

**PROJECT INFORMATION DOCUMENT (PID)
APPRAISAL STAGE**

Report No.: PIDA1012

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Project Name	Sustainable Land Management Project-II (P133133)
Region	AFRICA
Country	Ethiopia
GEF Focal Area	Land degradation
Sector(s)	General agriculture, fishing and forestry sector (60%), Forestry (40%)
Theme(s)	Other environment and natural resources management (30%), Water resource management (30%), Biodiversity (20%), Climate change (20%)
Lending Instrument	Specific Investment Loan
Project ID	P133133
Borrower(s)	Federal Ministry of Finance and Economic Development, Federal Democratic Republic of Ethiopia
Implementing Agency	Ministry of Agriculture
Environmental Category	B-Partial Assessment
Date PID Prepared/Updated	10-Sep-2013
Date PID Approved/Disclosed	10-Sep-2013
Estimated Date of Appraisal Completion	19-Aug-2013
Estimated Date of Board Approval	26-Nov-2013
Decision	

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I. Project Context

Country Context

1. Ethiopia is a large and diverse country. It is located in the Horn of Africa and is a land-locked country with an area of 1.1 million km²—about the size of Bolivia. Its bio-physical environment includes a variety of contrasting ecosystems, with significant differences in climate, soil properties, vegetation types, agricultural potential, biodiversity and water resources. Ethiopia is a country of many nations, nationalities and peoples, with a total population of 91.7 million (2012) . Only 17 percent of the population lives in urban centers, the great majority of them in Addis Ababa. At a current annual growth rate of 2.6 percent, Ethiopia’s population is estimated to reach 130 million by 2025, and is projected by the UN to be among the world’s top ten, by 2050. Ethiopia is vulnerable to terms of trade shocks from international food and fuel prices, and to large domestic weather-related shocks as the 2011/12 East Africa drought demonstrated.

2. Ethiopia has a federal, democratic government system, established in the early 1990s, with

nine autonomous states ('regions') and two chartered cities . The federal Government of Ethiopia (GoE) has been dominated by the Ethiopian People's Revolutionary Democratic Front (EPRDF) since it came to power in 1991. EPRDF comprises four regionally-based parties from the four major regions (Amhara, Oromia, Southern Nations, Nationalities and Peoples (SNNPR), and Tigray). The long-serving Prime Minister, Meles Zenawi, (from Tigray) died in August 2012, and was succeeded by Hailemariam Desalegn (from SNNPR) who has pursued largely the same policies. The next national elections are scheduled for 2015. Decentralization to the regional and district (woreda) levels of government has been actively pursued, particularly since 2003. The major factor in Ethiopia's external political environment is recurrent instability in the Horn of Africa: tensions with Eritrea and insecurity in neighboring South Sudan and Somalia continue. Relations with Egypt are dominated by disagreements over the use of the river Nile.

3. Ethiopia has experienced strong economic growth over the past decade. Economic growth averaged 10.7 percent per year in 2003/04 to 2011/12 compared to the regional average of 5.4 percent. Growth reflected a mix of factors, including agricultural modernization, the development of new export sectors, strong global commodity demand, and government-led development investments. Private consumption and public investment have driven demand side growth, with the latter assuming an increasingly important role in recent years. On the supply side, growth was driven by an expansion of the services and agricultural sectors, while the role of the industrial sector was relatively modest. More recently annual growth rates have declined slightly, but still remain at high single-digit levels. Growth in the export of goods has also moderated in recent years and a decline was observed in 2012/13 for the first time since 2008/09. There have been bouts of high inflation in recent years and, while inflation is currently much lower, keeping it down remains a major objective for monetary policy.

