



# PROJECT IDENTIFICATION FORM (PIF)

PROJECT TYPE: Full-sized Project

THE GEF TRUST FUND

Submission Date: 30 October 2007

Re-submission Date: 11 December 2007

## PART I: PROJECT IDENTIFICATION

GEFSEC PROJECT ID: 3367

GEF AGENCY PROJECT ID:

COUNTRY: Ethiopia

PROJECT TITLE: Community-Based Integrated Natural Resources Management in Lake Tana Watershed

GEF AGENCY: IFAD

OTHER EXECUTING PARTNERS: Amhara National Regional State (ANRS), Environmental Protection, Land Administration & Use Authority (EPLAUA), Ministry of Agriculture and Rural Development (MOARD)

GEF FOCAL AREAS: Land Degradation

GEF-4 STRATEGIC PROGRAM(S): LD-SP1

NAME OF PARENT PROGRAM/UMBRELLA PROJECT: STRATEGIC INVESTMENT PROGRAM FOR SLM IN SSA (SIP)

INDICATIVE CALENDAR	
Milestones	Expected Dates
Work Program (for overall SIP)	June 2007
Ethiopia PIF approval	December 2007
CEO Endorsement/Approval	April 2008
GEF Agency Approval	April 2008
Implementation Start	October 2009
Mid-term Review	March 2012
Implementation Completion	September 2014

### A. PROJECT FRAMEWORK

**Project Objective:** To increase household income in Lake Tana Watershed through Sustainable Land Management (SLM) practices. This encompass creating an enabling environment for SLM, strengthening tenure security and addressing the problem of household energy, while improving land productivity and ecosystem integrity and simultaneously conserving globally significant biological diversity and protecting international water sources.

Project Components	Investment, TA, or STA	Expected Outcomes	Expected Outputs	Indicative GEF Financing*		Indicative Co-financing*		Total ('000 \$)
				('000 \$)	%	('000 \$)	%	
1. Community-based integrated watershed management	Investment, TA	1.1. Community-based integrated watershed management options identified and adopted  These outcomes deliver on SIP IRs 1 and 3	1.1.1. Local level participatory integrated watershed management plans produced (700 micro watersheds plans: each 200-500 ha) 1.1.2. Appropriate livestock production system identified & promoted (1,000 ha of natural pasture enriched) 1.1.3. Appropriate forest development and management system identified & promoted (17,000 ha of degraded lands rehabilitated) 1.1.4. Appropriate SWC/SLM measures identified & promoted (32,500 ha of land covered) 1.1.5. Biological diversity of local and global significance protected (At least 20 core conservation sites)	2,500	17.24	12,000	85.76	14,500
2. Development of effective and innovative SLM approaches	TA	2.1. Enabling policy environment and institutional capacity for SLM established and effective  These outcomes deliver on SIP IRs 2 and 3	2.1.1. Wetland, grazing land and forest policies and legislation developed (3 regional policies and legislation) 2.1.2. Existing policies and legal frameworks pertaining to SLM revised, updated and popularized (Land use policy, fishery legislation, RCS and AFAP) 2.1.3. Institutional capacity strengthened 2.1.4. Local institutions for promoting SLM identified, established and strengthened (at least 350 local institutions) 2.1.5. Proper coordination with the WB and UNDP SIP operations planned for Ethiopia ensured	1,000	20.41	3,900	79.59	4,900
	Investment, TA	2.2. Rural land administration/tenure security strengthened and new systems accepted  This outcome delivers on SIP IR 2	2.2.1. Land certification supported and enhanced (Land use certificates issued to 100% of demand) 2.2.2. Property planning processes formalised, supported and enhanced	500	22.73	1,700	77.27	2,200
3. Project management				400	9.76	3,700	90.24	4,100
<b>Total project costs</b>				<b>4,400</b>	<b>17.12</b>	<b>21,300</b>	<b>82.88</b>	<b>25,700</b>

## B. INDICATIVE FINANCING PLAN SUMMARY FOR THE PROJECT (\$)

	Project Preparation *	Project	Agency Fee	Total
GEF Grant	350,000	4,400,000	440,000	<b>5,190,000</b>
Co-financing	45,000	21,300,000		<b>21,345,000</b>
<b>Total</b>	<b>395,000</b>	<b>25,700,000</b>	<b>440,000</b>	<b>26,535,000</b>

