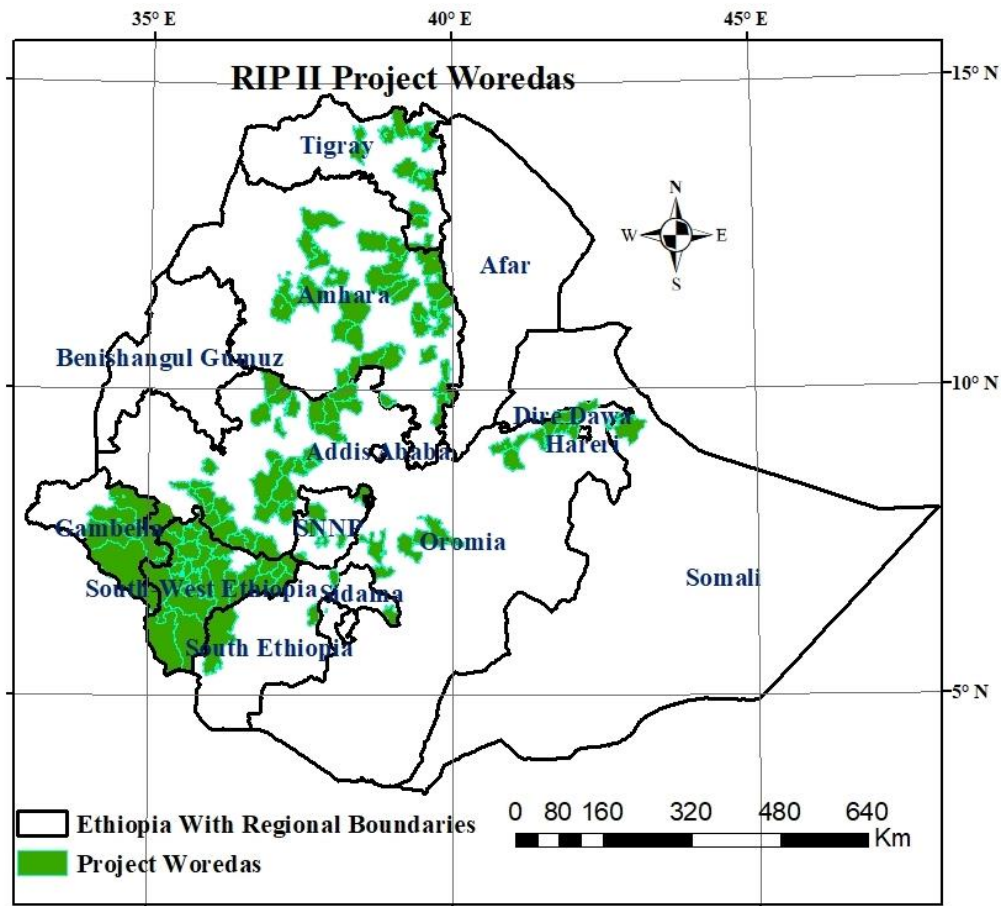

Figure 2. Map of regions and woredas where the Program will be implemented

6.   Program Management and Coordination Arrangement

Ethiopia has built strong sectoral institutions responsible for designing sectoral policies and strategies and overseeing their implementation. These institutions have benefited from extensive experience in the implementation of different national and global commitments (e.g., the MDGs, SDGs). The successful delivery of RIP II requires the collaborative engagement of stakeholders at federal, regional, and woreda levels and the engagement of Technical Assistance Partners (TAPs).

The Ministry of Finance (MoF) and the Ethiopian Forestry Development (EFD) will assume

the full financial and implementation responsibility for the program through the CRGE Facility and program coordination units at national, regional and woreda levels, respectively. The overall program management and implementation arrangements for RIP II will be similar to RIP I in several aspects. However, the existing arrangements shall be further strengthened and streamlined based on experiences and lessons from RIP I implementation, including recommendations from the RIP I mid-term and end reviews.

Implementation of the program will be carried out at three levels: federal, regional and woreda. The United Nations Development Program (UNDP), the Center for International Forestry Research (CIFOR) and the Global Green Growth Institute (GGGI), referred to as Technical Advisory Partners (TAPs), shall provide technical, advisory, research, capacity building, knowledge management and procurement services to the CRGE Facility and EFD for timely delivery of program results.

The RIP II management and coordination structure from federal to woreda level is presented below.
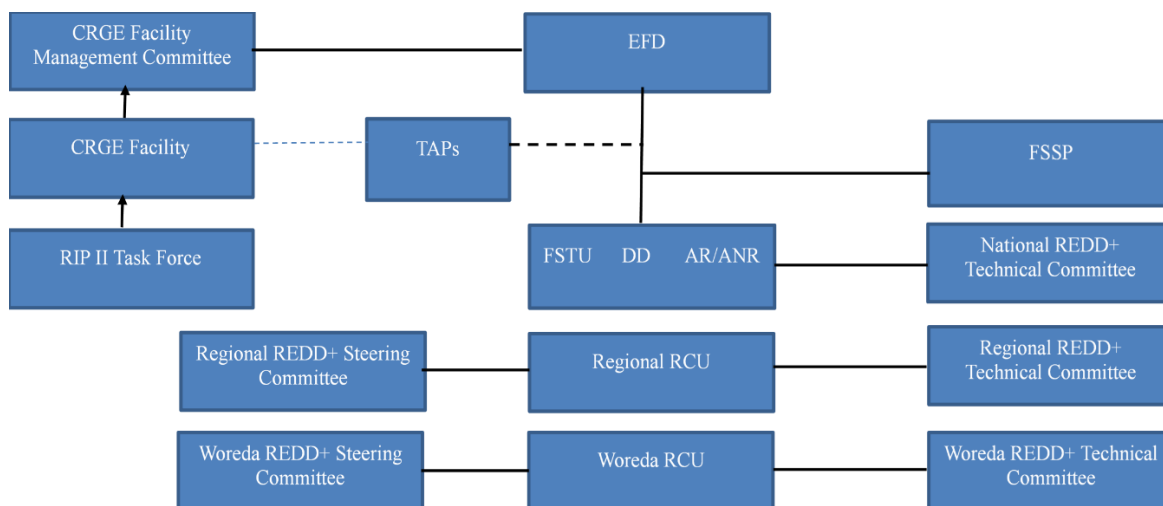
Figure 3: Management and coordination structure of the program

The roles and responsibilities of the main RIP II stakeholders are described in the sections below.

6.1   CRGE Facility Management Committee

The CRGE Facility Management Committee is chaired by the MoF State Minister and comprises State Ministers from the MoA and other relevant sectors. The Management Committee has an overall program implementation oversight role. Donor representatives and selected development partners will attend Management Committee meetings as observers. The Committee will meet biannually to review the program's performance and provide strategic guidance to the CRGE Facility and the RIP implementation coordination body.

A RIP II high-level body, which includes the MoF State Minister for External Economic Cooperation, the EFD Commissioner and ambassadors from development country embassies, shall meet biannually to discuss strategic and high-level issues.

6.2 The CRGE Facility

The CRGE Facility team in the Ministry of Finance, in collaboration with the Bureaus and Offices of Finance at regional and woreda levels respectively, is responsible for the financial and procurement management of the program, consistent with government policies. In collaboration with the RIP II management at federal level, it will facilitate annual work planning, periodic review meetings, joint monitoring missions, assess and assure the quality of the proposed program plans and reports submitted by EFD. Furthermore, it will exercise the necessary diligence, efficiency, and transparency in line with acceptable best principles and practices and ensure that grants are used according to approved work plans and budgets.

