

OROMIA ENVIRONMENTAL PROTECTION AUTHORITY

**Oromia Forested Landscape Program
Emission Reduction Project (OFLP-ERP)**

Benefit Sharing Plan Operational Manual

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Acronyms & Abbreviation

A/R	Afforestation/Reforestation
AD	Avoided deforestation
AFOLU	agriculture, forestry and other land uses
AGP	Agricultural Growth Program
ANR	Assisted natural regeneration
AWP	Annual work plan
BioCF ISFL	BioCarbon Fund Initiative for Sustainable Forest Landscapes
BoA	Bureau of Agriculture
BoCPD	Bureau of Cooperative Promotion and Development
BoF	Bureau of Finance
BoL	Bureau of Land
BoWCA	Bureau of Women and Children Affairs
BoWERD	Bureau of Water and Energy Resources Development
BSM	benefit sharing mechanism
BSOM	Benefit Sharing Operational Manual
BSP	Benefits Sharing Plan
BSPOM	Benefit Sharing Plan Operational Manual
CBO	Community Based Organization
CHS	Community Health and Safety
CRGE	Climate Resilience Green Economy
CRGE	Climate Resilient Green Economy
EFD	Ethiopian Forest Development
EIO	<i>Ethiopian Institute of Ombudsman</i>
EIO	Ethiopian Institute of Ombudsman
ER	Emission Reduction
ERCs	Emissions Reductions Credits
ERPA	Emission Reduction Purchase Agreement
ESCP	Environmental and Social Commitment Plan
ESCP	Environmental and Social Commitment Plan
ESF	Environmental and Social Framework
ESHS	environmental, social, health, and safety
ESHS	Environmental, social, health, and safety
ESMF	Environments and Social Management Framework
ESRM	Environmental and Social Risk Management
ESS	Environmental and Social Standard
ETB	Ethiopian Birr
FGRM	Feedback and Grievance Redress Mechanism
FMC	Forest Management communities
FRL	Forest Reference Level
FSD	Farming System Development
GBV	Gender Based Violence
GIS	Geographic Information system
GOE	Government of Ethiopia
GPS	Global Positioning system
GRC	Grievance Redress Committee
GRM	Grievance Redress Mechanism
GRM	Grievance Redress Mechanism
HUTLC	Historically Underserved Traditional-Local Communities

IFMIS	Integrated Financial Management Information System
IFR	Interim Un-audited Financial Report
IGA	Income Generating Activities
IGA	Income Generating activity
ISFL	Initiative for Sustainable Forest Landscapes
LLPPA	Local level Participatory Planning Approach
LLRP	Lowlands Livelihood Resilience Project
LMP	Labor Management Procedures
LULUCF	land use change and forestry
MFI	Micro finance institution
MOF	Ministry of Finance
MR	Monitoring Report
MRV	Monitoring, Reporting and Verification
Mt	metric tonne
NGO	Non-governmental Organisations
OEPA	Oromia Environmental Protection Authority
OFLP	Oromia Forested Landscape Program
OFLP-ERP	Oromia Forested Landscape Program-Emission Reduction Project
OFWE	Oromia Forest and Wildlife Enterprise
OHS	Occupational health and safety
OM	Operational Manual
ORCU	Oromia REDD+ Coordination Unit
OWCAO	Oromia Women and Children Affairs Office
PAD	Project Appraisal Document
PAP/PAC	All Project Affected People/Community
PF	Process Framework
PFM	Participatory forest management
PGHO	Public Grievance Hearing Offices
PLUP	Participatory Land Use Planning
PRA	Participatory Rural Appraisal
PS	Private Sector
PSNP	Productive Safety Net Program
RBP	Result Based Payment
REDD+	Reducing Emissions from Deforestation and Forest Degradation, Conservation & Enhancement of forest carbon stock and sustainable forest management
RLLP	Resilient Landscapes and Livelihoods Project
RP	Reporting Period
SDP	Social Development Plan
SEA	Stakeholder Engagement Analysis
SEP	Stakeholders Engagement Plan
SESA	Strategic Environmental and Social Assessment
SMEs	Small and Micro Enterprise
SMP	Security Management Plan
SRAMP	Security Risk Assessment and Management Plan
TPM	third-party monitoring
TWG	Technical Working Group
UNFCCC	United Nations Framework Convention on Climate Change
USD	United States dollar
WB	World Bank
WoCPD	Woreda office for cooperative Promotion and development
WoF	Woreda office of finance
WWCAO	Woreda Women and Children Affairs Office

1. Introduction

Overview of Oromia Forested Landscape Program Emission Reduction Project

The Government of Ethiopia (GOE) has embraced Reducing Emissions from Deforestation and Forest Degradation, as well as conservation, sustainable management of forests and enhancement of forest carbon stocks (REDD+) as part of its strategy to achieve a Climate Resilient Green Economy (CRGE)¹. The CRGE strategy has identified the forest sector as one of the four priority sectors for fast tracking and establishing a policy framework for implementing REDD+ in the country. Forestry is expected to generate over 50% of the expected 255 Mt CO₂e Emission Reduction (ER) by 2030 in the country through the CRGE strategy (CRGE, 2011). The Oromia National Regional State Forested Landscape Program (OFLP), the first pilot sub-national ER program under implementation, was designed as part of Ethiopia's REDD+ Readiness Process. The result generated from the program will contribute to the achievements of Ethiopia's CRGE Strategy.

The Oromia Forested Landscape Program Emission Reduction Project (OFLP-ERP) is the region's strategic umbrella programme and coordination platform for multi-sector and multi-partner interventions on all forested landscapes. The Program contributes to a transformation in the way forested landscapes are managed in Oromia to deliver multiple benefits such as poverty reduction and resilient livelihoods, climate change mitigation, biodiversity conservation, and water provisions. The OFLP contributes to low carbon development through a series of (a) state-wide enabling investments that reduce GHG emissions from land-use change, promote sustainable land use blending land-use planning, policies, and practices; (b) harnessing multi-sector, private sector and local communities' engagements; and (c) leveraging initiatives and financing, including results-based ER payments.

The ER project aims to incentivize the measured, reported and verified performances in Emissions Reductions Credits (ERCs) from REDD+, Agriculture and other Land Use Sectors that meet the GHG accounting requirements of the BioCF ISFL in the Oromia Regional State and to distribute the ER payments in accordance with an agreed benefit sharing plan.

The OFLP has two financial instruments, a US\$ 18 million mobilization grant support and a US\$ 40 million Result Based Payment (RBP) both from BioCF-ISFL. The mobilization grant financed program establishment, enhancing state-wide enabling environment for scaling up actions and implementation of selected on-the-ground investment activities over a period of 5-years (OFLP grant became effective since May 2017- June 2023). The program would receive RBP for a net ER verified against the program's reference level in a period of up to 2029. The OFLP accounts the ER from Agriculture, Forestry and other land uses coming from the entire jurisdiction of Oromia National Regional State. The ERPA period is comprise of two phases:

¹ *Climate Resilient Green Economy (CRGE) is a long term (2010-2030) development strategy of Ethiopia. Its goal is to ensure fast and Carbon neutral economy growth to help Ethiopia achieve a middle-income country status by 2025. There are four priority pillars of the CRGE. These are agriculture, forestry, energy, and industry. Among the key strategies selected for fast tracking are avoidance of deforestation and forest degradation, improved forest management and forest enhancement through reforestation/afforestation collectively known as REDD+. The national REDD+ initiative is therefore an initiative to support implementation of CRGE.*

- **First phase:** the first phase of the ERPA where ER is accounted from land use, land use change and forestry (LULUCF), and
- **Second phase:** the second phase of the ERPA, where ER is accounted from agriculture, forestry and other land uses (AFOLU). Potentially, emission coming from only enteric fermentation would be considered eligible in the second phase of the ERPA period.

This Benefit Sharing Plan Operational Manual (BSPOM) outlines specific procedures to the implementation of the existing Benefit Sharing Plan (BSP) for ER payment from the program needs to follow focusing on the financial benefit for the first phase of the ERPA (ERs coming from the forest sector). This can include operation instructions from key steps and procedures in the process of vertical and horizontal benefit allocation to key functions including benefit distribution and fund flow, use of ER benefit and how to implement the share of the ER benefits received by eligible beneficiaries, environmental and social safeguard requirements to be followed while implementing local projects, arrangements of monitoring and evaluation of the BSP implementation as well as procedures for identifying, designing, implementation and monitoring of the community development projects along with roles and responsibilities of government body at all levels and community at grass root level.

OFLP-ERP is expected to create employment and bring community development projects. The effectiveness of the project depends on how cost and benefits are shared and if incentives are sufficient enough to enable behavioural changes and policies.

Consequently, structured benefit sharing operational manual is needed to ensure more sustainability of the project, so there is a need to complement the existing Benefit Sharing Plan (BSP) developed for ER payment under the first phase of the ERPA, which is ERs coming from the forest sector with a clear guidance that helps key actors at all level walk through the process and procedures to be followed for implementation of ER benefit sharing at different horizontal and vertical levels and improve transparency, information sharing, capacity and coordination amongst all stakeholders.

This BSPOM is organized in nine sections. Section 1 presents a brief introduction to the Oromia Forested Landscape Program Emission Reduction Project (OFLP-ERP). Section 2 presents principles followed by existing BSP. Section 3 presents benefits. Section 4 describes beneficiaries, eligibility criteria and conditions for participation. Section 5 presents distribution of net ERPA revenues, including vertical and horizontal sharing. Section 6 presents the benefit disbursement mechanism, particularly flow of funds and financial reporting. Section 7 presents potential use of benefits. Section 8 describes the processes to ensure Environmental and Social (E&S) compliance on BSP application, including the Environmental and Social Risk Management (ESRM). Section 9 presents roles and responsibilities in implementing of benefit sharing; and section 10 presents the monitoring and reporting of the BSP implementation.

2. Principles followed by existing BSP

Benefit sharing is the sharing of Monetary and/or Non-Monetary Benefits with Beneficiaries under the ER project in accordance with the Benefit Sharing Plan. Accordingly, the BS sticks to the following general principles, respects for customary rights to lands and territories, reflects

broad community support, and describes clear legal status on rights to carbon and relevant lands. Specifically, this BSOM outlines the following principles:

(a) Benefits are shared based on performance: only the verified reduction of deforestation in the ER Project area will trigger ER payments to be shared between the identified beneficiaries.

(b) Fairness and equity: coherence of the allocation of carbon benefits with the carbon and non-carbon performance identified in the REDD+ Initiatives ER project; ensuring prior and informed consent of stakeholders in ER project and fair and equitable sharing of benefits arising from the results or performances in ER.

(c) Inclusiveness and participation: the inclusion of all potential beneficiaries in the BS. Engaging stakeholders in managing practices of dialogue and decision making enable benefit-sharing arrangements founded upon trust and legitimacy,

(d) Transparency: transparency in benefit flows increases confidence in a more equitable outcome during establishing and publicizing the basis for calculating payments in line with the expectations regarding who is receiving what benefits,

(e) Legitimacy: recognizing and valuing wide arrays of viewpoints or ideas of stakeholders in designing policy decision processes,

(f) Relevance: the compatibility of the benefit sharing mechanisms with the dynamicity of conservation and societal needs and the usability of experience generated,

(g) Credibility: evidence quality and validity of the experience exchange processes in ER project and benefit sharing processes,

(h) Adaptability: Central to the application of this BSP is the concept of adaptive management processes based on the evaluation of the success and failure and ensuring of the constructive governance system in performances of ER and benefit sharing.

3. Benefit

3.1. Types of Benefits

The successful implementation of OFLP-ERP first phase will generate two types of benefits: (i) GHG mitigation benefits (also known as “climate change mitigation”, “benefits associated with carbon”, or “carbon benefits”); and (ii) benefits other than GHG mitigation (also known as “non-carbon benefits” or “co-benefits”)².

3.1.1. Non-carbon benefits

The non-carbon benefits comprise all other benefits other than the payment for the emission reduction (ER) and this includes institutional and human capacity building, increased income from new and improved land-use practices, more secure flow of ecosystem services and natural-

² World Bank, 2022. Oromia Forested Landscape Program – Emission Reduction Project. Project Appraisal Document

resources-based small enterprise development and the like. Implying, the ERPA will not pay for the delivery of non-carbon benefits.

3.1.2. Carbon benefits

OFLP also generates carbon benefits, which comprises the monetary and non-monetary benefit in the form of ER payment through avoided of deforestation and forest degradation and/or enhancement of forest carbon through Afforestation/Reforestation (first phase of ERPA), and from AFOLU (second phase of ERPA). This will be used as a financial incentive mechanism to reward good forest management and conservation practices for the eligible beneficiaries that deliver the ER results.

Therefore, the term benefit and benefit sharing in this BSPOM refers specifically to the monetary (cash) and non-monetary (in-kind) benefit received in the form of results-based payment (ER payment) from OFLP-ERP first phase of the ERPA (ERs coming from the forest sector). These correspond to the ERPA revenues to be made by the ISFL contributors, through the World Bank, in exchange for ER credits transferred to the Fund. ERPA revenues from the sale of emissions reductions to the ISFL will be distributed to the beneficiaries in the form of monetary or non-monetary (in kind) benefits:

- Monetary benefits: refers to the delivery of cash to beneficiaries, financed through the ERPA revenues from ISFL.
- Non-monetary benefits refer to the benefits received by the beneficiaries by way of goods, services or other benefits funded by the payments to be received from the ISFL/World Bank. Non-monetary benefits can include, but are not limited to, technical assistance for capacity building and the provision of inputs such as seeds, seedlings, equipment, and infrastructure, among others.

Note

- The monetary benefit will be distributed to government institutions, communities, and private sector stakeholders.
- The monetary benefit received by communities will be used to finance community projects to cover the costs of activities in the community action plans, facilitated by woreda level government entities. Kebeles or cooperatives with low financial management capacity will also receive benefits in non-monetary terms where funds allocated to them will be to finance community projects that generate more ERs and social projects useful to the whole community.

It is important to differentiate between gross benefits and net benefits. Gross benefits correspond to the ERPA payments that the Government of Ethiopia (GoE) will receive in exchange for the total ER because of OFLP-ERP implementation during the ERPA period. Net benefits, on the other hand, correspond to the amount of ERPA benefits that the GOE will distribute among the different types of beneficiaries. Therefore, net benefits are calculated by deducting the operational costs and the three percent (3%) performance buffer.

Note: Gross ERPA payment – (operational cost + performance reserve) = Net ERPA payment

The operational cost to be covered from the gross ER payment includes specifically those expenses related to conducting MRV, safeguard, GRM, and audits (Table 1)³, the operational cost up to 2025 will be covered from the programme management grant fund (US\$0.75 million), and therefore no deduction for operational cost will be made from ER payment until this period. Moreover, the 3% deduction as indicated above shall also be set aside for “Performance Buffer⁴” to be used for the following purposes:

- (i) to manage potential risks when there is under-performance or non-performance at state level while performance exist at zone(s) level;
- (ii) to manage risks that may occur due to natural factors (drought, fire, land slide, etc.) or other risks related to political instability and the like.

The net payment will then be disbursed among the eligible beneficiaries as per the arrangement set in the next section of this BSPOM.

The resource needed for mitigation of risks mentioned above will be sourced from:

- (i) the 3% set aside as performance buffer as indicated above;
- (ii) from the share of ER benefits allocated to the government (15%) and part of community’s ER benefits allocated for community development projects as deemed required; and
- (iii) Additional resources from existing projects implemented by other partners in the region.

In the case where potential risks as described above are negligible or absent, the performance buffer fund shall be transferred to eligible beneficiaries as per the arrangement of the existing BSP. It should be noted though, a different buffer reserve valued as ER credit would be set aside by the ISFL on behalf of ER buyers through negotiation with the project Entity (ER seller). This form of buffer reserve is meant to address potential risks due to uncertainties during ER assessment, risks associated to natural factors and reversals.

Table 1: Estimate of ORCU’s operational cost that will be covered from ER payment.

Items/tasks	Estimated cost/year (USD)	Remark
Project Coordinator	14,400.00	1 coordinator =1,200 USD/month, coordinating the overall activities during the ERPA Period. The payment per month is estimated from the current salary scale employed by most projects implemented in Oromia Regional State and considering needed adjustments to compensate cost of living.
MRV (4 specialists)	48,000	Specialist =1000 USD/month, (working on

³ The operational cost indicated in table 1 is estimated based on the current experience of Oromia REDD+ Coordination Unit (ORCU) and some adjustment for change in cost of living. This cost will be covered from grant money until 2024, so no reduction will be made from ER. However, after 2024 it will be deducted from ER payment on case-by-case basis.

⁴ The buffer should be used mainly to reward zones/woredas/ kebeles in case of landscape non- performance, and local (zonal) performance. It would be kept separate at MOF.

		measuring, reporting and verification of performance and other related tasks in the unit). The payment per month is estimated based on the salary scale used by most projects implemented in Oromia Regional State and considering needed adjustments to compensate cost of living.
Forest Resource assessment & MRV Specialist	12,000.00	1 Specialist =1000 USD/month, (working on facilitating and supporting sectors in forest management and other related tasks in the unit). Rate of payment same as above
Livestock MRV (2 specialists)	24,000	These are needed for data collection and ER monitoring from the livestock sector (ERPA phase two) – to be positioned in the MRV Unit to be established in Oromia BoA.
4 Safeguards specialists (2 environment & 2 social)	48,000.00	The same rate as above
Financial Management Specialist	12,000,00	1 Specialist =1000 USD/month; at regional level financial management specialist is required to be located at regional BoF
Drivers 3	14,400.00	One driver = 400 USD/month; staff number in the PIU (regional) will be increasing soon and due intensive nature of BSP implementation activities at field level including monitoring, having three drivers in the Unit will be mandatory
Lab top, tablet, and other equipment	5,000	For yearly maintenance cost – procurement of new equipment will not be done.
Internet Airtime	2,000.00	
MRV activities Supervisions and other activities	68,250.00	Working in measuring performance and related MRV tasks in the unit. MRV activities are technically complex and often require ground level measurements and ground truthing, thus the operation is costly and require an estimated budget amount of 68,250.00 USD/annum. With experience the amount can be adjusted as appropriate.
E&S Safeguards Supervision and monitoring	20,000.00	The assumption here is OLFP-ERP will be implemented in a participatory and transparent manner. However, as ESRM activities need closer support and intensive supervision, allocation of supervision cost is mandatory, hence a lump sum of 20,000 USD/annum is allocated. With

		experience the amount can be adjusted as appropriate.
Environmental and social audit	15,000.00	The assumption here is OLFP-ERP will conduct regular E&S audit by engaging a local consultant, and the amount given here would be adjusted going forward based on market situations.
Other operational costs		
Stationery	2,000.00	
Vehicles maintenance including fuel, insurance, and lubricants	18,000.00	Estimated based on current use @6000 USD/car/year and taking in consideration the current and future inflation rates (for tyres and related vehicle maintenance).
<i>Sub total</i>	291,050.00	
Contingency (5%)	14,552.50	5% of total cost
Total Operational cost of PIU/ORCU per year	305,602.50	

Note: The above cost table shows PIU's yearly expenses as an overall operational cost to be deducted from ER payment as established in the updated BSP.

4. Beneficiaries

4.1. Eligible beneficiaries

The benefits received from performance-based payment will be shared among eligible beneficiaries. Here, the beneficiaries can be categorized under vertical and horizontal structures: the federal and regional governmental institutions belong to vertical, while private and communities are under horizontal structures. Beneficiaries under horizontal structures are those located across the forested landscapes in Oromia region. The major eligible beneficiaries identified are here under:

- **Government institutions:** are those who involve in policy development, and program management at the federal and regional levels. The roles and responsibilities of the different levels of government will be based on the functioning laws and regulations at federal and regional governments.
- **Private sectors (developers):** The Federal Forest Proclamation (Proc#1065/2018) defines Private Forest as “forest other than state and community and developed on private or institutions’ holdings. Hence, the private stakeholders are those who implement ER activities being licensed as individual investors, private corporations as well as business associations and cooperatives (e.g., small and medium enterprises) who have developed forests on their own land or land received for this purpose in the form of lease or other arrangements within the landscapes of Oromia region.
- **Local communities:** who resides nearby and inside forests where ER activities are implemented, or who implement activities that lead to ER such as PFM, A/R, ANR, alternative livelihoods, fire protection, or forest monitoring, etc.

Table 2: Categories of Eligible beneficiaries, proposed share, and their rights, roles and responsibilities

Main categories of eligible beneficiaries (current and future)	Percent share of the beneficiaries	Rights, roles and responsibilities
Communities refer to those who live within the boundaries of Kebele and engage in development and management of forests either legally or customarily	75 %	Customary and constitutional right of ownership, cultural and social responsibility of managing, protecting and developing the forest, and customary right of use and/or legally granted user right through PFM along with responsibility of managing and developing forests through considering the program ERSM instruments particularly Stakeholders Engagement Plan (SEP).). Community will be represented by kebele which is the lowest unit of government’s administration.
Federal government (Represented by EFD)	5 %	Constitutional right to own forests; responsibility to enact policies, regulations, develop national strategies; representation in international negotiations and giving technical back-up to OFLP-ERP on fiduciary support, safeguards management and MRV process.

Main categories of eligible beneficiaries (current and future)	Percent share of the beneficiaries	Rights, roles and responsibilities
Regional government (sectoral bureaus in the land use sector)	15 %	Constitutional responsibility to administer forests; responsible for developing regional policies (forest, land use, etc.), provide technical support on forest management including MRV process, budget (carbon fund) management, law enforcement, organizing and supporting communities and private forest developers. In addition, regional government is responsible to ensure the environmental and social risk management of the project including screening, GRM, consultation, stakeholders' engagement, information disclosure, ESRM reports, security management, and others.
Private forest developers (these could be individuals, or other beneficiaries – e.g. private investors)	5 %	Investing in new forest development and/or management of existing forest in the form of A/R or area enclosure. Besides, they are responsible to implement the project ESRM requirements of the program as well.

4.2. Conditions for participation

4.2.1. General conditions for all types of beneficiaries

The general conditions for participation applicable to all types of beneficiaries are listed below and specific conditions are presented in Table 3 below.

- Participate in ER generating activities organized by OFLP-ERP / OEPA and EFD.
- Be willing to collaborate with ORCU and relevant local government entities in complying with and report on Program Environmental and Social risk management.
- Be willing to comply with Program financial management policies.
- Be willing to use the OFLP-ERP's Grievance Redress Mechanism.

Regional government entities (sector Bureaus) and private sector stakeholders should apply to call for proposals to be launched by OEPA to access to the ERPA benefits directly allocated to them in the BSP. The call for proposals for regional government entities will focus on technical assistance, staffing, research, and development of projects contributing to more ER). Private sector's proposals will focus on establishment of new forest and forest management operations that enhance delivery of emission removal. Winning proposal selection criteria for the regional government and private sector is specified in the follow-up section (see section 5.1.2, table 5 and section 5.1.3, table 6 respectively).

Community beneficiaries will access their benefits through projects developed and implemented by them and facilitated by regional and local government entities, based on community action plans. Beneficiaries would receive benefits conditioned to the positive ER performance of the Oromia region, compared with an established baseline.

4.2.2. Specific conditions for participation

Table 3: Specific conditions for participation applicable to different types of BSP beneficiaries

Conditions for participation	
Private forest stakeholders (Individual or groups):	<ul style="list-style-type: none"> • Recognized as a “Private Forest” or “Association Forest” developer by Proclamation No. 1065/2018. • Have a license as individual investors, private corporations, business associations. • Have developed new forests and forest management operations that demonstrate contribution to achieving OFLP-ERP goals which is above ten ha of forest. • Be willing to contribute significant matching fund, as described in the call for proposals (with 40%).
Communities	<ul style="list-style-type: none"> • Forest cooperatives; • Have forests on their own land or land with land holding/user certificate; • PFM CBO signed legal agreement with pertinent government organization; • Demonstrable financial management capacity; • Reside nearby and inside the forests; • Should hold a land tenure certification and legally registered on communal land and patches of forests, including pooled lands; • To be considered as members of a community, individuals must be legally registered member of specific kebele, as per the Oromia Land Use and Administration Proclamation No. 130/2007.

5. Distribution of net ERPA revenues

The GOE will prepare a Monitoring Report (MR) corresponding to each Reporting Period (RP). ISFL will review the MR for completeness and minimum quality. Then, an independent third party hired by ISFL will verify the MR. Using the results of the verification report, ISFL will calculate the ER payments corresponding to the RP. The process from MR submission to ER payment delivery could take one year.

The GOE will present, in the MR, integrated results in terms of ER from the forestry sector. ERs generated will be measured as tCO_{2e} against a previously determined baseline, through the MRV system and involving independent verification by a Third Party of the Monitoring Report corresponding to each RP. Result calculation, in simple terms, involves determining the GHG emissions due to land use, land use change and forestry (LULUCF) during the ERPA period against the respective values in the reference period.

The conditions for ER payment for the beneficiaries are based on the performances in reducing emission within their management areas, and the participation in ER project activities. The ER payments will be delivered once results are achieved, verified by a third party, and formally reported to the World Bank. Third party can either be consultants who will be exclusively selected by the ISFL based on their international experience and competency to do the job. Based on the design of the Forest Reference Level (FRL) and/or MRV system it is expected that reporting and verification of ERs can occur every reporting periods as set in ERPA document. However, the first phase ERPA covers three years having two verifications. Accordingly, the first verification will occur at the end of first two years, while the next will happen by end of the third year.

5.1. Vertical sharing

The vertical sharing refers to the distribution of benefits between government entities, private sector, and communities. The proportion of benefits to be distributed to each category of beneficiaries in the forest sector is presented in the Table below.

Table 4: Vertical sharing of benefits applicable to the forestry sectors

Category of beneficiary	percent share of beneficiaries
Federal government entities	5
Regional government entities	15
Private sector	5
Communities	75

Government in the context of this BSPOM comprises of the Ethiopian Forest Development (EFD) at Federal level, the Oromia Environmental Protection Authority (OEPA) at regional level and other regional sectoral bureaus in the land use sector those Contributing to ER generation at their respective governance hierarchy. These are identified as government bodies eligible to lead formation of enabling environment and technical back-ups specifically to the success of OFLP-ERP. The 20% government share will be further shared between these federal and regional bodies according to the proportion of 5%:15% (Federal: Regional). This arrangement was set based on roles and responsibilities played by these parties in the OFLP-ERP implementation in general and emission reduction generation in particular (table 2). Funds should be used to promote activities that will help generate additional emission reduction and to coordinate activities and policies among sectors. Successive ER payment will be made when eligible beneficiaries present a technical and financial report of the use of the funds from previous payment to OEPA; an entity responsible for consolidating and reporting to all concerned parties.

Communities refer to those who live within the boundaries of Kebele (government’s smaller local administration unit) and engage in development and management of forests either legally or customarily, while private forest developers as defined above that fulfil the benefit sharing criteria.

Forest Management Cooperatives (FMCs) are organized based on their interest and historical relationship with the forest; in Oromia, their boundaries coincide with the kebele’s legal boundaries. Community(s) not organized as “PFM/FMC”; their boundaries also be that of kebele boundaries. FMCs as PFM operators could be organized by government agencies, NGOs or government projects dedicated to this objective and are organized according to the “Cooperative Development and Promotion Law”, with regular oversight by local level Cooperative Office. The difference between communities organized as FMCs and communities not organized as FMC/PFM is, the former are legal members of both the FMC and Kebele, while the latter are only legal member of Kebele. For benefits coming as ER proceeds, both are eligible. The share is set based on perceived rights, roles and responsibilities of the eligible parties (table 2 above). The major responsibility of the eligible beneficiaries is mainly related to their contribution in relation to ER and emission removal (A/R) expected at Oromia level. This vertical share is set at 20:75:5% (government: community: private forest developers).