\* Funded under GEF-3 (included in the total)

## C. INDICATIVE CO-FINANCING FOR THE PROJECT BY SOURCE (\$), IF AVAILABLE

Sources of Co-financing	Type of Co-financing	Amount
Project Government Contribution	In-kind	<b>2,800,000</b>
GEF Agency	Soft Loan	<b>7,500,000</b>
GEF Agency	Grant	<b>7,500,000</b>
Beneficiaries	In-kind	<b>3,500,000</b>
<b>Total co-financing</b>		<b>21,300,000</b>

## PART II: PROJECT JUSTIFICATION

### A. STATE THE ISSUE, HOW THE PROJECT SEEKS TO ADDRESS IT, AND THE EXPECTED GLOBAL ENVIRONMENTAL BENEFITS TO BE DELIVERED:

A.1. Problem statement: Land degradation in the Lake Tana Watershed. Ethiopia has a rich natural and cultural heritage. However, with a per capita income of only US\$ 120 per annum, it is one of the poorest countries in the world. Agriculture generates approximately 50% of the GDP and 90% of export earnings. Despite its importance, agricultural performance has improved little over the past 50 years and food security has deteriorated. Eighty-five percent of the country's population live in the rural areas and depend on subsistence agriculture. The recently completed Plan for Accelerated and Sustainable Development to End Poverty (PASDEP) shows that out of the estimated population of 70 million, 45% are below the poverty line and approximately six million people are dependent on food aid, even in a normal year.

There is growing evidence that, at the core of such low agricultural productivity and chronic food insecurity, is degradation of the natural resource base in the Ethiopian highlands on which the overwhelming number of the rural population depend for their survival and livelihoods. Rough estimations indicate that, on average, 2-3% of the agricultural GDP is lost annually due to land degradation. About 85% of the land surface is considered prone to moderate to very severe soil degradation. Land degradation - coupled with high climate variability - is considered one of the factors leading to food insecurity and rural poverty.

Despite the existence of a number of best practices, past efforts have failed to comprehensively address the problem. Some of the key reasons that may explain past failures include: (a) lack of coordination and cooperation among development partners and among different sectoral branches in the government, and (b) a narrow, project-specific or ad-hoc approach to the problem, which does not capture the cross-sectoral nature of land degradation and cannot systematically address its root causes. In response to these challenges and to leverage the scope and impact of existing and planned SLM interventions, the Government of Ethiopia (GoE) is committed towards adopting a more programmatic approach to address land degradation and promoting SLM. This operation, co-organized by IFAD and the Regional Government of Amhara, will be part of the GEF/SIP operations in Ethiopia (see below and section D), supporting the GoE in its effort to tackle land degradation.

A.2. Project strategy: Out of the estimated 112 million hectares total national land area, the Ethiopian highlands occupy approximately 45% and form the centre of economic activity. Over 85% of the country's human population and 75% of the livestock are found in these highlands. The highlands are the source of the country's major rivers (including the Blue Nile) and are characterized by enormous diversity in ecology, environment, agriculture, economy society and culture. However, the highlands' ecosystem function and service delivery have been weakened by the widespread problems of natural and accelerated soil erosion, soil fertility depletion, a fuelwood crisis leading to deforestation, overstocking and thus overgrazing, and a

growing human population pressure resulting in land degradation. Land degradation coupled with high climatic variability renders the rural population increasingly vulnerable to recurrent drought and famine. Agricultural productivity is also very low; for instance the current average annual cereal yield is in the order of 1.15 t/ha.