4. Ethiopia is one of the world's poorest countries, but has made substantial progress on social and human development over the past decade. The country's per capita income of US\$370 per is substantially lower than the regional average of US\$1,257 and among the ten lowest worldwide. Ethiopia is ranked 173 out of 187 countries in the Human Development Index (HDI) of the United Nations Development Program (UNDP). However, high economic growth has helped reduce poverty, in both urban and rural areas. Since 2005, 2.5 million people have been lifted out of poverty, and the share of the population below the poverty line has fallen from 38.7 percent in 2004/05 to 29.6 percent in 2010/11 (using a poverty line of US\$0.6/day). However, because of high population growth the absolute number of poor (about 25 million) has remained unchanged over the past fifteen years. Ethiopia is among the countries that have made the fastest progress on the Millennium Development Goals (MDGs) and HDI ranking over the past decade. It is on track to achieve the MDGs related to gender parity in education, child mortality, HIV/AIDS, and malaria. Good progress has been achieved in universal primary education, although the MDG target may not be met. The reduction of maternal mortality remains a key challenge.

5. GoE is currently implementing its ambitious Growth and Transformation Plan (GTP; 2010/11-2014/15), which sets a long-term goal of becoming a middle-income country by 2023, with growth rates of at least 11.2 percent per annum during the plan period. To achieve the GTP goals and objectives, GoE has followed a "developmental state" model with a strong role for the government in many aspects of the economy. It has prioritized key sectors such as industry and agriculture, as drivers of sustained economic growth and job creation. The GTP also reaffirms GoE's commitment to human development. Development partners have programs that are broadly aligned with GTP priorities.

6. The World Bank Group's Country Partnership Strategy (CPS, FY13-16) builds on the progress achieved by Ethiopia in recent years and aims to help GoE address structural transformation and assist in the implementation of the GTP. The CPS framework includes two pillars. Pillar One, "Fostering competitiveness and employment", aims to support Ethiopia in achieving: (i) a stable macroeconomic environment; (ii) increased competitiveness and productivity; (iii) increased and improved delivery of infrastructure; and (iv) enhanced regional integration. Pillar Two, "Enhancing resilience and reducing vulnerabilities", aims to support Ethiopia in improving the delivery of social services and developing a comprehensive approach to social protection and risk management. Good governance and state building form the foundation of the CPS. In line with the GTP, gender and climate change have been included as cross-cutting issues to strengthen their mainstreaming across the portfolio. The programs of IFC and MIGA are well aligned with the CPS framework, contributing mainly to the strategic objectives under Pillar One.

Sectoral and institutional Context

7. Agriculture is the key pillar of the economy and the most important source of growth. It accounts for almost 48 percent of GDP and 85 percent of export earnings. Agricultural production is by and large rain-fed and dominated by small-scale farmers and enterprises that produce 90–95 percent of the country's cereals, pulses and oil seeds. Services provided by natural resources including agriculture and livestock play a critical role for the livelihood of a large majority of the population. While much of the agriculture remains for subsistence purposes, smallholders also provide a large part of traded commodities, including for exports and about 70 percent of the raw material requirements of agro-based domestic industries.

8. Agriculture, and therefore economic growth and food security of the country, rely on sustainable management of land and water. Land degradation is a major cause of the country's low and declining agricultural productivity, persistent food insecurity, and rural poverty. The minimum estimated annual costs of land degradation in Ethiopia are estimated to range from 2 percent to 3 percent of agricultural GDP. Studies have shown that by the mid-1980s some 27 million ha or almost 50 percent of the Ethiopian highlands (makes up about 45 percent of the total land area) was considered to be significantly eroded, of which 14 million ha was seriously eroded and over 2 million ha beyond reclamation. It is estimated that some 30,000 ha are lost annually as a result of soil erosion, representing over 1.5 billion tons of soil that is removed annually by a variety of land degradation processes. This is a significant loss for a country that is expecting the sector to play a key role in generating surplus capital to speed up the overall socio-economic development of the country.

9. Given the predominant geo-climatic conditions, inherent fragile soils, undulating terrain and highly erosive rainfall, Ethiopia has continually faced challenges in conserving its soil fertility. Coupled with these natural constraints, the environmentally destructive farming methods that many farmers practice make the country highly vulnerable to soil erosion. Moreover, about one-third of the agricultural land is moderately to strongly acidic because of long neglect in soil conservation and destructive farming practices. Gully formation and sedimentation at the river banks, dams and irrigation channels are wide-spread.

