

**CRGE Facility
Progress Report to the Royal Danish
Embassy**

**Reporting period:
November 2015-December 2016**

**January 2017
Addis Ababa, Ethiopia**

PREAMBLE

The Ministry of Finance and Economic Cooperation (MOFEC) and the Danish Embassy in Addis Ababa signed a grant agreement with the total amount of DKK 27.5 million on November 2014 to support greening agricultural transformation in Ethiopia through the CRGE Facility. The MOFEC and Danish Embassy with active participation of the executing ministries (i.e. Ministry of Agriculture and Natural Resource (MOANR) and the Ministry of Environment, Forest and Climate Change (MEFCC) agreed on an engagement framework including a common result framework, which elaborates the expected results of the support, indicators and targets. Based on this, the CRGE Facility allocated the resource to the two ministries and invited them to submit full project proposals using the CRGE Facility project proposal template.

While the review and appraisal process of the proposals by the CRGE Facility was taking place, the first disbursement from the DANIDA touched the CRGE Facility Account with the National Bank of Ethiopia on March 9, 2015. After review and appraisal of the project proposals by the CRGE Facility secretariat and approval by the CRGE Facility Management Committee, the MOFEC and the line ministries signed MOU for project execution. The CRGE Facility subsequently disbursed finance to designated CRGE accounts of the two ministries starting July 30, 2015. The implementing ministries ensured the establishment of project delivery arrangements from federal to woreda levels and started actual implementation of project activities commenced in September 2015, almost 10 months after the signing of the agreement, and six months after disbursement to the CRGE Facility.

This Report¹ summarizes key accomplishments of the DANIDA supported project for November 2015 to December 2016. This report constitutes three sections. Section A highlights the accomplishment of the DANIDA supported projects during the reporting period. Section B and C respectively highlight CRGE Facility financial updates and the main challenges encountered during the reporting period including corrective actions.

¹ This Report is prepared pursuant to the agreement between Royal Danish Embassy, as contributor to the CRGE Facility, and MOEC, which was signed in late November 2014.

A. PROJECT STATUS BY COMPONENT

As described in the engagement document, the main objective of this support is to strengthen the Government of Ethiopia's efforts to mainstream and implement CRGE initiatives in the agriculture and forestry sectors. To this end, the project has three complementary components/outcomes: (a) community based (1) watershed management enhanced and (2) Climate Smart crop and livestock production practices and irrigation systems adopted and productivity increased, (b) selected forests are protected, re-established and/or sustainably managed to provide ecosystem services and carbon sequestration, and (c) Strengthened government capacities to plan and report on green, climate resilient development results. The progresses towards each outcome during the reporting period are presented below:

Outcome One: Community based (1) watershed management enhanced and (2) Climate Smart crop and livestock production practices and irrigation systems adopted and productivity increased

This outcome is basically expected to rehabilitate about 3,624.7 ha of watershed area and also facilitate for 1885² small-holder households to adopt Climate Smart Crop and Livestock production practices in their respective areas. The achievement of these results will ultimately contribute both to the poverty reduction and climate resilient green economy building efforts of the Government in the selected 8 woredas of the four regions: Tigray, Amhara, Oromia and SNNP of Ethiopia. Particularly, this component will improve the resilience capacity of the rural communities or farmers by providing various intervention options including: applying physical and biological conservation techniques, water harvesting technologies, adoption of CSA practices to improve both the livestock and crop productivity.

During this reporting period, i.e. November 2015-December 2016, over 2,314 hectares of land area was rehabilitated through community based watershed management practice. As a result the rehabilitation of the degraded lands, Climate smart agricultural and livestock practices under this component resulted in reduction of over 11,400 ton of Carbon Dioxide Equivalent (tCO₂-e) of Greenhouse Gas (GHG) emissions reduction in the four regions. On top of this, various

² The figure in the justification for beneficiary targets had a summation error of the beneficiaries. Thus please consider the correct figure, which is 1885 not 1584, which happened just due to summation.

livelihood improving interventions for smallholder householders were conducted. These interventions will contribute to create sense of ownership and ensure sustainability of the project outcomes.

In terms of facilitating a shift from traditional agricultural practices towards adoption of the Climate Smart crop and livestock production, 1885 (1,471 male headed and 414 female headed households) households have directly applied this practice. That is, the project has benefited almost equivalent to 9,725 smallholder family members assuming that a household has five members (except for Kucha Woreda of SNNPR, which has a higher population and estimated household size of 7).

The reported achievements under this outcome are fair compared with the targets for the project end date of December 2016. The project has achieved 63.8% of the targeted watersheds rehabilitation and 100% of the smallholder farmers who adapt climate smart crop and livestock productions. The reported achievement of the rehabilitated areas of land seems to be low compared to the target because the targeted watershed area included all land use categories such as cultivated land, grass land, bare land, and forest land, bush land and, etc. All these are not necessarily degraded and need rehabilitation. However, this report covered rehabilitated areas of degraded land in the watersheds through a community based watershed management practices. The achievement of the GHG emission also stands at 13.2% compared to the target.

