



Project Information Document (PID)

Concept Stage | Date Prepared/Updated: 14-Aug-2020 | Report No: PIDC30171

**BASIC INFORMATION****A. Basic Project Data**

Country Ethiopia	Project ID P174385	Parent Project ID (if any)	Project Name Ethiopia Resilient Landscapes and Livelihoods Project - II (P174385)
Region AFRICA EAST	Estimated Appraisal Date Aug 25, 2020	Estimated Board Date Sep 25, 2020	Practice Area (Lead) Environment, Natural Resources & the Blue Economy
Financing Instrument Investment Project Financing	Borrower(s) Ministry of Finance	Implementing Agency Ministry of Agriculture	

Proposed Development Objective(s)

To improve climate resilience, land productivity and carbon storage, and increase access to diversified livelihood activities in selected rural watersheds.

PROJECT FINANCING DATA (US\$, Millions)**SUMMARY**

Total Project Cost	165.24
Total Financing	165.24
of which IBRD/IDA	0.00
Financing Gap	0.00

DETAILS**Non-World Bank Group Financing**

Trust Funds	165.24
Green Climate Fund	165.24

Environmental and Social Risk Classification

Concept Review Decision



Substantial

Track I-The review did authorize the preparation to continue

Other Decision (as needed)

B. Introduction and Context

Country Context

1. **Located in the Horn of Africa, Ethiopia covers an area of 1.1 million km², and is the second most populous country in Sub-Saharan Africa, with an estimated population of about 100 million,¹ of which 80.5 percent are rural dwellers.** With *per capita* income of US\$708 in 2018,² Ethiopia has achieved substantial progress in economic, social, and human development over the past decade. Growth has averaged nearly 11 percent per year since 2004 and extreme poverty³ fell from 55 percent in 2000 to 26.7 percent in 2016, one of the most impressive poverty reduction results recorded globally. Levels of inequality have remained low, while vulnerability for returning to poverty remains high, especially for those engaged in rain-fed agriculture. The natural resource base remains the foundation for most livelihoods and is subject to considerable environmental and climate risks.

2. **The Government of Ethiopia's main goal, set out in the Growth and Transformation Plan (GTP I and II), is for Ethiopia to become a lower middle-income country by 2025.** The Government of Ethiopia (GoE) finalized its 10-years Perspective Development Plan, which considers a strong momentum towards large-scale investments in irrigation agriculture, broad-based rural development, and private sector involvement, along with Ethiopia's vision for green and resilient development. Ethiopia's Climate Resilience Green Economy (CRGE) Strategy is one of the main pillars in the Perspective and Development Plan. Public infrastructure investment has been at the center of the country's economic strategy, financed by domestic and external public financing. Recent announcements indicate the GoE's renewed commitment to a shift toward private sector led investment.⁴

3. **Land degradation affects millions of rural Ethiopians and reduces their resilience to climate change.** The minimum estimated annual cost of land degradation in Ethiopia is 2-3 percent of agricultural gross domestic product (GDP), before accounting for downstream effects such as increased flood risk. By reducing soil fertility and agricultural yields, land degradation undermines livelihood security. However, sustainable land management (SLM) practices offer an opportunity to build resilience, mitigate climate change and boost local livelihoods. Ethiopia has made significant progress over the past 13 years to restore degraded watersheds. Successful remediation has been achieved through improved natural resource management and resource rights, livelihood diversification, and gender outreach in targeted degraded watersheds. Restoration and improved management of land at the watershed level has also yielded

¹ Based on a 2015 estimate.

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

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

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

- <https://www.ena.et/en/2019/01/23/ethiopia-working-enhance-private-sector-engagement-in-economy-pm/>

- <https://newbusinessethiopia.com/ethiopias-reforms-aim-boosting-private-sector-participation/>.



climate co-benefits, by increasing vegetative cover and soil carbon content, reversing years of carbon loss through carbon sequestration.⁵

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

Sectoral and Institutional Context

5. Since the 1970s, the GoE has recognized the problem of land degradation as a major challenge to the country's growth and stability. Due to its impact on agricultural productivity alone, soil erosion currently costs the economy of Ethiopia about \$305 million per year. Based on Ethiopia's experience to date, the cost of inaction to address land degradation is estimated to be 4.4 times greater than the cost of preventative action through SLM.

6. Climate change is likely to accelerate the levels of land degradation and soil erosion. Land degradation in Ethiopia has proceeded at an alarming rate and will be increasingly aggravated by climate change. From 1981 to 2003, 296,812 km² (29.7 million ha) of land have been degraded, affecting a population of 20.65 million, approximately one in five people in Ethiopia. A recent analysis by the Water and Land Resource Centre (WLRC) of Addis Ababa University using soil loss equations calibrated using historical station data from two monitoring stations within the project area in conjunction with the IPCC's RCP4.5 scenario for 2050, show that soil erosion is expected to increase by 7-10% per year and, in the more extreme scenarios, could increase by as much as 40-70% per year by 2050 due to climate change in the absence of interventions to improve land management⁶.

7. Climate change complicates efforts to increase food production and improve food security⁷. The impacts on crop productivity could lead to impacts on prices, production, and consumption, as well as per capita calorie consumption and child malnutrition. Conservative estimates suggest that partly as a result of this increased soil erosion, climate change will reduce agricultural crop productivity in Ethiopia by 5 -10 % by 2030⁸ and thereby reduce Ethiopia's GDP up to 10 % by 2045. Decreased agricultural crop productivity would aggravate existing social and economic challenges as more than 80% of Ethiopians are engaged in subsistence rain-fed agriculture. Meanwhile, farms are already under significant climate stress. Low adaptive capacity contributes to high vulnerability in the proposed project area. A study of vulnerability in the Tigray Region concluded that districts most vulnerable to climate change and variability overlapped with districts with the most vulnerable populations. Households that lack basic economic and social resources also lack the means to undertake adaptive measures or respond to climate shocks.