Share of benefit for forest management cooperatives (FMCs) within Kebeles or kebeles without FMCs will be calculated based on total forest area managed by the kebeles/coops (60%) and the

forest development (40%). The forest development refers to a new forest plantation or forest expansion performed by the FMCs or kebeles without FMCs. According to the National Harmonized PFM Guideline, FMCs are organized in most cases covering the entire area of a given kebele when this given kebele has considerable size of forest cover and most of the communities residing in this kebele their livelihoods are directly or indirectly dependent of existing forest resources. However, there are kebeles without FMCs or yet to be organized as FMCs. In both cases, the same formula and performance indicators with the same weights (60:40) apply to allocate benefit for kebele with FMCs and Kebeles without FMCs (see paragraph 22 in the updated BSP). It is possible, kebeles with FMCs would benefit more than those without FMCs; the former benefiting largely from forest area stewardship which they are able to protect closely by applying their PFM organization thus avoiding/minimizing deforestation and open access situations, and also from new forests they develop (A/R). While the later, with no PFM organization of their own would be benefiting mainly from new forests they are able to develop as their forest stewardship mostly not that large in size or even if large, it is not well protected and still is in open access situations. There are few instances where two FMCs exist in a single kebele, or FMC does not fully cover the land and the people in a given kebele (i.e., having communities covered by FMC or communities uncovered by FMC, both in a single kebele). This is possibly due to large size of forest (up to 80% forest cover) with equally large kebele area size (e.g., kebeles in Nono Sele –SW of Oromia) in the case of two FMCs in a single kebele, and not so large forest area but with large kebele size (e.g., kebeles in Borena zone –Southern Oromia) thus leaving out part of the communities in FMC and part out of FMC. For the case of two FMCs in a single kebele, the FMCs will divide (split) their kebele share in two lots, each according to its forest area coverage and performance in terms of forest development applying the same rule in the BSP, formula and indicators used for kebele level share allocation. For those kebeles cases with communities partly covered by FMC and partly without FMC, the following options would be adopted:

1. On the remaining patches of forest out of FMC, forest user groups would be established using the PFM guideline and they will be merged to the cooperative adjacent to their site, or
2. A second FMC within a kebele would be established as above and split the benefit in two based on performance and size of forest stewardship as indicated above,

Note:

NGOs or DP who operate within communities are not expected to be eligible for benefits. However, as indicated in the OFLP-ER project appraisal document project beneficiaries section, partners such as NGOs are also expected to benefit indirectly as they are work with relevant bureaus/authority/agencies to (a) prepare, implement, and report on ER activities through joint annual OFLP-ERP work plans using the coordination platforms; (b) ensure consistent application of environmental and social compliance including application of Feedback and Grievance Redress Mechanism (FGRM); (c) maintain application of standard and agreed-upon MRV and BSP systems throughout; and (d) ensure synergies between existing sector initiatives that affect the OFLP objectives.

The non-carbon benefits including system development, enabling environment in institution and safeguards, capacity building thereof would be getting from the ER program.

5.1.1. Federal Government entities

The relevant federal institutions will use allocated share of benefit received from the 5% net ER proceeds to cover monitoring cost of national MRV team, , provide technical support in managing safeguards and fiduciary activities, and costs required to undertake the roles and responsibilities as specified in the existing BSP eligible beneficiaries' section (Table 2) and the roles and responsibilities as outlined in the follow up section of this BSPOM. EFD will prepare annual work plan (AWP), which will be approved by the National REDD+ Steering Committee, in coordination with the OFLP-ERP Steering Committee and OEPA).

Key Operational steps required for the receipt of the allocated benefit share:

Step 1: EFD in conjunction with OEPA and other federal and regional stakeholders-should prepare AWP as per the agreed roles and responsibilities;

- Monitor and follow-up proper implementation of national and international requirements and ER benefit distribution.
- Assist in coordination of federal and regional level cross sectoral policy and programmatic actions relevant to forest management and forest development activities of the OFLP-ERP,
- Oversee Environmental and Social compliance through the National REDD+ Steering Committee.
- Lead at national level MRV processes coordinating with relevant regional MRV units,
- Compile ER report and communicate to the concerned stakeholders.

Step 2: Approval of AWP by the national REDD+ Steering committee;

Step 3: Referral of approved AWP to MoF for the release of the allocated benefit share.

Note: Regional OFLP –ER Project steering committee and OEPA will engage in the AWP approval process.

5.1.2. Regional and local government (relevant) sector bureaus

The 15% share of Oromia regional state will be housed in Oromia Bureau of Finance (BOF) and managed by OEPA which will be responsible in identifying activities and actions in other sectors that reduce deforestation, forest degradation and promote forest development. It will be mobilizing implementing sectors and coordinating activities at regional level involving institutions such as BOA, BOL, BOWERD, and OFWE, Directorate in BoA and OCPDA. Investment options⁵ mainly focus on addressing drivers of deforestation and forest degradation will be identified and prioritized at regional level using the criteria specified in table 5 and approved by the OFLP-ERP project Steering Committee.

⁵ Investment option here refers to all possible menus of interventions such as A/R, climate smart agriculture, manure management, forage development, agroforestry, green gardening, intensive livestock management, watershed management, piloting of integrated land use plan, renewable energy etc. from all relevant sectors i.e., forest, crop, livestock, energy and the like that is recognized to generate additional emission reduction and/or removal.

Regional government (each sectoral bureaus in the land use sector) will use its allocated share of benefit received from the 15% net ER proceeds to undertake the roles and responsibilities as specified in Table 2 above and the roles and responsibilities as specified in the follow up section of this BSPOM.

OEPA will launch call for proposals to select relevant sector bureaus. The objective of the proposal is and come up with complete proposal that contributes more to ER; for instance, a proposal on how to support community development projects⁶ on sustainable way, if needed, the proposal can include staffing at field level as deemed necessary for the implementation of landscape program management on sustainable way.

Benefit distribution among relevant regional government institutions/ bureaus should follow the steps below:

Step 1: Call for proposals will be issued by OEPA/ORCU, and it will be communicated to regional implementing sectors along with the template describing sets of criteria that the proposal needs to fulfil. OFLP-ERP Steering Committee should approve the call for proposals prior to its communication to implementing sectors.

The terms of reference/template for calls for proposal for regional sector bureaus need to embrace key requirements that is possible or allowed as indicated below.

Call for Proposals: ERPA benefit sharing for regional government sector bureaus:

Deadline: Date-Month-Year

The OEPA is seeking proposals for allocation of ERPA benefits generated from OFLP-ERP first phase to relevant regional government sector bureaus, those who are eligible to receive benefit as specified in the BSP, and those whose ground level activities support ER generation by the CBOs and the private sector projects in Oromia Regional State.

Goals

The share of benefit received from the 15% net ER proceeds allocated for relevant regional government entity is expected to contribute towards the overarching objective of OFLP-ERP PDO “to reduce net greenhouse gas (GHG) emission and improve sustainable forest management in Oromia”.

The proposals for ERPA benefit should be prepared in line with key roles and responsibilities of relevant regional entity. Moreover, to the extent possible activities should be geared towards generation of more ERs and livelihoods related benefits to communities.

⁶ ER generating projects in line with OEPA and BOA guidelines; and social development and livelihoods diversification projects in line with Community Actions Plans.

Thematic Areas

Thematic areas selected for the call for proposals include:

- identification and implementation innovative projects regardless of size that can contribute to biodiversity conservation, green corridor connectivity, income generation, agroforestry, home gardening CSA, and energy saving.
- taking full responsibility for assisting the community in designing, implementing, monitoring and reporting of the community development project
- recruit certain number of field staff to provide technical assistance to the implementation of landscape program if deemed necessary,

Funding/benefit Information

- Approximately 10-15 projects will be financed with a total budget available for all the projects of approximately (ETB ____ only).
- Duration: Projects are funded for the duration of one to two years. Projects funded earlier from the ERPA benefit may be considered for additional years of financing but funding for the same project can't exceed ____ years and ____ amount of ETB.

Eligibility Criteria

Oromia National Regional State sector institutions which are found to be eligible and described in the OFLP BSP applying the following four criteria:

- Direct contribution to GHG emissions reduction from avoided deforestation, forest development and other sustainable land use practices.
- Willingness to use ERPA benefits to maintain interventions and contribute to the successful ER Project implementation.
- Historical contribution to forest conservation or the promotion of other sustainable land uses.
- Current engagement in projects and activities that undertake concrete actions to reduce GHG emissions from avoided deforestation, and other sustainable land uses.

Selection Criteria

Project selection will be based on the following selection criteria:

- Alignment of proposal with OFLP's BSP principles and ER generation activities as well as the above thematic areas;
- Project outputs are clearly defined, with indicators, baseline data and risk management;
- Project activities are relevant, realistic and contribute to the desired outputs including;
- Emission reduction potential, livelihoods improvement and employment opportunity;
- scalability, adoptability by the community/small holders;

- sustainability and or meeting environmental and social safeguards requirements;
- Project budget is in line with the activities and cost effectiveness;
- Experience and management capabilities of the applicant.

Step 2 OFLP Technical Working Group (TWG) will evaluate the quality of the proposals submitted by the sector bureaus using the already set criteria (table 5) and selected proposals will be submitted by OEPA along with the technical evaluation prepared by OFLP-ERP TWG for review and approval by the OFLP-ERP steering committee.

Step 3. Review and approval of winning proposals by OFLP-ERP steering committee.

Note: To ensure representation of other sectors, the OFLP steering committee is composed of heads of sector offices such as OEPA, Bureau of Agriculture (BoA), Bureau of Water, and Energy Resources Development (BoWERD), Oromia Forest and Wildlife Enterprise (OFWE), Bureau of Land (BoL), Bureau of Finance (BoF), Bureau of Women and Youth Affairs, among others.

Table 5: Criteria, parameters, and weights to evaluate sector bureau proposals.

Criteria	Parameters	Weights
Technical soundness	<ul style="list-style-type: none"> • Capability and commitment of the sectors to implement the proposed activities as scheduled; • Effectiveness of the proposed activities to generate additional emission reduction; • The concurrency or compatibility of the proposed activities with the sector’s responsibility 	70
Financial soundness	<ul style="list-style-type: none"> • Feasibility of the proposed activities within proposed budget limit • Efficiency and effectiveness to meet the PDO. 	30
Total		100

Step 4: Finally, the regional Bureau of Finance grant the resources to winning sector bureaus as per OEPA request.

5.1.3 Private sector

Private developers encompass those licensed as individual investors, private corporations, as well as business associations and cooperatives (e.g., SMEs) who have developed forests on own land or land received for this purpose in the form of lease or other arrangements within the landscape of Oromia. The area of private plantation to be covered under the Benefit sharing arrangement should fulfil the national forest definition and meet all safeguard compliance requirements as specified in the OFLP-ERP E&S instruments. The Federal Forest Proclamation (Proc#1065/2018)

defines Private Forest as “forest other than state and community and developed on private or institutions’ holdings. However, very few such endeavours exist today in the region, as a result small proportion of the allocated benefit (5%) would be used to benefit them.

Other private sector entities:

If farmers want to propose and pool together their own unused and extra land and form a licensed Plc. this is entirely possible and should be encouraged.

It is possible that other private sector entities from the agriculture sector including investors in honey and species production and coffee growers will play a role in and benefit from the program. These private sector entities will have a direct impact in the project agreeing to avoid forest conversion and doing on-farm shade tree management, thus resulting in reduced deforestation and reduced degradation and contributing to ERs.

Plantation investors:

Why plantation? The traditional reason for plantation establishment is to provide fibre and other products such as latex, nuts, fruits, fuel wood, or fodder. Many plantation species provide multiple products during their lifespan. Plantations have been used to support forest industry expansion and this objective has often been entwined with the intention of reducing harvesting pressure on native forests. Another traditional rationale for establishing plantations is to stabilize degraded sites and rehabilitate sites depleted by logging, fire, or other agents. Utilities have been establishing plantations to offset their emissions and many countries are considering using plantations to help meet their global ER commitments. Their ecological values can be very significant but are rarely considered by investors themselves since these values are difficult to quantify and compare with monetary values (Kengen 1997).

The benefit allocated for private sector is meant to support establishment of new forest and forest management operations that enhance delivery of emission reduction/removal. For the private sector to benefit from the ER payment, requirements such as allocation of a matching fund, proper application of the OFLP’s safeguards instruments, job creation, availing livelihood improvement options, women and youth benefitting from employment opportunities, and adoption of Corporate Social Responsibility (CSR) could be criteria for selection of proposals. Moreover, forest developed by a private sector should fulfil the definition of “forest”⁷ adopted nationally and used by OFLP-ERP.

Note: All other tree planting practices that don’t fulfil the definition of forest will not be rewarded.

Resources distribution among relevant private sector entities should follow the steps below:

⁷ Land spanning at least 0.5 ha covered by trees and bamboo, attaining a height of at least 2m and a canopy cover of at least 20% or trees with the potential to reach these thresholds in situ in due course.

Step 1: OEPA/ORCU will launch call for proposals for private sector forest development entities using electronic or printing Medias or both.

Note: Each eligible private sector recipient will use its share of benefit received from the 5% net ER proceeds allocated for private sector entities, complimented with own matching fund to undertake the roles and responsibilities specified in Table 2 and the roles and responsibilities specified in following up section of this BSPOM.

Step 2: Private sector entities will participate in the call for proposals launched by OEPA using a template designed for call for proposal for regional entities with minor modification on thematic areas in line with their roles and responsibilities (refer the template for calls for proposal for regional sector bureaus in section 5.1.2 above) and inclusion of a criteria that contribution of matching fund for the proposed project.

Step 3: OEPA /ORCU will evaluate the quality of the proposals submitted by private sector entities in the light of contribution to generating additional ERs and whether it is aligned with OFLP safeguards instruments, and criteria stipulated in table 6. OEPA /ORCU will prepare and present a report on the proposals to OFLP Steering Committee (SC) which will select and approve the winning proposals.

Note: In cases where private sector developers meeting minimum eligibility criteria are absent and/or if no show of interest in submitting proposals, the share allocated to private sector could go to benefit community with prior assessment and decision by the OFLP Steering Committee.

Table 6: Criteria, parameters, and weights to select the winning private sector proposals.

Criteria	Parameters	Weights (%)
Potential to generate additional Emission reduction	Type of emission reductions technology proposed. <ul style="list-style-type: none"> previous area of plantation (10) proposed afforestation and reforestation potential (10) Additional emission reduction activities (10) 	30
Matching fund contribution	Percentage of funds offered as matching funds in cash	20
Quality of the proposal	Technical and financially soundness of the proposal <ul style="list-style-type: none"> Implementing entity is respected, trusted, and has proven managerial capacity (4 points) The proposed GHG emission reduction technology is technically sound and responds to local needs (4 points) Sound financial business model and sustainability (4 points) Alignment and linkage with OFLP priorities (4 points) 	20

Criteria	Parameters	Weights (%)
	<ul style="list-style-type: none"> Incentives for scaling up (4 points) 	
local livelihood improvement	<ul style="list-style-type: none"> Number of jobs created (8 points) Inclusion of underserved population, women, and youth (6 points) Promote local associations (6 points) 	20
Compliance with preparatory safeguard standards	Safeguard Instrument implementation <ul style="list-style-type: none"> Implementation of preparatory safeguard instruments and concurrency (5 points) Performances of PSI and capability in implementation of ES impact Mitigation Remedies (5 points) 	10

Step 4: BoF grant the resources to winning private sector as per OEPA request. The share of each PS investors from the total 5% will be determined based on the total forest area developed by each and calculated relative to the overall regional performance in forest development plus amount of matching fund each PS allocates. OEPA/ORCU will be responsible to document potential list of eligible PS projects in the forest sector (see section 5.2.5 below for the formula of benefit allocation for the PS).

5.1.4. Communities

Eligible communities will use their respective resource allocation to comply with their roles in ER generation as indicated in Table 2 above and the roles and responsibilities given in the following up section of this BSPOM. The criteria and indicators to allocate and disburse benefits among communities are presented in section 5.2.4 and Annex 2 of this BSPOM.

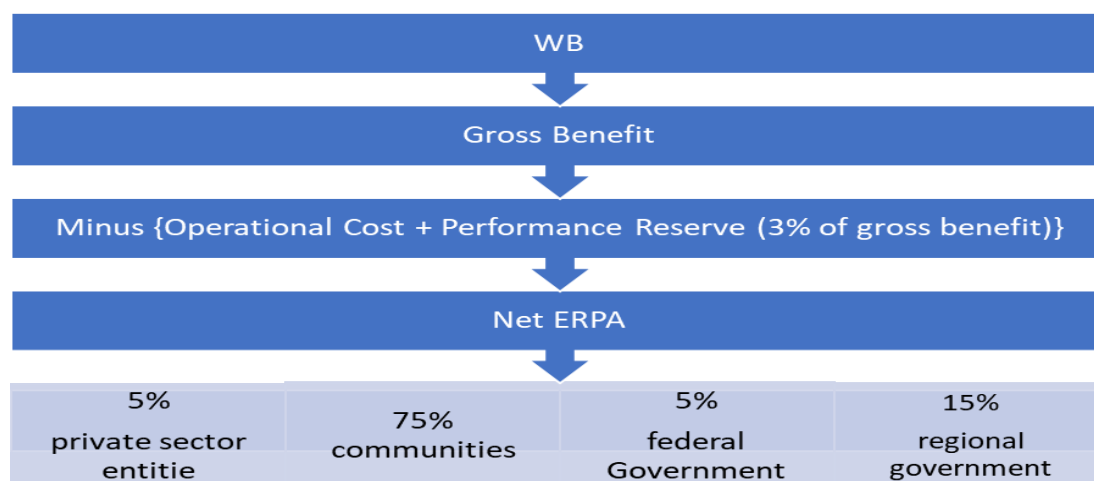


Figure 1: Vertical sharing of ERPA results-based payments

5.2. Horizontal benefit sharing

The horizontal benefit sharing in the context of OFLP-ERP refers to net benefits distribution within communities which are found to be eligible as per the agreed criteria clearly stipulated in

the exiting BSP as well as in this BSPOM (see table 2 and section 9 of this BSPOM). Net benefits for communities correspond to 75 percent of total net benefits, which will be dispensed among the communities across Oromia following a three-step process:

- first is the share among administrative zones;
- second is share among woredas in each zone; and
- third is share among kebeles in each woreda.

Note:

There will be no money to be retained at zone level. All the money allocated to the zone based on performance will be distributed downward to each woreda under the zone. The same is true for the share of the woreda will be allocated to each kebele.

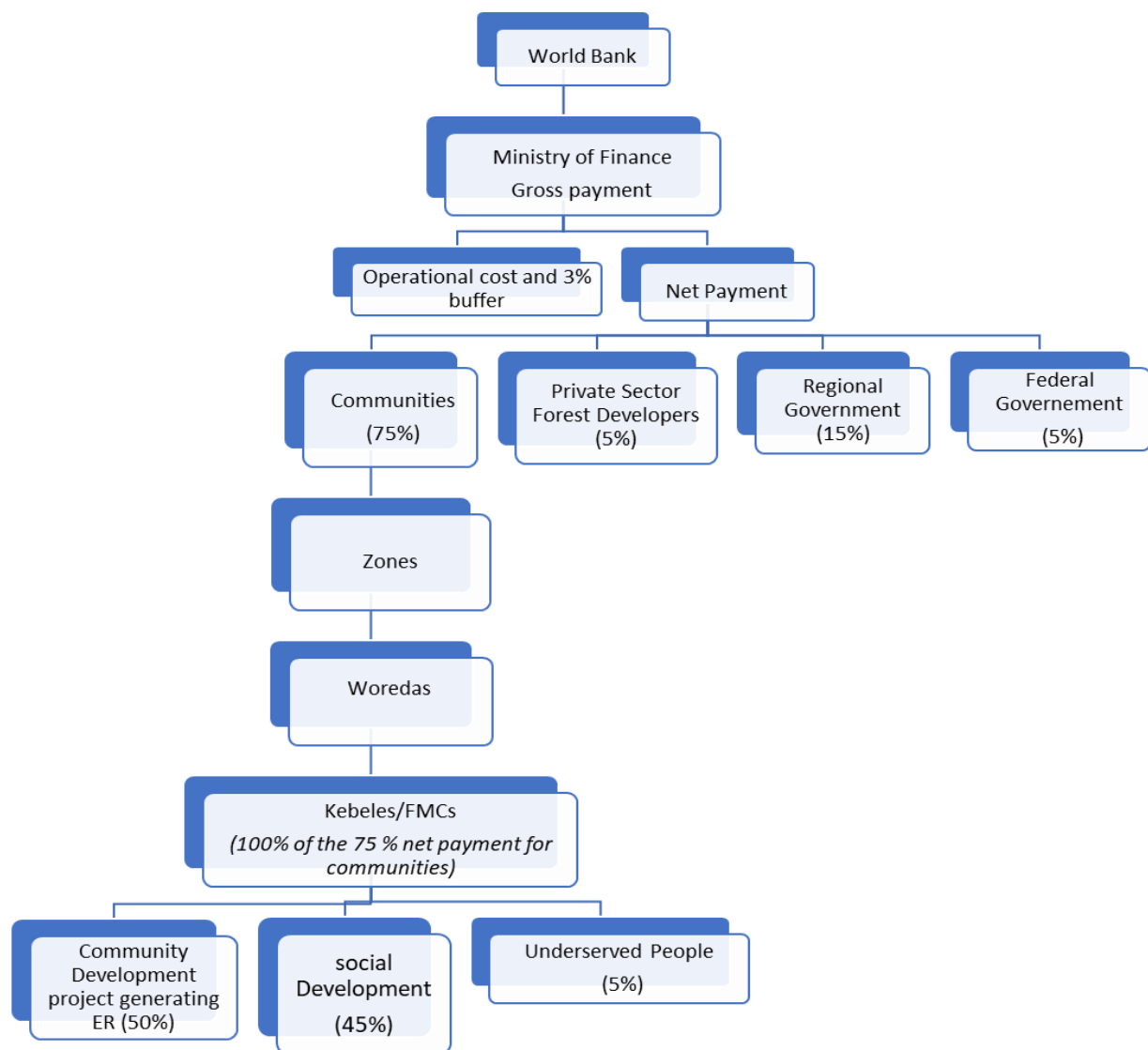


Figure 3: Beneficiaries of the program

5.2.1. Performance

Based on recent sample-based area estimation of deforestation and baseline development work for all administrative zones in Oromia, the Project MRV team estimated 10.6 million ha of forest

cover existed in 2007 (according to the revised national forest definition adopted in 2015), and this was reduced to 10.39 million ha in 2017, with 345,525 ha cumulative deforestation rate happening within the span of 10 years period, translating in to **net loss** of 24,690 ha forest per year (about 0.23 % deforestation rate) after deducting forest gain in the period. The contribution to the ER that generate payment from zones, woredas and kebeles in the region will vary depending on level of effort put to address the drivers of deforestation and other social, ecological and economic factors. Assessing the contribution of each administration levels to the regional performance enables to give incentive for efforts put at each level in changing human forest interaction, i.e., result based incentive. Therefore, avoided deforestation (AD) (in hectares) and/or forest development (A/R, also in hectares) delivered by each zone should be considered as a critical performance⁸ indicator for sharing benefit from the ER payment. Performance at zonal level will be measured against the baseline for each zone which will be determined separately using the same approach in line with the MRV procedure developed for OFLP. In measuring the zonal level of avoided deforestation and A/R in hectares, the same baseline and monitoring cycle should be applied with that used to determine the regional level performance. Determination of the zone level baseline and assessment of performance at all levels will be conducted by ORCU's MRV unit following national MRV protocol. The weights attached to the above two criteria are 60% for performance and 40% for existing forest area (see table 7).

5.2.2. Horizontal share among zones

Table 7: Summary of criteria, rank and weight attached to each criterion for the horizontal share among zones as agreed during beneficiaries' consultations

Criteria	Justification	Rank	Weight
Performance	Communities in different zones are expected to differ in their performances because of their internal strengths, experiences, and support services by government and non-government bodies and other socio-economic and political factors. Therefore, the benefit shared should reflect performance delivered aggregated at zone level.	1	60
Forest Area	Communities in different zones manage different size of forest that reflects their historic forest stewardship; therefore, benefit share should reward communities according to the size of forest they manage.	2	40

Based on the criteria and weight attached to each criterion, the following equation (Eq. 1) will be used to estimate share of monetary benefit at zone level.

$$SBZ = (TCS * ((0.6 * PZ/TPO) + (0.4 * FAZ/FAO))) \text{ --- (Eq. 1)}$$

Where:

⁸ Performance in this specific context refers the net reduction of deforestation (avoided deforestation) and forest development.

SBZ: Share of Benefit per Zone
TCS: Total Community Share
PZ: Performance of the Zone
TPO: Total Performance across Oromia
FAZ: Forest Area of the Zone
FAO: Forest Area in Oromia

Hypothetical example for sharing among zones

Table 8: Hypothetical example to demonstrate how the equation works to calculate horizontal share.

Variable	Unit	Quantity	Remark
Forest area of Oromia	Ha	10,390,000	As per recent forest cover estimate by ORCU for year 2017 – paragraph 14 above and Annex B
Forest area of zone n	Ha	400,000	
Performance at Oromia level	Ha	10,000	
Performance of zone n	Ha	1,000	
ERP*	USD	15,000,000	based on performance @ regional level done independent of this BSP at Phase I
ORCU operational cost	USD	611,205	Table 2. If performance is done every two years, hence, $305,602.50 * 2 = 611,205$
3% performance buffer deduction (PBD)	USD	450,000	
Net payment	USD	13,938,795	NERP – (ORCU operational cost + PBD)
Community share of ERP (75%)	USD	10,454,096.25	$0.75 * 13,938,795$
Share for zone n		$= 10,454,096.25 * ((0.6 * 1,000 / 10,000) + (0.4 * 400,000 / 10,390,000)) = 788,232.82 \text{ USD}$	

17. There could be a condition where performance at Oromia scale doesn't exist, while some zones still showing positive performance. Since OFLP is designed as jurisdictional level ER program, no benefits shall be expected even for the performing zones under such a

circumstance. However, an arrangement could be made to use funds set aside as buffer to reward the zones that performed well, in case of landscape non-performance. However, for this buffer to be created, ERs need to be generated first – meaning, if there is no first-time verified ER generation at jurisdictional (regional) level, arrangement will be made for performing zone(s) to be rewarded retroactively from future fund to be set aside as buffer as soon as positive emission reduction attainment by the project. The amount for reward for performing zones depend on factors such as: amount of performance buffer fund available, number of performing zones and level of performance of each performing zone, and existence (no existence) of other compensation demands from other zones affected by natural factors such as forest fire, droughts, etc., as the 3% performance buffer is also aimed to compensate for such situations. The OFLP Steering Committee will be the authority to evaluate and approve the proposal to reward eligible zone(s). Depending on the amount of reserve fund available and considering factors indicated above, the OFLP Technical Working Group will propose the percentage amount to be rewarded to performing zones each according to its performance level and subsequently, submit the proposal to the OFLP SC for its endorsement. A modification of the formula given above in paragraph 16 can be used to calculate the share of performing zones from available performance reserve. Any grievance arising on use of performance buffer fund will be resolved based on the GRM arrangement established for OFLP-ERP. Conversely, when performance is achieved at regional level, zones that did not perform (zero performance⁹) should still benefit from the overall payment based on their forest area criterion alone (see equation above and table 6 below). This is essential to motivate zones to work hard to deliver performance in the future and also reward their stewardship. Zones with negative performance will not be rewarded.