Outcome Two: Selected forests are protected, re-established and/or sustainably managed to provide ecosystem services and carbon sequestration

The central focus of this outcome is the protection, re-establishment and/or sustainable management of selected forests in the four regions. The key model applied in this context is a participatory forest management approach. The project thus covered interventions related to value chain approaches to developing non-timber products; vegetable and fruit production, honey, herbs and essential oils, coffee and spices, reforestation, eco-tourism, sustainable timber production, and also water conservation. These combined focuses are expected to increase income from alternative economic opportunities (ecosystem services) and environmentally sustainable practices. Under this component/outcome, the different interventions were mainly

envisaged to protect 105,000 hectares (50% of the 210,000 ha) land and improve forest management systems on 200,000 hectares of land. Accordingly, the project has contributed to the protection of 23,000 hectares of biosphere area of the core zone from deforestation and illegal encroachment and a protection of 80,000 hectares of buffer zones through the combined and participatory interventions. The achievement of the project to this end is therefore about 98% compared with the target of protecting 105,000 ha (i.e. 50% of the 210,000 ha).

In terms of forest management systems, the project has provided alternative livelihood options for the local community members by integrating employment opportunities for over 1000 local people. Accordingly, 300 members of the local community have engaged in wild coffee growing, 200 in mushroom and 500 in honey production practices. Moreover, some of the local community members also engaged in the plantation and regeneration of multi-purpose and indigenous species in the buffer and transition zones of the biosphere. The introduction of these integrated livelihood practices together with the plantation and regeneration of multi-purpose and indigenous species by the local community are promising practices that contribute significantly to the improved participatory forest management system in the project area. Additional to this, it has been achieved 2 outputs. Such as; the establishment of local bylaws for the administration purpose of PFM related activities and benefit sharing and the PFM members have been shifting their daily income from selling fuel wood to generate income from livelihood enhancement activities by engaging as daily laborer. Further, the main reason for requesting one year delay is primarily, as the SNNP Region has decided to restructure the Authority of Environment and Forest from Region to Districts level in line with Federal Ministry of Environment, Forest and Climate Change, the newly structured Zonal and Districts office have been taken time to organize their offices and the previous staffs also replaced by others. 2nd, the identification of PFM members those who could get benefit from the project according to the selection criteria from all Forest resource owner community was taking too much time and 3rd to get permission for the land plot for nursery and plantation purposes also affected to run the project as per its time frame.

Outcome Three: Strengthened government capacities to plan and report on green, climate resilient development results

This outcome mainly focuses on building capacity to better plan; implement and monitor CRGE funded programmes in CRGE units of federal ministries as well as regional and woreda levels.

The capacity building efforts will also work towards better monitoring, evaluation and learning. The key interventions in this context include: trainings particularly on planning, proposal preparation, management including performance and financial management, reporting, and M&E. The effects of this outcome is expected to have positive effects on the two other outcomes in terms of effectiveness and efficiency of funds utilization, but may also have a direct positive effect on the mainstreaming of the CRGE Facility's operation.

During this reporting period, capacities of over 200 experts drawn from federal, regional and woreda levels was enhanced on "Results Based Management (RBM)". Moreover, capacities of eight (8) selected senior levels MoFEC staff are strengthened on "Certified Advanced Senior Project Managers."

Although the quality of proposals and reporting being submitted by executing sector ministries and regions are improving after these trainings, the qualities are still not to the expected levels. The reasons include high staff turnover and frequent reshuffling following the institutional restructuring at different levels. These have affected the institutional memories at different levels and contributed to the low performance of the federal and regional implementing entities. The overall performance of this outcome is rated low. In addition to the above mentioned reasons, time shortage to plan and execute series of capacity building measures was one major reason. Towards addressing these gaps, the Facility is planning to organize relevant trainings for the federal and regional experts on results based planning, M&E and reporting and continue to follow up for timely actions subsequently in 2017. We are also planning to increase the frequencies of M&E missions across all regions through technical supports from the federal level and assigning dedicated focal persons for this project (the capacity building action plan is annexed with this report).