The CRGE Facility shall have the following roles and responsibilities:
- Ensure the grant is managed in accordance with the financial and procurement management policies of the Government of Ethiopia and the terms and conditions of partnership and implementation agreements;
- Facilitate fund disbursements, account auditing, periodic review, monitoring and supervision, preparation and submission of reports;
- Organize quarterly RIP II review meetings53 to discuss program implementation, financial and procurement management, reporting, monitoring and supervision and related issues;
- Ensure that the Regional RCUs and RIP finance officers from BOFEC of the target regions, FAO and WGCF-NR are invited to RIP II technical meetings on biannual basis;
- In collaboration with EFD, facilitate the establishment of a forestry working group within the donor coordination platform to enhance sectoral and cross-sectorial coordination and stronger support from donors to the forest sector transformation in Ethiopia;
- Ensure deployment of adequate finance officers, program management team and logistics at federal, regional and woreda levels; and
- Facilitate platforms for periodic high-level consultations between development partners, Ministry of Finance and EFD.

The CRGE Facility liaises with development partners and organizes quarterly Task Force (TF) meetings.

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[53] The FSSP, FSTU, the CRGE Facility, RIP-II TAPs (UNDP, CIFOR, FAO and GGGI), and the Royal Norwegian Embassy shall attend the meeting

6.3 RIP II Task Force

The RIP II Task Force (TF) shall be chaired by the CRGE Facility. The CRGE Facility will organize quarterly TF meetings composed of the CRGE Facility, development partners, EFD and TAPs. The TF shall review program implementation, financial and procurement management, reporting, provide monitoring and supervision of the program. The Regional RCUs and a RIP finance officers from BoFEC in target regions, FAO and WGCF-NR shall be invited to the RIP-II TF meetings on biannual basis. The TF can also meet more frequently if deemed necessary.

6.4 Ethiopian Forestry Development (EFD)

The EFD was established under the Ministry of Agriculture following the Ethiopian national election in 2021[54]. EFD is an autonomous federal institution having its own legal personality, hence the ministry shall not interfere in the day-today activities of EFD[55]. EFD's responsibilities are to ensure that forest development contributes to economic development in ways that are participatory, socially, and regionally inclusive, and to put in place and operationalize mechanisms to ensure equitable benefits to communities from sustaining ecosystem service provisions. EFD will also conduct research on agroforestry and forest development; on climate change and forest; on forest policy and governance; on forests and their socioeconomic contributions; on value addition and marketing of forest products and services; and on forest industries to generate evidence, knowledge, and technologies for forest sector development.

RIP II is designed to allow EFD to deliver on its mandate. EFD is responsible for the overall program implementation and will be accountable for the delivery of program results. EFD shall ensure RIP II is implemented through strong management and coordination structures at federal, regional and woreda levels, ensuring adequate collaboration with relevant stakeholders and communication of program progress and results to all relevant audiences. It will work closely with TAPs, a broad group of stakeholders, and public sector agencies at federal, regional and woreda levels. It shall manage FSSU, FSTU, DD and AR/ANR. It also manages and oversees regional and woreda level RCUs.

6.4.1 FSTU, DD and AR/ANR

These three components of RIP II shall be responsible for implementing planned activities and delivering expected outputs under each outcome. Each component will work closely with the FSSU, FSTU and TAPs.

6.4.2 Forest Sector Support Unit

To enhance RIP-II coordination, program development and resource mobilization,

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[54] Proclamation No.1263/2021 (Proclamation to Provide for the Definition of the Powers and Duties of the Executive Organs of the Federal Republic of Ethiopia) and by the Council of Ministers Regulation No. 505/2022
[55] Proclamation No.1263/2021, Article 77 (1)

monitoring and communication, a Forest Sector Support Unit (FSSU) will be established. More specifically, the FSSU will be responsible for providing information on potential funding sources, liaising with development partners, communicating with stakeholders, coordinating joint monitoring missions, organizing program review meetings and preparing regular progress reports for submission to MoF. In addition, the FSSU will work closely with FSTU, DD and AR/ANR, it will also coordinate EFD's externally funded projects and liaise with other programs/ projects supporting the forest sector. The FSSU shall have the following roles and responsibilities:

- Coordinate the preparation of annual work plans and consolidate periodic progress reports to be submitted to EFD management and MoF;
- Based on requests from RIP II components, initiate fund disbursement requests on bi-annual basis to be submitted to MoF and ensure the timely transfer of funds;
- Organize joint monitoring missions and periodic program level review meetings;
- Prepare and disseminate communication materials in consultation with RIP II components; and
- Identify potential funding sources and regularly provide information;
- Liaise with development partners and other actors supporting the forest sector.

6.5   Regional RIP-II Coordination Units

Under the auspices of the appropriate Head of Bureau, the regional RIP II Coordination Units (RRCU) will have the following roles and responsibilities:

- Ensure the timely delivery of program results and targets at regional level and monitor the program in close collaboration with partners and relevant public institutions;
- Ensure that the application of monitoring tools is understood, properly used and that data on program activities is regularly collected, compiled, analyzed, and submitted to federal level for compilation
- Review and consolidate annual work plans, budgets and procurement plans submitted by woredas;
- Review and approve implementation progress reports (including M&E, safeguards, etc.) from woredas;
- Provide technical and capacity building support to the woreda RIP II Coordination Units (WRCU);
- Request fund disbursements on quarterly basis;
- Coordinate annual planning, and prepare periodic reports to federal level;
- Facilitate periodic regional REDD+ steering- and technical committee meetings;
- Facilitate periodic monitoring visits;
- Support preparation of forest user group bylaws, PFM agreement, procurement of goods and services at local levels; and
- Ensure proper beneficiary selection criteria are put in place to ensure women and disadvantaged groups equally benefit from the program and are adequately

represented in local level management positions, committees, etc.

6.5.1   Regional REDD+ Steering Committees

The regional REDD+ Steering Committees (RRSC) are chaired by the head of Environment, Forest and Climate Change Bureaus and comprises members from the Bureau of Agriculture, Land Administration, Bureau of Water, Irrigation and Energy, Bureau of Finance and Economic Cooperation, Academia and NGOs. The Steering Committee will meet biannually and review program implementation progress and provide overall guidance and supervision. This committee will have the following roles and responsibilities:

- Overall supervision for program implementation;
- Annual regional work plan and procurement plan review;
- Annual implementation performance report review;
- Oversee corrective actions implementation;
- Approval and endorsement of guidelines and manuals; and
- Approval of best practices.

6.5.2   Regional REDD+ Technical Committees

The Regional REDD+ Technical Committees (RRTC) are comprised of technical experts drawn from the above stated regional entities. The RRCU coordinators will chair the committees. The committees meets quarterly and review program implementation progress, provide technical advice on the quality of implementation performance reports and special studies such as policy and legislative drafts, financial and audit reports and documentation of best practices. They will have the below roles and responsibilities.

- Advice regional Coordination Unit's on the technical quality of RIP II implementation;
- Advice on issues related to coordination and synergies;
- Address emerging technical issues;
- Review technical documents, manuals, guidelines.

6.6   Woreda RIP II Coordination Unit

The woreda RIP II Coordination Units (WRCU) are responsible for the following:

- On the ground planning and execution of activities under the program;
- The day-to-day implementation of program activities at landscapes level, including site identification, boundary demarcation, Forest Resource Assessment and certification, nursery establishment and management, beneficiary selection, bylaws, PFM agreements, community mobilization, etc.
- facilitate annual planning, periodic reports and submits to the regional Coordination Units;

- Provide regular training and other capacity building activities;
- Undertake participatory monitoring and evaluation of program activities;
- In collaboration with the WOFEC, facilitate procurement of goods and services at the woreda level; and
- Ensure the project budget and logistics are used for the intended purposes.

Accountants will be recruited at woreda level to improve financial management capacities and reduce implementation risk.

6.6.1   Woreda REDD+ Steering Committee

The   Woreda REDD+ Steering Committees (WSC), chaired by the Woreda Administrator, will be responsible for the overall guidance and coordination of RIP II activities. The committees shall ensure project activities are implemented in accordance with work plans and the approved budget. It will meet quarterly to review program implementation and take corrective measures if/when challenges are reported by the WRCU. Furthermore, it will support the WRCU in the identification of implementation sites.

6.6.2   Woreda REDD+ Technical Committees

The Woreda REDD+ Technical Committees (WRTC) are chaired by the WRCU Coordinator and comprise technical experts from woreda offices of agriculture, finance and economic cooperation, water and energy and development agents from the target kebeles. The Committees shall provide technical support to the WRCU. The committees will meet on monthly basis and will play a key role in site and beneficiary selections, boundary demarcation, community mobilisation and implementation, establishment of bylaws, conflict resolution and law enforcement.