Note: Zones with negative performance will not be rewarded.

Table 9: Hypothetical example to demonstrate how the equation works if there is jurisdiction level achievement but zone fail to perform (zero performance).

Variable	Unit	Quantity	Remark
Forest area of Oromia	Ha	10,390,000	
Forest area of zone n	Ha	400,000	
Performance at Oromia level	Ha	10000	
Performance of zone n	Ha	0	
ERP	USD	15,000,000	based on performance @ regional level done independent of this BSP

⁹ Zero performance will happen under the condition where the net gain in avoided deforestation (forest loss in ha) and/or forest development (forest gain in ha) equals the reference level during a given monitoring cycle, hence zero net gain over the reference level.

ORCU operational cost	USD	611,205	Table 2. If performance is done every two years, hence, $305,602.50 * 2 = 611,205$
3% performance buffer deduction (PBD)	USD	450,000	
Net payment	USD	13,938,795	NERP – (ORCU operational cost + PBD)
Community share of ERP (75%)	USD	10,454,096.25	$0.75 * 13,938,795$
Share for zone n	$10,454,096.25 * ((0.6 * 0 / 10000) + (0.4 * 400,000 / 10,390,000)) =$ 160,987 USD		

5.2.3. Sharing within zone

As indicated above, performance is measured, and reward is provided at zonal level. However, the forest is managed at community level, which demands for a mechanism to distribute the zonal level share further among woredas in each zone and kebeles in each woreda. For this, objective criteria should be applied to minimize MRV related costs. Hence, area of existing forest (50%), forest development¹⁰ (30%) and number of Forest Management Cooperatives (FMCs) (20%) are proposed to serve as criteria for sharing benefit among woredas in each zone¹¹. These criteria were suggested because they show effort of community in forest management. For instance, number of FMCs was suggested to be a criterion since it shows the level of effort put by the community in the woreda to actively engage in ER activities. The use of such criterion will motivate the others to organize in that line to manage forests. For benefit distribution among woredas and kebeles using quality data considering total forest area and forest development (A/R, enrichment planting and rehabilitation) as proxy indicators, ORCU/OEPA will rely on the critical mass of MRV specialists (proposed to be 7 in total of which five are forest MRV specialists). The MRV Specialist will be deployed using ER proceeds set aside from the gross ER payment as operational cost, to collect data and analyse (GIS/remote sensing, on ground measurement using GPS particularly from new forest development area, data from forest management information system (FMIS) repository, and data collected by various implementing entities including OFWE, OEPA, BoA, NGOs, CBOs, etc.) and produce quality maps with acceptable error margins to be used to determine performance in each woreda and Kebele. The MRV team has been receiving regular capacity building training and are equipped with required technologies from resources of the REDD+ Readiness and OFLP grants to be able to undertake measurement of performance. To enhance their capacity further, continuous capacity building training shall be provided in the remaining grant period and beyond using ER proceeds as stated

¹⁰ Forest development in this case refers to area of forest gain in evaluation period as compared to the reference period. The gain may be achieved from A/R or rehabilitation of degraded site, and it is expressed in hectares.

¹¹ It is acknowledged that the accuracy level of forest cover assessment may be questionable as of now, but, in 3 years from now, is expected to improve considerably.

above. The national MRV unit and the National Geospatial Information Agency will assist in this capacity building exercises particularly on forest inventory and quality map production.

The proxy for forest development is the number of planted seedlings in the form of enrichment planting, A/R and/or gain in forest area through rehabilitation activities. Area of each forest enrichment and A/R activities will be measured using GPS and clear demarcation of these sites will be determined and submitted to Zonal and Regional OEPA offices for continuous monitoring. In support of this, online data submission system would be developed and aggregated upwards to the central data base using mobile data submission mode such as ODK or ArcGIS. Survival of the seedlings is a key factor to consider as any planting activities should not be considered a success. Therefore, the criterion considers the seedlings that survived for at least two years after planted.

Forest area refers to the size of natural forest in each woreda following the definition of “forest” in Ethiopia. Forest monitoring and mapping for reporting is conducted every two years at Jurisdictional level. Whereas there will be continuous monitoring and mapping of A/R and PFM activities on yearly basis. To avoid double counting, forest area does not include newly developed and rehabilitated forest within the monitoring period. When it is not possible to define the area for the newly developed forest by each woreda, the total area of A/R (ha) is determined: multiplying number of seedlings planted with spacing between seedlings (m) divided by 10,000 and finally multiplying the result by survival rate of seedlings.

$$TAARha = \left(\frac{NSs+Sm}{10000} \right) * SR$$

Where:

- TAARha:** Total Area of A/R in ha
- NS:** Number of Seedlings
- Sm:** Spacing in meter
- SR:** Survival Rate of seedling

The spacing between tree species depends on many factors, including species, objective, weed competition, soil moisture etc.¹². The data on those criteria is always updated by OEPA/ORCU field staff.

Criteria, indicators and weight to determine performance / resources of woredas within a zone is indicated in table 10.

Table 10: Criteria and indicators to assess the performance of Woredas.

Criteria	Weight (%)	Indicator
Area of existing forest, in ha	50	This indicator is measured in hectares and excludes newly developed or rehabilitated forest to avoid double counting with forest development.
Forest Development	30	The following proxy indicators will be measured, depending on data availability

¹² Spacing is 2m for fuel wood, maximize yield, short rotation, no small size limit and 4.5 m for Sawn timber, large log size 30 cm+ in DBH, long rotation, regular thinning.

		<ul style="list-style-type: none"> Area of forest gain due to Afforestation/Reforestation (A/R), ha
FMC	20	Number of Forest Management Cooperatives

The following equation would be applied to calculate the share of benefits corresponding to the woredas within a zone:

$$SBW = TSZ * \left(\left(0.5 * \frac{FA_{woreda}}{FA_{zone}} \right) + \left(0.3 * \frac{FD_{woreda}}{FD_{zone}} \right) + \left(0.2 * \frac{FMC_{woreda}}{FMC_{zone}} \right) \right) \quad (Eq. 2)$$

Where:

SBW: Share of Benefits per Woreda

TZS: Total Zone Share

FA: Forest Area

FD: Forest Development

FMC: No. of Forest Management Cooperatives

Table 11: Hypothetical example to demonstrate how the equation works to calculate share of woredas.

Variable	Unit	Quantity	Remark
Forest area of zone n	Ha	100,000	
Afforested/reforested and rehabilitated area of zone n	Ha	100	
Number of FMCs in zone n	Number	50	
Community share for zone n	USD	788,232.82	Table 5
Forest area of Woreda n	Ha	5000	
Afforested/reforested and rehabilitated area of woreda n	Ha	20	
Number of FMCs in woreda n	Number	10	
Share for Woreda n	USD	$((0.5 * 5000/100000) + (0.3 * 20/100) + (0.2 * 10/50)) * 788,232.82) = 98,529$	

5.2.4 Sharing among kebeles within each woreda

The benefit to reach the community, the woreda level share needs a further sharing among the kebeles within each woreda. Forest area (60%) and forest development (40%) are the criteria and weights assigned to share benefit among kebeles within woreda. The share per kebele is calculated using the equation below (Eq. 3).

Table 12 Criteria and indicators to calculate benefits corresponding to Kebele.

Criteria	Weight (%)	Indicators
Area of existing forest	60	This indicator is measured in

		hectares and excludes newly developed or rehabilitated forest to avoid double counting with forest development.
Forest development	40	The following proxy indicators could be applied, depending on data availability <ul style="list-style-type: none"> • Area of forest gain due to A/R, ha • Area of enrichment planting, ha

Most benefit may likely go to the FMCs or kebeles with larger area of forest. However, non-forested kebeles may receive benefit if they engage in forest development during the monitoring period.

$$SBK_x = CSW_n * \left(\left(0.6 * \frac{FAK_x}{FAW_n} \right) + \left(0.4 * \frac{AFDK_x}{AFDW_n} \right) \right) \text{ --- (Eq.3)}$$

Where:

SBK_x: Share of benefit of kebele x

CSW_n: total Community Share of Woreda n

FAK_x: Forest Area of Kebele x

FAW_n: total Forest Area of Woreda n

AFDK_x: Area of Forest Developed in Kebele x

AFDW_n: total Area of Forest Developed in Woreda n

Table 13 Hypothetical example shows how the equation calculates share of Kebeles.

Variable	Unit	Quantity	Remark
Forest area of Woreda n	Ha	5000	
Total Area of Forest Developed in Woreda n	Ha	20	
Total community share of Woreda n	USD	98,529	
Forest area of Kebele/FMC x	Ha	800	
Area of forest developed in Kebele/FMC x	Ha	5	
Share for Kebele/FMC x	98,529 * ((0.6 * 800/5000) + (0.4 * 5/20)) = 19,312 USD		

5.2.5. Sharing among the private sector actors

The share of PS is calculated from the overall net benefit disbursed to BoF, the percentage being 5% of the total net benefit. The key criteria to be used for benefit calculation among the PS are total forest area developed (80%) relative to total regional size of forest development and matching fund contributed (20%). The full value (100%) of the matching fund will be determined by the OFLP Steering Committee. The share of PS is calculated using the equation 4 below (Eq.

4). More criteria however could be used to evaluate and allocate funding on competitive basis for projects proposed by the PS during project appraisal by OEPA/ORCU, such us: number of employments to be created, gender equity, age of applicant, potential for more ERs, etc. (see section 6.3).

The following equation would be applied to calculate the share of benefits corresponding to private sector actors:

$$SPSx = 0.05 * TNERP \left(\left(0.8 * \frac{AFDPSx}{TAFDR} \right) + \left(0.2 * \frac{PMFCPSx}{100} \right) \right) \text{ --- (Eq. 4)}$$

Where:

SPSx: Share of Private Sector x

TNERP: Total Net ER Payment

AFDPSx: Area of Forest Developed by PSx

TAFDR: Total Area of Forest developed at Regional Level

PMFCPSx: Percentage of Matching Fund Contributed by PSx

Table 14 Hypothetical example shows how the equation calculates share of Private Sector.

Variable	Unit	Quantity	Remark
Total net ER payment	USD	13,938,795	
Total area of forest developed at regional level	Ha	3000	
Area of forest developed by the Private Sector	Ha	20	
Percentage of matching fund contributed by the PS	%	40	Considering that the PS can contribute 60% of the matching fund of the 100% value established by the Steering Committee.
Share for PSx	$0.05 * 13,938,795 \left(\left(0.8 * \frac{20}{3000} \right) + \left(0.2 * \frac{40}{100} \right) \right) = 59,472.20 \text{ USD}$		

5.2.6. Distribution of benefits among Forest Management communities (FMCs) or kebeles without FMC

FMCs and kebeles without FMC will receive the 75% of the net ERPA payment. 5% of the community share will be allocated to underserved communities. While the remaining 95 % will be allocated for the implementation of community (FMCs/kebeles without FMCs) initiatives as 50 % to projects that bring more ERs and 45% to social projects to be identified jointly with community representative facilitated by OEPA in participatory manner (see section 7.2 of this BSPOM).

Only communities in the woreda that have contributed to ER and removal will receive payments. The detail of steps to be followed for benefit disbursement among FMCs/kebele CBOs is presented in Annex 2 of this BSPOM.

5.2.7. Distribution of benefits among underserved communities

Five percent (5%) of the net ERPA benefit allocated for communities will be allocated to support underserved communities, women, and youth, facilitated by Oromia Women and Children Affairs Office (OWCAO). Its utilization will be coordinated by woreda OEPA office and managed by micro finance institution (MFI) operating in the woreda.

Criteria and steps to select beneficiaries from underserved communities: Identifying and targeting underserved people is important first step towards implementation of the 5% ER benefit allocated out of the total 75% communities' share of benefits to support underserved communities, women, and youth.

How to target beneficiaries from underserved group?

In principle, all underserved group members are entitled to have access to the revolving fund, however there should be prioritization and targeting of the most marginalized poorest households to receive the revolving fund established using the 5% ER benefit share allotted for the underserved.

Step 1: Identification of underserved social groups: With support from the woreda OEPA Office and Woreda Women and Children Affairs Office (WWCAO) the local community should identify households belong to underserved social group using the following criteria:

Groups/Clans/individuals that have limited or no access to resources or that are otherwise excluded any socioeconomic activities due to their:

- geographic location,
- religion, customs, gender identity,
- underserved racial and ethnic populations,
- special needs such as language barriers, disabilities, alienage status, or age,
- poorer of the poor who highly depends on forest resources as their livelihoods.
- Victims of climate change effects like flooding, land slide and crops failure
Landless household individuals

Step 2: Underserved Community wealth ranking: With support from the woreda Environmental Protection Office and woreda Women and Children Affairs, the community should conduct a wealth ranking of households who are included in the list of underserved social group. Wealth ranking should consider:

- land ownership (size as well as quality),
- livestock ownership,
- Other productive assets and other means of income generation, etc.
- Female-headed households should be given consideration during this process as well.

Note:

- Throughout this process, the revolving fund through the 5% benefit share should not be discussed with the community. This wealth ranked list should be retained for use in future years, unless there is a new mass retargeting of the underserved groups.
- Individuals with disabilities can be considered on a case-by-case basis, provided that they

have the capacity to manage a productive asset and aspire to engage in livelihood/IGA activities.

Step 3: Calculate the beneficiary number: The shares to vulnerable/underserved groups will be determined by communities (in FMC/Kebele) and approved by the woreda cooperative agency of each woreda.

Based on that the office will further estimate the maximum amount of benefit to be allotted for a given underserved social group (an average controlling budget figure) to determine the number of individuals to be addressed for that specific period. For example, if the average total available fund per underserved social group is estimated as USD 100000 and the optimum loan size (per capita revolving loan) is estimated as USD 300, so the number of individual households to be covered with in a woreda/kebele will be $(100000/300) 333$.

Step 4: Draw a line: Using the wealth-ranked lists, woreda OEPA and WWCAO, in consultation with the community, should draw a line delineating the most marginalized and poorest households in the community, up to the threshold calculated in Step 3 above (so, for the example above, the woreda OEPA and WWCAO and the community would draw a line at the 330 poorest households) to be counted starting from the bottom.

The woreda OFLP steering committee should then verify with the community (in the step below) that all targeted revolving fund client are most marginalized, very poor, with very low asset levels.

Step 5: Community verification: The list of the most marginalized, poorest clients should be nominated by community, verified by cooperatives general assembly /Kebele and approved by **woreda steering committee**.

The community nomination process is very important to guard against favouritism and other unfair targeting processes. Therefore, Woreda and Kebele Administrations in conjunction with woreda steering committee should ensure that consultation of and approval by the community is done properly.

Step 6: Posting list of eligible revolving fund recipients and timely resolution of grievance: The final list approved by the community should be posted in the kebele and public centres, with instructions to submit any appeals to kebele Shengo/Social Court or Traditional Leaders (Aba Gada) within 10 days. Kebele Shengo/Social Court or Traditional Leaders (Aba Gada) need to conduct investigations within 10 days, with quick resolution so that people can start the implementation process.

Note: Any appeals submitted to kebele Shengo/Social Court or Traditional Leaders (Aba Gada) should be directed to the Kebele Grievance Redress Committee (GRC) and to be registered in the grievance logbook too.

For grievance not addressed at kebele level and other grievance raised at woreda level, appeal can be submitted to WOEPA and provide response after clarifying the issue within 10 days. If the applicant may not satisfy by the response, then he/she can take the issue to the ORCU or woreda formal court.

Step 7: Submission of eligible list: After any appeals have been resolved, the final list should be submitted to the woreda OEPA, with copies to Woreda Women and Child Affairs (WWCAO). After woreda steering committee approval, woreda office of finance (WoF) in conjunction with woreda OEPA and WWCAO should establish the database to indicate that these households are eligible for the revolving fund. Steps and processes involved in promoting group revolving funds using the 5% ER benefit share for the underserved from the respective kebele/cooperatives' shares shown below

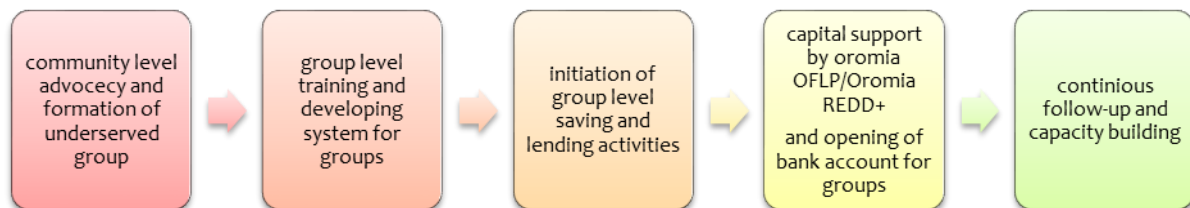


Figure 4: Selection process of underserved group members

Basic concepts related to Revolving Fund

- Underserved groups are voluntary entities formed to attain collective economic and social goals;
- The basic principle is to promote self-help within group members under their cooperative/kebele organization (they can also be named as Self-Help Groups);
- The number of each underserved group would consist of 20-30 members in the cooperative/kebele for ease of implementation of technical and follow-up support by woreda relevant entities and frontline workers (DAs);
- The main activity is to conduct micro savings and lending from allocated share of benefit received from the 5% net ER proceeds for the underserved communities at a minimal interest rate of 1-2%;
- Group members agree on a fixed monthly savings rate per member, the range of saving and revolving period are determined by their respective cooperative/kebele general assembly;
- Key signatories are decided by the group, implying, each group will have a governance system (by-law) that contains the basic rules as code conduct for group members and group affairs;
- An established governance structure includes a Chairperson, Secretary, Treasurer and Members and the group maintains all essential records to ensure transparency and accountability;
- The group meets on a weekly, fortnightly or monthly basis, as determined by the members;
- They discuss and agree on socio-economic issues to address according to collective priorities.

Note: The capital support by Oromia OFLP-ERP/Oromia REDD+ will continue to serve the underserved group members with the facilitation of woreda women and child affairs and woreda cooperative promotion office.

6. Disbursement mechanism

The disbursement mechanism of the existing BSP follows the government's Channel One fund flow mechanism. The Ministry of Finance (MoF) receives the Result Based Payment (RBP) in an independent account and keeps the 3% performance buffer for risk management and deducts the operational cost as described in the previous section. ORCU/OEPA officially communicates the BoF detailing share of all eligible beneficiaries from the net payment as per the OFLP monitoring result. Accordingly, BoF transmits this disbursement request to MoF. Then MoF transfers the share of federal government to the account of EFD and the remaining net-benefit and the operational cost to Oromia BoF.

Note: The rationale for using this channel one fund flow mechanism is due to the fact that: (i) It is an established fund channelling system already in place used for government fiscal disbursement, (ii) no additional cost is required for fund channelling, and (iii) as proven and well-established system, would ensure speedy ER fund disbursement to beneficiaries at lower level.

The Oromia BoF, being officially communicated on the amounts of shares to each entity in the region (by ORCU/OEPA-ERP) as decided by the OFLP-ERP Steering Committee, disburses operational cost to OEPA's account. Moreover, Oromia BOF disburses share of FMCs to their respective account and the shares of kebeles without FMCs to the respective Woredas' Office of Finance (Figure 4). The share of private forest developers (5% of the net) will be kept at BOF and will be disbursed to eligible private sector, after being officially communicated by OEPA as decided by the OFLP Steering Committee.

BOF will release the portion of the share of Oromia regional state (15%) to respective eligible sector bureaus implementing the winning proposals or regional level action plans based on the decision of OFLP-ERP Steering Committee which determines the specific activities and sectors that leads them. OEPA's lower administrative level units will oversee the proper disbursement and utilization of the shares at the respective sector administrative level.

The Woreda Office of Finance funds community action plans in accordance with the instruction provided by ORCU/OEPA for the respective kebele¹³. Sector offices related to the approved action plans (as decided by the Woreda Steering Committee) will oversee the implementations of the community action plans that fall under their mandate in a coordinated manner. The Woreda Cooperative Promotion and Development Office (CPDO) is responsible to manage the utilization of the FMC money through evaluating FMCs' business plan jointly with relevant sectors. The Woreda CPDO has mandated to examine and audit expenditure of FMC against their business plan and report the findings to the next higher administrative level (Zonal Cooperative Promotion and Development Office). Furthermore, it provides required financial management trainings such as, bookkeeping, and other skills to FMC and kebele offices as needed.

Concerning the share allocated to the private forest developers, ORCU/OEPA experts evaluate project proposal based on set criteria and approved by OFLP Steering Committee and then the

¹³ Fund is not transferred to kebeles without FMC and rather approved projects will be funded through the supervision of development agents and ORCU/OEPA.

OEPA notifies the Oromia BOF to transfer funds for the winning investment projects/proposals based on private sectors’ action plans (see section 6.3) as officially communicated by the OEPA. The schedule of payment will be based on performance status indicated in their technical and financial reports. ORCU/OEPA will oversee the implementations against the action plans and receive technical and financial reports.

The OFLP-ERP Steering Committee will oversee the entire use of the ER payment at regional level and The EFD is overseeing at national level. The OEPA hosting ORCU will provide annual update to EFD and World Bank on the use of the ER benefit that has been transferred to the region while the EFD will provide annual update to the World Bank and other concerned bodies such as MOF on the overall use of the ER benefits including the use of benefits at EFD level. Next transfer of benefit to eligible users of the benefit depends on acceptable technical and financial report of beneficiaries of the preceding share of benefits. EFD will follow up with OEPA/ORCU and receive physical and financial reports on the utilization of the share of benefits and submit comprehensive report to all concerned entities.

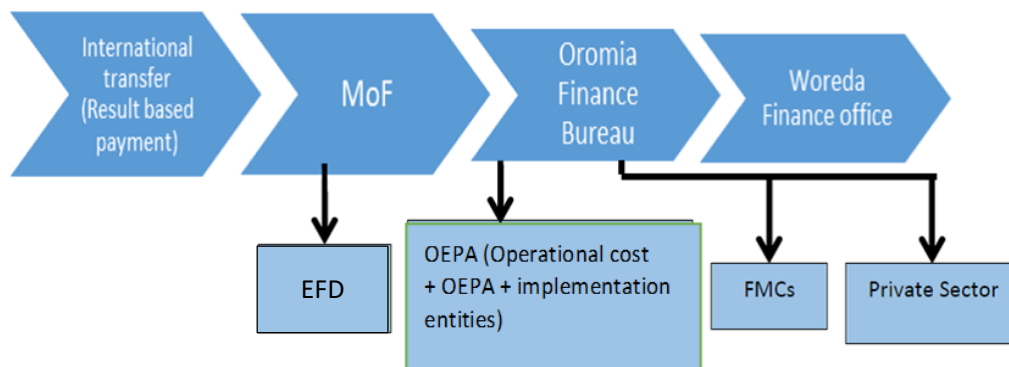


Figure 5: Flow of share of result-based payment

6.1. Flow of ERPA payment

The OFLP will follow the government’s Channel One fund flow mechanism whereby resources will be directly transferred from World Bank/Initiative for Sustainable Forest Landscapes (ISLF) to the MOF from there to the regional finance Bureaus, woreda finance offices and or FMC with good management capacity, and the federal level implementers.

6.1.1 Flow of gross ERPA payments

The key steps in the gross ERPA payments are as follows:

Step 1: The World Bank/ISLF will deposit the gross ERPA revenues into MoF dedicated foreign currency account. Deposits to the designated foreign account are made according to the agreements signed with the Federal democratic Republic of Ethiopia (FDRE), and in line with Monitoring Report (MR) verified and agreed/approved for ER payment delivery.

Step 2: MOF transfers money from the designated foreign currency accounts and deposits the equivalent amount in Birr in MoF separate Ethiopian bank accounts for the implementation of the

BSP for the first phase as required. This ensures a smooth and continuous cash flow both for the vertical and horizontal benefit sharing.

Step 3: MoF will set separately and administer the three percent (3%) of the gross ERPA results-based payments corresponding to the Performance Reserve until receiving a funding request by Oromia BoF.

Step 4: Up on the funding request of Oromia region BoF, MoF will directly transfer net ERPA (see figure 1) from the local currency account to Federal Implementers and Oromia BoF. Before transferring any money to the lower level, MoF and BoF will ensure that separate bank accounts have been opened by eligible beneficiaries or stakeholders participating in reducing emission in Oromia region and adequate financial management arrangement is in place.

6.1.2. Flow of net ERPA payments

Step 5: Once the transfer of the ERPA benefit from MoF to BoF has been completed, OFLP technical committee in conjunction with ORCU will prepare performance based **net ERPA payment allocation plan** as per the existing BSP and this operation manual. The plan will be approved by OFLP steering committee.

Note: OFLP sends this information to zones and or woreda OEPA office and Woreda finance office. Within 30 days of receiving the benefit distribution plan, MoF communicates the ER payment period's benefit distribution to Oromia region BoF and federal level implementers.

This BSPOM underlines the importance of good governance, accountability and transparency in decision-making processes regarding tenure and carbon rights, as well as input versus output approaches. The importance of the clear roles of stakeholders in horizontal and vertical structures and clear oversight in the ER program and a managed fund may bring the desired impact in improved sustainable forest conservation and ER. In this regard, sticking to strict criteria and policies for benefit disbursement through a result or performance-based mechanism with appropriate accountability provisions are vital to maintain that trust over the long term.

The different categories of stakeholders including federal and regional government, private sectors and local communities are required to play their roles and deliver their responsibilities in ER program to be eligible in benefit sharing as per the rules and regulations indicated in OFLP and BSP and also in this BSPOM.

Step 6: Up on the submission of the approved net **ERPA** payment allocation plan and the funding request by OFLP/ORCU, BoF will transfer the net ERPA payment to stakeholders participating in reducing emission in Oromia region following two modalities of transfer described hereunder:

- (i) **Transfer through woreda office of finance (WoF):** BoF will distribute directly to the Woreda Office Finance (WoF) and after the respective kebele establish and assure forest-based cooperatives the woreda finance will transfer the benefit to the cooperative account to be invested in selected social and development projects as well as to address underserved social groups through revolving fund scheme,

- (ii) **Direct transfer to stakeholders participating in ER:** BoF will directly channel the resources to FMCs with good financial management capacity to be invested in selected social and development projects as well as to address underserved social groups through revolving fund scheme. BoF will also directly transfer the resource to private forest developers, and eligible sector bureaus implementing winning proposals.

Step 7: Upon receipt of the notification that MoF has instructed the National Bank to transfer resources and the approved payment allocation plan as well as funding request and instruction from OEPA/OFLP-ERP, Oromia BoF prepares a letter to the Commercial Bank instructing the onward disbursement of resources to woreda office of finance separate account, to accounts of stakeholders participating in reducing emission in Oromia region including eligible private forest developers to finance the winning proposal, FMCs with good management capacity and sector bureaus implementing winning proposals.

Note:

If the implementing entities note any discrepancies between the approved net ERPA payment allocation plan and the actual transfer made by BoF or WoF, these should be corrected immediately by OEPA/ORCU and BoF/WoF. Any corrections should be completed within 10 days.