10. The causes of land degradation are complex and diverse including:

- **Poor agricultural practices:** The farming system, particularly in the highlands, is dominated by subsistence cereal crops, which provide little ground cover when the most erosive rains occur (June-August). This system often requires frequent tillage and pulverization of the soil, rendering it more susceptible to erosion. Furthermore, limited soil conservation practices and the breakdown of traditional land productivity restoration measures, such as shifting cultivation, contribute to land degradation.
- **Rapid depletion of vegetation cover:** Household energy needs are predominantly supported by wood and other biomass causing an unprecedented level of deforestation. The loss of vegetation cover was further exacerbated by agriculture expansion and livestock grazing. As a result, the land is stripped of vegetative biomass, exposing it to high levels of soil erosion. Ethiopia's once dense forests, covering about 40 percent of the country's land area, have been reduced to only 2.4 percent. Even this remaining forest is being depleted at an alarming rate.
- **Poor livestock management:** Ethiopia has one of the largest livestock populations in the continent with more than 53 million cattle of which only 25 percent graze in rangelands. The remaining 75 percent graze in highlands, leading to serious overgrazing in areas that are already under high pressure. Since the country has a free grazing system, there is no incentive for cattle holders to apply improved management practices in grazing areas. The scarcity of grazing land and livestock feed has forced the widespread use of crop residues to feed livestock. Removal of crop residues for feed and utilization of cattle manure for fuel, further reduces its soil organic matter and nutrients. This breach in the soil nutrient cycle seriously depletes soil quality, increases erosion, and eventually reduces soil productivity.
- **Insecure Land Tenure System:** Over the years, land tenure insecurity caused by frequent land redistribution had encouraged farmers in Ethiopia to favor short term exploitation of land resources over long-term conservation, contributing to land degradation and low farm productivity.

11. Cognizant of the adverse effects of tenure insecurity on food production and the environment, the GoE embarked upon policy and institutional reforms since 1997 that have laid ground for establishing and implementing a good land administration system. The core and key element of reform in the drive to improve tenure security among farming households was registration and certification of rural lands.

- A highly decentralized, participatory, pro-poor, low-cost and rapid first-level registration and certification process was adopted. Elected village land committees of 5-7 members at sub-district levels were established to affirm existing landholding rights before they were registered. Women were encouraged to become members of these committees. Public awareness campaigns were conducted informing rural communities about the objectives of the land registration process and the role of the village land committees. It was possible to rapidly register most of households in the four regions in a short period of time. A number of studies have shown that this registration and certification of rural land has attained its primary objective of enhancing tenure security. It was observed that investment on soil and water conservation, including terracing and bunding, planting of trees and perennial crops, participation in the land rental market and access of women to land have all increased while land related disputes have decreased.
- A number of problems and challenges were manifested in implementing these programs mainly falling in the areas of technical deficiencies, inadequate institutional capacity and inadequate financial resources. GoE has now developed a five-year strategic plan to broaden and

deepen rural land administration reform. The objective is to strengthen the country's land administration and management systems at all levels of government for efficient and transparent land service delivery and to embark upon second level registration that will enhance tenure security by issuing geo-referenced parcel index maps to land holders. This task is immensely resource demanding and requires modern technologies, skilled personnel and establishment of Land Information system for data updating and efficient service delivery. However, Ethiopia is a large country and this has not been implemented nationwide yet and requires more support.