6.7   Technical Assistance Partners

The successful delivery of RIP II requires the collaborative engagement of stakeholders at federal, regional, and woreda levels and the engagement of Technical Assistance Partners (TAPs). UNDP, CIFOR and GGGI shall provide technical assistance to both EFD and the CRGE Facility team at federal and sub-national levels based on their comparative advantages and experiences. They will play key roles in knowledge generation, management and dissemination/communication, monitoring and evaluation of the program, developing and piloting innovative models, financial and program management, resources mobilization, capacity building, generating research-based evidence for policy formulation, and much more.

The specific roles and responsibilities of each TA partner is presented as follow.

6.7.1 United Nations Development Program

The UNDP will continue to provide the services under RIP II as it has been doing under RIP I, namely facilitating procurement of goods and services, recruitment of consultants, and deployment of FSTU staff and senior officers for the RIP components.

6.7.2 Center for International Forestry Research

CIFOR conducts research, capacity development, outreach, and policy engagement on the pressing challenges in forestry and landscape management around the tropics. Its research work focuses on sustainable landscapes and livelihoods; value chains, finance, and investments; equal opportunities, gender, justice, and tenure; forest management and restoration; and climate change, energy, and low-carbon development. Its research findings are shared widely to help policymakers, practitioners and communities make evidence-based decisions about how they can sustainably manage forests and rehabilitated landscapes. CIFOR also coordinates the [Global Landscapes Forum](#) (GLF), the world's largest science-led multi-sectoral platform designed to produce and disseminate knowledge and accelerate action to build more resilient, climate friendly, diverse, equitable and productive landscapes. CIFOR has project management, fiscal management and procurement management systems in place that are compliant with most donor requirements.

In Ethiopia, CIFOR opened its office in 2005 and has been working mainly on: (i) studying the status and importance of forests in Ethiopia, and challenges hindering sustainable forests sector development in the country; (ii) contributing to building the capacity of staff in forestry education, research, and extension institutions; (iii) supporting processes of revising national forest law, and formulating sectoral plans; (iv) generating evidences on the need for putting in place responsibility and benefit sharing mechanism amongst key stakeholders to encourage the engagement of communities and the private sector in forestry sector development; (v) introducing technical, managerial and institutional innovations that help conserve forests and enhance their roles for societal well-being; and (v) synthesizing and sharing lessons nationally to inform national forest policy makers and practitioners in Ethiopia and the global forestry actors. CIFOR has managed to build good working relationships with the Ethiopian Forestry Development and contributed to building capacity of policy makers, researchers, and educators in the forestry sector.

During the implementation of RIP II, CIFOR shall partly co-host the FSTU team so that they will benefit from the administrative agility that CIFOR has in implementing its mandates. CIFOR will organize office space and admin support for the team to spend at least two days a week in its office.
Working closely with EFD (FSTU), CIFOR will be responsible for the following:
- Develop and pilot new innovative models
- Develop bankable concept notes/proposals
- Establish policy platforms for policy dialogues and organise program coordination and policy dialogue meetings
- Review relevant policies, regulations and plans and provide evidence-based policy advice
- Develop and disseminate directives, guidelines and manuals

- Organize trainings and awareness raising events for federal and regional stakeholders
- Develop monitoring tools and guidelines
- Produce high resolution maps of Ethiopia's forest areas for conservation planning
- Recommend conservation prioritization of forest areas using landscape metrics
- Organize joint monitoring missions
- Support small scale forest products processing initiatives through introducing modern improved processing and drying technologies
- Support commercial tree growers' associations through market linkages and value addition
- Study the current status of Ethiopia's carbon rich forests and generate up-to-date information on their current state and dynamics over the last 20 years
- Undertake field-based assessments to strengthen information and knowledge base for planning forest biodiversity conservation
- Build the capacity of relevant GoE stakeholders for demarcation, mapping and certification of state forests

6.7.3 The Global Green Growth Institute

GGGI is a treaty based international, inter-governmental organization that supports developing country governments' transition to a model of economic growth that is environmentally sustainable and socially inclusive. Since its commencement, GGGI has been renowned by its multidisciplinary approach, high caliber expertise and experiences to support member countries in promoting inclusive, green, and sustainable development approach including in urban settings. As an institution, GGGI brings wealth of knowledge, resources, and value to its member countries by serving as a trusted advisor and partner in supporting green growth planning, advising on policies and regulatory matters, introduce methodologies and leveraging green investment.

In Ethiopia, GGGI has supported the design of climate change policies such as the CRGE, NDC, and Low Emission Development Strategy (LEDS). It has also supported the design of sector climate resilient strategies. GGGI has closely partnered with the Ministry of Finance in the he operationalization of the CRGE Facility. It has supported the accreditation of MoF to GCF and Adaptation Fund as well as preparation of funding proposals and concept notes. It is currently supporting the re-accreditation and accreditation upgrading of MoF to the GCF from 50 million to 250 million per project or activities within a program. GGGI has a demonstrated experience of working with the CRGE Facility. Over the years, GGGI has proactively responded to the needs and priorities of the government. Currently, it has transitioned to implementation of projects and programs on the ground in close collaboration with the relevant government stakeholders at all levels. For instance, it is jointly implementing a PFM project in South West Ethiopia People Regional State, and A/R projects in selected woredas in Oromia and Sidama Regional States with the EFD and MoA.

In RIP II, GGGI will further strengthen the financial management, coordination and general management of the program.

Working closely with EFD (FSTU), GGGI will be responsible for the following:
- Develop a forest sector financing strategy
- Support and strengthen CRGE cross-sectoral coordination mechanisms
- Assess and identify biodiversity rich forests to be considered as reserve forests
- Support the proper functioning of the CRGE Facility, including its resource mobilization and financial management capacities at all levels
- Support the operationalization of the GLI and Degraded Landscapes Restoration Special Fund
- Develop forest-based business incubation guidelines
- Develop revolving fund guideline to support PFM Groups and pilot its application
- Prepare the required documentation to fulfill the ART TREES standards

6.8.   Working Modalities for TAPs

EFD and the CRGE Facility shall partner with TAPs to take advantage of their knowledge, technical expertise and their networks for effectively implementing activities and delivering results. The TAPs shall sign a Cost Share Agreement with MoF and submit budget disbursement requests. The TAPs shall apply their own financial and procurement policies and regulations when managing RIP II funds. The TAPs shall submit regular technical and financial reports to MoF and EFD.

6.9   Rationale for Forest Sector Transformation Unit to Partner with CIFOR

One of the important achievements of RIP I is the establishment of the Forest Sector Transformation Unit. The Unit's mandate includes: a) build and scale-up a pipeline of transformative, high-value forestry innovations that can support Ethiopia in achieving its ambitious forest sector goals; b) support delivery of initiatives by capacitating the forestry sector through targeted, hands-on support to national, regional and woreda teams; c) provide evidence-based policy analysis and recommendations; and d) drive financial reporting and other operational requirements for its activities and programs, including development of annual budget and work plans and annual reporting of results.
Since its establishment in June 2018, the FSTU has made considerable progress. Specifically, the FSTU has developed innovative nursery and landscape restoration models, undertaken studies and assessments on various thematic areas to build a knowledge base and to direct innovations, facilitated the adoption of best practices and the transfer of knowledge, partnered with 12 universities to take advantage of their capacity in research, innovation and knowledge dissemination, built capability through thematic trainings and through the provision of material support to regions, developed concept notes and proposals to mobilize resources, provided input in the development of policies and strategies, and supported the Green Legacy Initiative through the provision of technical support.
The establishment of FSTU has put together a group of professionals in EFD that a) work on innovation through the development of innovative models and adoption of best practices; b) positions FSTU to become a hub for knowledge, information, and expertise. This in turn has made the FSTU to become a go-to unit internally and externally; c) are

able to review and formulate policies and strategies at national level, develop bankable proposals for resource mobilization, engage with partners at home and abroad and represent the EFD at various forums.