Step 8: The WoF withdraws money and makes payments based on requests of the woreda OEPA and woreda CPDO as well as MFIs since these are responsible to undertake physical implementation and financial management of projects approved in kebeles/communities without FMCs and underserved social groups. Kebeles without FMC do not need to open new bank accounts as all FMCs are considered having bank accounts of their own already (see Annex 2).

Step 9: Oromia regional BoF and WoF maintains a record of the use of ER benefit based on the agreed accounting procedures. BoF and zones provide assistance to the WoFs to ensure that these procedures are carried out correctly.

Step 10: Any ERPA benefits that are not used during the fiscal year will not be returned to the federal account and are instead rolled over for use during the next fiscal year. Next round ER payment (if any) should be based on utilization of more than 90% of previous payment.

6.2. Fiduciary Requirements

Funds Flow

All recipients of the BSP should open bank accounts dedicated for this activity. This includes MoF (USD and ETB account), EFD (ETB account) Oromia BoF (ETB account), OEPA (ETB account), Eligible sector bureaus (ETB account), WoFs for Kebeles without FMCs, (ETB account), FMCs (ETB account), Private Sector Forest Developers (ETB account).

Accounting and Staffing

At the federal level (for the MoF and EFD), the IFMIS will be used to record transactions relating to the funds distributed/transferred. At the regional and woreda levels, IBEX will be used to record transactions and generate financial reports. Necessary charts of accounts should be developed by MoF and provided to all implementing entities. The accounting system to be used by FMCs and private forest developers should be discussed and agreed with the BoF and WoF. These entities might use manual accounting due to capacity limitations. Hence, the OEPA/ORCU, Oromia BoF and WoF should ensure that reporting is done accurately. Training should be provided to enhance their capacity as applicable. All implementing entities should have the necessary finance personnel in place to handle the accounting and financial reporting tasks.

Finance staffing requirements will be defined by the EFD and MoF. This might involve recruiting new staff or assigning staff from existing World bank-financed projects or from the government's regular accounts section. MoF will provide support and training on the project's financial management on regular basis based on an annual plan.

Internal Control and Internal Audit

The government's internal control system will be followed at all times. This includes but is not limited to: controls on payments (segregation of duties, proper approvals and authorization, maintaining supporting documents, proper accounting and recording, etc.); cash management – bank reconciliations for cash at bank and cash count for cash on hand balances; and managing payables (if any), etc.

Monitoring of disbursement will be done by the MoF, BoF, EFD, WoF, OEPA, and OFLP Steering Committee. The responsibility of monitoring ER proceeds utilization (progress, effectiveness, and efficiency) lies with the EFD, OFLP-ERP Steering Committee, and OEPA. All recipients/beneficiaries should maintain proper records and documentation for the funds received. Bank reconciliations should be prepared monthly.

The internal audit unit of each of the implementing agency (i.e., MoF, EFD, OEPA, BoA, BoWERD, BoL, OFWE, OWCAB, BoCPD, BoF, WoF, etc.) shall perform an internal audit on the funds received. Thus, all the internal audit units of these implementing agencies shall routinely include the ER payment funds into their work plan and conduct a regular audit. The respective entities should ensure that findings (if any) are addressed in a timely manner.

Financial Reporting

The MoF will be responsible for financial reporting to the World Bank. MoF will follow the agreed template-Interim Un-audited Financial Report (IFR) template to report. Reporting on funds received should be done as shown in the diagram below. The MoF should consolidate the reports and submit IFRs semi-annually to the World Bank within 45 days of the end of the semester. The Oromia BoF should collect reports from OEPA/ORCU, regional sector bureaus, WoF and report the consolidated regional data to the MOF. OEPA/ORCU is responsible for collecting the financial reports of FMCs and private forest developers and submitting them to the BoF. The EFD will submit its report to the MoF. Challenges might be encountered in obtaining reports from FMCs

and private forest developers. The financial reports expected from these bodies should be simplified reports showing the amounts received from the BoF supported by bank statements and bank reconciliation, and its utilization as applicable. The EFD and Oromia BoF should submit their respective financial reports to MoF within 30 days of the end of the reporting semester. Hence, Oromia BoF needs to collect all regional level and woreda level financial reports within 20 days and ensure accurate consolidation is done.

Auditing

For the OFLP-ERP, MoF will be responsible for having the financial statements audited annually and submitting the audit report. Annual audited financial statements and Management Letter will be submitted to the World Bank within six months of the end of the government fiscal year. The audit should specifically look at the project’s activities relating to the distribution of ER payments to entitled beneficiaries according to the BSP.

The World Bank in accordance with the Access to Information Policy will request public disclosure of audit reports. Implementing entities are required to address all audit findings identified by Auditors. MoF will prepare audit action plan and follow-up rectification measures.

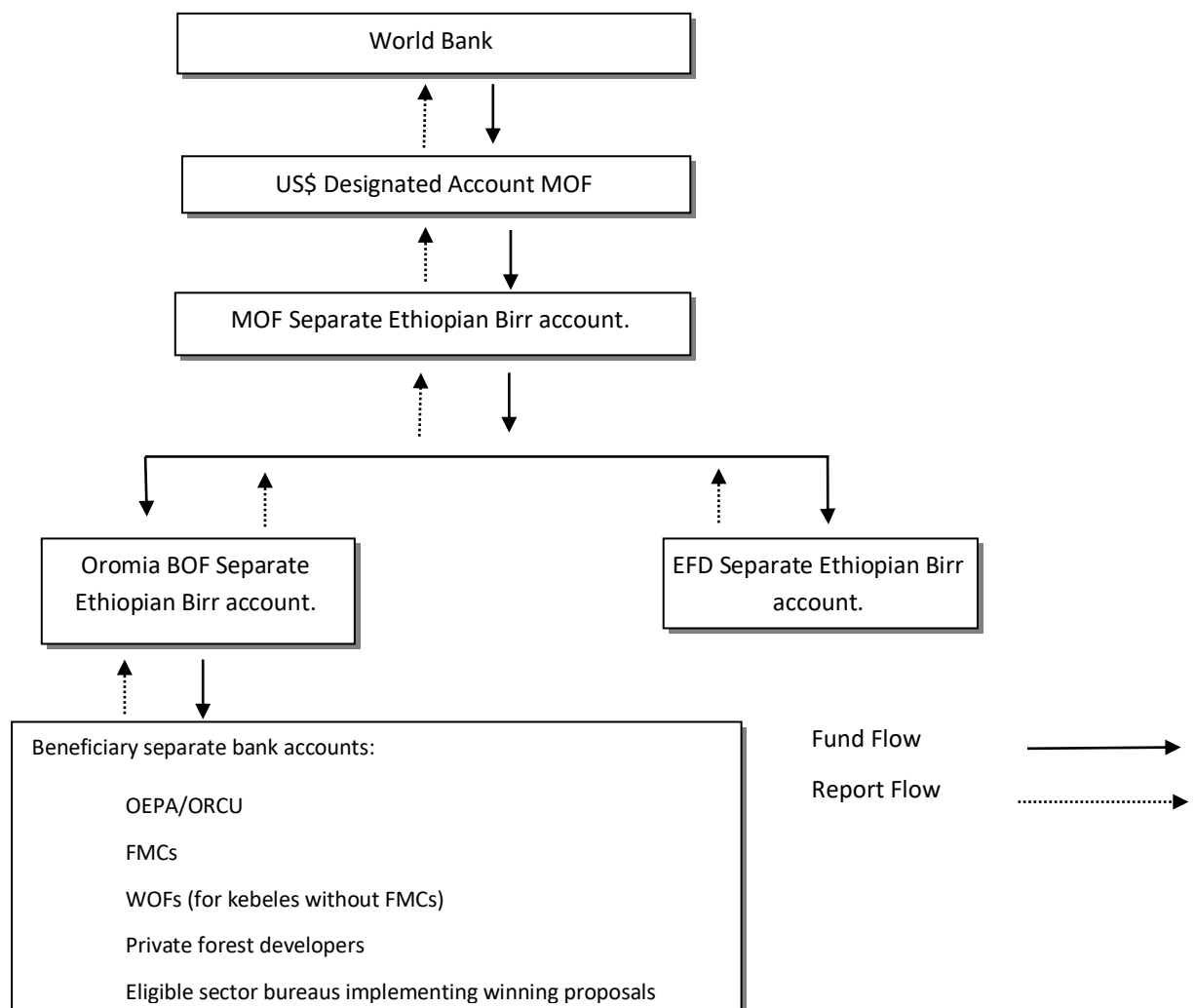


Figure 6: Fund Flow and Reporting Arrangement Diagram

7. Potential use of benefits

7.1. Investment options for potential use of Benefits

As clearly stipulated in the existing BSP, communities have identified investment options (proposals) for use of the first phase ER payment. The consensus was also that the benefit will not be shared among individual households and rather it will be invested on activities/projects that will ensure communal or collective benefits as well as generate additional ERs. The long list of investment options identified during the community consultations were sorted into the two categories as presented in Table 13. The categorization is based on environmental and social safeguard principles of OFLP. The allocation of the total ER payment (75%) that would be received at community level (kebele or FMC level) here under:

- 45% would be invested on social development and livelihood improvement activities,
- 50% will be invested on land use and related activities that generate more ERs.
- The remaining 5% of the share received is dedicated to underserved social groups in the form of revolving fund. This will serve poor households or individuals and youths in the communities.

In parts of Oromia National Regional State, the pastoral, agro-pastoral and forest-dependent communities meet the World Bank OP 4.10 policy requirement. In addition, orphans, pregnant and lactating mothers, elderly households, and other labour-poor, high-risk households with sick individuals, such as people living with HIV and AIDS, and the majority of female-headed households with young children, Polygamous households, Unemployed Rural Youth, and Occupational Minorities (some of the excluded in Oromia encompass, the Idig (smiths), fuga (wood workers), kallu (tanners) and potters (who produce basic day to day implements to farm production and home use)) are categorized as a vulnerable groups. The 5% that goes to vulnerable groups would be used in the form of revolving fund. These investments should be designed carefully not to result in negative impacts, i.e., emission increase rather than reduction. The revolving fund will be hosted at woreda finance office and coordinated by woreda OEPA office and managed by micro finance institution (MFI) operating in the woreda.

Note: In kebeles with FMC, all households may be members of the FMCs since membership is open. However, under a situation where there are some non-FMC community members, they could benefit mostly from the 45% share meant for social development that serves all communities in the kebele and 5% revolving fund dedicated to underserved group.

Table 15: Proposed list of potential uses of the benefit at community level.

No	Activities to generate	Social development/livelihood improvement activities
1	Seedling production for income	Maintenance of school
2	Coffee outside forest	Maintenance of clinic
3	Tree planting for income and own consumption	Maintenance of road
4	Fuel saving stove	Bee keeping
5	Fruit tree planting	Fattening (intensive and through cutting and carry system)

OFLP will generate multiple benefits: carbon benefits (monetary, non-monetary) and non-carbon benefits. The non-carbon benefits comprise all other benefits other than the payment for the emission reduction (ER) that includes institutional and human capacity building, increased income from new and improved land-use practices, more secure flow of ecosystem services and natural resources-based small enterprise development and the like.

The community that resides nearby and inside forests, Federal and Regional governments and private forest developers are the major eligible beneficiaries identified in sharing of the benefit. Funds should be used to promote activities that will generate additional emission reduction and to coordinate activities and policies among sectors. Federal EFD and regional government bodies are eligible to lead formation of enabling environment and technical back-ups specifically to the success of OFLP-ERP. Investment options¹⁴ mainly focus on addressing drivers of deforestation and forest degradation will be identified and prioritized using the procedure developed (see section 7.2, and Annex 4).

7.2. Identification and planning activities for potential use of Benefits.

Communities refer to those who live within the boundaries of Kebele and engage in development and management of forests either legally or customarily. They have customary and constitutional right of ownership, cultural and social responsibility of managing, protecting and developing the forest, and customary right of use and/or legally granted user right through PFM along with responsibility of managing and developing forests.

The federal government (represented by EFD) have constitutional right to own forests; responsibility to enact policies, regulations, develop national strategies; representation in international negotiations and giving technical back-up to OFLP on fiduciary support, safeguards management and MRV process.

Regional government (sectoral bureaus in the land use sector) have constitutional responsibility to administer forests; responsible for developing regional policies (forest, land use, etc.), provide technical support on forest management including MRV process, budget (carbon fund) management, law enforcement, organizing and supporting communities and private forest developers. The OEPA will be responsible in identifying activities and actions in other sectors that reduce deforestation, forest degradation, and promote forest development. It will mobilize implementing sectors and coordinate activities at regional level involving institutions such as, BOL, BoWERD and OFWE.

Private developers encompass those licensed as individual investors, private corporations, as well as business associations and cooperatives (e.g., SMEs) who have developed forests on own land or land received for this purpose in the form of lease or other arrangements within the landscape

¹⁴ Investment option here refers to all possible menus of interventions related to the land use sector identified during the community consultation such as seedling production, coffee outside forest, tree planting, fuel saving stove, fruit tree planting, maintenance of school, maintenance of clinic, maintenance of road, bee keeping, fattening; and measures identified as potential mitigation of risks such as integrated watershed management, fire break, area closure to enhance natural regeneration, etc. that are recognized to generate additional emission reduction and/or removal.

of Oromia. The benefit allocated for private sector is meant to support establishment of new forest and forest management operations that enhance delivery of emission removal.

As part of the overall risk management (risk minimization) for those risks described in section 3 of this OM, potential mitigation measures such as integrated watershed management, fire break, area closure to enhance natural regeneration will be implemented through engagement, continuous consultation and participation of forest communities and with the involvement of concerned local actors. Furthermore, multi-sector implementation coordination to enhance performance and minimize risks shall also be employed.

Once the share of the community is known, detailed action plan on the potential uses needs to be prepared by the community with the facilitation of Woreda level OEPA office and development agents with technical support from the regional OEPA/ORCU (i.e., the community, with the support of concerned offices and partners, need to prioritize where and how to invest based on needs and amount of share received. Accordingly, the following points needs to be considered in identifying and planning ER activities at Kebele/community level:¹⁵

- The community planning must follow a participatory planning approach such as Community Based Participatory Watershed Development or PLUP. OFLP-ERP will also coordinate with other projects on PFM and watershed management. In this regard:
 - It is important to ensure institutional capacity to plan the ERPA at the Kebele /community level:
 - Provision of capacity building trainings – awareness training to the community on the ERPA, technical training to DAs , etc. by concerned entities
 - Establish or strengthen institutions engaged in community development in the Kebele, such as FMC, community watershed committee or WUC¹⁶, GRC, etc.
 - Identification and delineation of project area or forest areas and ER activities with full community engagement with support of Das and Woreda experts
 - ER activities identified at community level should be aligned with the list of agreed activities for the ER payment and must pass E&S preliminary screening and other ESS requirements as necessary.
 - Developing local bylaws with the support of the DAs or another intermediary (e.g., CSO) could help the community to enhance performance and minimize risks in the ER project period.
 - Full information of the planning process, detail information of the planned ER activities and agreed community action plan should be documented and submitted to Woreda for evaluation and approval. Supporting the community in documenting the community plan will be useful.

¹⁵ Detail community planning process see annex 4.

¹⁶ WUC stands for Watershed Users Cooperation which is a legal entity at Kebele level for managing watershed development activities.

- The community could also think of investing in projects that serve the wider community, including communities beyond a single Kebele. Under such circumstances, shares of multiple communities can be pooled together for the investment but through a participatory dialogue and negotiation. Such investments need to be facilitated and assisted by Woreda level experts and NGOs working in those areas.
- The DAs will be in charge of engaging with communities for planning, implementation, and reporting relevant OFLP-ERP activities on the ground.
- Woreda sector offices will provide technical support and guide the community action planning based on their mandate in a coordinated manner.
- The action plan will be evaluated and approved by Woreda OFLP-ERP Steering Committee. This also applies to FMCs' action plan oversight and approval process.
- Woreda Office of Finance funds community action plans in accordance with the instruction provided by ORCU/OEPA for the respective Kebele¹⁷.
- The potential of the action plans in ER (e.g. measured in area of A/R), number of beneficiaries and sustainability of the planned actions can be possible criteria to compare among different action plans presented.

8. Environmental and Social Risk Management (ESRM)¹⁸

8.1. Environmental and Social Risk Management (ESRM) instruments

Environmental and Social Risk Management (ESRM) instruments apply to the BSP as there is a need to ensure the ER generating activities and social development/livelihoods development activities to be financed through ERPA revenues are safeguarded. The underlying activities (such as seedling production for income, coffee outside forest, tree planting for income and own consumption, fuel saving stoves, and fruit tree planting) and social development/livelihood improvement (including maintenance of roads/ schools/ clinics, beekeeping and fattening) and agroforestry that contribute to generate ERs during ERPA should apply the ESRM instruments. The instruments include the Strategic Environmental and Social Assessment (SESA), the Social Development Plan (SDP), the Environmental and Social Management Framework (ESMF), the Resettlement Framework (RF), the Process Framework (PF), the Stakeholder Engagement Plan (SEP), Labor Management Procedures (LMP), Security Management Plan (SMP), the Environmental and Social Due Diligence Guideline for Retroactive Carbon Accounting for OFLP-ERP and the Environmental and Social Commitment Plan (ESCP).

8.1.1 Environmental and Social Framework (ESF)

The ESF provides more flexible and transparent approach to improve the management of environmental, social risks and impacts resulting from project activities. The ESF is centred at ensuring sustainability of development outcomes. The ESF has improved a broader and systematic coverage of the environmental and social risks management (in a simplified structure

¹⁷ Fund is not transferred to Kebeles, and rather approved projects will be funded through the supervision of development agents and ORCU/OEPA.

¹⁸ Refer section 10.3 for regular internal and external monitoring and reporting requirements of the E&S implementation performance.

for monitoring and evaluation), with improved transparency, public participation, inclusiveness and non-discrimination, accountability, and expanded roles for grievance redress mechanisms.

The ESF consists of ten Environmental and Social Standards (ESSs) that Borrowers will have to comply with in order to manage the risks and impacts of a project and to improve their environmental and social performance. The new ESF requires preparing new ESRM instruments such as the ESCP, SEP and LMP for investment projects such as the OFLP-ERP. Among the ten ESSs, except for ESS9, all the other ESSs (ESS1 - ESS10) are applicable to the OFLP-ERP and will be monitored in OFLP-ERP as described in Annex 5.

8.1.2 OFLP-ERP Potential E&S Benefits, Risks and Mitigation Measures

The OFLP-ERP activities promote development interventions that are targeted in reducing emissions and at the same time improving livelihoods for local communities. However, the small-scale maintenance activities of social services and afforestation and reforestation activities might trigger some negative environmental and social impacts that require formal analysis and management measures. Based on the consultations conducted with stakeholders and local communities, the benefits, risks and mitigation measures were identified. Accordingly, the OFLP-ERP potential E&S benefits and the potential negative E&S impacts, risks and mitigation measures are summarized and presented in Annex 6 & 7.

8.2. Governance structure

The institutional and implementation arrangement relies on existing government institutions both at the federal and the Oromia Regional State levels with discrete accountabilities and decision-making roles based on existing mandates. Accordingly: -

- The Project will be implemented through the existing national and regional REDD+ institutional structure. OEPA leads the Project implementation through the ORCU at the Regional, Zonal, Woreda, Kebele and Community levels. EFD provides support through the NRS in the management of the ERs, environmental and social risk management (ESRM) implementation, MRV undertaking, collection of regional level ER performance data and reporting to the World Bank.
- The OFLP-ERP Steering Committee oversees the process and ensures a link to decision making; Federal MRV Task Force monitors the process, provide guidance to ORCU-MRV team in preparing the MR and reports to the Federal REDD Steering Committee; the Oromia REDD+ Technical Working Group provides technical advice; ORCU- MRV Unit manages workflows and day-to-day coordination of MRV activities, draft the MR and submits to national MRV unit for review and submission to World Bank.
- Existing qualified staff will be maintained including E&S safeguard specialists, MRV experts and ORCU project coordinator at the regional level. As stipulated in the OFLP ESCP, OEPA project staff including facilitators and woreda coordinators at zonal and Woreda level can be hired using the 15% ER payment, as well as gender focal person, and the required resources to support management of E&S risks and impacts should be

maintained throughout the project implementation.¹⁹ Refer ESRM related roles and responsibilities of sectors in the different level in section 9 of this manual.

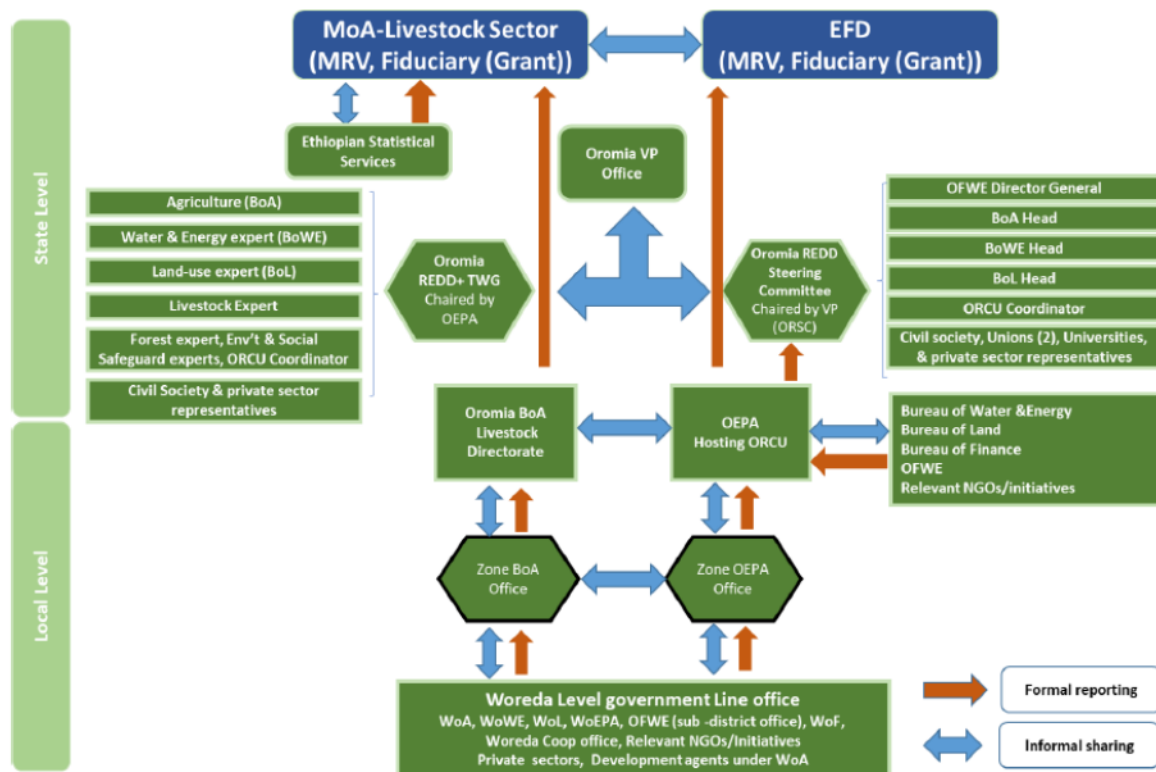


Figure 7: Institutional Arrangements – Project level

8.3. Environmental & Social Risk Management Process

8.3.1. Guiding principles for Screening

Any of the sub-project activities will have to be screened for eligibility and for adverse environmental and social risks and impacts. For the adverse impacts, appropriate environmental and social management plan has to be prepared to prevent, minimize, mitigate or compensate for and maximize beneficial impacts on a sustainable basis. The environmental and social management planning and implementation under the OFLP-ERP will be guided by the following principles.

- The enabling investments component of the OFLP-ERP involves relatively small-scale activities that can be designed, implemented and managed at the kebele/community level using standardised published guidance²⁰, and with the assistance of DAs and woreda staff as required;

¹⁹ Environmental and Social Commitment Plan (ESCP) August 2022

²⁰ The published guidance's are those guidelines developed by the different sectors of the Federal government and the region to guide implementers. Such guidelines include: the updated CBPVD/RD guideline, Forest and Nursery production and management technical guides, OFLP updated ESMF, etc.

- The OFLP-ERP activities planning process will be participatory and communities have the opportunity to prioritize needs as per the agreed BSP; and participation in the community activities will be entirely voluntary;
- The design of OFLP-ERP activities and landscape activities will be guided by technical support and technical materials to avoid or minimise adverse impacts and encourage positive environmental effects;
- The ERP activities planning, and implementation will integrate appropriate environmental and social management and enhancement measures;
- Identified ERP activities by the communities will be screened, vetted and adopted in the Kebele landscape management plan on the basis of selection criteria and screening designed to eliminate ERP activities with major or irreversible environmental or social impacts. The ERP activities with special environmental and social concern will be directed to the attention of the Oromia REDD+ Technical Working Group (TWG) and Oromia Environment Protection Authority (OEPA) at the regional level;
- Approval at regional level will involve the OEPA, which will have the right to decline an ERP subproject/activity on environmental and/or social grounds, or to conduct an assessment of likely impacts prior to approval.
- Special attention will be given to the impacts of small-scale construction/maintenance of schools, clinics, and community access roads involving land/asset acquisition and activities that may negatively affects Physical and Cultural Resources and forest and natural habitats as well. Such types of program activities will be notified to the OEPA. The OEPA will decide whether an ESIA is required. Following such ESIA, the OEPA may recommend modifying the ERP activities, recommend a management plan, or disapprove ERP activities.
- ERP activities implementation will be supervised and monitored at Kebele and Woreda levels. The DAs, with assistance as deemed necessary from the Woreda sector office experts, Woreda EPA, will ensure that the specified mitigating measures are implemented as per the plan.

8.3.2. Screening Procedures

During ERP activities selection by communities, the Development Agents have to check whether the identified program activities fall into the categories that are not eligible for financing under the Program activities. Such activities may include those that may cause damage to physical and cultural resources; access restriction to natural resources; etc. (see Annex: 8 OFLP-ERP activity eligibility checklists for DAs).

The screening for adverse environmental and social impacts will involve the following 8 steps.

Step (i): Eligibility check (Guidance for relevant sector bureaus): The BSP sub-projects that are not eligible under the OFLP-ERP can be reviewed and checked by the DAs at the Kebele level against any of the features mentioned in the check list in Annex 8 of this BSOM to identify ineligible activities and excluded them unless the features can be avoided by change of design or location.

Note: In addition to this step of ESMF screening for eligibility check, the **list of ineligible**

activities to finance with ERPA revenues that are identified by communities should be considered (ref section 8 and Table 12 &13).

Step (ii): Screening of ERP activities that require special attention and environmental and social concerns: Eligible OFLP-ERP activities identified in step I above will be further screened for potential impacts and E&S concerns by OEPA. Activities which may require land acquisition,²¹ use of agro chemicals including pesticides, and/or relocation of underserved groups will require special attention. Therefore, if the project activities have any of the above features, the OEPA focal person/expert, with the relevant sector bureaus staff, notifies the Woreda Administrators (Council) to make sure that the necessary procedures and guidelines are followed in the site-specific E&S instruments.

Then, the OFLP-ERP activities must be screened for any potential E&S concern. This screening will help identify ERP activities with undesirable features, try to avoid the impacts by modifying the design. Otherwise, the activity must be tagged as a ‘program activity of E&S concern.’ In such a case, a checklist of potential impacts and level of adversity shown in Annex 6 of this OM can be used to judge if the activities should be modified to avoid/mitigate the impacts or should be referred for further environmental and social analysis because of complex or unknown impacts.