The GEF operation will be designed to promote sustainable land management (SLM) practice in the Lake Tana Watershed (LTW) and disseminate these good practices across Ethiopia. The project will have two main components, (1) Community-based Integrated Watershed Management, and (2) Institutional, Legal, Policy Analysis and Reform. The activities implemented will be closely monitored and evaluated with successful initiatives replicated and upscaled. Best practices – both from outside sources and from local innovation - and alternative livelihood options will be demonstrated, and greater emphasis will be given to upscaling successful practices. The main activities will focus upon improving agriculture, grazing, forestry, and water management practices, since these are the primary drivers of land degradation in Ethiopia, and more specifically, the LTW. The project will also promote community-based initiatives for the establishment of sustainable models for irrigated agriculture. The proposed project will work at the government, community, and individual levels to generate capacity and incentives for improved SLM practices. Component one covers all these activities. Component two will create an enabling environment and institutional capacity at the local and regional levels to mainstream SLM principles into regional policies, strategies, and action plans pertaining to agriculture, forestry and water development. This component will also ensure that proper coordination with the two other SIP complementary operations planned for Ethiopia (WB, GEF ID 2794, and UNDP, GEF ID 3366) is established, promoting synergies and avoiding duplication (see also section D below).

The project activities will focus on the Lake Tana Watershed (LTW) in the Amhara National Region State, which represents the core of the highlands. The watershed covers approximately 15,000 km<sup>2</sup> and encompasses Lake Tana - the largest freshwater body in Ethiopia and the source of the Blue Nile. The monasteries and churches within and near Lake Tana are jewels in the crown of its cultural heritage. Its scenic landscape and the Tis Abaye Falls are major tourist attractions. Due to its unique and isolated landscape, which includes forested islands, immense and varied wetlands, and high mountain areas, the Lake Tana watershed hosts a wide variety of fauna and flora and is renowned worldwide for its globally important, endemic plants, birds and mammals.

The total project cost will be US\$ 25.70 million, excluding the preparatory grant. The GEF will contribute with US\$ 4.4 million (17.12 %), while total cofinancing (US\$ 21.3 million) will be provided by IFAD (US\$ 15 million, through a US\$ 7.5 million loan on highly concessional terms, complemented with a grant of US\$ 7.5 million), the GoE (US\$ 2.8 million) and the beneficiaries (US\$ 3.5 million). GEF contribution and cofinancing are shown in tables B and C. Details of the loan will be provided in the full project document.

The project will be also part of the SIP, a regional strategic multi-donor program designed to upscale the area of African cropland, rangeland, and woodland under sustainable management. The operation delivers on the SIP goal, objectives, and more specifically will provide measurable results that aggregate up to the regional program level across key SIP intermediate results. In direct alignment with the SIP, the operation supports the Ethiopian Federal and Regional governments in their efforts to design and manage programs of activities that advance SLM mainstreaming, improve governance for SLM, and catalyze investments that: (i) address weaknesses in the enabling environment that hinder SLM scale up; (ii) apply practices on the ground that simultaneously help secure ecosystem services and increase productivity of croplands, pasture and woodlands, and (iii) scale up land area under more sustainable management in recognized priority areas (LTW, in this case). The project outcomes will facilitate the achievement of three of the SIP Intermediate Results (IR) in the country: IR1, through the identification and demonstration of innovative approaches and implementation of SLM schemes (project component 1); IR2, via the development of skills of government and communities for dialogue and negotiation (component 2), and IR3, through the generation of local incentives for sustainable production (components 1 & 2).

A.3. Global benefits to be delivered: The proposal will be designed to achieve Global Environmental Benefits (GEBs) under the Land Degradation Focal Area (LD FA) whose purpose is to foster system-wide change to control the increasing severity and extent of land degradation in order to derive GEBs through SLM. In addition to the direct social, economic, and environmental benefits that will be gained from addressing land degradation in LTW and beyond, the project, through the use of SLM practices, will: (i) improve the integrity of ecosystems and their functions; (ii) increase carbon stocks and reduce carbon emissions in SLM-treated areas; (iii) preserve and restore particular natural habitats contributing to improved ecosystem stability and

protection of biodiversity of global importance; (iv) rehabilitate wetlands and their globally significant biodiversity; (v) reduce sedimentation in rivers and streams protecting water sources of international importance. A further indirect benefit potentially yielding GEBs elsewhere is (vi) the contribution to a more programmatic approach to SLM at national level, including more investment in SLM, through the National SLM Framework and Platform. These practices and lessons will be compiled and made available for adoption in other watersheds of the region and of the nation.