Despite its commendable achievements, the FSTU has been facing challenges in engaging with the private sector due to, among other things, constraints that government policies, regulations and procedures impose on channeling financial resources to the private sector. For example, the FSTU has not been able to implement the challenge (accelerator) fund initiative which aimed at unlocking investment opportunities for businesses and communities to support Ethiopia's forest sector development. This has hampered FSTU's drive to incubate private sector business models and identify, test, pilot, and disseminate innovations and technologies that are critical to transform the forest sector. To address such challenges experienced during RIP I, and to provide the FSTU with requisite operational flexibility, EFD has decided to link FSTU with CIFOR in a partnership that would make it possible for the technical staff of the FSTU to programmatically and operationally collaborate with CIFOR and directly work with the institution to deliver results. The FSTU Director shall be responsible for the management of FSTU activities and the budget. With a more autonomous FSTU, realized through its operational linkage with CIFOR, the unit is expected to create a conducive space for innovation and adoption of best practices. It will also allow the FSTU to recruit staff (for example with expertise on businesses, private sector, and socioeconomics) that would be instrumental in driving the development of a private sector incubation model and its implementation.

Another challenge experienced in RIP I was program coordination between RIP I components and other forestry programs and projects implemented by EFD and other actors. To address this problem, a Forest Sector Support Unit (FSSU) will be put in place in EFD to facilitate and support the coordination of forestry programs and projects implemented in the country. This will help to avoid duplication of efforts, facilitate learning, and enhance cooperation. It will also be useful to enhance linkages with development partners and consolidate efforts to mobilize resources.

During RIP I, FSTU has tried to play a coordination role within RIP components, while also piloting innovative business models. Lessons, however, show that the involvement of the FSTU in coordination and management diluted its more urgent and strategic role as an innovation hub. Further, the challenges of coordination, monitoring and communication within RIP and with other forestry programs and projects limited cross-sectoral linkage and the visibility of the forestry sector. Based on the recommendations of an FSTU appraisal report, a FSSU will be established in EFD to support all forestry programs and projects supported by development partners, including RIP II. In addition, the FSSU will support EFD to streamline RIP II and align it to other forestry programs and projects. The FSSU will lead and facilitate the planning and implementation of joint forestry program/project monitoring and communication, including RIP II. This will be supported by the development and implementation of a communication strategy to enhance the visibility of the sector and increase efforts in resource mobilization and build strategic and operational capacity. The FSSU will have a manager and other key staff who will be based in EFD.

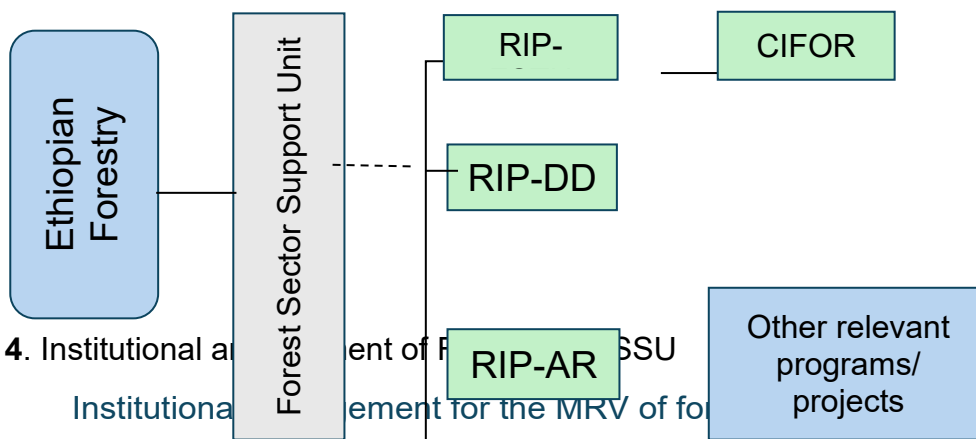The linkages of FSTU, FSSU and CIFOR and EFD are demonstrated below.

Figure 4. Institutional a~~rrangem~~ent of F~~STU, F~~SSU

6.10.   Institutional ~~arrang~~ement for the MRV of fo~~rest emission~~ reduction

Measurement, Reporting, and Verification (MRV) refers to the multi-step process to measure the amount of greenhouse gas (GHG) emissions reduced by a specific mitigation activity. MRV in forestry refers to measuring reduction in GHG emissions from reduced deforestation and forest degradation and GHG removals from the atmosphere due to forest landscape restoration activities. As indicated in the international protocols, such reductions and removals need to be verified by a third party so that results can be certified, and carbon credits issued. A robust MRV system is key to generate carbon credits, unlock climate finance, and show progress in achieving NDC targets. Ethiopia has been engaged in establishing a national MRV system that meets the required international standards.

Ethiopia has established sector CRGE units responsible for MRV and reporting results to the national MRV system. The national MRV system is responsible for receiving and consolidating sectoral achievements and preparing and submitting reports to the Ministry of Planning and Development (MoPD). MoPD is the designated body to nationally coordinate the MRV system and to submit reports of Ethiopia's climate mitigation and adaptation achievements to UNFCCC and other institutions.

EFD is responsible for measuring forest based GHG emissions and removals and for reporting findings to the national MRV system. The forest sector is foreseen to be the main contributor to Ethiopia's climate change mitigation targets, and EFD has over the last years focused on strengthening the forest MRV system both at federal and regional levels. These MRV units were established during RIP I, and particularly the unit at federal level has made encouraging progresses. The units have produced preliminary reports showing the rates of deforestation and the level of afforestation and reforestation. Despite the achievements so far, there is a need for further strengthening the forestry MRV system as part of RIP II phase.

A simplified institutional arrangement for the national MRV system is shown in Figure 5. Accordingly, the MRV unit at EFD will serve the forest sector and be responsible for gathering, processing and archiving data and prepare reports that will be submitted to the national MRV system. In this arrangement, different government institutions and stakeholders including the Geospatial Institute, Ethiopian Statistical Service and WGCF-NR are suggested to be members of the MRV Steering and Technical Committees for RIP II. FAO will also be part of this process, mainly by providing technical support to fulfil compliance.
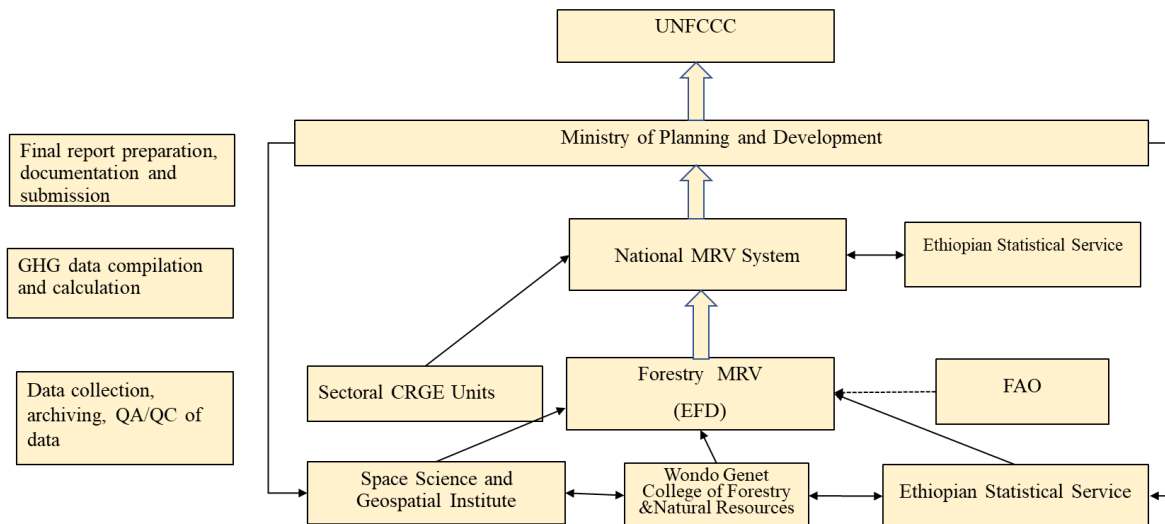
Figure 5. Institutional arrangement of the MRV system

7. Financial Management, Procurement Arrangement and Reporting

The Program's financial management and procurement will be governed by the GoE's public finance management and procurement regulations.