12. To address these complex and diverse constraints to sustainable development, the Government of Ethiopia introduced, in addition to the GTP and the CRGE Strategy, a series of policies and institutional reforms among which are the following:

- The Agriculture Development Led Industrialization (ADLI), formulated in the early nineties, and the first generation poverty reduction strategy (2000-2005) within the Sustainable Development and Poverty Reduction Program (SDPRD).
- The Plan for Accelerated and Sustainable Development to End Poverty – PASDEP (2006-2010): PASDEP focused on eight initiatives which included: (i) raising investments to improve agricultural infrastructure; (ii) enhancing access to financial services, markets, support services in research and extension; (iii) improving efficiency and expanding use of water for irrigation; (iv) improving land tenure security; and (v) enhancing access to improved farm inputs.
- The multi-year (2009-2023) Strategic Investment Framework for Sustainable Land Management (ESIF) and the (2010-2020) Agricultural Sector Policy and Investment Framework (PIF) were formulated within the framework of the New Partnership for Africa's Development (NEPAD)'s Comprehensive Africa Agricultural Development Programme (CAADP). The overall development objective of ESIF is to improve the livelihoods and economic well-being of the country's farmers, herders and forest resource users by scaling up sustainable land management practices with proven potential to restore, sustain and enhance the productivity of Ethiopia's land resources.
- The objective of the PIF is to contribute to Ethiopia's achievement of middle income status by 2025 by sustainably increasing rural income and national food security through increasing agricultural productivity and production, accelerating agricultural commercialization and agro-industrial development, reducing degradation and improving productivity of natural resources, and achieving universal food security and protecting vulnerable households from natural disasters.
- The Disaster Risk Management Strategic Programme and Investment Framework (DRM-SPIF). The goal of DRM-SPIF is to reduce risks and impacts of disasters through the establishment of a comprehensive and integrated disaster risk management system. The DRM-SPIF is consistent with the GTP and the priorities enshrined in the Hyogo Framework for Action (HFA) and translating these priorities into programs along the lines of prevention and mitigation, preparedness, response and recovery and rehabilitation
- The Agriculture Transformation Agency (ATA) established by law after the completion of the Growth and Transformation Plan (GTP). The mandate of the ATA is to support the achievement of the GoE's agriculture sector targets as articulated in the GTP, the Comprehensive African Agriculture Development Programme Compact (CAADP), the Agriculture Policy Framework (PIF), and other key government strategies. ATA is expected to undertake a range of activities on

an “as-needed” basis to support the programmatic work areas contained in its mandate that include: problem solving, implementation support, capacity building, and stakeholder coordination. At its core, ATA is focused on fostering greater on-farm productivity through a renewed push for commercialization, diversification, coping strategies for household resilience, and natural resource management.

- The Rural Economic Development and Food Security Sector Working Group (RED&FS SWG) is the Government-Donor coordination platform for agriculture, natural resource management and food security. Its objective is to jointly review sector level implementation status and coordinate and harmonize efforts of various development partners supporting thematic areas under RED & FS. It was formally established in April 2008, and is composed of an Executive Committee and three Technical Committees (Agricultural Growth; Sustainable Land Management; and Disaster Risk Management and Food Security). The RED&FS SWG is mandated to share information on GoE’s policies, strategies, and programs based on the five-year national development plan objectives and targets; to review sector level implementation status; to coordinate and harmonize efforts of various development partners supporting the sector; and to interact with and mobilize partners to provide additional support so as to achieve the Government’s five-year plans and the Millennium Development Goals (MDG).
- The REDD+ Readiness Proposal prepared by MoA and EPA, which lays out Ethiopia’s strategic plans to strengthen national capacity and institutional framework to reduce GHG emissions from deforestation and forest degradation, and access potential benefits from a future international REDD+ mechanism.

13. Within the context of these policy-related initiatives, in particular the Strategic Investment Framework for Sustainable Land Management (ESIF) and the Agricultural Sector Policy and Investment Framework (PIF), the Sustainable Land Management Program was established, of which the Sustainable Land Management Project (SLMP-1 – P107139/P090789) was a significant contributor. SLMP-1 has made progress in introducing sustainable land management practices in selected areas of the country, including remarkable progress in rehabilitating targeted degraded areas which were previously uneconomical and unproductive. Implemented in 45 critical watersheds of six regions, the project supported a comprehensive strategic approach to improved natural resources management, which included a highly participatory identification of degradation factors and impacts, the subsequent planning and design of the most appropriate interventions, and the community-led implementation of improved practices and infrastructure. As a result, a total of 98,000 rural households (190,000 ha) benefited from a combination of environmental and productive interventions (a detailed description SLMP-1 interventions is provided in Annex 2).