**B. DESCRIBE THE CONSISTENCY OF THE PROJECT WITH NATIONAL PRIORITIES/PLANS:**

Both the federal and the regional governments have consistently shown a strong commitment to address the issue of land degradation. There is a great national and regional sense of urgency. This is expressed in various plans and strategies - for example the PASDEP developed in 2005 (see A above). The country had previously also developed the "Conservation Strategy of Ethiopia" (CSE) in 1997 with the help of the World Conservation Union (IUCN). The National Action Program (NAP) to Combat Desertification was prepared through a participatory process; with consultation of relevant governmental agencies and NGOs, civil society, grassroots level communities and professionals, in 1998. The National Biodiversity Strategy and Action Plan (NBSAP) document was prepared in 2005.

The Government of Ethiopia has committed itself to developing a programmatic framework for SLM, and has undertaken important steps in this direction - as was noted recently (May 2007) by a joint NEPAD/WB mission to the country. The GoE has set up a National SLM Platform under the leadership of the Ministry of Agriculture and Rural Development, comprised of a multi-sectoral and multi-stakeholder National Steering Committee and Technical Committee, and supported by a Secretariat. This scheme will be replicated at regional level, establishing Regional SLM Platforms. The GoE is also organizing a Framework/Program-based Approach for SLM, supported by several international donors and NEPAD. The activities implemented under the proposed operation will help Ethiopia move towards a more cross-sectoral and programmatic approach to SLM through, inter alia, setting up and guiding a regional platform for SLM in Amhara region which could help act as a model for other regions as well as forming an important pillar to support national platform.

Various development partners, under the Development Assistance Group (including AfDB, FAO, GM-UNCCD, GTZ, IFAD, the Royal Norwegian Embassy, UNDP, the WB, and WFP) are aligning to this platform. These partners are committed to contribute technically and/or financially to the implementation of the SLM Investment Framework. The UN System in Ethiopia has given priority to creating partnerships to support government-led strategies to address SLM. These strategies assist in shifting from humanitarian assistance to longer-term sustainable development through harmonization and coordination. The initiatives under the National SLM Framework will be aligned with the Poverty Reduction Strategy and relevant policies at regional level. NEPAD's Comprehensive Africa Agriculture Development Programme (CAADP) is particularly relevant in this respect with its program for "Extending the Area under Sustainable Land Management" (Chapter 2). The project is also aligned to NEPAD's Environmental Action Programme (EAP) - and especially its Programme Area One, "Combating Land Degradation, Drought and Desertification" - through its proposed CCD-aligned actions on the protection, and community-based management, of degraded biodiverse ecosystems.

**C. DESCRIBE THE CONSISTENCY OF THE PROJECT WITH GEF STRATEGIES, STRATEGIC PROGRAMS AND THE SIP:**

The project will promote Strategic Objective 2 of the GEF LD FA ("To upscale sustainable land management investments that generate mutual benefits for the global environment and local livelihoods") and the expected outcomes will include benefits for the communities from applying and disseminating SLM practices, and the systematic application, at national scale, of sustainable, community-based farming and forest management systems. It will also contribute to Strategic Objective 1 ("An enabling environment will place SLM in the mainstream of development policy and practice at regional, national and local levels") and the expected outcome is the creation of an enabling policy environment and institutional capacity building. The proposal fits into Strategic Program 1, "Supporting Sustainable Agriculture and Rangeland Management", working in areas of intense competition for land resources that are prone to severe soil erosion and loss of soil fertility.

The project will be also a constituent part of the Strategic Investment Program for Sustainable Land Management in Sub-Saharan Africa (SIP), contributing to its long-term Program Goal. WB and UNDP have related SIP operations in the country with which this operation will be coordinated (see section D below).

#### **D. OUTLINE THE COORDINATION WITH OTHER RELATED INITIATIVES:**

As part of the SIP, the project is aligned to the TerrAfrica initiative for SLM in Sub-Saharan Africa, following its principles and recommendations, among them the coordination and sharing of information with other stakeholders at national and regional level, and the engagement and participation in a programmatic vision for the sector in Ethiopia (through the SLM National Platform). Under the TerrAfrica Business Planning Framework, Objectives 6 and 7 advocate the mainstreaming of SLM into development strategies and policy dialogues at various levels. This recommendation is addressed through project component 2.