Note: Those ERP activities with no potential adverse impacts can be directly approved. For those activities likely to have low to moderate risks and impacts may be modified if suitable mitigation measures are incorporated into the design by relevant sector bureaus. Those ERP activities which are likely to have substantial and high risks and impacts should be tagged as ‘**ERP activities of E&S concern**’ before referring the plan for approval.

Step (iii): Notification of OFLP-ERP activities of E&S Concern: The Woreda Administrators (Council) consolidates plans and forwards the same to OEPA together with the list of ERP activities tagged as of ‘environmental concerns. ORCU then notifies the OEPA of the ERP activities of E&S concern and requests for review of the same to determine if an E&S Impact Assessment (ESIA) is required.

Step (iv): Review of notified OFLP-ERP activities: The OEPA, with inputs of OFLP Steering Committee, conducts review of the ERP activities considering that most activities may not necessarily need a full scale ESIA since OFLP-ERP is not a high-risk project. The Review report to ORCU should include **i)** the decision on each ERP activity whether an ESIA is required or not, **ii)** if an ESIA is required, the recommended scope of the ESIA clearly indicating the aspects to be seriously addressed, the skills required and duration of the ESIA, **iii)** A detailed Terms of Reference for the ESIA expert (consultant), **iv)** if an ESIA is not required, include guidance on special needs such as technical guidelines and an environmental and social management plan on any of the ERP activities.

²¹Activities used to generate incomes (such as seedling production, coffee outside forest, tree planting, fruit tree planting, fuel saving stoves) and small-scale construction/refurbishment and social development/livelihood improvement, including small scale construction/refurbishment of clinics/schools/roads fattening, beekeeping, and agro forestry. Further, access road construction/maintenance activities may involve voluntary land acquisition and loss of assets or minor displacement of people.

Step (v): Environmental and Social Management Plan (ESMP): The ESMP should include both E&S management measures and it should be based on the result of screening and technical information about the proposed subproject/activity (i.e., the type, scale, and extent of the subproject).

The ESMP consists of the set of E&S negative impacts, mitigation, monitoring, time of implementation with action needed to implement, and institutional measures to be taken during implementation and operation phases. This is just either to eliminate the adverse impacts, offset them, or reduce them to acceptable levels.

Similarly, identified social adverse impacts with their mitigation measures, responsible implementing body and required budget should be followed to avoid minimize and/or mitigate adverse social impacts with special focus on underserved people and vulnerable group. The impacts and the measures identified in the ESMP should be consistent with the findings of the screening results.

Step (vi): Conducting an ESIA: In liaison with ORCU and with the support from the OEPA, the Woreda-level OEPA office together with relevant sector bureaus is responsible for ensuring that the required ESIA²² is conducted as per the ESIA requirements. The ESIA report should consist of i) description of the ERP activity (with location), the environmental baseline, the impacts, mitigating measures, and recommendations for implementation and monitoring of the mitigating measures, among others. Refer Annex 11 for Suggested Template for Environmental & Social Management Plan.

Step (vii): Reviewing the ESIA Report: The ESIA report will be submitted to OEPA through ORCU. The OEPA, with technical inputs of the OFLP Steering Committee, will review the ESIA report and makes decision by (a) approving the ERP activity (with conditions relating to implementation); (b) recommending re- design (with required and/or recommended amendments); or (c) rejecting the ERP activity (with comments as to what is required to submit as an acceptable screening report).

Note: The E&S Management risk Process in steps (i) and (ii) **MUST** be conducted for all activities in OFLP- ERP while the steps from (iii) to (vi) should be conducted only for ERP activities needing special attention and those of environmental and social concerns.

The flow of the Environmental and Social Management Process are illustrated in figure 8 below.

²²The ESIA can be conducted by a team of experts drawn from the Woreda sector offices or by a consultant as deemed necessary. If a team of woreda experts is opted, they should be given the necessary trainings.

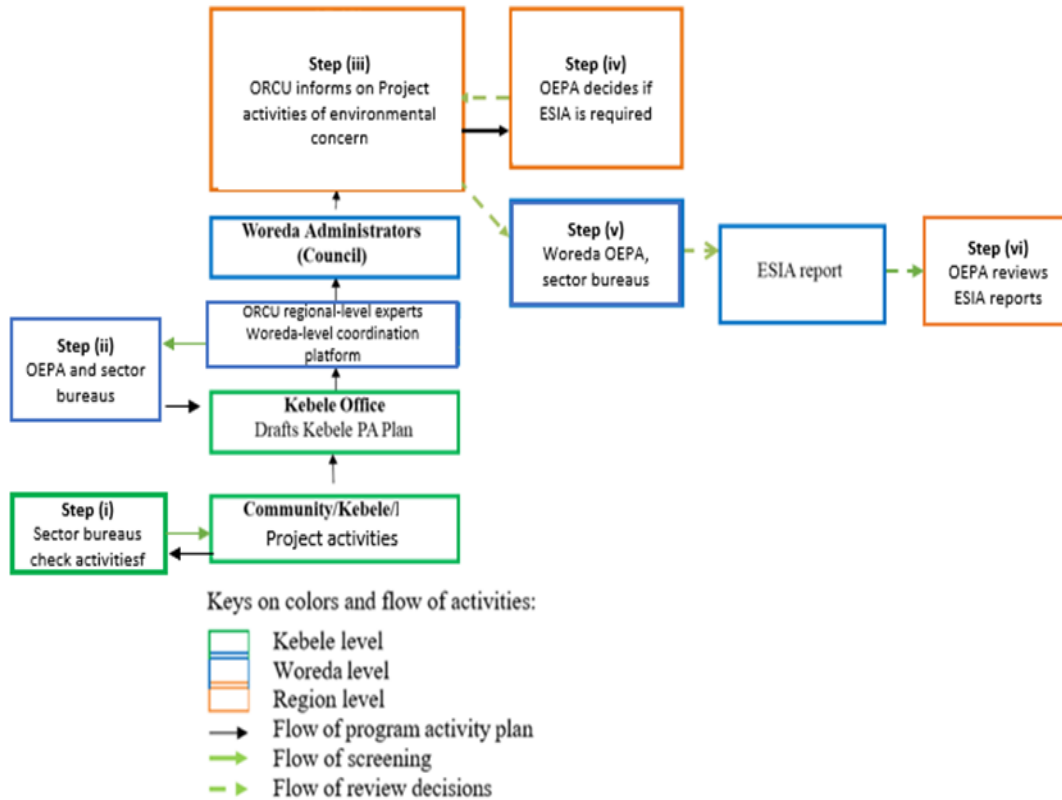


Figure 8: Flow of the Environmental and Social Management Process

8.4. Grievance Redress Mechanism (GRM)

8.4.1 OFLP-ERP Grievance Redress Mechanism

Ethiopian Grievance Redress Mechanisms (EGRM): As part of risk mitigation measures, the OFLP-ERP Project would support citizen complaints or grievances in a formalized, transparent, cost-effective, and time bound manner. All Project Affected People/Community (PAP/PAC) would be informed about how to register grievances or complaints, including specific concerns on any OFLP-ERP activities. Resolution of different types of grievances can be addressed at different levels:

- *Grievance Redress Mechanisms*: Arbitration by appropriate local institutions such as Local Authorities, community leaders or the Gada system is encouraged. The Project would make use of the existing Kebele, Woreda, Zonal and Regional Public Grievance Hearing Offices (PGHO) in Oromia and build on the successes of those regional offices.
- *The Ethiopian Institute of Ombudsman (EIO)*: The Ethiopian Institute of Ombudsman (EIO), which reports directly to parliament and is independent of government agencies, is now implementing the EGRM with six branches at present and is responsible for ensuring that the constitutional rights of citizens are not violated by executive organs. It receives and investigates complaints in respect of maladministration; conducts supervision to ensure the executive carries out its functions according to the law; and seeks remedies in case of maladministration. OFLP-ERP would use the EIO regional branch office of Oromia.
- A complainant has the option to lodge his/her complaint to the nearby EIO branch or the respective PGHO in person, through his/her representative, orally, in writing, by fax,

telephone or in any other manner. Complaints are examined; investigated and remedial actions are taken to settle them. If not satisfied with the decision of the lower level of the Ethiopian GRM system, the complainant has the right to escalate his/her case to the next higher level of administration.

- Where satisfactory solutions to grievances cannot be achieved, the aggrieved party may take the matter before the courts.

EFD and OEPA are responsible for timely responding to OFLP-ERP affected parties' concerns and grievances related to the program activities. For this purpose, ORCU will strengthen the existing GRM, established during the grant OFLP program, to address citizen's complaints or grievances in a formal, transparent, cost-effective, and time-bound manner. OEPA, in collaboration with sector bureaus will ensure OFLP ERP- affected people/community are adequately informed about the process to register grievances, complaints, and concerns about OFLP-ERP activities. Grievances will be actively managed and tracked to ensure that appropriate resolution and actions are timely taken, corrective actions are implemented (as applicable), and the outcome is informed to the complainant. Resolution of different types of grievances can be addressed at different levels.

There are several types of GRMs in Oromia. The institution of the Gadaa system, for example, is considered a traditional mechanism; there are also religious systems such as the Shari'a Court; and the formal GRM, which follows the court system, including the local Shengo and modern courts.

8.4.2. Grievances Resolution Approach

The ESRM instruments including the ESMF and SEP explain the scope, scale, and type of the GRM. It shall be proportionate to the nature and scale of the potential risks and impacts of the project. It also provides the following elements of the approach:

- The appropriate design and scale of the grievance mechanism will be subproject specific.
- Grievance mechanism will be readily accessible to all project-affected parties and inclusive system, process, or procedure that receives and acts upon complaints and suggestions for improvement in a timely fashion and facilitates resolution of concerns and grievances arising in connection with the project. The grievance mechanism of the project will provide project-affected parties with redress and helps address issues at an early stage.
- Handling of grievances will be done in a culturally appropriate manner and be discreet, objective, sensitive, and responsive to the needs and concerns of the Project-Affected Parties- (PAP). The mechanism will also allow for anonymous complaints to be raised and addressed.
- The grievance mechanism is expected to address concerns objectively and in a transparent manner. The involving process or procedure will not prevent the right of the PAP to access formal judicial or administrative remedies concerning the subject of grievance being raised. Also, the grievance mechanism will allow for anonymous complaints to be raised and addressed.

Actions taken on the grievance or suggestions should be informed and balanced. The time frame for grievance resolution depends on factors such as the urgency of the complaint; need for research, investigation, consultation, and funding; and institutional capacity.

Documentation and Tracing complaint cases: The GRC and the respective administrative bodies (from lower to higher) should duly document each individual PAP/PAC case and must be archived. During requests from a court of appeal, individual cases should be properly traceable and necessary timely responses should be provided.

Dispute Resolution: World Bank Framework on ESS5 also indicates that GRM that could be raised related to disputes arising from displacement or resettlement should take into account the availability of judicial recourse and community and traditional dispute settlement mechanisms. An additional GRM step (using traditional dispute resolution mechanisms) has been suggested for HUTLCs in the SEP and SDP. The project will have a functional GRM. Project complaints committees will be strengthened or established at the Woreda and Kebele levels, comprised of staffs from respective institutions and representatives of women and youth groups and community representatives. The GRM/GRC has a mandate to receive and register complaints, convene meetings to resolve the complaints, and respond to the appeals resulting from committees' decisions. The effectiveness of resolution of complaints and appeals will be monitored during implementation. The grievance form will be made available in the Woreda, Kebele offices and on the construction sites, alongside of the description of the grievance mechanisms.

Table 16: Suggested OFLP-ERP Grievance Redress Mechanism at Different Levels²³

Level	Responsible Institution	Activity
Federal Level	EPA- REDD+ Secretariat (Steering Committee)	The national REDD+ Secretariat and EPA give response within a maximum of one month time on cross cutting Conflict issue not responded by a region.
	Federal Ombudsman's Office	The Federal Ombudsman gives advice for unresolved issues before the case submitted to the court
	Federal Court	Grievances settled at different level may be pursued at the court if complainants not satisfied with the grievance redressed at that level.
Regional Level	Oromia Environment Protection Authority (OEPA) & Oromia REDD+ Coordination Unit (ORCU)	If stakeholders or community may not satisfy with the grievance settlement proposal or may be referred to OEPA or ORCU, then the OEPA/ORCU will give response within 15days. Regional stakeholders can submit their appeal to the OEPA/ORCU
	Regional Ombudsman's Office	Regional stakeholders can also get advice from the office
	Regional Court	Regional stakeholders affected by the implementation of OFLP-ERP can appeal to the court if it is not resolved by OEPA/ORCU

²³ OFLP-ERP ESMF updated August 2022

Level	Responsible Institution	Activity
Woreda Level	Woreda Office of Rural Land and Environmental Protection (WOEPA)	For grievance not addressed at Kebele level and other grievance raised at Woreda level, appeal can be submitted to WOEPA and provide response after clarifying the issue Within 10 days. If the applicant may not satisfy by the response, then he/she can take the issue to the ORCU or Woreda formal court
	Woreda Ombudsman's Office	The affected stakeholder can also submit its apple to get advice to Ombudsman's Office
	Woreda Court	The applicant can submit the appeal to the formal court and continue with the formal process
Kebele Level	Kebele Shengo/Social Court Or Traditional Leaders (Aba Gada), Religious Leaders	Community/person can apply for traditional leaders and/or Kebele Shengo for grievance caused by REDD+ implementation. Response is to be discharge within 10 days of receiving the complaint.

8.4.3. Procedures and Timeframe

Recommended Grievance Redress Timeframe: The Woreda GRC, after examining all the relevant legal and other documents and by consulting the key stakeholders shall give its decision within 10 days from the date of the receipt of the complaint. A person who is aggrieved by the decision of the GRC can appeal to the Woreda regular court within 15 days from the date of the decision by the Woreda GRC. The steps and procedures for Grievance Redress in the ERP project are illustrated in figure 7 and described in Table 14 above.

Addressing GBV/SEA Complaints: For the GRM to effectively address the issues/incidents related to sexual exploitation and other forms of GBV, the project in general and the Woreda level GRC must set proactive mechanism functional throughout the project life. The following are the working procedures of the WOWCA to handle GBV in the project area.

- The respective WOWCA should get the capacity building/training on key principles of GBV/SEA case management including confidentiality, non-judgmental, best interest of the survivor, services and referrals.
- Establish a proper channel to receive reports or project-related risks of sexual harassment and GBV, i.e., the risk factors that exacerbate or expose people to GBV;
- Conduct awareness raising campaign regarding the risks of GBV to both men and women in the project area; and key principles of GBV/SEA case management including confidentiality, non-judgmental, best interest of the survivor, services and referrals,
- The respective WOWCA representative in the Woreda GRC will be the focal point who can confidentially receive complaints or reports from the survivors through the different channels indicated above.
- The WOWCA will immediately (maximum 24 hours) communicate the issue/complain to EFD. EFD will report the case to the World Bank

- Record all the reported incidents based on the level of risks and follow-up or track the response process of the referred agency or court until the achievement of satisfactory resolution.

The OFLP-ERP GRM will involve the following procedures and timeframe:

Step 1: Submission of grievances either orally or in writing: A verbal or in written complaint from a PAP will be received by GRM personnel (or assigned officer) and recorded in a grievance log (electronically if possible) which will be held in each project site, Woreda, region and national level as required.

Grievances can be lodged at any time, either directly to the project office or via the GRM personnel. The process for lodging a complaint is outlined below:

1. The GRM personnel shall receive a complaint from the complainant based on the requirements stated under step 2 below.
2. Notwithstanding the abovementioned form of complaint lodging, the complainant may institute his/her/their complaint through email, regular mail, telephone, website, SMS Text message and other means that may be approved by authorized body and communicated through appropriate means of communication.
3. The GRM personnel shall ask the claimant questions and write the answers onto the Grievance Form²⁴. If the complainant can read and write, he/she shall submit the complaint by writing him/herself and corroborating all of the required evidence along with the complaint application letter.
4. The local leader witnesses and the complainant both sign the Grievance Form after they both confirm the accuracy of the grievance.
5. The GRM personnel lodges the complaint in the Grievance Log.
6. The GRM personnel gives appointment to the complainant and issues the necessary decisions on the status of the complaint lodged.

It will be important that all PAP and Communities have access to the grievance process.

Step 2: Recording of grievance and providing the initial response within 24 hours: The GRM personnel who has received the grievance should provide a timely communication back to the complainant(s) that their grievance has been received, will be logged and reviewed for eligibility, and if eligible, will generate an initial response.

The GRM personnel, who is responsible for the initial response, should check the complaint eligibility to be handled through the Grievance Redress Mechanism. Eligibility is often determined on the basis of four broad criteria.²⁵

Note: The four eligibility criteria

1. Does the complaint indicate that the program has caused a negative economic, social, or environmental impact on the complainant, or has the potential to cause such an impact?

²⁴The Grievance Form in Annex 13

²⁵GRM - NATIONAL REDD+ GREVIANCE REDRESS GUIDLINE (FINAL), MOFCC 2016

2. Does the complaint specify what kind of impact has occurred or may occur, and how the program has caused or may cause that impact?
3. Does the complaint indicate that those filing the complaint are the ones who have been impacted, or are at risk of being impacted; or that those filing the complaint are representing the impacted or potentially impacted stakeholders at their request?
4. Does the complaint provide enough information for GRM staff to make a determination on the first three questions?

The presence of either of the above four issues shall make the complaint eligible to be heard. Therefore, the eligibility of the complaints should be determined based on the aforementioned four questions within 24 hours.

Step 3: Investigating the grievance and communication of the response within 7 days.

The GRM personnel is responsible for communicating the proposed response back to the complainant in a timely fashion. Responders may also contact the complainant by telephone or set up a meeting to review and discuss the initial approach with the complainant. The response should include a clear explanation of why the response is being proposed; what the response would be; and what the complainants' choices are, given the proposed response. Those choices may include agreement to proceed, request for a review of an eligibility decision or a referral decision, further dialogue on a proposed action, or participation in a proposed assessment and engagement process.

Though practice varies, communication of the proposed response should normally occur within 7 days from receipt of a complaint. The complainant may or may not agree with the proposed response. If there is not agreement, the GRM personnel need to make sure the complainant understands what other recourse may be available, whether through the judicial system or other administrative channels, and to document the outcome of the discussions with the complainant in a way that makes clear what options were offered and why the complainant chose not to pursue them.

When there is agreement between a complainant and the GRM personnel to move forward with the proposed action then the response should be implemented.

Step 4: Complainant response: either grievance closure or taking further steps if the grievance remains open. The final step is to close out the grievance. If the response has been successful, the GRM personnel should document the satisfactory resolution. In cases where there have been major risks, impacts and/or negative publicity, it may be appropriate to include written documentation from the complainant indicating satisfaction with the response. In others, it will be sufficient for the GRM personnel to note the action taken and that the response was satisfactory to the complainant and the organization. In more complex and unusual grievance situations, it may be useful to document key lessons learned and also refer the cases to the appropriate formal courts and tribunals as well.

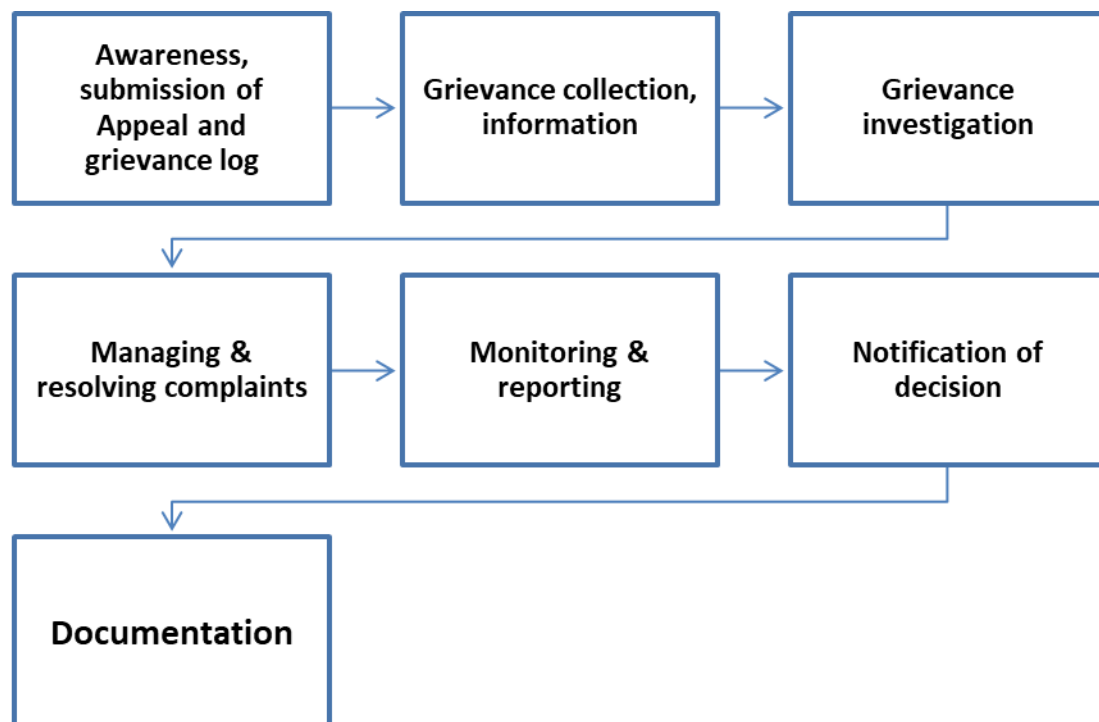


Figure 9: Illustration of the processes of the key steps in implementation of Grievance

The OFLP-ERP grievance mechanism should have a log where grievances are properly registered in writing and maintained as a database, properly recorded and documented. The log will contain record of the persons responsible for an individual complaint, and records of dates for the following events:

- Date the complaint was reported.
- Date the Grievance Log was added onto the project database.
- Date information on proposed corrective action sent to complainant (if appropriate).
- The date the complaint was closed out.
- Date response was sent to complainant.

8.4.4. Project-level GRM structures

Grievance Redress Mechanism (GRM): GRM is one of the requirements and most important element in managing the environmental and social risks. As the GRM includes grievance redress related to OFLP-ER, it is important for the DA to ensure that the system is in place. The project grievance system currently in place for the on-going OFLP-ER project will be strengthened to address complaints related to OFLP-ER.

The ESMF provides project-level grievance mechanism, process, or procedure to receive and facilitate resolution of concerns and grievances of PAP arising in connection with the project. The GRM (Project's Environmental and Social Safeguards) personnel in the region are the higher level of the GRM structure in coordinating the implementing organization in order of hierarchies (local, regional, and government). If the PAP with the complaints not satisfied by the complaint responses of these GRM structure, they can submit their complaints to the World Bank's Independent Inspection Panel to request an inspection to determine whether harm has occurred as a direct result of project performance's noncompliance with ESSs and procedures. Once all

possible redress has been proposed and if the complainant is still not satisfied then the PAP with the compliant will be advised of their right to the formal legal recourse.

8.5. Specific Training to Major Implementing Actors

Tailor made capacity building support and awareness creation training on the OFLP-ERPA ESRM instruments and management systems will be provided to decision makers, technical advisers, experts, coordinators, facilitators and community participants at different levels.

Regional levels: training should be provided to technical working groups, technical staff of OEPA and ORCU, safeguard specialists briefly on:

- The ERPA and the new results-based financing mechanism; the ER payments systems, accounting processes
- ESRM policies of the Government of Ethiopia and World Bank, and the updated and the new ESRM instruments SESA (including SDP), ESMF, RF, PF, ESCP, SEP, LMP and SRAMP, and on the new Environmental and Social Framework (ESF) of the World Bank
- MRV systems, BSM implementation and BS Plans
- Monitoring, reporting and evaluation of ESRM performances;
- SEP including consultation and civic engagement with communities in the regional state.
- Grievance Redress Mechanism (GRM), Gender Based Violence or Sexual Exploitation and Abuse and Sexual harassment (GBV/SEAH), Community Health and Safety (CHS), Occupational health and safety (OHS), and
- Environmental and social advisory services

Woreda level: Awareness creation and capacity building trainings should be given on specific topics for Woreda EPA experts, decision makers/administrators, and land use planning team members, sector office experts, environment and natural resource management experts, and technical team members. (See Annex: 8 for the awareness and training topics, potential trainers and implementation time and duration)

Kebele level: Awareness creation training on selected topics should be provided at Kebele and community level. Kebele administrators, DAs, private sector, PFM members, community representatives, underserved community members and any other relevant institutions like FMC, WU'sC, etc., are the proposed training participants. (See Annex: 8)

9. Roles and responsibilities in benefit sharing

9.1. Federal Level

The following table summarize the roles and responsibilities of each institutional partner at federal level for the existing benefit sharing plan implementation. All partners will be subject to the rules governing the benefit sharing management and oversight arrangements.

Table 17: Main federal responsible partners for benefit sharing and Key Responsibilities

Institution	Roles and Responsibility
National REDD+ Steering Committee	<ul style="list-style-type: none"> • Decides the utilization of share of EFD based on proposal prepared by EFD with in the general framework of OFLP support (fiduciary, safeguards management and MRV process) that the EFD will be providing.