A progress summary of the DANIDA supported project for the period November 2015-December 2016 is provided below:

Table 1- Progress Summary of DANIDA Supported Project (November 2015-October 2016)

Result Areas	Indicators	Achievements as of October 2016	Remark
Engagement Objective 2: To strengthen the Government of Ethiopia's efforts to mainstream and implement CRGE initiatives in the agriculture and forestry sectors			
Outcome 2.1: Community based (1) watershed management enhanced and (2) Climate Smart crop and livestock production practices and irrigation systems adopted and productivity increased	About 3,624.7 ha of watershed areas rehabilitated through community based watershed management .	2,314 ha of land areas rehabilitated through community based watershed management practice during the reporting period.	The achievement is 63.8% compared to the target. The watershed area included all land use categories such as cultivated land, grass land, bare land, forest land, bush land and, etc and not only degraded land areas which is expected to be rehabilitated. However, the report covered rehabilitated areas of land through a community based watershed management in the context of the watersheds. As a result the reported achievement seems to be low compared to the target.
	1,885 households adopted Climate Smart crop and livestock production	1885 households have directly applied this practice. That is, the project has benefited almost equivalent to 9,725 smallholder family members (assuming 5 persons per household in the all Woredas and 7 family members per household in Kucha Woreda of SNNPR) adopted climate smart crop and livestock production.	The achievement is about 100% compared to the target. Note that a given beneficiary may participate in two or more commodities of the different components of the project and hence adjustment is made on the previous report following the revised targets.
	0.087 Mt tonnes of CO ₂ e GHG emissions reduced in 8 woredas through SLM, climate smart crop production and climate smart	11,457.0 ton of Carbon Dioxide Equivalent (tCO ₂ -e) of Greenhouse Gas (GHG) emissions reduced in the four regions through the sustainable	The achievement is about 13.2% compared to the targeted 87,000 tons of CO ₂ e of GHG emission reduction. The lower level of achievement relates with

Result Areas	Indicators	Achievements as of October 2016	Remark
	livestock development in 18 months vis-a-vis the baseline.	land management and climate smart agricultural practices.	factors such as low performance of interventions including soil and water conservation practices, NRM and afforestation and reforestation practices.
Outcome 2.2: Selected forests are protected, re-established and/or sustainably managed to provide ecosystem services and carbon sequestration	<p>Cumulative area of (individual & communal) land under sustainable, climate smart, land management plans disaggregated by:</p> <ul style="list-style-type: none"> Protected (50%); 210,000 hectares of land Under improved forest management systems on 200,000 hectares of land. The local bylaws established and the PFM members livelihood transformed 	<ul style="list-style-type: none"> The project has contributed to the protection of 12,000 hectares of biosphere area of the core zone from deforestation and illegal encroachment; The project has contributed to the protection of 80,000 hectares of buffer zone Improved forest management systems are introduced through integrated employment opportunities created for the local people. Accordingly, employment opportunities are created for over 1000 local people. These are for 300 wild coffee growers, 200 mushroom and 500 honey producers. These livelihood practices are also integrated with plantation of multi-purpose indigenous species in the buffer and transition zones of the biosphere. 	<ul style="list-style-type: none"> The achievement in terms of forest protection is about 98% compared with the target of protecting 105,000 ha (i.e. 50% of the 210,000 ha). That is, (23,000ha + 80,000ha = 103,000 ha of land is protected by the members of the PFM). The provision of alternative livelihoods for the local people who are depending on natural resources by integrating with the forest management contributes to improved ecosystem management. The plantation and regeneration practices of multi-purpose and indigenous species by the local community also contribute significantly to these forest management systems.
	Reduced carbon emissions by 413.58 Giga tone of carbon dioxide per year/or the relative increase of 113 Giga tone of carbon in carbon sequestration	GHG emission survey was not conducted	GHG emission reduction and carbon sequestration was not estimated during the reporting period. The GHG emission reduction estimation will be conducted in the coming year

Result Areas	Indicators	Achievements as of October 2016	Remark
	per year at five districts level as a consequence of GATE funding ³ .		
Outcome 2.3 Strengthened government capacities to plan and report on green, climate resilient development results	The four regions submit financing proposals and reports of higher quality to the Federal Implementing Entities (sectoral ministries)	<ul style="list-style-type: none"> • Capacity of over 200 experts drawn from federal, regional and woreda levels enhanced on “Results based Management (RBM)”. This is expected to enhance capacities of the regions and woredas on results based planning, RB-M&E and reporting on performance results at all levels. • Capacity building training provided for eight (8) selected senior level MoFEC staff on “Certified Advanced Senior project Managers”. This enhances the capacities of the institution on project planning and estimating, managing project finance, change, risks, stakeholders and conflicts management, as well as leadership and communication and strategic human resources in programmes and projects context. 	Though quality of financing proposals and reporting are improving after these trainings, the qualities are still not to the expected levels. The reasons include the staff turnover and reshuffling following the institutional re-structuring at different levels. Lack of adequate time to plan and execute capacity development measures was also another major reason for the lower performance of this component. During the extension period, continuous capacity buildings trainings are required and the Facility is planning to organize these trainings for federal and regional experts on results based planning, M&E and reporting beginning from January 2017.