Three GEF Implementing and Executing Agencies are currently preparing initiatives for SLM to be funded under the SIP in Ethiopia: IFAD, UNDP (“SLM Capacity Building in Drylands of Ethiopia”) and WB (“Sustainable Land Management Program”). The three agencies have coordinated closely the preparation of their future operations under the National Programmatic Framework for SLM, and they have agreed to formulate their proposals with a common background (see A.1) to show how the three operations will jointly contribute to the same broad objectives. The project will build partnerships by securing synergies and complementarity with other poverty reduction and pro-SLM programmes initiated by the government and donors. To ensure coordination, the PIF has been circulated among the main related stakeholders before its submission. The National SLM platform will ensure the coordination of operations during the formulation and implementation stages.

Furthermore, a national mechanism has been developed to coordinate all sustainable land management activities. This mechanism is facilitated through national platforms and a steering committee chaired by the deputy Prime Minister, and is responsible for mobilizing financial and technical resources to address land degradation. As LTW is situated in the Nile Basin, the project will build partnerships by securing synergies and complementarity with the GEF-funded "Eastern Nile Watershed Management Project" (GEF ID 3398). This project is aimed at developing a sustainable, transboundary framework for watershed management in the Eastern Nile basin and at improving natural resource-based livelihoods and reducing land degradation. This close cooperation will help to establish the ground for a regional platform and steering committee.

#### **E. DISCUSS THE VALUE-ADDED OF GEF INVOLVEMENT IN THE PROJECT DEMONSTRATED THROUGH INCREMENTAL REASONING:**

E.1. Baseline scenario: Under the existing scenario, current approaches to address land degradation will continue to be adopted. These responses, however, have fallen short of expectations due to an entrenched set of barriers in the enabling environment of the country. These barriers include, among others: (i) limited degree of cooperation and coordination between stakeholders; (ii) ad-hoc/project specific interventions (often focusing on the symptoms of the problem rather than on root causes and/or barriers); (iii) limited attention to the factors that enable the adoption and replication of SLM; (iv) insufficient dissemination of SLM approaches; (v) lack of institutional capacities, and (vi) weak policy formulation and enforcement. As a result, the key factors leading to land degradation will not be substantively or comprehensively addressed. This would result in continued degradation of productive and non-productive land-use systems with consequent loss of ecosystem function, and thus loss in global biodiversity benefits, and increase in carbon releases from vegetation loss. Some global environmental benefits may be generated under the existing scenario by well-designed individual projects. However, the scale of the projects was insufficient for them to have a significant and lasting impact over time.

Throughout the country, IFAD works with the government of Ethiopia to develop and finance programs and projects that enable rural poor people to overcome poverty themselves. These programs cover pasture land management, agricultural research and training, agricultural marketing improvement and micro-financing, using highly-concessional loans and grants. It is worth noting that IFAD tackles poverty not only as a lender, but also as an advocate for the rural poor. Its multilateral base provides a global platform to discuss important policy issues that influence the lives of rural poor people, as well as drawing attention to the centrality of rural development in meeting the Millennium Development Goals. In the Amhara State, IFAD is supporting three programs: the "Participatory Small-Scale Irrigation Development Programme" (PASIDP); the "Rural Financial Intermediation Programme" (RUFIP), and the "Agricultural Marketing Improvement Programme"

(AMIP), which together represent the baseline situation. The PASIDP is a programme which provides an opportunity to reform the way in which small-scale irrigation development is carried out in the country. This program's objective is to establish a participatory process for small-scale irrigation by reinforcing a sense of ownership of the schemes. On its turn, the IFAD-led RUFIP, co-financed by the AfDB, is assisting micro-finance institutions to increase the delivery of financial services to more than 1.5 million households and to provide improved access to credit for the landless youth and smallholder farmers, both men and women. Finally, the AMIP supports the Government's commitment to improve agricultural marketing. The main goal of the programme is empowerment of smallholder farmers to engage in and exploit emerging market opportunities.