7.1 Fund Disbursement and Reporting Arrangement

7.1.1 Fund Disbursement Arrangement

Funds will be channelled to the CRGE facility national account. The CRGE Facility will disburse funds to EFD and regional Bureaus of Finance and Economic Cooperation (BOFEC) and Woreda Office of Finance and Economic Cooperation (WOFEC) through the "Channel One" system. The CRGE Facility requests fund disbursements from development partners biannually, based on the approved annual work plan. It will also request the development partners to disburse funds directly to the TAPs as per the approved work plan. The CRGE Facility effects fund disbursement biannually to EFD, WGCF-NR and BOFEC's in RIP II target regions as per the approved work plan. EFD receives funds from the CRGE Facility biannually for activities, which it directly manages and implements. Similarly, the RRCUs will receive funds directly from the BOFEC for activities, which they directly manage and implement. For woreda level activities, BOFEC disburses fund to WOFEC in accordance with the approved plan and based on disbursement request from the RRCU on quarterly basis. BOFEC notifies WOFEC regarding fund disbursement and shares copy of the approved work plan. Both BOFEC and RRCU shall ensure settlement of 75% of the previous disbursement before requesting the next disbursement. RRCU can request BOFEC to transfer fund to better performing woredas as soon as they meet the 75% settlement threshold irrespective of the settlement levels of other woredas. Approved annual or quarterly work plans and fund utilisation will

be monitored through an internal control framework. The Fund disbursement and reporting arrangement for the program is presented below.
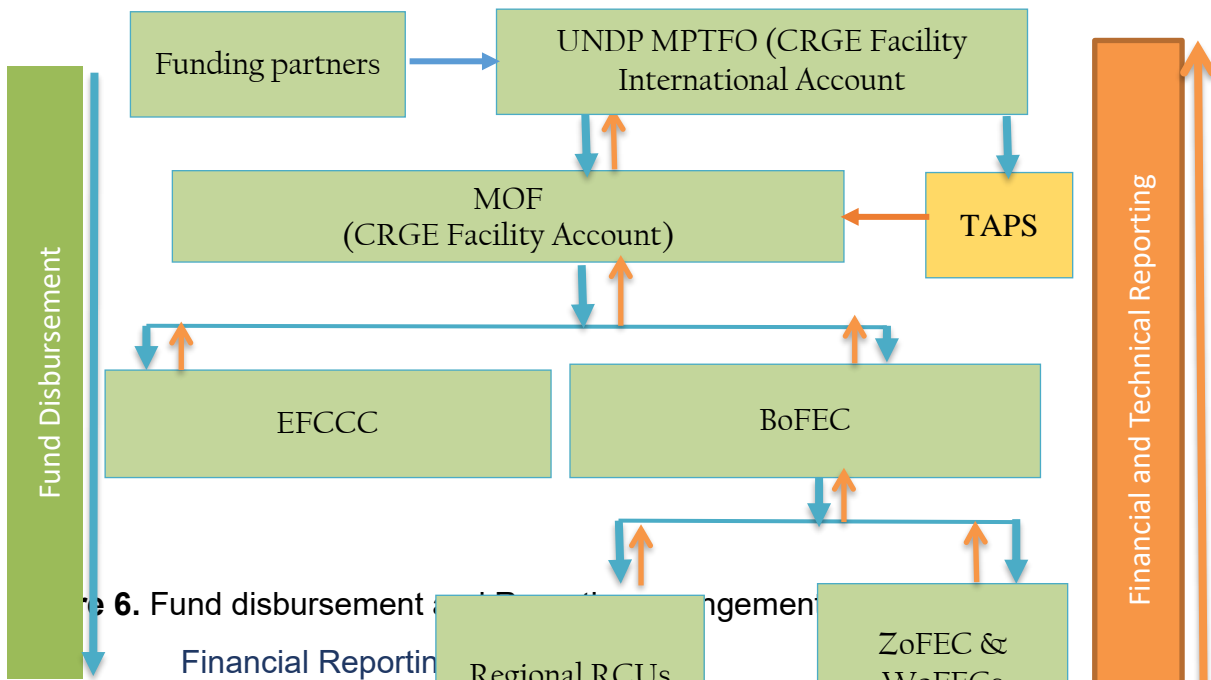

Figure 6. Fund disbursement and Reporting arrangement

Financial Reporting

Recipients of funds at federal, regional, zonal and woreda levels will be responsible for submitting periodic activity based financial reports. EFD shall submit quarterly financial reports to the CRGE Facility for activities, which it directly manages and implements. Similarly, the Environment, Forest and Climate Change Bureau shall submit quarterly financial report to the BOFEC for activities, which it directly manages and implements. BOFEC receives financial reports from WOFEC on a quarterly basis for woreda level activities. It will consolidate the regional and woreda financial reports and send to the CRGE Facility. It will share copy of the consolidated financial report to the Environment, Forest and Climate Change Bureau and provide status updates during the regional REDD+ Steering Committee meetings. BOFEC will receive copy of a consolidated technical report from the Environment, Forest, and Climate Change Bureau. The CRGE Facility consolidates the financial reports it receives from the BOFECs, EFD and TAPs and submits these to development partners annually. The Facility will facilitate an annual external audit of the program national account and submit the audit report to the development partners. BOFECs ensure and support timely submission of activity based financial reports by WOFECs. The CRGE Facility will conduct periodic financial spot-checks and facilitate regular trainings, workshops, review meetings for the RIP Finance Officers and program staff. The Facility ensures preparation and dissemination of customized and fit for propose financial and procurement management guidelines to the woreda Finance Officers. It will also ensure that financial management and procurement activities are conducted in accordance with existing government procurement and financial management policies and procedures. Reporting requirements for TAPs will be specified in the agreements MoF signs with development partners.

7.2 Procurement Arrangements

All procurement of goods and services shall be in accordance with the procurement provisions of the legal agreement between MoF and development partners. Procurements will be made at different levels based on the nature, complexity, and size of the requirements. The Ethiopian Federal Government Procurement and Property Administration Proclamation No. 649/2009 and the Federal Government Public Procurement Directive will be applied in all procurement processes. The Proclamation and Directive aim to ensure that public procurements promotes value for money and is conducted fairly, openly and without discriminating against any person or firm. The procurement of goods and services will be based on the value-for-money principle and guided by competitive bidding. Price, quality, delivery time and procurement feasibility will determine the procurement source, modality and delivery mode of required equipment and associated supplies. EFD will engage TAPs for procurement of staff, goods, and services internationally. The latter will apply their policies and regulations for procurement of goods and services. The TAPs should conduct procurement as per the agreed timeline and allocated budget and in accordance with rules and regulations stated in the legal agreements with development partners.

8. Replicability, Sustainability and Exit Strategy

8.1 Replicability

RIP II is designed to consolidate achievements during the first phase and scale up good practices. Six regional states will be targeted in Phase II and as the owner and implementer of the Program is the Government of Ethiopia itself, replicability of good practices in areas with similar potential is assured during the program period and beyond. The program has explicit emphasis on knowledge management to put in place mechanisms that facilitate wider use of good practices in forest management and community-based rehabilitation of degraded landscapes to the rest of the country through dissemination, training and experience sharing visits. Through individual and institutional capacity building, the program will improve stakeholders' access to knowledge on sustainable forest management. Emphasis will be on options to enhance the role of communities and the private sector in sustainable forest management, and mainstreaming of policies, plans and programs of other sectors at local and national levels.