³ Expected results on carbon emission reduction due to forest protection, re-establishment and management as a consequence of this one year project are too early to calculate and report on.

Result Areas	Indicators	Achievements as of October 2016	Remark
	The four regions monitor and report according to plans and requirements of the CRGE Facility	Capacities of the regions and woredas in terms of CRGE related projects and programmes enhanced following the various training, review meetings and M&E missions to these areas. Besides, the planning, implementation and reporting skills of the four regions are getting better during this reporting period.	The frequencies of M&E of the regions were not uniform across all regions during this reporting period. The reasons include various regional contexts or situations such as lack of clear institutional structures, existing staff capacities, and turnover.

B. Allocation of Finance, Disbursement and Execution

At the moment, the CRGE Facility has four contributors (Denmark, UK, Norway and Austria). Table 2 summarizes financial resources committed by each development partners, received by the CRGE Facility, disbursement to sectors and settlements of expenses. Table 3 presents the financial status of the DANIDA supported project separately.

Table 2 CRGE Facility Portfolio Financial Update

Development Partner	Budget secured in ETB	Total budget Disbursed to sectors as of October 2016	%age Disbursement
UK	404,202,569.38	401,976,973.56	99.4
Austria	15,185,645.00	15,185,645.00	100.0
Denmark	84,355,095.22	58,955,232.18	69.9
Norway	158,940,000.00	79,633,169	50.1
Total	662,683,309.60	555,751,019.74	83.9

Table 3 DANIDA project Financial Information as of 31 December 2016

Outcome	Allocation in ETB⁴	Disbursement by component in ETB	Utilization by component in ETB	Remarks
Outcome 2.1: Watershed management and climate smart Agriculture	49,759,580	48,377,360.05	28,236,825.73	Disbursement was made in two tranches. The first was 29,540,000 ETB. This disbursement was made in July 2015. The second disbursement of ETB 18,837,360 was made in October 2016. The settlement for the first disbursement was 65.1%, which is sufficient to effect second round disbursement.
Outcome 2.2: Forest Management, protection and re-establishment	24,721,320	10,420,000.00	4,371,329.66	Only one disbursement was made on September 2015
Outcome 2.3 Planning Capacity of the CRGE	9,508,200		1,222,013.68	This component is directly managed by the CRGE Facility. The Facility had plan to organize different capacity building trainings for federal, regional

⁴ Exchange rate: 1DKK=3.1694 ETB

Facility				and woreda experts. However, the facility only managed to organize few training sessions for federal and regional participants. The Facility in particular couldn't organize the woreda and regional level trainings due to work overload and inconveniences during the reporting period.
Special studies, review and audits	3,169,400			This is a budget for audit exercises, review meeting and specific capacity building trainings
Total	87,158,500	60,019,373.73	21,663,196.39	
Bank Charge	187,467.67			
Exchange Rate Gain	1,592,143.81			

C. Challenges Encountered

The main challenges faced by both the CRGE Facility and the implementing ministries during the reporting period were:

- Delay in the Project Proposal Preparation process;
- Delay in financial and substantive reporting particularly from regional and woreda levels mainly due to lack of close follow up from the federal IEs coupled with lack of adequate technical capacities of the regions and woredas in providing timely and quality reports.
- Delays in fund transfer from the federal to regional and woreda levels;
- Long procurement process, compared to the short time span for implementation;
- Staff turnover and reshuffling at federal, regional and woreda levels, which resulted loss of institutional memories and long replacement;
- There was re-structuring of institutional set up from federal to woreda levels, which resulted in reshuffling of staff and modifications of mandates and responsibilities;
- Weak follow up from some executing ministries;.

Actions Points for the no-cost extension period

- Letter on revision of target beneficiaries to be sent to Danida by Jan 20, 2017;
- A revised and full report for the period November 2015 to December 2016 by January 31, 2017
- A Quarter report for the period Jan to March 2017 to be submitted by end of April 2017
- A revised action plan of the project for the no cost extension to be submitted by January 30, 2017
- Joint quarterly review meetings among DANIDA, CRGE Facility and the executing sector ministries (i.e. MOANR and MEFCC);
- Audit report for 2016 will be finalized and shared on 31 March 2017;
- Quarterly monitoring mission by the CRGE Facility team;
- Recruitment of dedicated financial and project focal points for the two ministries;
- Provision of training on M&E, financial and results reporting;
- Biannual review of progresses in June 2017 and taking necessary actions based on the results of the assessment;
- Quarterly update to the State Ministers of the executing ministries on issues that require management actions;
- Assign dedicated focal person from the CRGE Facility to regularly follow up and provide necessary support to the regions and woredas;
- Engage BOFEDs to monitor and oversee the remaining project activities and processes.