In the LTW, land degradation due to unsustainable agricultural practices, overgrazing, deforestation and mismanagement of water and wetland resources threaten ecosystem integrity and functions. These practices – a result of poverty and population pressure obliging the inhabitants to search for short-term solutions – lead to a decline in land productivity, loss of biodiversity (as well as agrobiodiversity) and reduction of household income. This also threatens the health of important trans-boundary water resources and globally significant biological diversity within the watershed. The situation in turn aggravates overall poverty and further diminishes the livelihood base of millions of people who depend on the natural resources for their survival.

The risks of increased land degradation in the LTW are substantial. Current resource management practices, from land-use planning to agriculture, forestry and water management, are failing to maintain and restore ecosystem function and cannot facilitate sustainable development. With the exception of the NAP, policies lack specific measures for controlling land degradation. There is insufficient attention given for local communities' indigenous knowledge in managing their land resources sustainably. While environmental considerations are included in several of the national development policies, strategies and legislations, there is low level of implementation of these policies, strategies and legislations due to shortage of financial resources, poor coordination and collaboration among implementing institutions and inadequate technical skill.

This baseline scenario acknowledges that progress in some areas may be achieved. However, it assumes that such progress will be slow, uneven, and achieved at a high cost due to lack of coordination, duplication of efforts, and sub optimal use of resources. The baseline scenario also takes into consideration the fact that examples of good practices exist in the watershed. However, it recognizes that, under the current business model, these good practices are unlikely to reach the scale necessary to comprehensively address the problem, unless the barriers and bottlenecks as described are not alleviated.

E.2. Alternative scenario: This operation will integrate and complement existing and/or planned SLM interventions, and will contribute to increase the impact of interventions and achieve greater economies of scale using the following approaches: first, targeting geographical areas that have been neglected in the past ('high potential' areas); second, focusing on the removal of key barriers that have so far prevented a wider adoption of SLM technologies and practices (e.g. tenure security, knowledge management, etc.) and, finally, seeking to tie together and reinforce harmonization and coordination of the various SLM activities planned or implemented by the stakeholders, thus promoting a more programmatic approach to address land degradation.

The IFAD-GEF alternative scenario will build on the baseline actions by promoting integrated, cross-sectoral management of natural resources, mainstreaming SLM into policy and land use planning, strengthening institutions and removing bottleneck barriers. The watershed management and experience on irrigation schemes development of the PASDIP will be fed into to this project. The IFAD-GEF operation will also use the marketing support infrastructure and the credit and saving systems being established under the AMIP and RUFIP as the basis for improving agricultural marketing, including micro-finance. The alternative approach will help introducing incentive measures to encourage local communities to adopt various new sustainable livelihood options. It will enhance the knowledge base and raise awareness among policy makers and the public. The IFAD-GEF alternative will also enhance innovation and the scaling up of good practice through a participatory and replicable approach on the ground. Moreover, the GEF alternative will help to mobilize additional resources for investment in SLM. The alternative will deliver, applying the TerrAfrica-SIP principles and the SLM approach, the global benefits described under A3.

Lastly, the basic value-addition aspect of the GEF contribution, in relation to the IFAD co-financing for this project, is to mould that contribution into a Land Degradation Focal Area project, ensuring global environmental benefits through SLM. The GEF adds specific extra value through its support to ecosystem protection/rehabilitation and the other environmental focuses: these will deliver incremental global

environmental benefits, and would not normally have been the primary focus of a solely IFAD-financed project.

**F. INDICATE RISKS, INCLUDING CLIMATE CHANGE RISKS, THAT MIGHT PREVENT THE PROJECT OBJECTIVE(S) FROM BEING ACHIEVED, AND IF POSSIBLE INCLUDING RISK MEASURES THAT WILL BE TAKEN:**

F.1. General risks: The main risks that may hinder the successful mainstreaming of SLM in LTW can be grouped into two categories:

(a) Institutional and policy barriers. The decision-making process in politics and development has traditionally been top-down, and a participatory culture has been introduced only recently, being still very limited. This has negatively affected women's participation in development, posing a potential risk to sustainability of some of the project outcomes. However, the GEF-supported alternative has components that specifically aim to promote participatory approaches, establish local organizations and enhance women participation, raising their level of awareness that would lead to an improved management of natural resources and sustainability.