The replication of good practices from the program to other areas is facilitated by linking field level interventions with national level policy dialogue forums, and regional level planning and review meetings. Such engagements help share experiences and conditions for up-scaling of good practices to wider forested landscapes of Ethiopia. It is expected that through successful demonstration of jointly agreed local plans, governance frameworks, incentive mechanisms, and capacity building exercises, national actors will adopt some of these practices for replication in other parts of the country. FSSU will work to improve communications amongst actors in Ethiopia engaged in sustainable forest management, and cross sectoral planning and joint implementation of activities such as

the establishment of buffer zones, green corridors, and restoring degraded lands. This will increase the likeliness of best practices in sustainable forest management and community-based landscape restoration being adapted and replicated throughout the country.

The program has plans to document lessons learnt from Ethiopia and to share them internationally. Thus, replication at the international level is also envisaged, particularly with neighboring countries. To the extent possible, the program will also work with other development partner funded projects in the country to learn from them and to share lessons and experiences on sustainable forest management so that best practices can be replicated in other donor supported projects in Ethiopia and elsewhere.

8.2 Sustainability

Sustainability has several dimensions, three of which are fundamental: economic and financial sustainability, social sustainability, and institutional sustainability. The program design has considered all these aspects of sustainability.

Economic sustainability is about ensuring economic benefits of sustainable forest management and landscape restoration practices. Unless forests (except those to be declared as reserve forest) and rehabilitated landscapes are productive, forest managers and landholders will not continue investing in their management. The program will improve the livelihoods of communities in and around forests and take measures to reduce their dependence on forests by, among other things, promoting the use of alternative energy sources, and diversifying livelihood options that are compatible with the principles and practices of sustainable forest management.

Social sustainability requires inclusive participation of particularly local communities, women and girls, unemployed youth, and disadvantaged groups; transparent and participatory decision-making processes; and equitable benefit sharing mechanisms. The program will ensure transparent selection of beneficiaries, and the involvement of local communities and vulnerable groups at all stages of the program cycle. It is believed that such involvement, and the focus on equal access to benefits resulting from the program, will help to empower local communities and disadvantaged groups, and lead to more inclusive societies. In a country where conflicts are often linked to access to natural resources, these measures can also have a peace building effect. Lastly, with a strong focus on sustainable, alternative livelihoods, the program aims to help poverty reduction and shared prosperity.

Institutional sustainability is an important consideration in program design. As the program was designed under the lead role of EFD, government ownership is assured, and institutional sustainability enhanced. With the government as lead implementer, experiences, lessons learned, and best practices generated by the program will be maintained within the government structure. This will also ease the mainstreaming of such best practices into other government programs. During implementation, cross sectoral planning mechanisms are proposed to bridge gaps in sectoral plans and strategies and to minimize trade-offs and maximize synergies by working together at landscape level. The

national level oversight committees will also support these processes and contribute to the institutionalization of cross-sectoral planning and coordination.

Capacity building and awareness raising activities are integral parts of all the components of the program to ensure the long-term engagement of communities, local governments and the private sector in sustainable forest management and landscape restoration. The program will assist different actors, including communities, NGOs, and local government officials to ensure that positive gains are sustained, and relevant laws are enforced at local level. This will help instill confidence in these actors to further invest in sustainable forest management and landscape restoration.

RIP II is designed to continue supporting efforts of the GoE to transform the forestry sector in ways that will significantly increase the contribution of the forestry sector to the national economy, increase national forest cover and reduce D&D and carbon emission. Communities will be supported to rehabilitate degraded landscapes and establish forests with diverse tree species so that their wood demand and economic needs will also complement natural resources and biodiversity conservation needs. This is in line with national developmental and climate goals and and at the same time meets community needs, ensuring a sense of ownership - a critical element in ensuring sustainability. As in RIP I, strategies to ensure sustainability of the program's results include:

- The selection of local level/grassroots institutions to help implement the program is influenced by their ability to enhance sustainability, either because they have, or can influence decision-making power. This is done by involving the relevant local/ district, regional and federal institutions.

- The program services will be delivered through existing government and community structures. The Government will continue to provide some technical support (federal, regional, and local) after the end of the program, although steps will be taken to gradually pass this on to community-based organisations where practical. This will multiply the program's impact during implementation and build capacity in civil society organisations and private sector organisations to continue implementation beyond the program.

- The program will pilot and scale up innovative practices that can be extended to large areas and/or become net revenue-generating (e.g., industrial, or large-scale commercial plantations, eco-tourism, localised payments for ecosystem services). It is expected that these commercially viable forestry options will become self-propagating.

- By the end of its lifecycle, the program will have accumulated extensive soft assets (administrative procedures for quality control, monitoring, evaluation, knowledge management and communication) and hard assets (equipment and infrastructure). These will be transferred to the relevant government institutions at the appropriate level (federal, regional, or local) in accordance with government regulations. Infrastructure in woredas will be handed over to relevant local offices.

- The program will put in place a robust and effective knowledge management and communication structure to analyse and disseminate the program's goals, actions, and results to increase program ownership even beyond the program's lifecycle.

In each of the program components, joint planning involving local authorities and communities is the first step in identifying adoptable solutions to the challenges of meeting conservation and climate goals while also improving the livelihoods of communities. Tailored training sessions and joint decision-making will help communities build capacity and ensure their sustained commitment well beyond the program life.

The program's cross sectoral planning and coordination mechanisms will contribute positively to the capacity of experts and local authorities to coordinate sustainable forestry and integrated land management activities at all levels. Building on experiences gained from RIP I, the program will strengthen existing PFM groups and introduce new groups that generally require minimal external input from the government or from development partners once they are established as sustainable entities. The program will continue to identify and address capacity gaps of PFM and local government institutions through close monitoring. Progress towards self-sustainability will be ensured by filling gaps and creating capacity so that responsibilities are taken over by stakeholders. PFM will be augmented by ANR and A/R interventions where relevant by creating buffer plantations and restoring areas along the natural forest frontiers. This intervention will contribute to long-term reduction of demand for forest products of the local communities (firewood, construction wood, etc), thus also help to reduce deforestation and degradation in the long term.

The sustainability of RIP II also rests on: a) the integration of program activities within federal and regional government structures; b) building on experience and knowledge, and the human resources and institutional capacity built in phase I; c) the associated co-investment from and relationships with other development partners; and d) partnerships with program implementing partners notably international research institution, which will strengthen research, knowledge generation and dissemination of the program results and help bridge the gap between researchers, policy makers, forestry experts and community members. The program's technical assistance partners (CIFOR, GGGI and UNDP) have environmental sustainability and social responsibility as central objectives and are expected to contribute positively to the program in this regard.

Also relevant to the sustainability of the program is the prospect of results-based payments (RBP), for emission reductions and sequestration towards the end of the program. Results-based Payments (RBPs) can be mobilized from both public and private sectors. Ethiopia is committed to meet the ART TREES standard for high-integrity carbon credits form the forest sector and will continue to build its partnership with the ART Secretariat. This will help to ensure efficient design and timely marketing of such credits, which could mobilize finance for the continuation of activities. A benefit sharing mechanism that has benefited from the experience from OFLP has been included in the draft national forest regulation. This will be finalized and implemented during the implementation of this program.

8.3. Exit Strategy

The exit strategy of the program involves putting in place mechanisms that will sustain project impacts after the development partner funding ends. Key aspects of this are creating incentives for forest managers in terms of income and tenure security so that they will continue to sustainably manage forests and rehabilitated landscapes, building the capacity of local stakeholders, fostering partnerships, and establishing a dedicated funding source.

Creating incentives for forest managers: The project will address tenure aspects of forests by issuing forest land use certificates so that forestland managers will have tenure security. Also, by developing value chains of forest products and services, communities will continue to get economic incentives for sustainably managing forests. Such economic incentives also include results-based payments, which would create incentives for communities and local governments to engage in sustainably managing forests. To make this happen, one of the program's outcomes is specifically dedicated to strengthening Ethiopia's forest MRV system. All the required documents to meet the ART TREES standard for carbon credits form forest will be completed during RIP II. Efforts will also be made to engage and work with potential off takers of such credits within the private sector. Result based payments call for a clearly defined benefit sharing strategy. This has been included in the draft national forest regulation and measures, and RIP II will work to increase awareness of communities and stakeholders about this legal provision to expedite their implementation and strengthen law enforcement.