Institution	Roles and Responsibility
	<ul style="list-style-type: none"> • Responsible for monitoring the progress, effectiveness and efficiency of ER benefit utilization
MOF	<ul style="list-style-type: none"> • Open a dedicated bank account to receive gross ERPA results-based payments from the World Bank, • Signing the ERPA and receiving the ERPA payments • Receives the RBP in an independent account and keeps the 3% performance buffer for risk management and deducts the operational cost • Transfers the share of federal government to the account of EFD and the remaining net benefit and the operational cost to Oromia BOF. • Monitor disbursement time of ER benefits effectiveness and efficiency at national level • Overseas overall use and management of ERPA proceeds
EFD	<ul style="list-style-type: none"> • Open a dedicated bank account to receive gross ERPA results-based payments from the MOF • Coordinate OFLP activities and oversee the entire use of the ER payment at national level. • Provide annual update to the World Bank and other concerned bodies such as MoF on the overall use of the ER benefits including the use of benefits at EFD level. • Follow up with OEPA/ORCU and receive physical and financial reports on the utilization of the share of benefits and submit comprehensive report to all concerned entities. • Responsible for monitoring the progress, effectiveness and efficiency of ER benefit utilization. • As a government body, eligible to lead formation of enabling environment and technical back-ups specifically to the success of OFLP. • Responsible for implementing the activities at the National Level (oversight support to SGs, MRV) • Responsible for implementing the 5% share on activities contributing to ER

9.2. Regional level

Federal-level governance arrangements for the benefit sharing implementation will apply at regional level and below. OFLP will continue to utilize the existing regional level relevant structures, which are embedded in the government system. The primary regional implementing institutions and their key responsibilities are outlined in the table below

Table 18: Main Regional Partners and Key Responsibilities

Institution	Roles and Responsibility
OFLP Steering Committee	<ul style="list-style-type: none"> • The OFLP steering committee is composed of heads of sector offices such as OEPA, BoA, BoWERN, OFWE, BoL, BoF, BoWCA, , among others. • Oversee the entire use of the ER payment at regional level and responsible for overall disbursement at regional level • Chaired by the Vice President (VP) of the region meets biannually to review progress and give direction to facilitate implementation of OFLP. • Approves sectoral proposals selected and submitted by OEPA along with the technical evaluation prepared by OFLP TWG for review and approve the winning proposals. • Approves investment options identified and prioritized at regional level for addressing drivers of deforestation and forest degradation • Responsible for monitoring the progress, effectiveness and efficiency of ER benefit utilization • Determines the specific activities to be financed from the 15% share and sectors that leads them • Based on technical evaluation, approves PS financing proposals
BoF	<ul style="list-style-type: none"> • Transmits officially communicated disbursement requests by OEPA/ORCU to the MoF. • Disburses operational cost to OEPA's account upon officially communicated on the amounts of shares to each entity in the region (by ORCU/OEPA) as decided by the OFLP Steering Committee. • Held the 15% share of Oromia regional state budget and releases the regional (15%) share to respective sectors based on the decision of the Steering Committee • Monitor on time disbursement of ER benefits effectiveness and efficiency at regional level (within regional implementing sectors institutions, Woredas, FMCs and the private sector) • Disburses share of FMCs to their respective account (subjected to the financial management capacity required by the World Bank) as communicated by OEPA officially • Disburses the shares of Kebeles without FMCs to the respective Woredas' office of Finance • Kept the share of private forest developers (5% of the net) and will disburse to eligible private sector, after being officially communicated by OEPA as decided by the OFLP Steering Committee. • Distribute the ERPA proceeds to each beneficiary, including to each FMC, Woreda level beneficiary and the private sector (5%) • Release the portion of the share of Oromia regional state (15%) to respective eligible sector bureaus implementing the winning proposals based on the decision of OFLP Steering Committee.
OEPA	<ul style="list-style-type: none"> • Responsible for Coordinating and implementing the OFLP-ERP activities at the Oromia Regional Level • Monitoring the physical and financial progress on ER benefits disbursement

Institution	Roles and Responsibility
	<p>at regional level.</p> <ul style="list-style-type: none"> • Provide annual update to EFD and the World Bank on the use of the ER benefit that has been transferred to the region. • Responsible to conduct and document potential list of eligible PS projects in forest sector. • Manage the 15% share of Oromia regional state • Receives the operational cost and its own share of benefits and disburse/utilize as per the agreed procedures • Announce call for proposal for private sector forest development annually by using popular media (either electronic, printing materials or both). • Responsible to coordinate the implementation of approved proposals financed from ER proceeds and compile and share the progress of activities implemented by each sector to the OFLP Steering Committee. • Mobilize implementing sectors and coordinate activities at regional level involving institutions such as, BoA, BoL, BoWERD and OFWE. • Responsible for monitoring E&S risk management compliance through the safeguard specialists at every level (region, zone and Woreda level). • Provide technical support to Woreda/Kebele in the preparation of community action plans on the potential uses of share of the community. • Responsibility of monitoring the progress, effectiveness and efficiency of ER benefit utilization in the region • As a government body, eligible to lead formation of enabling environment and technical back-ups specifically to the success of OFLP-ERP. • Communicates the BoF detailing share of all eligible beneficiaries from the net payment as per the OFLP monitoring result. • Oversee the proper disbursement and utilization of the shares at the respective sector administrative level in accordance with the approved by OFLPSC • Responsible in identifying activities and actions in other sectors that reduce deforestation, forest degradation and promote forest development. • Facilitate the preparation of Woreda/Kebele level action plan to be financed from ER payment • Through the MRV Specialists and field staff experts: <ul style="list-style-type: none"> ○ Measure area of each forest enrichment and A/R activities, perform survival of seedlings, and forest monitoring and mapping of A/R and PFM activities, ○ Collect and analyse data from GIS/remote sensing, on ground measurement using GPS particularly from new forest development area, data from FMIS repository, and data collected by various implementing entities including OFWE, OEPA, BoA, NGOs, CBOs, etc., and update such data. ○ Determine the zone level baseline and assessment of performance

Institution	Roles and Responsibility
	<p>following national MRV protocol.</p> <ul style="list-style-type: none"> ○ Measures ER performance across zones, Woredas and at specific Kebele level to determine benefits to be allocated ● Concerning the share allocated to the private forest developers: <ul style="list-style-type: none"> ○ Evaluate project proposal based on set criteria for approval by OFLP-ERP Steering Committee ○ Oversee the implementations against the action plans and receive technical and financial reports. ○ Assess the proposals submitted by the private sector in order to access from the 5% allocated benefit
BoA	<ul style="list-style-type: none"> ● Collaborate with OEPA by assisting the BSP implementation ● Liaison projects/programs working on SLM/watershed under the Bureau with OFLP
Other Sectoral bureaus in the region	<ul style="list-style-type: none"> ● Contribute with OEPA and BoF to develop call for proposals for private sector entities ● Provide technical assistance to CBO on the design, implementation, supervision, monitoring and evaluation of their respective business/management plans ● Provide technical assistance to enhance the community-level governance to ensure proper implementation of Community Action Plans ● Provide technical assistance to private sector entities, to ensure they follow OFLP guidance when implementing ER generation activities with grant funding ● Supervise, monitor, and report on Environmental and Social risk management Compliance when implementing activities financed with ERPA revenues, as well as BSP implementation ● Reporting - Submit reports on the use of the ERPA results-based funding allocated.

9.3. Woreda Level

OFLP benefit sharing implementation will continue to utilize the existing regional level structures, which are embedded in the government system. The primary regional implementing institutions and their key responsibilities are outlined in the table below:

Table 19: Main Woreda Partners and Key Responsibilities

Institution	Roles and Responsibility
Woreda Steering Committee	<ul style="list-style-type: none"> ● Responsible for monitoring the progress, effectiveness and efficiency of ER benefit utilization in the Woreda. ● Woreda Steering Committee to review and decide/approve the type of community action plans for financing
WoF	<ul style="list-style-type: none"> ● Open a dedicated bank account for receiving a share of net ERPA resources from BoF

Institution	Roles and Responsibility
	<ul style="list-style-type: none"> • Funds community action plans in accordance with the instruction provided by OEPA/ ORCU for the respective Kebele (Fund is not transferred to kebeles and rather approved projects will be funded through the supervision of development agents and OEPA/ ORCU) • Host the revolving fund that will be coordinated by Woreda OEPA office and managed by micro finance institution (MFI) operating in the Woreda. • Responsible for monitoring the effectiveness and efficiency of the budget disbursed to each Kebeles
Woreda OEPA	<ul style="list-style-type: none"> • Responsible for facilitating and preparation of the community social and development project action plan • The action plan will be evaluated and approved by Woreda OFLP-ERP Steering Committee. This also applies to FMCs' action plan oversight and approval process. • Document the financial records of non-FMC community projects and will be audited by the government auditor, like other government managed development activities. • Oversees any compliant arising from BSP at Woreda level and provide necessary feedback. • Oversee the proper disbursement and utilization of the shares at the respective sector administrative level. • Coordinate the revolving fund hosted in the Woreda finance office that will be managed by micro finance institution (MFI) operating in the Woreda. • Responsible for monitoring the progress, effectiveness and efficiency of ER benefit utilization in the Woreda together with the Woreda cabinet and Woreda Steering Committee
Woreda Cooperative Promotion and Development Office (WCPDO)	<ul style="list-style-type: none"> • Responsible to ensure proper utilization of the FMC money through evaluating FMCs' business plan jointly with relevant sectors. • Mandated to examine and audit expenditure of FMC against their business plan and report the findings to the next higher administrative level (Zonal Cooperative and Development Office). • Provides required financial management trainings such as, bookkeeping and other skills to FMC and Kebele offices as needed. • Responsible to audit the financial records of the FMC that are documented at FMC office
Other Woreda Sector Offices	<ul style="list-style-type: none"> • Oversees the implementations of the community action plans that fall under their mandate in a coordinated manner. • Sectors are responsible to follow up and give necessary feedback to

Institution	Roles and Responsibility
	<p>compliant arising from BSP and lodged to OEPA/ORCU at Woreda level</p> <ul style="list-style-type: none"> • Woreda level experts and NGOs working in the Woreda are responsible to facilitate and assist participatory dialogue and negotiation for investments in projects that serve the wider community including communities beyond a single Kebele. • Use the existing Woreda Public Grievance Hearing Offices (PGHO) as required.

9.4 Kebele level

The kebele level partners and their key responsibilities are outlined in the table below:

Table 20: Main Kebele level Partners and Key Responsibilities

Institution	Roles and Responsibility
FMC and other	<ul style="list-style-type: none"> • Serve as a permanent contact with the development agent, the rest of the community/target group and local leaders during planning, implementation and monitoring and evaluation; • Strengthen institutional structure to have adequate capacity to engage in the program • Document financial records of the FMC at FMC office level • Beneficiaries • Responsible for the implementation and reporting of activities
Community	<ul style="list-style-type: none"> • Actively participate and cooperate with the woreda experts, and DAs during identification of problems, opportunities, priority setting, and overall plan preparation processes as well as during implementation and performance evaluation. • With the support of Kebele administration and the DAs, identify underserved community members with full participation • Managing, protecting and developing the forest and cultural/customary right of use and through PFM granted legal right and responsibility of managing and developing forests. • With the support of concerned offices and partners, need to prioritize where and how to invest based on needs and amount of share received. • Prepare detailed action plan on the potential uses for the known share of the community with the facilitation of Woreda level OEPA office and DAs with technical support from the regional OEPA/ORCU. • Arbitration by appropriate local institutions such as elders, Gada and religious leaders or community leaders as grievance redress mechanism (GRM).

Institution	Roles and Responsibility
	<ul style="list-style-type: none"><li data-bbox="485 244 1382 315">• Make use of existing Kebele Public Grievance Hearing Office (PGHO) as necessary.<li data-bbox="485 342 1206 367">• The FMCs must open bank account, if they don't have.

10. Monitoring and Reporting of benefit sharing implementation

10.1. Monitoring of ER performance

The baseline established by OEPA/ORCU to monitor the ER indicators of the forest sector will be used for monitoring the ER performance. The ORCU MRV team is responsible for data collection, registration, and reporting of the forest sector indicators. The table below includes institutional arrangements for data collection, registration and reporting for each indicator. These arrangements may change to incorporate lessons learned during implementation of BSP first phase for the forestry sector.

Table 21: Baseline and monitoring approach

No.	Indicators	Responsibilities	
		Baseline establishment	Monitoring
Forestry			
1	Area of existing forest at zone, Woreda and kebele level	ORCU(OFLP-ERP) MRV team	ORCU(OFLP-ERP) MRV team
2	Forest area standing at zone level	ORCU (OFLP-ERP) MRV team is currently developing the baseline; it is responsible for data collection, registration, and reporting.	ORCU (OFLP-ERP) MRV team is responsible for data collection, registration, and reporting.
3	Area of forest gain due to A/R at zone, Woreda and kebele level	ORCU (OFLP-ERP) MRV team: baseline development, data registration, and reporting.	ORCU (OFLP-ERP) MRV team: data collection, registration, and reporting.
4	Area of natural or assisted regeneration at zone, woreda and kebele level	ORCU (OFLP-ERP) MRV team: baseline development, data registration, and reporting	ORCU (OFLP-ERP) MRV team: data collection, registration, and reporting.
5	Number of FMCs established at Woreda level	ORCU (OFLP-ERP) MRV team: baseline development, data registration, and reporting	ORCU (OFLP-ERP) MRV team: data collection, registration, and reporting.

10.2. Monitoring of BSP implementation

Implementation of the BSP will be monitored by different stakeholders engaged in the ER project at the different levels through the following performance indicators.

Table 22: Monitoring Plan of BSP implementation

Criteria	Indicator	Frequency of measurement	Monitoring responsibility
BSP plan preparation	Relevant entities have adequate resources to carry out their responsibilities		OEPA with the support from EFD
	A system is in place to document benefit distribution	Once a year after the first ERPA payment of OFLP-ERP first phase	OEPA with support from EFD
Compliance with benefit distribution criteria	The criteria, indicators parameters, rules, and weights for benefit distribution were applied correctly	Two months after receiving the ERPA payments	OEPA supported by OFLP Steering Committee and National REDD+
	Percentage of benefits distributed to Underserved Population, women, and youth		Relevant sector offices at Woreda level and woreda steering committees
Transparency of the benefit distribution process	Number of communication materials and documents that were published and disseminated		OEPA with support from OFLP Steering Committee and National REDD+ (NRS)
Agility in benefit distribution	Number of days that elapsed from the receipt of the resources to actual distribution to communities and cooperatives	Once a year after the first ERPA payment of OFLP-ERP first phase	BOF, with support from WOF, supported by ORCU (OFLP-ERP) and relevant sector bureaus.
Utilization of the FGRM	Number of complaints and claims related to the benefit distribution received through the FGRM received and addressed	continuous	ORCU with support from relevant sector bureaus
Implementation of ER generating, and social development projects carried out by FMCs	Projects implemented as per the work plan (Number of people benefited from monitory and non-monitory benefits disaggregated by sex)	continuous	Relevant sector bureaus and woreda offices with support from Woreda-level Cooperative Office.
Implementation of Community and social development Action Plans/projects carried out by Kebeles without FMC Plans	Projects implemented as per the work plan (Number of people benefited from monitory and non-monitory benefits disaggregated by sex)	continuous	Relevant sector bureaus and woreda offices with support from Woreda-level Cooperative Office.
Implementation of projects for	Projects implemented as per the work plan (type of	continuous	Relevant sector bureaus and woreda

Criteria	Indicator	Frequency of measurement	Monitoring responsibility
Underserved Peoples, woman, and youth ¹	beneficiary and benefits received, disaggregated by sex and age		offices with support from Woreda-level Cooperative Office.
Implementation of projects carried out by private sector entities ¹	Projects implemented as per the work plan Co-financing from the private sector	continuous	Relevant sector bureaus and woreda offices with support from Woreda-level Cooperative Office.
Benefits distribution	Total number and type of beneficiaries that received monetary and non-monetary benefits during the reporting period disaggregated by Gender	annual	Relevant sector bureaus and woreda offices with support from WOF
Support to local organizations	Number of capacity building events to strengthen organization	continuous	Relevant sector bureaus and woreda offices with support from Woreda-level Cooperative Office.

OEPA will be responsible for overseeing BSP implementation at regional level. OEPA will be responsible for (i) specific recommendations to modify the procedures in these operations manual or substantive changes in the BSP²⁶, (ii) present the managerial or administrative obstacles for timely benefit distribution, (iii) alert with evidence of other emerging risks that can affect this sustainability or effectiveness of BSP implementation, and (iv) recommend changes in benefit distribution timeline, and administrative arrangements schemes as appropriate.

During implementation, the World Bank will conduct supervision to review whether the procedures and requirements in the BSP are being implemented as agreed in a manner acceptable to the World Bank and consider remedial actions as required. In addition, the World Bank may decide to organize and conduct TPM to review and assess implementation of the BSP. The scope of the review may include the adequacy of the flow of funds, staffing and internal controls, and reporting arrangements.

Third-party monitoring of the BSP: Considering the geographical extent of the region, the complexity of this operation, and the substantial number of OFLP-ERP measures contributing to the generation of ERs, provision for third-party monitoring (TPM) has been integrated into the project design. TPM will complement regular World Bank implementation support and will provide an additional tool for ensuring that any deficiencies or non-compliance issues in the implementation of ESRM systems are identified and addressed. The scope of TPM will also include systems level monitoring of fiduciary mechanisms, including funds flows through the benefit sharing mechanism (BSM) and relevant financial and audit controls. TPM could provide a

²⁶ Substantive changes could include modification of beneficiary eligibility, benefit distribution rationale and justification, modality of benefit distribution, beneficiaries' obligations.

basis for identifying corrective actions, changes in management approach, and/or the need for additional financial or human resources.

10.3. Monitoring of E&S Compliance

10.3.1. Internal Monitoring and reporting of the ESRM

The monitoring and supervision of the ESRM in general is a joint task of the ORCU(OFLP-ERP), OEPA and Oromia REDD+ TWG. These bodies will jointly monitor the effective implementation of the mitigation measures in avoiding or minimizing adverse impacts, and the nature and extent of any such impacts. They are responsible to prepare and submit to the World Bank regular monitoring reports on the environmental, social, health, and safety (ESHS) performance of the Project, including but not limited to the implementation of the ESCP, the status of preparation and implementation of E&S instruments, the Benefit Sharing Plan (BSP) required under the ESCP, Stakeholder Engagement Plan (SEP), and functioning of the grievance redress mechanisms. Each report should be submitted annually to the World Bank no later than 30 days after the end of each reporting period throughout Project implementation period. The report will also include the implementation of the Environmental & Social instruments designed to manage the broader social risks, namely the GBV, OHS/CHS, GSD, SEP and LMP procedures, and the functioning of the GRM.

At the kebele/community level, mitigation measures will be implemented by the community and/or other grass root level implementers (such as private sector and NGOs) and closely supervised by the Kebele DAs With the support from the Woreda LUPT/experts. The DAs will be responsible for the effective implementation of the mitigation measures at any stage of the Program activities operation.

The level of detail and complexity of the monitoring methods will be proportionate to the ERP risks and impacts, and the measures and actions identified to address such risks and impacts. Accordingly, stakeholder engagement is an inclusive process that needs to be conducted for monitoring of the OFLP-ERP ESMF throughout the project lifecycle. The monitoring method will require engaging with stakeholders including communities, groups, or individuals affected by the subproject under implementation, and with other interested parties, through information disclosure, consultation, and informed participation in a manner proportionate to the risks to and impacts on affected communities.

10.3.2. External monitoring and reporting methods of the ESRM

The external monitoring includes an independent commissioned environmental and social audit, mid-term reviews, impact assessments and implementation completion reviews. These monitoring tools are basic for understanding the performances of ESRM performances.

An independently commissioned environmental and social audit will be carried out by the end of each fiscal year. Annual Audit of the ESRM implementation will be undertaken by independent external consultants. The reviews amongst other things will assess the performance of the project activities against ESRM procedures, the need for future training, and existing status of implementation of ESRM measures to address the corresponding impacts due to implementation of the OFLP-ERP subproject activities.

The Annual Audit provides strong feedback for OEPA/ORCU, and the World Bank whether the project ESMF including the ESMP and other ESRM instruments are implemented as recommended or not. An Annual Audit Report will include a summary of the ESRM performance of the OFLP-ERP based on the developed site-specific instruments for ERP subprojects and measures indicated in the ESRM instruments including ESMF, SESA, SEP and so on; the compliance and progress in the implementation of the developed site specific instruments; and a synopsis of the environmental and social monitoring results from subproject monitoring measures.

10.3.3. Joint Monitoring and Reporting methods of ESRM

OEPA is responsible for monitoring ESRM activities against the ESRM instruments. The level of detail and complexity of the monitoring methods will be proportionate to the risks and impacts of activities financed with ERPA benefits, and the measures and actions identified to address such risks and impacts. All or a mix of the following methods are expected in the monitoring of the OFLP- ERP ESRM.

Stakeholders' consultation: Stakeholder engagement is an inclusive process that needs to be conducted for monitoring throughout the project lifecycle. The monitoring method will require engaging with stakeholders including communities, groups, or individuals affected by the subproject under implementation, and with other interested parties, through information disclosure, consultation, and informed participation in a manner proportionate to the risks to and impacts on affected communities. Likewise, the Bank will have the right to participate in consultation activities to understand the concerns of the affected people, and how such concerns will be addressed by the ORCU for the enhancement of the environmental and social performance of the subproject's implementation.

- **Field visit:** The OEPA will facilitate site visits by Bank staff or consultants acting on the Bank's behalf if that is deemed necessary to monitor the environmental and social performance of the project.
- **Review checklist:** using the E&S checklist monitoring will be conducted with a survey assessment with different stakeholders at the end of the project year and the inputs will be used to prepare an annual review report
- **Use of third parties:** Where appropriate and as set out in the ESCP, the ORCU will engage third parties or independent experts to complement or verify its own monitoring activities. Where third parties or independent experts are responsible, the ORCU will collaborate with such parties to establish and monitor the implementation of the environmental and social mitigation measures of the subprojects. The scope of third-party monitoring (TPM) will also include systems-level monitoring of fiduciary mechanisms, including funds flowing through the benefit sharing plan (BSP) and relevant financial and audit controls.
- **Review and feedback:** as appropriate, the Bank will review and provide feedback on the implementing organization's monitoring reports concerning the compliance of the implementation of the ESMPs/ESIAs/RAPs with the requirements of the legal agreement,

including the ESCP and ESSs. Based on the feedback, the Bank will propose the necessary corrective measures that will be incorporated.

The following reporting timeframe applies:

- Relevant sector bureaus staff should produce a monthly monitoring report on BSP ESRM implementation and submit to ORCU for prompt decision in case corrective measures needed.
- A copy of monthly monitoring reports will be shared with ORCU, involving third parties, project affected communities and other interested parties.
- The Bank may require a quarterly monitoring report that provides a detailed information on the environmental and social performance of the subprojects under special circumstances
- OEPA/ORCU (OFLP-ERP) will submit to the World Bank (and other entities concerned) annual reports on BSP ESRM implementation during the preceding year
- OEPA (OFLP-ERP) will also undertake annual reviews after the annual report has been prepared and submit to the World Bank.

OEPA(OFLP-ERP) will develop a result monitoring plan for environmental and social compliance during BSP implementation, focused on monitoring the compliance and effectiveness of BSP ESRM and application of recommended standards to confirm that the necessary mitigation measures are considered and implemented. The purpose of result monitoring is (i) to support compliance with ESRM standards, to identify the emergence of any unforeseen ESRM issues, (ii) to determine lessons learned during BSP implementation, and (iii) to provide an early warning about potential cumulative impacts. The World Bank, as necessary, will also periodically conduct reviews of BSP ESRM implementation.

10.4. Reporting

Sector bureaus and woreda line offices will support kebeles and private sector entities in generating reports; BoCPD and WoCPD will support FMCs in developing reports. The reports from WOF, Woreda-level Cooperative Office, and Oromia State Regional Government should be approved by OEPA and the OFLP-ERP Steering Committee prior submission to BOF. Similarly, the OEPA's report on the use of operating costs and OEPA reports on the use of funds by private sector entities should be previously approved by OFLP Steering Committee prior submission to BOF.

The Oromia BOF should collect reports from OEPA/ORCU, regional sector bureaus, WOF and submit a consolidated financial report to MOF, and this to the World Bank. OEPA is responsible for collecting the financial reports of FMCs and private forest developers and will prepare and submit the ER monitoring report, including Annex 2 Information on BSP implementation to EFD once reviewed by the OFLP Steering Committee. EFD will submit its report to the MOF. EFD will review and submit the ER monitoring report to the World Bank. The National REDD+ Steering Committee, with support from national MRV team, will review the reports from EFD and MOF prior to submission to the World Bank. The below Figure presents the flow of reports on BSP implementation.

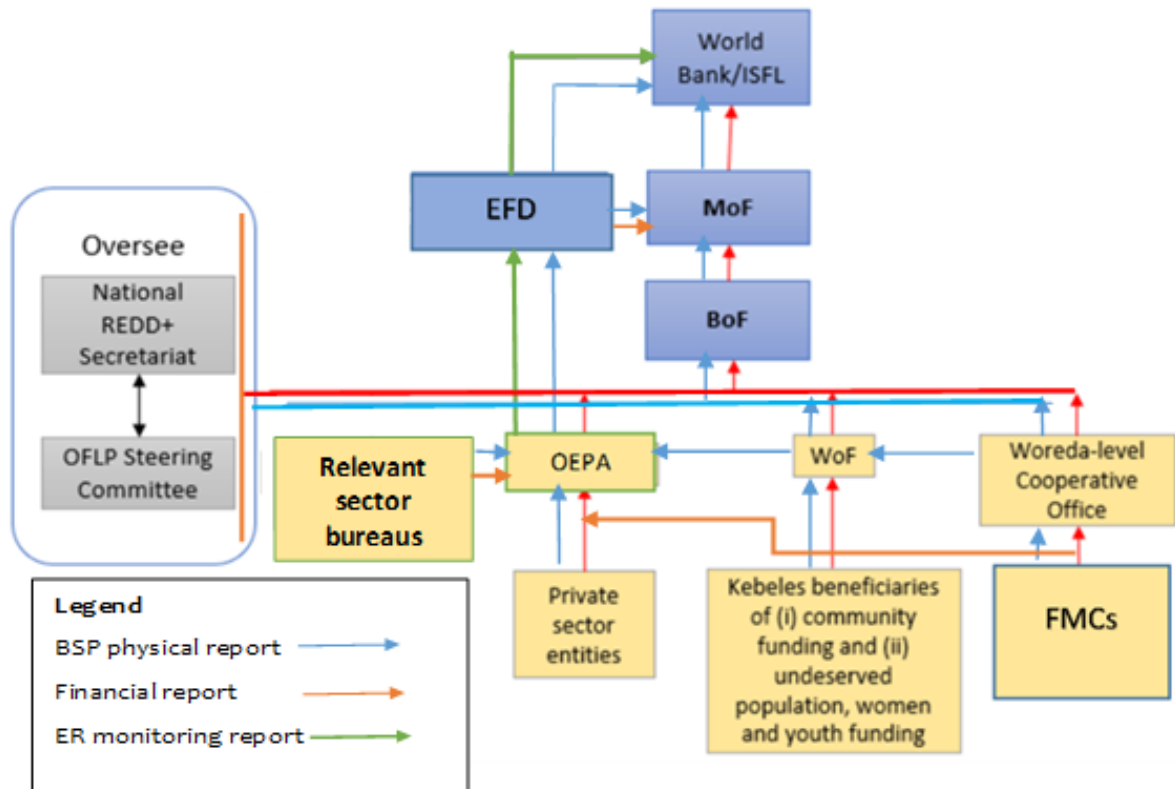


Figure 10: Flow of reports on BSP implementation

Annex 1: Definitions of terms

References are made to several Benefit Sharing elements in the FCPF Methodological Framework and ISFL ER project Requirements. Some of these terms are defined and explained below in order to clarify their relationship to each other.