Achievement of community-based integrated natural resources management goals could be affected by the occurrence of changes in political priorities and changes in the priorities of local stakeholders. Actions will be taken to mitigate these risks by fitting the project to accommodate changes with sufficient flexibility. In addition, measures like effective communication with key decision makers and policy formulators will be taken. Moreover, unforeseen pest outbreaks, climatic fluctuations, and variations in input costs and availability could affect the successful implementation of SLM. The project will mitigate these risks by promoting IPM, agricultural diversification, and use of low cost inputs.

(b) Economic and financial barriers. There is a lack of rural credit institutions (that do not demand land and other property as collateral) to support some innovative practices and self-help activities in SLM. However, in response the project will build upon the traditional informal savings and loans association (known as iquab) to adapt it as a rural credit institution or a revolving fund function (with a more conducive Government policy and outside support) to undertake the conservation and development activities at the community and village level. The project will also build on the IFAD-led "Rural Financial Intermediation" (RUFIP), for which IFAD has provided leadership in the development of sustainable rural financial institutions.

F.2. Climate change risks: With respect to climate change, there is a likelihood that various impacts will be felt during the life of the project. These will possibly include more erratic rainfall and a negative impact on crop yields. However, rather than being a "risk" to the project, this is more likely to have the effect of highlighting the positive effects of the SLM management techniques adopted, as these will help insulate production systems (for example introduction of adaptive species, water harvesting technologies and diversification) against the effects of climatic variability. Climate resilient SLM technologies will be promoted and capacity built in adaptation to climate change.

**G. DESCRIBE, IF POSSIBLE, THE EXPECTED COST-EFFECTIVENESS OF THE PROJECT:**

The proposed project design offers potential for a high multiplier effect through its up-scaling component and direct linkages with the other two GEF SIP operations in the country (WB and UNDP). The integration of the proposal in the National SLM Platform, that envisages harmonization, synergies and less duplication for higher and differential impact by GEF dollar, will also contribute to higher cost-effectiveness. Coordination and harmonization will reduce transaction costs and duplications.

Regarding the implementation of the GEF operation, IFAD, as both a United Nations agency and an international financial institution - through its long standing experience and ongoing programs - will provide essential strategic support in terms of investment and implementation. The present estimated cost of the GEF contribution is about 17 % of the total project cost, implying highly effective leverage on the co-financing institutions. The project management costs (16 % of total costs, 10 per cent of which will be covered by the GEF grant) are also within international standards, especially when considering the isolation and lack of resources of the project area. As per the cost-effectiveness, the expected costs per unit, for the total area to be brought under SLM and the beneficiaries in LTW, are low: US\$ 13 per hectare per annum and US\$ 2 per head of population per annum, implying a favourable cost-effectiveness relationship.

However, exact estimation and assessment of the cost-effectiveness aspects of this project can not be fully judged at this early stage. This will be further examined during the project inception period.

**H. JUSTIFY THE COMPARATIVE ADVANTAGE OF GEF AGENCY:**

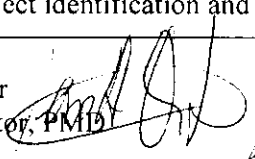


**PART III: APPROVAL/ENDORSEMENT BY GEF OPERATIONAL FOCAL POINT(S) AND GEF AGENCY(IES)**

**A. RECORD OF ENDORSEMENT OF GEF OPERATIONAL FOCAL POINT (S) ON BEHALF OF THE GOVERNMENT(S):**  
(Please attach the country endorsement letter(s) or regional endorsement letter(s) with this template).

Mr. Mogos Wolde-Yohannis Director General for Environment Department of Environment Ministry of Land, Water and Environment Eritrea	Date: 1 August 2007
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**B. GEF AGENCY(IES) CERTIFICATION**

This request has been prepared in accordance with GEF policies and procedures and meets the GEF criteria for project identification and preparation.	
Khalida Bouzar GEF Coordinator, PMD IFAD  oic	Jesús Quintana Project Contact Person, PMD IFAD
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<i>Please do not forget to copy the IFAD/GEF Registry on official communications, gefregistry@ifad.org</i>	