⁵ Gebreselassie et al. (2016).

⁶ Based on recent analysis by the Water and Land Resource Centre (WLRC) of Addis Ababa University.

⁷ Mahoo H, Radeny M, Kinyangi J, Cramer L, eds. 2013. Climate change vulnerability and risk assessment of agriculture and food security in Ethiopia: Which way forward? CCAFS Working Paper no. 59. CGIAR Research Program on Climate Change, Agriculture and Food Security (CCAFS).

⁸ Refer to Bai, Z. G., Dent, D. L., Olsson, L., & Schaepman, M. E. (2008), "Global assessment of land degradation and improvement. 1. Identification by remote sensing". Wageningen, The Netherlands: International Soil Reference and Information Centre (ISRIC).



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

Relationship to CPF

9. **The proposed activities are closely aligned with the Ethiopia CPF, specifically Focus Area 2 on ‘Building Resilience and Inclusiveness’, and the World Bank’s high-level corporate priorities on climate change which aim to increase the level of ambition for both climate change adaptation and mitigation.** CPF Focus Area 2 includes the objective of enhancing the management of natural resources and climate risks through improved natural resources and forest management, scaling-up the GoE’s SLM program and addressing land tenure through the issuance of land use certificates. During the CPF period, the total area of reforested land, and the number of land use certificates issued, are each targeted to double. The World Bank is well-positioned to help address this objective based on the wealth of experience and expertise developed through support for the first Sustainable Land Management Project Phase I⁹ (SLMP-I, 2008–2013) and the subsequent SLMP-II¹⁰ (2013–2018). The project will leverage and scale up support to the MoA’s proven Sustainable Land Management Program while also contributing to the climate, forest, water, energy, and land tenure targets in the client’s CRGE Strategy as well as the forthcoming Perspective Development Plan.

10. **RLLP operations, including the GCF co-financed activities, address the World Bank’s high-level corporate priorities on climate change which aim to increase the level of ambition and commitments on both adaptation and resilience.** The entirety of RLLP operations will make a substantial contribution to address priorities of the World Bank’s *Africa Climate Business Plan* now in its fourth year of implementation. In particular, the GCF co-financing will contribute to transformational investments in key sectors and areas which places a strong emphasis on support for climate resilient landscape management and comprises one of four emerging strategic priorities.

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

⁹ P107139

¹⁰ P133133



C. Proposed Development Objective(s)

To improve climate resilience, land productivity and carbon storage, and increase access to diversified livelihood activities in selected rural watersheds.

Key Results (From PCN)

Key expected results in the project include:

- Reduced emissions from land use, reforestation, reduced deforestation, and through sustainable forest management and conservation and enhancement of forest carbon stocks
- Increased resilience and enhanced livelihoods of the most vulnerable people, communities and regions
- Improved management of land or forest areas contributing to emissions reduction
- Strengthened adaptive capacity and reduced exposure to climate risk.

D. Concept Description

12. The GoE aims to scale up and enhance the success of its SLM program for which the Bank has been the largest and leading financier. The government has requested the World Bank to become a GCF delivery partner for large-scale impact, building on our mutual track record of delivery on the ground, and to convene financing from a variety of sources to be truly transformative at a large scale.

13. The GCF financing will support the GoE's efforts to attain a critical mass of 1.9 million hectares of land under improved management in degraded watersheds upon which an estimated 4.2 million people directly depend, and which could reduce 43.8 million tons of CO₂e over a lifetime of 25 years. Reaching this critical mass would be a true transformative achievement, one that has started and built momentum over the years but requires institutions, investments, and financing models with a track record of getting to scale -- and with the right combination of integrated, well-monitored interventions.

14. RLLP-II will significantly enhance the resilience of the target populations' livelihoods to climate change impacts. The key value addition of the proposed project is that it will be implemented in 40 watersheds identified to be most vulnerable to projected changes in annual soil loss per hectare due to precipitation changes by 2050 under the RCP 4.5 scenario.

15. RLLP-II will be implemented through four integrated components: 1. Green infrastructure and resilient livelihoods; 2. Investing in institutions and information for resilience; 3. Rural land administration and use; and 4. Project management and reporting. Taken together, the activities in these components will achieve the project's objective of creating resilient landscapes and livelihoods for vulnerable rural populations in Ethiopia.

16. This integrated package of activities is the result of the extensive experience gained in previous projects and is essential to achieving a paradigm shift. In order to achieve catalytic impact, it is essential to address all the root causes of land degradation, which include (i) poor cropland management practices, (ii) rapid depletion of vegetation cover, (iii) poor livestock management, and (iv) an insecure land tenure system (development challenges funded by other projects). This approach grows out of the project's theory of change by delivering more productive, secure and resilient livelihoods to local communities and by establishing the institutional framework needed to support maintenance of restored landscapes over the long term through watershed associations and local governments.



Legal Operational Policies	Triggered?
Projects on International Waterways OP 7.50	No
Projects in Disputed Areas OP 7.60	No
Summary of Screening of Environmental and Social Risks and Impacts	

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APPROVAL

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