Terminology	Explanation
Benefit Sharing	The sharing of Monetary and/or Non-Monetary Benefits with Beneficiaries under the ER Program in accordance with the Benefit Sharing Plan.
Beneficiaries	A subset or group of the ER Program's stakeholders (people involved in or affected by ER Program implementation) identified in the Benefit Sharing Plan to receive Monetary and/or Non-Monetary Benefits resulting from the ER Program.
Monetary Benefits	Cash received by Beneficiaries funded by payments received under an ERPA (ERPA Payments). These benefits, if any, must be included in the Benefit Sharing Plan.
Non-Monetary Benefits	Goods, services, or other benefits funded with ERPA Payments, or directly related to the implementation and operation of the ER Program, that provide a direct incentive to Beneficiaries to help implement the ER Program and can be monitored in an objective manner (e.g., technical assistance, capacity building, and in-kind inputs or investments such as seedlings, equipment, buildings, etc.). These benefits, if any, must be included in the Benefit Sharing Plan.
Non-Carbon Benefits	Any benefits produced by or in relation to the implementation and operation of an ER Program, other than Monetary and Non-Monetary Benefits (e.g., improvement of local livelihoods, improved forest governance structure, clarified land tenure arrangement, enhanced biodiversity and other ecosystem services, etc.). Such benefits are specified in a distinct section of ER Program Documents (ERPDs) and do not form part of the Benefit Sharing Arrangements or the Benefit Sharing Plan for the ER Program.
Benefit Distribution Mechanism(s)	The system(s) or channel(s) through which Monetary and/or Non-Monetary Benefits are distributed.
Benefit Sharing Arrangement(s)	The arrangement(s) that describe Beneficiaries, Monetary and Non-Monetary Benefits, and the Benefit Distribution Mechanism(s). Benefit Sharing Arrangements describe the processes for the distribution of Monetary and Non-Monetary Benefits to Beneficiaries, including the types and proportions of benefits to be shared and the Mechanism by which such benefits will be distributed. Benefit Sharing Arrangements are included in ER Program Documents (ERPD) and form the basis of the development of the Benefit Sharing Plan.
Benefit Sharing Plan	A document that elaborates on the Benefit Sharing Arrangements described in the ERPD, stakeholder consultation processes, and how the Program Entity

Terminology	Explanation
	will communicate, implement, and monitor the Benefit Sharing process. The content required in the Benefit Sharing Plan is specified in the FCPF Methodological Framework and ISFL ER project Requirements. The ERPA requires that the Benefit Sharing Plan is implemented in accordance with its terms.
Underserved	Not having sufficient or enough services
Under served social group	<p>Groups/Clans/individuals that have limited or no access to resources or that are otherwise excluded any socioeconomic activities due to their geographic location, religion, customs, gender identity, underserved racial and ethnic populations, special needs (such as language barriers, disabilities, alienage status, or age, etc.</p> <p>Example (1); Warra Dube community living mainly along the Wabe river basin, locally communicating by Dube language (no script for the language) where their educational language is Afan Oromo. Currently, they are living mainly in the lowland's areas of Bale and Arsi Zone. Some sources indicated that, health extension and education was started very recent time at this specific area, and still following traditional way of life.</p> <p>Example (2): 'Chawa-Clan' in Arsi zone; are believed to be leper and never married to this clan and excluded from many socioeconomic activities.</p> <p>Example (3): People with limited mobility (Elders, Pregnant and lactating women, individuals with disabilities, labour-poor, high-risk households with sick individuals, such as people living with HIV and AIDS, and the majority of female-headed households with young children.)</p> <p>Example (4): Occupational Minorities: underserved and excluded from different walks of life based on occupational engagements and nature of livelihoods. Under this group are craft worker (potters, smiths, wood workers, tanners, weavers and basket weaving) and level of exclusion varies from place to place. This sort of groups found everywhere like Arsi, Bale and Shewa and have different group name as well.</p>

Annex 2: Distribution of benefits among Forest Management communities (FMCs)

Local communities are the key actors in reducing deforestation and thus they will receive the most significant share of ER payments. Communities need to acquire the capacities to change their behaviour and implement adequate land use practices to reduce deforestation and achieve targeted emission reduction.

To this end, the lion shares of the net ERPA payment which is the 75%, will go to communities. 5% of the community share will be allocated to underserved communities. The remaining 95 % will be allocated for the implementation of community (FMCs/CBOs) initiatives as 50 % to projects that bring more ERs and 45% to social projects to be identified jointly with community representative facilitated by OEPA in participatory manner.

Only communities in the woreda that have contributed to ER and removal will receive payments. These payments will be proportional to the ERs achieved by the woredas and kebeles. The objective is to increase and incentivize the PFM communities to engage further in sustainable forest management.

Community (kebele CBOs/FMCs) initiatives/projects – Call for proposals.

The goal of the community initiatives is to bring more ERs and improve the livelihoods of the communities. Community initiatives are designed and implemented by CBOs/FMCs and shall contribute to ER generation through their participation in forestry plantations (A/R), PFM, forest conservation projects. Moreover, Community initiatives should contribute to reduce deforestation and fall mainly into one of the following thematic areas: agriculture, non-forest timber products (NTFP), nature-based tourism, and fisheries-aquaculture. The existing BSP elaborated a menu of eligible social development/livelihood improvement activities as well as activities to be implemented to generate ERs (“positive list”) which could be picked by the FMCs based on the potentialities of each woreda and kebele as indicated in the potential use section of this BSPOM, table 14.

After receiving the ER payment, woreda level OEPA office with technical support from the regional OEPA/ORCU will facilitate the discussion with the community to identify eligible community development projects based on the criteria set and assist them to develop and implement community development project selected jointly with the facilitation role of OEPA. FMCs with good management capacity and kebeles without FMCs will be eligible to submit project proposals for appraisal and approval by the woreda steering committee.

For the purposes of the BSP, CBOs include communities organized as FMC/PFM. CBOs and Kebeles without FMC/PFM need to meet the following criteria to be eligible to submit proposals:

- The CBO is well-known by the community and has been operating for at least 2 years;
- The CBO is composed of a minimum of 50 members and has a clear organizational structure;
- The CBO works in the area of natural resources management, forestry production, NTFP or community tourism management, etc.;

- The CBO is legalized, at least at the woreda Administration and or woreda cooperative development promotion office (CDPO) level, or will be legalized on the date of the signature of the grant agreement of the community project;
- The CBO is not supported by other projects for the same activities it is applying for.

Woreda OFLP Steering Committee composed of relevant woreda offices and partners will assess the feasibility of the community projects submitted by the CBOs/FMCs and kebeles without FMCs. The potential of the action plans in ER (e.g., measured in area of A/R), number of beneficiaries and sustainability of the planned actions can be possible criteria to compare among different action plans presented. The committee may also evaluate some proxy indicators related the potential of to community practices in forest conservation and reduction of deforestation such as the number of uncontrolled fires, new agricultural plots and functioning governance structure as deemed required.

ER payments will not be direct cash transfers to communities: ER payments will finance the community initiatives identified by the community in participatory manner facilitated by OEPA and at will be implemented with the support of woreda OEPA, Cooperative Promotion and Development Office (CPDO) and NGOs working in the area.

Steps to be followed for benefits sharing among CBOs/FMC

Steps for the submission, screening and approval of community project proposals:

Step 1 - Launching the call for proposals: the call for proposal is not just to drop any CBO from implementing community development project because of not meeting the selection criteria, but to ensure the project each FMC/Kebele without FMC proposing is in line with project identification criteria. If any FMC/Kebele without FMC is coming up with a kind of weak project proposal, then it will be a responsibility of the OEPA to assist them to develop the project in line with the agreed criteria that can contribute to generating more ER and economic status of the wider community.

Woreda level OEPA office with technical support from the regional OEPA/ORCU launches a “call for proposals” after receiving each ER payment, which clearly indicates: (i) the amount of funds available for each woreda, (ii) eligibility criteria, (iii) eligible activities, (iv) deadlines for the submission of proposals; (v) project duration and minimum/maximum budget; (vi) criteria including: (a) the potential of the community project/ the action plans in ER , (b) number of beneficiaries and- (c) sustainability, among others.

Step 2 - Dissemination of the call: Information of the call is disseminated through different channels: (i) community radios, (ii) relevant websites, if any (OEPA, woreda administration, etc.), (iii) posters in key locations (i.e., farmer training centres (FTCs), pastoral training centres PTCs), schools, health posts...) in the communities; (iv) community meetings.

Step 3 - Submission of simplified proposals: CBOs/FMCs and kebeles without FMC submit simplified project proposals (Application form in Annex 3) including basic information of the CBO/FMC and kebele without FMC, the social and economic activity to be implemented and an approximate budget. The project proposal can include activities used to generate ERs and social and social development/livelihood improvement investments.

Step 4 - Screening of simplified proposals: A Woreda OFLP-ERP Steering Committee composed of relevant woreda offices and representatives of woreda government is responsible for assessing the simplified proposals. Once the assessment is finalized, the safeguard specialists carry out the environmental and social safeguards screening of the simplified proposals to avoid projects with adverse environmental and social impacts. After the environmental and social screening, the Woreda OFLP-ERP Steering Committee approves the proposals.

Step 5 - Announcement of the list of community projects: announcement of both approved community projects and community projects that needs improvement in line with the agreed criteria that contribute to generating more ER and economic status of the wider community through support from OEPA and other relevant government institutions. Woreda level OEPA office posts the list of all FMC/PFM community or kebele without FMC that developed their own community projects on public places of the eligible woredas and kebeles in the interest of transparency. All eligible FMC/PFM community or kebeles without FMC are invited to a meeting in which the application process is explained.

Step 6 – Preparation of complete project proposals: All invited FMC/PFM communities or kebeles without FMC will prepare the complete proposal. The woreda level OEPA and CDP offices will support CBOs that require support in writing the business plan and or the action plan.

Step 7 - Evaluation of complete proposals: The OEPA/ORCU does an independent review of proposals to ensure technical compliance with all criteria. In the case, the OEPA/ORCU considers that a project proposal needs to be improved; the CBO will be given some time to make the necessary amendments and resubmit the proposal. Finally, OEPA with technical support of woreda OEPA, the woreda OFLP-ERP steering committee provides its analysis and approval.

Step 8 - Notification- The woreda level OEPA office receives the list and informs the selected CBOs and prepares official letters to notify the selected CBOs and inform them on the following steps.

Step 9 - Contracting: Following approval, contracting is primarily the responsibility of woreda level OEPA office. Standard contracts are signed between the CBO and the woreda level OEPA office. The CBO signs also a “Forestry Plantation and Conservation Agreement” with specific plantation and conservation commitments to protect their lands and reduce deforestation, such as plantation A/R, avoiding deforestation activities.

Step 10 - Implementation and monitoring: The CBO/FMC is responsible for the implementation of the project in accordance with business plan and annual plans submitted and approved in the project proposal. The CBO submits quarterly technical and financial reports. Woreda OEPA office is responsible for monitoring the implementation of the projects.

Implementation and financial management of community/CBOs projects

Moreover, Oromia BOF disburses share of FMCs to their respective account (subjected to the financial management capacity required by the World Bank) and the shares of kebeles without FMCs to the respective Woredas’ Office of Finance (see disbursement mechanism section of this BSPOM).

FMCs with good financial management capacity will directly receive their share from Oromia BOF and will be responsible for the implementation of projects and involve in financial management. Hence, they need to open a project-specific account.

While kebeles without FMCs will only be responsible for the implementation of field activities. Woreda OEPA and CDPO offices will be in charge of the financial management on behalf of them. For this reason, FMCs without adequate management capacity and are not legally registered does not need to open a specific account for the project, as all payments will be made and recorded by WOF and CPDO respectively in accordance with the procedures set up in the WB/OFLP-ERPA Procurement Policies. However, they should be capacitated to gradually grow to a legally registered and well-functioning communities so that qualify as FMC with good financial management capacity and have their own bank account.

The FMCs with adequate capacity will prepare a financial report with a list of expenditures and keep supporting documents (invoices or receipts) for the purpose of presentation of accounts.

Annex 3: Application form for simplified project proposal

Proponent Information		
Name of CBO		
Type communities organized as FMCs---(1) communities not organized as FMC/PFM --(2)		
Objectives and activities of FMCs		
Number of CBO's members		
Is the CBO a legal entity ²⁷ ?		
Has the CBO/ FMC a bank account?		
Name of the representative or contact person of the CBO		
Address	Cell phone	E-mail
CBO project management experience		

Community project information				
Project title				
woreda				
Kebele/locality/community				
Duration of the project (months)?				
Project thematic area (mark with x)	Forest	Agriculture	Tourism based in nature	Fisheries

Community project description	
What is the problem that should be solved with project?	
What is purpose of the project?	
What are the main results expected?	
What are the main activities?	
Who are the direct and indirect beneficiaries? (Total number, number of women and youth)	
Do you plan to form a partnership? If yes, with who?	
Does the project include the improvement, rehabilitation or maintenance of some social infrastructures (clinic, school, road ...)?	
Does the project include training? If yes, in what areas?	
Is technical assistance required? If yes, in which areas?	

²⁷ If it is not legalized yet, the FMC should regularize the situation, at least at the woreda administration level, by the date of signature of the contract, if approved.

What will be the main impact of the project in the community? (Social, economic, environmental)	
What are the measures to ensure the sustainability of the project?	

Community project budget (ETB)	
Total	
Other contributions (if any)	

General timeline			
Main activities	Year 1	Year 2	Year 3

Date: _____
Signature: _____

Annex 4: Community Planning Processes & Approval

Here key points are outlined for consideration during community development projects planning, implementation and approval.

The woreda experts and DAs should refer (i) the roles and responsibilities of communities in ER generation (see table 2); (ii) eligible activities to generate ERs and or list of social development/livelihood activities (see table 13); (iii) the national Community Based Participatory Watershed Guideline (CBPWG)²⁸, and (iv) ESMF screening formats (see Annex 8, 9, 10) and apply those while supporting the community planning process.

The planning process involves use of various participatory techniques to promote local participation. These originate from different methodologies which have been widely applied globally. In Ethiopia, they originate largely from the Local level Participatory Planning Approach (LLPPA), Participatory Rural Appraisal (PRA), Farming System Development (FSD), and Participatory Land Use-Planning (PLUP). These techniques are designed to ensure involvement of the whole community in the exercise, while also enabling the planning team to obtain as much information as possible.

The planning process requires the involvement of range of technical specialists such as foresters, social development, environmentalists, economist, cooperative specialist, etc. Hence, the woreda should establish woreda planning team (or strengthen if already established).

In general, participatory community development planning is designed to be as simple and practical as possible, so that one or more Development Agents (DAs) and the FMC community can prepare a plan together with the support of woreda.

Community is at the heart of any development planning including watersheds. However, they need guidance and direction from higher level administrative bodies. Thus, Woreda as responsible for all communities within the Kebeles under its governance is responsible for some key activities that involve into Community planning. Some of its key activities include stakeholders' analysis, establishing planning teams, undertaking some preparatory activities and initial visit to the communities.

The FMC community planning process should follow a very important and practical process starting from the initially prepared plans at Woreda level to the actual planning with communities involving the following steps:

- 1) Preplanning preparation at the community level including general community consultation, community planning team establishment, etc.;
- 2) Identification and prioritization of project areas;
- 3) Biophysical and socio-economic surveys with technical support from woreda planning team;
- 4) Intervention identification, prioritization and safeguard considerations;
- 5) Approval of the wider community on activities prioritized by community planning team;

²⁸ Community Based Participatory Watershed Guideline is a national guideline for planning community watershed plan.

- 6) Submission of simplified proposals: CBOs/FMCs and kebeles without FMC submit simplified project proposals (Application form in Annex 3)
- 7) Preparation of complete project proposals as per feedback from OPEA/ORCU (see Annex 2, step 6)

General Community consultation: At this stage, the FMC/DA will call for a general assembly for consultation and conduct pre planning activities. Together with woreda planning team and Kebele leaders, the DA will introduce the objective of this consultation, the benefits of participation in local conservation activities, potentials for small infrastructure development, the importance community's engagement in community development projects through participatory approach, wealth ranking exercise and any other related issues. The community should be informed that all community members have the right to be heard and participate in the planning, implementation and monitoring of community development projects.

Establishment of community planning team is also one of the key deliverables of the general assembly. Hence, community members will elect a planning team having 12 members and consist of both men and women, representatives of youth, community leaders and other relevant stakeholders.

NOTE: The role of the DA is crucial where cultural barriers inhibit the participation of women. In the time of a planning (wealth ranking) exercise involving both men and women, the DA should intervene on a regular basis to ensure that the women participate and express their views. It may be useful in some instances to have a subsequent and separate meeting with the female members to confirm and refine the planning findings.

Composition of community planning team (12 members):

- Four male heads of household representing different social groups (including vulnerable households) living in different parts of the community.
- Two females from male headed households living in different strata of the community;
- Two females from vulnerable and female headed households living in different strata of the community;
- Two youth representatives, one male and one female;
- Two more (one male and one female) as required by the community (innovative farmers/agro-pastoralists, respected/ influential people, women's group, or other representative groups).

Functions of the community planning team:

- Serve as a permanent contact with the DA, the rest of the community/target group throughout the project period.
- Actively participate and cooperate with the Woreda experts and DAs during the planning, monitoring and implementation.
- Initiate and seek administrative and technical support from responsible organizations for establishment of FMC in the community, in kebeles without FMC.
- Coach and maintain awareness of farmers during all steps of planning and implementation;
- Facilitate access to labor and material contributions agreed with the community and make these available, as and when required, in accordance with the plan;

- Consult and get consensus from the community for establishing a community wide watershed management or project area by-law;
- Ensure equitable use of the benefit sharing arising from ER forest development and management activities by the underserved community;
- Facilitate the implementation of grievances of the community that may arise in the community;
- In all circumstances, during field surveys the elected planning team must meet the FMC or the community members.

Note: In kebeles with FMC, with consent of the general assembly, the executive committee of the FMC can serve as community planning team.

Conduct Socio-economic and Biophysical Survey: This is an information-gathering step, designed to characterize the project area and the people living within its boundaries. It involves: a watershed resource inventory and assessment, including current land uses and any associated risks and problems; definition of the socio-economic situation of the community; definition of watershed potentials, opportunities and limitations; and prioritization of core problems and solutions. The information gathered in this step provides the basis for identifying and prioritizing the interventions to be implemented.

Problem identification (PI) and ranking: The purpose of this is to identify the most important problems and risks of the community and target group(s) as well as to accomplish preliminary assessment of possible solutions. The planning team should attempt to prioritize the most urgent needs, risks particularly to those related to the envisioned community development project.

Community level socio-economic survey: The problem and possible solutions identification should be supported by more in-depth socio-economic surveys and diagnosis. The following sources of information and methods may be used to undertake this survey.

Review of existing reports: Existing reports on general socio-economic conditions of the Kebele and community should be collected and reviewed before planning surveys. The existing reports, particularly forest related, which may be available at woreda or higher levels, will provide the planning team with basic information, for preparation of survey proposals and the related forms and questionnaires. It is important therefore that existing studies be carefully reviewed. The woreda planning team plays crucial role.

Conduct socio economic surveys: provide the baselines for M&E: The subject of socio-economic surveys is likely to include a vast array of social conditions and economic activities in the project area. Before beginning the survey, a series of decisions should be made on: enumeration approaches, types of baseline data, sampling methodology, total sample size, period of survey, and any other relevant factors. For practical purposes a complete module, including a socio-economic questionnaire indicated in the CBPWD guideline, Part I, can be used as a reference for planning purposes.

Identification and delineation of project area or forest areas: after identification of the project area with full participation of the community, technologies such as GIS/GPS can be used for mapping boundary delineations. Additionally, secondary data analysis should be undertaken if and as necessary. The woreda support is required.

Historical profiles/Trends Analysis: This tool reveals important information for contextual understanding of situations in the community (e.g., the causal link between land rights and deforestation and erosion). It provides a summary overview of the key historical events in the community and their importance within the context of the present situation. It also helps to provide insights into trends of disaster risk, climate change and the associated intensity of related events. This opens the opportunity for dialogue on the need for A/R and social development/ livelihood activities.

Institutional analysis: This is an important tool for identifying and understanding the different perceptions of power or group relations within the community and between the community and outsiders, it can also be used to identify constraints, e.g., the absence of an institution, means the lack of service. Community meeting, a general assembly is important at this level.

Consider Gender & Social Development: The planning approach should recognize women's significant role and contribution in forest development and management and climate change mitigation and adaptation, and that men and women may be impacted differently by the extreme environmental conditions likely to be exacerbated by climate change.

GSD focuses on the promotion of gender equality and on the inclusion of the poor and vulnerable by empowering them to undertake their own development, to improve their social and economic position, to acquire their rightful place in a cohesive and resilient society. The focus of GSD in the community planning and implementation is to ensure appropriate and adequate consideration of the needs and opportunities for women, and other vulnerable social groups such as people with health, physical, and mental issues, and particularly the underserved community groups etc. The following key issues should be considered: -

- Ensure equal representation of men and women in decision making (planning, monitoring and evaluation)
- Genuine participation of men and women in planning team and general assembly.
- Participation in the implementation of the project should consider women workload and their triple roles in the community (Reproductive, Productive and Social roles)
- Capacity development interventions should consider the knowledge and skill needs of women and vulnerable groups.
- Women and other vulnerable groups (the underserved and youths) should be given livelihoods opportunities using the 5 % of the community share.

Identification, Prioritization and Safeguards of Interventions that Bring Change: After completion of the above tasks, the DA and the planning team will gather a considerable amount of information from the community, key informants, focal groups, field surveys and mapping work. As a result, the DA and the planning team become much more aware of the constraints faced by the community and the potentials and opportunities for resolving them and for development. Interventions should be technically feasible and implemented in the correct sequence meeting appropriate quality.

Participatory approval of interventions by the general assembly: The draft **development plan must be prepared** that indicates the “what”, “where”, “when” and “how” of the selected measures. It outlines recommended measures selected by the planning team that are to be subsequently subjected to community review in a general assembly of the whole community. In this way the Community Action Plan becomes a key document not only guiding the annual

planning process but also assuring the community's participation in implementing the interventions. The approved interventions should pass Environmental and Social Screening (refer section 8 of this manual)

The planning team should also consult and reach agreement with the communities located upstream, downstream or otherwise adjacent to them, about measures that need to be undertaken jointly to ensure that all watershed interactions are taken into account and acted on.

Preparation and submission of simplified proposals/plan: This section provides how the activities done so far will be compiled into a comprehensive strategic and project operational plan. It involves the preparation of development map, determination of input requirement, detail action planning, establishment of interim milestone and compiled full plan. The simplified community development plan should be submitted to the woreda OPEA and other responsible organization in the Woreda. Improvement and approval will be done at woreda level by the woreda OFLP steering committee (see Annex 2, step 7). Approved plan should be available at kebele and FMC offices. The items to be included in the community development plan are indicated in the box below as template.

Action plan: the complete project proposals, which is the revised version of the simplified proposal will serve as a starting point for the preparation of a multi-year plan. The multiyear watershed plan is used as a foundation document for preparing work plans and outlines the activities to be undertaken in each year. It should be thought of as a strategic plan for achieving long-term success. Annual work plans, on the other hand, focus on the specific actions that must be taken to achieve that vision. The multiyear action plan should be carefully and accurately developed on the basis of the agreements with the community for the implementation of the proposed measures.

Develop Implementation Strategies: A work plan is the starting point for implementing the community development but first requires the development of an implementation strategy involving: institutional/organizational arrangements, resource identification and mobilization, activity sequencing, consideration of gender and social aspects, identification of links with other projects and programs, and a capacity building strategy.

Link with Other Projects and Programs: whenever additional resources are received by their areas; the DAs should ensure that any work plans for these interventions are aligned to the strategic plan of the respective Kebele. For example, at the moment there are programs such as the PSNP, the RLLP, LLRP, AGP, NGO projects, and others working on watershed management. The resources made available through these programs and others can only be used efficiently if they are integrated into the multi-year watershed development plan (PAD, Table 3.1).

Capacity Building: Capacity building is one of the major strategic elements for community plan implementation. Awareness and trainings should be provided to the DAs, Kebele leaders, FMCs and the community.

Annex 5: Environmental and Social Framework (ESF)

The ESF provides more flexible and transparent approach to improve the management of environmental, social risks and impacts resulting from project activities. The ESF is centred at ensuring sustainability of development outcomes. The ESF has improved a broader and systematic coverage of the environmental and social risks management (in a simplified structure for monitoring and evaluation), with improved transparency, public participation, inclusiveness and non-discrimination, accountability, and expanded roles for grievance redress mechanisms.

The ESF consists of ten Environmental and Social Standards (ESSs) that Borrowers will have to comply with in order to manage the risks and impacts of a project and to improve their environmental and social performance. The new ESF requires preparing new ESRM instruments such as the ESCP, SEP and LMP for investment projects such as the OFLP-ERP. Among the ten ESSs, except for ESS9, all the other ESSs (ESS1 - ESS10) are applicable to the OFLP-ERP and will be monitored in OFLP-ERP as described here.

ESS 1: Assessment and Management of Environmental and Social Risks and Impacts

The ESS1 required to undertake assessment and management of environmental and social risks and impacts. This standard aims at identifying, evaluating and managing the E&S risks and impacts, and adopting a mitigation mechanism to avoid, minimize or reduce risks and impacts to acceptable levels, where not possible, compensate or offset them when technically and financially feasible, utilizing national environmental and social institutions, systems, laws, regulations and procedures in the assessment, development and implementation of projects, and promoting improved environmental and social performance, in such a way that recognizes and enhances the capacity of the borrower.

The sub-project activities to be financed by the BSP related to distribution of ER payments include maintenance of schools, clinics and roads, and bee keeping and cattle fattening activities, among others. Accordingly, the potential environmental risks and impacts include community and occupational health and safety issues; soil disturbances; disturbance of environmentally sensitive areas; contamination/pollution of soil and water resources due to the use of agrochemicals, including pesticides, in nursery and agroforestry sites; and environmental (dusts, greenhouse gas emissions and/or noise) problems related to small-scale infrastructure (e.g. livelihoods supporting activities; etc.) construction and maintenance activities and ER payment activities. There are also potential risks of reversals and displacements/leakages (due to inadequate enforcement or coordination) under the ERP which may impact biodiversity and forest dependent livelihoods, which will, in turn, cause pollution and harm to local communities. Thus, the OFLP-ERP's E&S risk rating (ESRR) is substantial. The project's ESRR classification is based on the info provided below (as per ESS1), which will be applicable for subprojects during implementation as well.

In consistent with the ESF instruments (SESA including SDP, ESMF including SEAH/GBV Prevention and Response Plan, RF, PF, SEP, LMP, SRAMP to be disclosed prior to appraisal), EFD and OEPA/ORCU are responsible for the implementation of Environmental and Social Impact Assessments (ESIAs), Environmental and Social Management Plan (ESMPs), and/or Resettlement Action Plans (RAPs) for Project activities used to generate ERs (such as seedling production for

income, coffee outside forest, tree planting for income and own consumption, fuel saving stoves, and fruit tree planting) and social development/livelihood improvement (including maintenance of roads/schools/clinics, beekeeping and fattening (intensive and through cutting and carry system)).

The E&S due diligence shall assess the impacts (with a primary focus labor, security, and gender-based violence) of the underlying program and project activities which are needed to generate ERs as per the Project's E&S instruments specifically the ESMF (including GBV risk assessment and action plan), SRAMP, LMP & ESCP. If there are non-compliances identified during the due diligence, the Bank has the option not to generate the ERs. Based on the E&S audit conducted for the OFLP grant financing and the current preliminary assessment, there are no significant E&S non-compliance issues.

ESS 2: Labor Management Procedures (LMP)

The ESS2 recognizes the importance of employment creation and income generation in the pursuit of poverty reduction and inclusive economic growth. It requires borrowers to promote sound worker-management relationships and enhance the development benefits of a project by treating workers in the project fairly and providing safe and healthy working conditions.

- All contractors, private companies/cooperatives and workers must comply with the applicable national regulations of the country established in the proclamation (Proc. No. 1156/2019) and ESS2 requirements.
- Adopt and implement appropriate measures of protection and assistance to address the vulnerabilities of Project workers, including specific groups of workers, such as women, people with disabilities, and any other disadvantaged groups in accordance with ESS2.

EPD, OEPA/ORCU, and corresponding zone and Woreda level offices are responsible to establish, maintain, and operate labor grievance mechanism for the Project workers (direct workers, community workers and contract workers) as described in the LMP and consistent with ESS2. It must be backed with a more effective bank confidential mechanism for GBV/SEAH complaints handling.

ESS 3: Resource Efficiency and Pollution Prevention and Management

The ESS3 recognizes that economic activity and urbanization often generate pollution to air, water, and land, and consume finite resources that may threaten people, ecosystem services and the environment at the local, regional, and global levels.

The OFLP-ERP sub-project activities may cause contamination/pollution of soil and water resources due to the use of agrochemicals, including pesticides, in nurseries and agroforestry; and environmental (dusts, greenhouse gas emissions and/or noise) problems related to small-scale infrastructure (e.g., livelihoods supporting activities; etc.) liquid and solid waste from construction and maintenance activities and ER payment activities.