14. In addition to SLMP-1, the World Bank through the BioCarbon Fund (BioCF) supported the Humbo Assisted Natural Regeneration Project (HANRP). The project has successfully led to the rehabilitation of heavily degraded land over 2,500 hectares, while generating carbon revenues distributed to seven cooperatives in the Humbo area (Southern Nations region). It has also been the first forestry (afforestation/reforestation) project in Africa to be registered under the Clean Development Mechanism (CDM), and generated substantial knowledge on carbon sequestration at the national level. The SLMP-2 will build on the success and expand the scope of the SLMP-1 and the HANRP, and introduce measures to internalize climate change induced risks so that the investments that farmers make would integrate climate variability.

II. Project Development Objective(s) / Global Environmental Objective(s)

A. Project Development Objective(s)

Project Development Objective (PDO) and Global Environment Objective (GEO)

The Project's Development and Global Environment Objectives is to reduce land degradation and improve land productivity in selected watersheds in six regions in Ethiopia. The objective would be achieved through the provision of capital investments, technical assistance and capacity building for small holder farmers in the watersheds and government institutions at national and sub-national levels.

B. Global Environmental Objective(s)

Project Development Objective (PDO) and Global Environment Objective (GEO)

The Project's Development and Global Environment Objectives is to reduce land degradation and improve land productivity in selected watersheds in six regions in Ethiopia. The objective would be achieved through the provision of capital investments, technical assistance and capacity building for small holder farmers in the watersheds and government institutions at national and sub-national levels.

III. Project Description

Component Name

Component 1: Integrated Watershed and Landscape Management (Total: US\$69.33m - US\$32.00m IDA, US\$4.93m GEF, US\$2.90m LDCF, US\$28.50m Norway and US\$1.00m GoE)

Comments (optional)

Component Name

Component 2: Institutional Strengthening, Capacity Development and Knowledge Generation and Management (Total: US\$21.64m - US\$10.00m IDA, US\$3.00m GEF, US\$1.50m LDCF and US\$7.14 Norway)

Comments (optional)

Component Name

Component 3: Rural Land Administration, Certification and Land Use (Total: US\$12.20m - US\$7.00m IDA, US\$5.20m Norway)

Comments (optional)

Component Name

Component 4: Project Management (Total: US\$4.45m - US\$1.00m IDA, US\$0.4m GEF, US\$0.23m LDCF and US\$1.82m Norway)

Comments (optional)

IV. Financing (in USD Million)

Total Project Cost:	62.96	Total Bank Financing:	50.00
Financing Gap:	0.00		
For Loans/Credits/Others			Amount

BORROWER/RECIPIENT	0.00
International Development Association (IDA)	50.00
Global Environment Facility (GEF)	12.96
Total	62.96

V. Implementation

VI. Safeguard Policies (including public consultation)

Safeguard Policies Triggered by the Project	Yes	No
Environmental Assessment OP/BP 4.01	x	
Natural Habitats OP/BP 4.04	x	
Forests OP/BP 4.36	x	
Pest Management OP 4.09	x	
Physical Cultural Resources OP/BP 4.11	x	
Indigenous Peoples OP/BP 4.10	x	
Involuntary Resettlement OP/BP 4.12	x	
Safety of Dams OP/BP 4.37	x	
Projects on International Waterways OP/BP 7.50		x
Projects in Disputed Areas OP/BP 7.60		x

Comments (optional)

The Borrower has prepared an ESMF, RPF and an enhanced Social Assessment under broad-based consultation with project beneficiaries and project affected persons through a prior, free and informed consent basis. These documents have been cleared by the Africa Regional Safeguards Advisor, and the Borrower has disclosed them in-country on 09/06/2013. Disclosure at the Bank's InfoShop occurred on 09-06-2013.

VII. Contact point

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