Building capacity of local stakeholders: RIP II will train and capacitate local stakeholders to build local ownership, and with this increase the likeliness of program activities continuing after development partner funding ends. These local stakeholders include members of forest-dependent communities, forestry offices and local governments. The project will invest in capacity-building activities such as training in project management, monitoring and evaluation, and fundraising.

Fostering partnerships: RIP II will foster partnerships with forest-based cooperatives, private sector companies, government agencies, and NGOs that are actively engaging in sustainable forest management to diversify funding sources and increase impacts. Such actors will be assisted to jointly develop project proposals and secure funding to sustainably finance forest management in Ethiopia.

Establishing a dedicated fund: The Government of Ethiopia is working on the legal framework to establish a dedicated fund for landscape restoration. When RIP II ends, it is expected that this fund will be in place and forest managers and local government agencies will be able to tap this fund to continue financing forest management activities. RIP II will support efforts to establish the fund.

9. Safeguards and Risks

9.1 Environmental and Social Safeguards

The GoE is fully committed to conduct sound environmental and social impact management. It has enacted Proclamation 299/2002 (Environmental Impact Assessment Proclamation) and established dedicated institutions (e.g., EFD) as a clear illustration of its commitment. The CRGE Facility has an Environmental and Social Safeguards Framework (ESSF), which complies with international standards (e.g., the World Bank). Each program/project undertake an Environmental, Social Impact Assessment (ESIA) to

further understand and avoid any potential negative environmental and/or social impacts from the program.

Ethiopia's environmental and social safeguards mechanism will be applied by RIP II investments to fulfil all safeguard requirements. Further, grievance redressal mechanisms will be set up, including grievance addressing committees in each kebele and feedback mechanism at all levels. The program will also develop an effective benefit sharing mechanism with input from communities. This will ensure fair and equitable sharing of responsibilities, as well as benefits from results-based payments.

The program aims at conserving biodiversity, reducing deforestation and forest degradation while also promoting rehabilitation of degraded landscapes in ways that improve livelihoods of communities dependent on these resources. As such, the program is expected to provide substantial positive environmental and social benefits. RIP II will contribute to a range of Ethiopia's relevant policy goals, such as building a climate-resilient green economy, realizing Ethiopia's NDC, conserving biodiversity and reducing poverty. Concerning social safeguards, rural communities are the main beneficiaries of the program, and the program will ensure the involvement of a high percentage of disadvantaged segments (poor, marginalized communities if any) in all the selected districts. By working closely with community-based organizations and local government authorities, the program enhances active participation in and a more equitable distribution of benefits from forest management and landscape rehabilitation. Social benefits of the program include the active participation of local communities, women, and minorities; transparent and participatory decision-making processes; and equitable benefit sharing mechanisms.

Gender equality and women's rights remain a central part of the program design. Apart from the obvious benefits from an equality perspective, making sure women's voices are heard and ensuring their interests are met is crucial for the sustainability of the program, as they are important users of forest resources. The federal and regional Coordination Units will ensure adequate representation of women among program staff at all levels. Furthermore, they have a responsibility to ensure that women are adequately represented in committees, management of community-based organizations and as program beneficiaries. The program's results framework contains gender specific indicators that will be monitored throughout the program period.

9.2   Risk Analysis and Management

The Forest Sector Support Unit (FSSU) will be responsible for monitoring the occurrence of risks and for ensuring appropriate and timely mitigation measures are taken by all the responsible actors shown in the risk assessment matrix. In this regard, the FSSU will proactively assess the state of risks and report on their potential impact considering their likelihood of occurrence. Depending on the magnitude of the risk, the PMU will escalate to the relevant decision makers. The FSSU will also ensure that the risk management system described above is operationally effective.

RIP II risk analysis and management builds on experiences gained during RIP-I. A risk matrix including likelihood and potential impacts is presented in Annex 3.

10. Program Budget and Implementation Plan

10.1 Program Budget

The total budget of RIP II is USD 40.3 million (equivalent to NOK 423 million with exchange rate 10.50 in April 2023). The budget allocated for outcomes 1, 2, 3 and 4 are respectively USD 7 million (73.7 million NOK), USD 15.2 million (159.6 million NOK), USD 16 million (168.8 million NOK), and USD 1.7 million (17.6 million NOK). (See Annex 5 for details). About USD 370,000 (3.88 million NOK) has been allocated for contingencies, which will be utilized for unforeseen costs during the program period, upon written agreement between the parties. The CRGE Facility of MoF will be responsible for financial management decisions and will follow the government of Ethiopia's financial rules and regulations for fiduciary management. MoF will sign the Government Cost Sharing Agreement (GCSA) with the program's Technical Assistance Partners regarding funding of activities managed by them.

10.2. Activities

The activities to achieve stated outputs in the respective outcomes are summarized in the tables 4-7.

Table 4. Outputs and planned activities under Outcome 1.

Outcome 1: Forest sector transformation strengthened and private sector engagement enhanced
 Activities
     1.2 Establish a center of excellence in forest knowledge management
     2.2 Develop a strategy and roadmap with KPIs for forest sector transformation

Output 1.1. Innovative models and technologies generated and operationalized   **Activities**   1.1.1   Strengthen existing innovative models   1.1.2   Develop and pilot new innovative models   1.1.3   Support and replicate innovation models   1.1.4   Organize training for forestry experts on forest management   1.1.5   New standards and technology for value addition on Forest Products (e.g., Essential Oil Extraction) developed   1.1.6   Organize study tour and experience sharing   1.1.7   Build Capacity on designing and implementing ecosystem services valuation and advisory
Output 1.2. Forest sector financing strategy developed, and resources mobilized   **Activities**   1.2.1   Develop a forest sector financing strategy to ensure sustainable forest financing to drive forest sector transformation   1.2.2   Develop bankable concept notes/proposals to mobilize resources from bilateral, multilateral, public and private sources
Output 1.3. Policies, strategies, and regulations developed and implemented   **Activities**   1.3.1   Review relevant policies, regulations and plans and provide evidence-based policy advice to decision makers to create an enabling environment for forest development, management, and utilization

1.3.2	develop forest-based business incubation guidelines
1.3.3	Develop and disseminate directives, guidelines and manuals
1.3.4	Organize trainings and awareness raising events for federal and regional stakeholders
1.3.5	Establish and operationalize policy platforms for policy dialogues, and technical and policy advisory councils to advance the transformation of forestry

Output 1.4. Cross-sectoral coordination and GLI governance structure strengthened
Activities

1.4.1	Strengthen and institutionalize the GLI coordination & governance structure at all levels, including the Degraded Landscapes Restoration Special Fund
1.4.2	Support and strengthen forestry related CRGE cross sectoral coordination mechanism

Output 1.5. Forest sector transformation, monitoring, communication, outreach and learning system strengthened
Activities

1.5.1	Develop monitoring tools and guidelines to strengthen monitoring and learning system
1.5.2	Organize joint monitoring missions
1.5.3	Organize trainings for trainers on results-based program management
1.5.4	Organize exchange visits and learning events (in country and abroad)
1.5.5	Develop a functional webpage for communicating results
1.5.6	Develop and implement a communication strategy

Output 1.6. Increased private sector engagement in forest sector
Activities

1.6.1	Support innovative small-scale forest products processing initiatives – through introducing improved processing e.g., drying technologies
1.6.2	Establish and operationalize partnerships with medium- and small-scale businesses
1.6.3	Support commercial tree growers' associations through market linkages and value addition
1.6.4	Develop new standards for forest products
1.6.5	Conduct awareness raising events on private sector engagement (e.g., on concessions)

Table 5. Outputs and planned activities under Outcome 2.

Outcome 2: Conservation of biodiversity and carbon rich natural forests scaled up

Output 2.1. Carbon and biodiversity rich forests brought under improved conservation system
Activities

2.1.1	High Resolution mapping of Ethiopia's forest areas for conservation planning
2.1.2	Assess and identify biodiversity rich forests to be considered as reserve forests
2.1.3	Support local authorities and communities around forests
2.1.4	Regular monitoring, supervision, operations and management, financial spot checks, audit, annual planning and review meetings

Output 2.2. Forests under PFM & buffer zones around forests established and managed
Activities

2.2.1	Select forests and establish new PFM groups and support existing PFM groups
2.2.2	Establish plantations as buffer zones around forests under PFM
2.2.3	Identify needs and support PFM groups – legally, technically, etc.