Generally, the ER distribution related activities are not expected to generate hazardous and non-hazardous E-waste. However, where such wastes are likely to be generated, it shall be avoided, or minimized and/or mitigated as per project specific ESMP, by applying relevant measures and

procedures including E&S screening proportionate to the nature and characteristics of sub-project activities, by applying ESIA and preparing ESMP.

ESS 4: Community Health and Safety (CHS)

Consistent with ESMF, ESS4, and WBG EHS Guidelines for construction activities, prepare, implement and monitor Occupational and Community Health and Safety (OCHS) Plan as part of site specific ESIA/ESMPs for sub-projects as stated under action 1.2 above including, inter alia, measures to:

- Minimize the potential for community exposure to hazardous chemicals (such as pesticides through integrated pest management plan), water pollution, and communicable diseases, including COVID-19, taking into consideration highly vulnerable groups, and
- Consider the World Bank Directive on the inclusion of Vulnerable Groups to provide such vulnerable groups access to the development benefits resulting from the Project, including financial incentives to support forest ecosystem services.

ESS 5: Land Acquisition, Restrictions on Land Use and Involuntary Resettlement

The ESS5 recognizes that project-related land acquisition and restrictions on land use can have adverse impacts on communities and persons. Project-related land acquisition or restrictions on land use may cause physical displacement (relocation, loss of residential land or loss of shelter), economic displacement (loss of land, assets or access to assets, leading to loss of income sources or other means of livelihood), or both. The impacts caused by such risks are referred as involuntary resettlement.²⁹

Adopt and implement the updated RF and PF in accordance with the requirements of ESS5 to mitigate and compensate for impacts related to land acquisition, which includes a voluntary land donation protocol. Where involuntary resettlement is not avoided, subproject specific resettlement action plan (RAP) shall be prepared and implemented in accordance with ESS 5 and consistent with the requirements of the Resettlement Framework (RF), before carrying out the associated activities, in a manner acceptable to the World Bank. Overall, EFD ensures adherence to the principles outlined in ESS5 satisfactory to the Bank.

ESS 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources

The ESS6 recognizes that protecting and conserving biodiversity³⁰ and sustainably managing living natural resources are fundamental to sustainable development. Biodiversity often underpins ecosystem services valued by humans. Impacts on biodiversity can therefore often adversely affect the delivery of ecosystem services.

²⁹ Resettlement is considered involuntary when affected persons or communities do not have the right to refuse land acquisition or restrictions on land use that result in displacement.

³⁰ Biodiversity is defined as the variability among living organisms from all sources including, inter alia, terrestrial, marine and other aquatic ecosystems and the ecological complexes of which they are a part; this includes diversity within species, between species, and of ecosystems.

ESS6 recognizes the importance of maintaining core ecological functions of habitats, including forests, and the biodiversity they support. This ESS also addresses sustainable management of primary production and harvesting of living natural resources. ESS6 recognizes the need to consider the livelihood of project-affected parties, including Indigenous Peoples, who's access to, or use of, biodiversity or living natural resources may be affected by a project.

The OFLP-ER is expected to have significant positive impacts on natural habitats and forests, as it will support the maintenance and rehabilitation of forest areas and their function; and local communities will be involved in design, implementation, and monitoring of project activities. Activities that involve the significant conversion or degradation of critical natural habitats will not be supported. The project activities will be screened, and impacts will be avoided on natural habitats using appropriate preventive and mitigation measures identified through ESIA screening. Site specific environmental and social management plans with mitigation measures will be prepared to avoid or reduce such impacts. If there are Project activities likely to cause significant conversions of forests, they will not be financed under the OFLP-ERP.

ESS 7: Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities (SSAHTLCs)

The Ethiopian government recognizes all people in Ethiopia are indigenous and hence, there are only underserved communities. The OFLP Grant financing-SESA describes the underserved communities. The updated SESA has set out the social impacts on underserved peoples in Project implementation areas and the measures for providing culturally appropriate economic and social benefits for vulnerable groups and, where there are potential adverse impacts on these groups, measures to avoid, minimize, mitigate, or compensate for these impacts. The impacts of the project on underserved communities are minimal.

The Project:

- a) will not involve in adverse impacts on land and natural resources subject to traditional ownership or under customary use or occupation;
- b) will not cause relocation of historically underserved groups from land and natural resources subject to traditional ownership or under customary use or occupation; and
- c) Has no significant impact on cultural heritage that is material to their identity and/or cultural, ceremonial, or spiritual aspects of their lives.

ESS 8: Cultural Heritage

EFD, OEPA/ORCU, and implementing woredas are responsible for the consideration of relevant aspects of ESS8 in the ESMF as the Project activities are most likely to encounter tangible and intangible cultural heritage in some of the intervention areas including high forest areas, biosphere reserves, and parks. In this regard, EFD with others shall address the risks and impacts of the Project to cultural heritage as follows:

- a) Project activities will be carried out only in areas selected, through a consultative process that includes prior informed consent of local communities;

- b) Project activities that have potential significant adverse impacts on a known cultural heritage site will be eliminated through the ESMF screening process; and
- c) Based on the results of project activities screening, site-specific ESSs instruments (ESIAs/ESMPs), including ESS8 requirements (accommodating chance finds procedure if there is an encounter unexpectedly with cultural heritage artefacts during implementation) will be prepared, implemented, and monitored during the Project implementation.

ESS 10: Stakeholder Engagement and Information Disclosure

The ESS10 is relevant to OFLP-ERP program and stakeholder engagement and information disclosure is a priority for planning, implementing and ensuring sustainability of the proposed program. The OFLP-ERP has several stakeholders from the federal to the local communities, who are affected by the sub-project activities, i.e., local communities and/or government organizations, the private sector, civil society organizations, local administration, religious groups, academic and research institutes, traditional associations, etc. Thus, stakeholder engagement process is a requirement from the project preparation to implementation, monitoring and evaluation cycle.

The ESS10 requires to prepare a stakeholder engagement plan, information disclosure and grievance redress mechanism for program affected people.

Annex 6: OFLP-ERP Potential Environmental and Social Benefits

The ERP intervention will have economic, environmental and social benefits to the communities. Some of the key anticipated benefits to the community include the following:

Emission reduction: The OFLP-ERP is mainly expected to promote emission reduction through the planned actions and measures which address the drivers of deforestation and forest degradation and generate benefits for local communities through the adoption of sustainable and productive land uses and improved forest management.

Financial benefits: the project is designed to generate revenues and to provide financial incentives to support sustainable forest management, conservation, and restoration, which in turn enhance environmental, social and economic benefits.

Reducing social exclusion of vulnerable groups: positive impacts on vulnerable and historically underserved groups and systematically excluded these groups through better forest governance, more inclusive decision making, and improvement of the livelihoods of people with small land holdings through income generating activities.

Employment creation and income diversification: create job opportunities for the local communities living in the target or adjacent areas, particularly, the vulnerable groups (youth and women).

Improvements in local livelihoods: The sub-project activities will create market opportunity for local communities to supply inputs/raw materials to contractors during rehabilitation of social services centres. Will create additional opportunities to local communities to generate income and diversify sources of livelihoods.

Enhanced biodiversity conservation: The OFLP-ERP in general provides a wider range of interrelated co-benefits in biodiversity conservation, climate change adaptation, and ecosystem services, social and broader economic benefits.

Promoting green growth: The OFLP-ERP also benefits the country to achieve its national ambition for green growth by ensuring readiness to utilize financing related to REDD+.

Scaling up the positive impacts: The ER could grow as the OFLP scope expands starting from the second phase to other eligible sectors beyond forests such as agriculture, including livestock. This will further benefit the environment and other significant number of beneficiary communities.

Reduces Land Degradation: ERP improves land-use and management practices, such as ecosystem conservation and restoration. ERP promotes sustainable land-use planning. Capitalizing on Sustainable Land Management initiatives and other related projects and is contributing to avoid, reduce or reverse land degradation.

Annex 7: OFLP-ERP Potential Negative Environmental and Social Impacts, Risks and Mitigation Measures

Some of the Project activities may have localized but less sensitive, site specific- and perhaps reversible environmental impacts if appropriate screening is not done and if such impacts are not considered with regard to their locations or in the design of project activities.

The activities could potentially include rehabilitation of social service structures to be funded from ER payments. The potential environmental risks and impacts include community and occupational health and safety issues; soil disturbances; disturbance of environmentally sensitive areas due to pitting activities; and environmental (dusts, greenhouse gas emissions and/or noise) problems related to small-scale infrastructure (e.g., social development and livelihoods supporting activities; etc.) maintenance activities and ER payment activities. There are also potential risks of reversals and displacements/leakages (due to inadequate enforcement/coordination) under the ER Project which may impact biodiversity and forest dependent livelihoods, which will, in turn, cause pollution and harm to local communities.

There may be adverse E&S impacts, in relation to benefit sharing. Despite the existence of the BSP, grievances may arise at different administrative levels of the region in relation to benefits and other issues of OFLP-ERP. Related grievances should be addressed and resolved using Grievance Redress Mechanisms designed for the OFLP-ERP implementation and presented in section 8 of this OM. The below table describes the potential negative impacts and risks with possible mitigation measures.

Related ESS	Potential Negative E&S impacts and Risks	Mitigation Measures
ESS6	<p>Impacts on Natural habitats and biodiversity</p> <ul style="list-style-type: none"> • Some activities such as small-scale rehabilitation of social services centres (schools, health centres, etc.), reforestation /afforestation, may cause disturbance to natural vegetation, cultivated lands and areas of significant importance for nature and biodiversity conservation. • Activities might affect important flora, fauna and soil micro-organisms affecting ecosystems' functions. 	<ul style="list-style-type: none"> • Screen sub-projects in conformity with the requirements of the ESS6 (biodiversity risks and impacts) • Conduct careful and suitable site selection through a participatory process for sub-component infrastructures. • Apply site specific ESRM instrument (ESIA/ESMP) to avoid, minimize, reduce and mitigate E&S risks and impacts! • Conduct planting and re-vegetation of sites to compensate loss of trees and vegetation. • Prioritize and minimize impacts on indigenous trees of importance, avoid cutting of mother trees
ESS8	<p>Cultural/ Historic heritage sites</p> <ul style="list-style-type: none"> • Sub-project activities such as small-scale rehabilitation or access roads, reforestation /afforestation may cross or fall in and around areas that have cultural/religious, historic and 	<ul style="list-style-type: none"> • Activities will be carried out only in areas selected, through a consultative process that includes prior informed consent of local communities. • Comply with the national laws, guidelines and standards on the protection of sacred sites, cultural and heritage sites and areas of historical

Related ESS	Potential Negative E&S impacts and Risks	Mitigation Measures
	heritage values, which will cause negative impact on such heritages/sites	<p>significance</p> <ul style="list-style-type: none"> • Activities will be screened and site-specific ESIA/ESMPs will be prepared, including ESS8 requirements (chance finds procedure) • Avoid or exclude activities that have adverse impact on historical, cultural and heritage values through screening process • Conduct ESIA and identify areas of historical significance to avoid damage to such resources • If there is an encounter unexpectedly with cultural heritage artefacts during implementation, chance finds procedure will apply
ESS5	<p>Land acquisition, access restriction and involuntary resettlement</p> <ul style="list-style-type: none"> • Sub-project activities may induce minor level of land acquisition and /or restriction of access to legally designated parks, protected areas, or forest management/reforestation areas; • 	<ul style="list-style-type: none"> • Avoid or minimize involuntary land acquisition during subproject implementation as much as possible • Where land acquisition is unavoidable, prepare and implement voluntary land donation guidelines • VLD should not occur if physical dislocation is implied • In cases where access restrictions and economic losses occur, adopt and implement procedures outlined in the PF, and compensate PAPs in accordance with the ESS5 • If involuntary resettlements are unavoidable, the principles outlined in the RF should be implemented. • Based on the ESIA results, a specific resettlement action plan (RAP) should be prepared and implement in accordance with ESS5, consistent with the RF
ESS2	<p>Gender-based Violence (GBV); Sexual Exploitation and Abuse (SEA) and Sexual Harassment (SH)</p> <ul style="list-style-type: none"> • Risks associated with presence of contract/construction workers and due to the high potential for labor influx • Unemployed youth may be attracted to project sites in search of jobs and project benefits for their livelihoods. Hence, they will 	<ul style="list-style-type: none"> • ORCU and the OEPA shall ensure that site specific assessment of GBV/SEA/SH risks is conducted as part of the ESIA/ESMP and GBV action plan is prepared for prevention and response measures to be taken. • A policy of zero-tolerance should be stated in worker engagements terms for sexual harassment, exploitation, and abuse within the workplace • Apply a strict code of conduct to manage and administer measures to avoid or minimize GBV

Related ESS	Potential Negative E&S impacts and Risks	Mitigation Measures
	<p>cause and be exposed to GBV and SEA/SH</p> <ul style="list-style-type: none"> • Women are likely to be exposed to sexual violence, abuse and exploitation, harassment from project workers 	<ul style="list-style-type: none"> • Assign a GBV specialist to manage the risks and to closely work with relevant institutions such as Woreda Women and Social Affairs Offices • Provide training for project implementers and beneficiaries on SEA, SH and GBV and its prevention • Put in place accessible GRM and adopt a systematic monitoring and reporting system to ensure safe and ethical reporting to alert cases of GBV with adequate response. • Prepare GBV management plan and implement • Prepare a gender management plan and implement
ESS2	<p>Child Labor use</p> <ul style="list-style-type: none"> • The risk of engaging child labor by contractors and other parties may be higher because of lack of awareness on the laws and proclamations of labor about child labor 	<ul style="list-style-type: none"> • Adhere to the LMP of the OFLP-ERP for procedures • Comply with the national labor law and ESS2 of the World Bank ESF • Work in consultation with local authorities on engagement of young labor (15 years as a minimum age) if children are to be engaged in construction works;
ESS4	<p>Occupational Health and Safety (OHS) Risks</p> <ul style="list-style-type: none"> • Rehabilitation activities and other related sub-activities will have risks and impacts on the health and safety of project workers, contract workers due to unexpected accidents and/ unplanned events resulting from injuries, falls, fatal accidents, diseases both communicable and non-communicable, any related incidents 	<ul style="list-style-type: none"> • develop and implement occupational health and safety (OHS) measures • Workers must be provided with personal protective equipment (PPE) and relevant training on the use, handling and maintenance of the PPE • Enforce rules making use of PPEs as mandatory for the safety and health of workers. • Conduct regular monitoring on OHS by ORCU • Provide all project workers on workplace code of conduct
Ess4	<p>Security risk (conflicts)</p> <ul style="list-style-type: none"> • There could be unexpected civil disturbances because of the ongoing volatility of security conditions in some parts of the region, there is potential for social conflicts 	<ul style="list-style-type: none"> • Conduct security risk assessment using ESIA and prepare ESMP for security risk management and safety • Collect timely information and share security updates with staff and stakeholders
ESS7	<p>Underserved communities and vulnerable groups</p>	<ul style="list-style-type: none"> • Allocate a certain proportion of ER (5 %) to support such groups as per the BSP

Related ESS	Potential Negative E&S impacts and Risks	Mitigation Measures
	<ul style="list-style-type: none"> • Forest dependent communities, forest dwellers, socially disadvantaged groups, resource poor and the vulnerable forest-dependent communities might be excluded • Underserved communities including occupational and ethnic/clan minorities (e.g., smiths, potters, tanners, and pastoralist women), likely to be highly marginalized due to discriminatory acts/social norms 	<ul style="list-style-type: none"> • Promote fair treatment, non-discrimination, and equal opportunity in development activities • Ensure participation by preparing for the SEP • Apply culturally appropriate GRM • Provide equal opportunity and strictly observe non-discrimination of vulnerable groups from any benefits • Provide training and capacitate vulnerable groups to enable them develop livelihood strategies (organizing in small and medium enterprises) • Due attention should be paid to the protection of vulnerable groups during implementation • Exclude those activities that negatively impact underserved and vulnerable communities
ESS10	<p>Grievance redress mechanism</p> <ul style="list-style-type: none"> • Oversight of the grievance redress mechanism • Low awareness on GRM provisions and observations 	<ul style="list-style-type: none"> • Strengthen and implement the existing GRM on handling of grievances PAPs • Provide training to GRC members and communities on the provisions of the GRM
ESS1	<p>Weak capacity to implement ESRM</p> <ul style="list-style-type: none"> • Government institutions may lack the required manpower, skill and knowledge to fully implement the ESRM • 	<ul style="list-style-type: none"> • Allocate budget for awareness and capacity building training and provide training on ESRMs and their implementation at all levels of government • Building on existing knowledge on project design and implementation • Establish safeguard information system at the federal EFD and synergize collection of information through hierarchy of management
ESS10	<p>Inadequate coordination among sector offices</p> <ul style="list-style-type: none"> • Implementing Sector bureaus and partners may not smoothly coordinate the planning, implementation and monitoring of project activities at different levels 	<ul style="list-style-type: none"> • Uphold the Signed MoU with the partners and adopt the communication and joint implementation provisions • Work closely with the focal persons
ESS7	<p>Risk of social exclusion</p> <ul style="list-style-type: none"> • Exclusion from PFM membership and accessing forest resources • Resource poor and the vulnerable forest-dependent communities might be excluded • Exclusion of PFM non-members 	<ul style="list-style-type: none"> • Implement the principles of equal opportunity and non-discrimination as in the LMP and ESS2 • Adhere to the benefit-sharing principles defined under the ERPD and the BSP • Observe and uphold provisions in the GRM

Related ESS	Potential Negative E&S impacts and Risks	Mitigation Measures
	from benefit sharing	

Annex 8: ERP activity eligibility checklist for DAs at the Kebele level (form)

ERP activity: _____ Zone: _____ Woreda: _____

Kebele: _____ Site name (sub-kebele/Ganda/CMW): _____

Persons/DAs who did the eligibility check:

Names Date: Signature:

1. _____

2. _____

Answer the following questions to determine if the ERP activity is eligible or not*		
With the ERP activity: Yes No	Yes	No
Cause large-scale physical disturbance of the site or the surroundings?		
Cause involuntary displacement of people or social disturbances, involuntary loss of assets?		
Have risk on vulnerable group / forest dependent people?		
Involve removal or conversion of substantial amounts of forests and other natural resources?		
Affect the quality and quantity of water or a waterway shared with other nations?		
Cause degradation of critical natural habitats?		
Affect physical cultural resources (historical, religious, archaeological, sites and monuments)?		
Create significant adverse impacts on harvesting of natural resources (animals, plants, timber and/or NTFPs) or the establishment of forest plantations in natural critical habitats?		
Contravene international and regional conventions on environmental		

Eligibility Recommendations:

(It should be noted that if you answer is “YES” to any of the questions above, your ERP activity is not eligible and has to be rejected unless the features can be avoided by change of design or location.)

ERP activity is not eligible and rejected:

ERP activity is eligible and approved:

Screening supervised and approved by:

Name..... Position: Signature: Date:

.....

Annex 9: Screening checklist for ERP activities needing special attention (form 2) - Guidance for WOEPA focal person

ERP activity: _____ Woreda: _____

WOEPA focal person/person who did the screening: _____

Date: _____ Signature: _____

Will the ERP activity:	Yes	No
involve use of agro-chemicals		
involve land acquisition, loss of assets or access to assets on the land		
cause physical displacement of people (including relocation of historically underserved groups from land and natural resources subject to traditional ownership or under customary use or occupation) or loss of assets or loss of income/livelihood		

Recommendations:

ERP activity needs special attention:

ERP activity does not need special attention:

Screening supervised and approved by:

Name..... Position: Signature: Date:
.....

ERP activity: _____ Woreda: _____

WOEPA focal person/person who did the screening: _____

Date: _____ Signature: _____

A. ERP activities of environmental and social concern

Will the ERP activity:	Yes	No
be located in forest priority areas and cause destruction of habitats		
instigate soil erosion and flooding		
cause disturbance to ecologically sensitive areas		
be located close to or in national parks and protected areas		
cause pollution of surface and ground water		
cause breeding of disease vectors (malaria)		
cause soil pollution		
involve area enclosures and loss of access		
be located close to cultural heritage, historical and religious sites		
cause erosion and sedimentation into international waterways		

B. ERP activities of environmental concern

ERP activity types	Adversity of Impacts				
	Non	Low	Med	High	Unknown
Construction/maintenance of community access roads/schools/clinics will cause:					
soil erosion and initiation of flooding, gully erosion					
loss of biodiversity through cut and fill activities					
cross and cause destruction of natural habitats					
sedimentation to water sources and reservoirs					
wet season excavation and erosion					
disturbance to ecologically sensitive habitats					
damage to cultural, religious and historical sites					
creation of quarry/borrow pits and water pollution					
Activities used to generate Emission Reductions (ERs): Fuel saving stoves will cause					
Deforestation due to the biomass used in clean cooking/fuel saving systems, putting greater pressure on the woodlots and natural forests supplying the major urban centers					
Extraction of raw materials for making improved fuel saving stoves					
OHS issues related to making improved fuel saving stoves and collection biomass					
Loss of employment for people who were working previously in the charcoal sector					
Activities used to generate ERs (and may be dependent on agrochemicals) will cause					
Runoff of agrochemicals including pesticides and fertilizer and related pollution on soil and water bodies and effect on human health					

Compromise to local biodiversity - damage the natural environment, including ecologically sensitive sites					
Physical & economic relocation of local communities					
Restriction over livestock pasture					
Create access restriction for resource utilizations					
Prevent human and livestock mobility					
Risk of mono-cropping (resorting to exotics)					
Land acquisition					
Increase price of NTFP led to create over utilization					
Improving Livestock Management//cattle fattening ((intensive and through cutting and carry system) and bee keeping will cause					
Solid and liquid wastes expected from improving livestock management/cattle fattening cause pollution					
Nuisance odour expected from livestock fattening					
Market problem of the products of livestock and bee keeping may be a challenge					

Summary of site sensitivity

When considering the location of an ERP activity, rate the sensitivity of the proposed site as per the criteria given in the table below. Higher ratings do not necessarily mean that a site is unsuitable. They do indicate a real risk of causing undesirable adverse environmental and social effects, and that more substantial environmental and/or social planning may be required to adequately avoid, mitigate or manage potential effects. The following table should be used as a reference.

Issues	Site Sensitivity (in relation to site of an ERP activity/subproject)		
	High	Medium	Low
Natural habitat	Presence of hotspot biodiversity area, fragile ecosystem with in declared protected area	No critical natural habitats; other natural habitats occur	No critical hot spot biodiversity area, fragile ecosystem
Water quality and water resource availability and use	Intensive water use; multiple water users; potential for conflicts is high; water quality issues are important	Medium intensity of water use; multiple water users; water quality issues are important	Water flows exceed any existing demand; low intensity of water use; potential water uses conflicts expected to be low; no potential water quality issues
Land and Tenure	Land conflicts historically unresolved, admitted farmers being evicted, tenant farmers losing	Process of land regularization and rights to natural resources being worked out with	No conflicts, disagreements around use of land, users' rights

Issues	Site Sensitivity (in relation to site of an ERP activity/subproject)		
	High	Medium	Low
	rights and no transparency or grievance redress available	clear communication and grievance process in place	
Physical cultural resources	Known heritage sites in project area	Suspected cultural heritage sites; known heritage sites in broader area of influence	No known or suspected cultural heritage sites
Involuntary resettlement	If it displaces greater than 200 people	If it displaces less than 200 people	No economic or physical displacement
Land acquisition	If the activity takes more than 20% of households' land	If the activity takes less than 20% of households' land	No land acquisitions

Recommendations:

ERP activity is of environmental and social concern and needs further EA:

Requires additional environmental and social information:

ERP activity is not of environmental and social concern and approved:

Certification (for all approved program activities): I certify that all the potential adverse effects of the program activity have been thoroughly examined, and the program activity does not have any impact and/or the mitigation measures in the plan are adequate to avoid or minimize all adverse environmental and social impacts.

WOEPA focal Person : Date Signature

A. Program Activity Information

- 1.1. Name of subproject proponent:
- 1.2. Subproject Title:
- 1.3. Subproject category:
- 1.4. Subproject location:
- 1.5. Reporting period:

B. Main findings of the monitoring, including feedback/grievance received from stakeholders:

C. Impacts/issues as per the ESMP of the subproject:

Issues (Potential impact)	Schedule / Duration of Mitigating Measures	Compliance Progress Indicator	Status of Compliance				Means of Verification Remarks	Factors affecting safeguards compliance	Actions needed
			Overall Target	Target as of the Reporting Period	Actual as of the Reporting Period	Variance			

D. Conclusions and recommendations:

E. Experts / team leader who prepared/approved the report

	Name	Sign.	Date
Prepared by: 1	-----	-----	-----
2	-----	-----	-----
3	-----	-----	-----
Approved by: 1	-----	-----	-----

Annex 12: Capacity building trainings and schedules at Woreda and Community/ Kebele Level

Administrative levels and target groups	Awareness creation and capacity building training topics	Potential Trainers	Duration and Time of training
<p>Woreda level</p> <ul style="list-style-type: none"> • OFLP coordinators • LUPT members • NRM experts • Decision makers at region and Woredas 	<ul style="list-style-type: none"> ▪ ERPA and results-based payments system of financing the OFLP ▪ E&S risks and impacts management and implementation of the ESRM instruments of the OFLP ▪ ESRM implementation support, monitoring, reporting and documentation ▪ Monitoring of mitigation measures as per the ESMP ▪ SEP and transparent participatory processes ▪ Monitoring the implementation of the GRM and BSM, the BS plan ▪ Environmental and social Framework of the WB and E&S safeguard policies of the Government of Ethiopia, GBV and Community health and facilities as well as OHS 	<ul style="list-style-type: none"> • Consultants • ORCU safeguards specialists • Oromia REDD+ TWG • OFLP safeguards coordinators • Zonal EIA experts; • Zonal agricultural Development experts; 	<p>4 days/ year, provided every year</p>
<p>Community & Kebele levels</p> <ul style="list-style-type: none"> • Local Community: PFM members, community representatives, underserved community members • Kebele administrators • Private sectors • DAs • Others: FMC, WU'sC 	<ul style="list-style-type: none"> ▪ Awareness on community engagement and the ER payments and results-based financing mechanism ▪ Awareness on the E&S screening and ESMP preparation and implementation ▪ GBV/SEA/SH and Community health and facilities as well as OHS ▪ Awareness on implementation of the SEP and Participatory planning ▪ Handling of the grievances and the ER GRM system ▪ BSM and the BS Plan ▪ Community health and safety issues, including COVID-19 safety measures 	<ul style="list-style-type: none"> • Woreda EPA experts, • DAs, • LUPT experts, • Woreda women and social affairs expert 	<p>4 days carried out every year</p>

Annex 13: Sample Grievance and Resolution Form

Name of Complaint: _____

ID Number: _____

Contact Address:

Woreda _____, Kebele _____

Village _____; Mobile phone _____

Nature of Grievance or Complaint:

Summary of Discussion with Complaint

Signature _____ Date: _____

Review/Resolution

Date of Conciliation Session: _____

Was complaint Present? Yes No

Was field verification of complaint conducted? Yes No

Findings of field investigation:

Summary of Conciliation Session Discussion:

Was agreement reached on the issues? Yes No

If agreement was reached, detail the agreement below: _____

If agreement was not reached, specify the points of disagreement below:

Name and Signature of Grievance Redress Committee Members

Name _____ Signature _____ Date: _____

Name _____ Signature _____ Date: _____

Name _____ Signature _____ Date: _____

Name and Signature of Independent Observer

Name _____ Signature _____ Date: _____

Name and Signature Complaint

Name _____ Signature _____ Date: _____