Output 2.3. Livelihoods of forest dependent communities improved, with emphasis on women, youth and/or resource poor people
Activities

2.3.1	Provide sustainable livelihood support to organized communities engaged in PFM and SFM, with due focus on women and youth
2.3.2	Identify needs and build capacity of PFM or business groups
2.3.3	Develop revolving fund guidelines to support PFM groups and pilot its applications
2.3.4	Update PFM guidelines based on new lessons and REDD+ requirement

Table 6. Outputs and planned activities under Outcome 3.

Outcome 3: Degraded Forest landscapes restored and commercial and species diverse plantations established

Output 3.1. Degraded lands restored and turned into biodiversity rich forests

Activities

3.1.1 Conduct ANR site demarcation, undertake baseline studies, & facilitate restoration through ANR

3.1.2 Provide training for experts on management plan preparation

3.1.3 Introduce livelihood improvement options in new ANR sites

Output 3.2. High value plantation forests established through afforestation and reforestation

Activities

3.2.1 Prepare seedlings and undertake required afforestation and reforestation activities

3.2.2 Establish cooperatives and facilitate issuance of landholding certificates

3.2.3 Prepare forest management plan for new and existing AR sites

3.2.4 Institutional support for AR/ANR woredas;

3.2.5 Prepare documentary on AR/ANR and DD and livelihoods practices and share the RIP-I progress during COP-28

Output 3.3. Biodiversity conserved and sustainably managed to gradually create old growth forest

Activities

3.3.1 Establish pilot plantations of diversified indigenous species

Table 7. Outputs and planned activities under Outcome 4.

Outcome 4: MRV strengthened and Results Based Payment piloted

Output 4.1. Fully functional NFMS capable of informing decision-makers about the status and change of Ethiopian forests and levels of emissions or removals is in place

Activities

4.1.1 Refine and operationalize national and regional institutional arrangements of NFMS, strengthen networking and collaboration among MRV institutions

4.1.2 Establish MRV Labs in Gambella and Southwestern Ethiopia Peoples Regions and reinforce existing labs in Oromia, Amhara, SNNPR and Tigray with networks to NFMS & train the staff

4.1.3 Update IPCC Compliant Activity Data at both national and subnational levels, including forest degradation, and train staff to autonomously generate the required data

4.1.4 Update IPCC Compliant Emission factors for remaining forests through correlation with change detection analysis & field visits to collect biomass data

4.1.5 Improve assessment & monitoring of forest gain on REDD+ intervention areas at national and sub-national levels

4.1.6 Improve national & regional GHG inventories & use them in national communications through updated AD & EFs

4.1.7 Improve data accessibility and dissemination for expanded utilization of valuable datasets

Output 4.2. REDD+ safeguards addressed and respected at all levels

Activities

4.2.1 Development of a fully operational safeguard information system including data collection, analysis and reporting

4.2.2 Capacity building on REDD+ safeguards for REDD+ actors at all levels

4.2.3 Establish Grievance redress committees at kebele levels and establish feedback mechanism

4.2.4 Communicate safeguards report to UNFCCC

Output 4.3. Policy & guideline for national REDD+ payment & benefit sharing systems established

Activities

4.3.1 Undertake stakeholders' consultation on REDD+ RBPs design & implementation framework

4.3.2 Develop national guidelines on REDD+ design implementation framework

4.3.3 Develop legal instrument with clarifications on carbon ownership and transfer rights

4.3.4 Draft benefit sharing guidelines and present to government for approval

Output 4.4. REDD+ Results based payment program initiated & documentation process completed

Activity

4.4.1 Prepare the required documentation to fulfill the ART TREES standards

4.4.2 Organize tailored trainings on Results-based payment design and implementation

10.3   Implementation Timeline

The total duration of RIP II will be three years starting from July 1st, 2023. The program will continue ongoing and remaining activities of Phase I through its extension phase in 2023 and bridge them with RIP II without losing the momentum. The first two quarters of RIP II will focus on strengthening institutional structures, coordination, and delivery mechanisms of the program by filling gaps and addressing the issues identified during the RIP I. An inception workshop will be held in the beginning of 4th quarter of 2023 involving all relevant partners and stakeholders to officially launch phase II and present the program to the stakeholders. Most of the activities will effectively be started after the inception workshop. During the first year, after the establishment and formalization of the institutional structure and coordination mechanisms, the program will immediately lay out ground work for effective delivery, such as signing agreements with project delivery partners, project kick off meetings at regional, woreda and kebele levels, identification of communities and project beneficiaries, selection and identification of geographic locations of the project etc.

Most of the activities under outcome 1 will start from the 3rd quarter of 2023 after finalizing the necessary structures. However, ongoing model restoration activities will continue from the beginning of the 2nd phase and establishment of the new models will start from the 3rd quarter of 2023. Preparation of management plans for the model restoration sites will be finalized by the end of year 2024.

Development of forest sector financing strategy will be finalized by the end of 2024 and be linked with the establishment of the GLI governance structure for the degraded land restoration fund. The fund would be operational from the beginning of the 2nd year and will be implemented throughout the program period. Similarly, the program will continue to explore funding opportunities by developing concept notes and proposal during the program period.

Improving the policies, laws and regulations will be a continuous process under the forest sector transformation system through review, evidence-based policy advice, training and awareness raising campaigns. During the 3rd quarter of year 1, the program will create a platform for policy dialogues to facilitate policy review and evidence-based policy advice. A forest sector monitoring system will be developed by the first quarter of 2024, which will be implemented throughout the program period. Joint monitoring missions will be carried out twice a year, in 2nd and 4th quarters of each year to ensure transparent monitoring and verification of monitoring reports. Private sector engagement will be one of the key priorities of RIP II. The program will finalize a challenge fund mechanism and provide support to private sector, commercial tree growers and concession holders starting from 3rd quarter of 2023.

Under outcome 2, most of the activities will continue to scale out from the RIP I. Carbon and biodiversity rich natural forests will be identified, demarcated, mapped, and certified starting from the beginning of RIP II and these activities are expected to continue until the end of

year three. During the same period, community consultation and sensitization meetings will also be organized. PFM will be one of the key activities scaled out from the RIP I, which will be implemented throughout the program period. Similarly, PFM and other forest conservation and management activities will be linked with livelihood improvements of forest dependent activities by supporting them through the establishment of a revolving fund during the 1st year and building capacity on forest-based enterprises throughout the program period.

Degraded land restoration enriching biodiversity will be one of the key areas under outcome 3. ANR sites identification, demarcation and baseline assessment will be carried out during 1st and 2nd year of the program, which will be followed by biological restoration activities. Management plans will be prepared for each site during the last quarter of the 1st year to first half of the 2nd year. Livelihood and value chain development activities will start from 3rd quarter of the 1st year to until the end of the program. Similarly, afforestation and reforestation activities will be implemented throughout the program period and will include site selection, demarcation, baseline assessment followed by preparation of management plans and livelihood activities. The component will also focus on quality seed and seedling production through standardization and be initiated from the beginning of RIP II. Pilot plantations will be established for diversified indigenous species during the 3rd and 4th quarters of each year. All above activities will be linked with capacity development activities, which will be implemented throughout the program period.

The program will strengthen the capacity to accomplish and administer REDD+ result-based payments during the first two years of RIP II. The first year will be dedicated to establishing a fully functional NFMS and MRV system by refining and strengthening institutional structure. Existing MRV labs will be strengthened in the 1st year and IPCC compliant activity data and emission factors will be updated by the middle of the 2nd year. Similarly, a REDD+ safeguards system will be made fully operational by the end of the 2nd year. A national level results-based payment scheme will be developed starting from the 2nd year. This work is expected to be finalized by the end of 2025. For details of activity timelines, please see Annex 6.