



ETHIOPIA

Mapping REDD+ Finance Flows 2009-2012

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Environment and Coffee Forest Forum (ECFF) is an Ethiopian Resident Charity registered and licensed by the Charities and Societies Agency of the Federal Democratic Republic of Ethiopia (Registration No. 0378), and focuses on developing strategies for sustainable use and conservation of the environment in general, and the coffee forests in particular, through thematic research on conservation planning, education and pilot implementation of the research findings. ECFF provides services including conservation planning, practical implementation of scientifically proven concepts, environmental education and capacity building and climate change mitigation.

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Executive Summary

Over the past three decades, Ethiopia has lost a significant amount forest cover due to deforestation. Though the current cover of high-forest is low, the rate of deforestation within the country remains quite high, about 1.0-1.5% per year¹. Cognizant of such a high deforestation rate and its associated implications for long-term economic growth and impact on the environment, Ethiopia has shown interest in adopting REDD+ as a path towards sustainable forest development. The country submitted its REDD Program Idea Note (R-PIN) in 2008, eventually developing both a Readiness Preparation Proposal (R-PP) and the Climate Resilient Green Economy (CRGE) strategy, in 2011. In that same year, Ethiopia also became an official observer to the UN-REDD program board, which enabled the country to access additional capacity building support and finance. A specific national REDD+ strategy and is expected to be finalized during REDD+ Readiness implementation.

Despite the country's high deforestation rate and the government's focus on REDD+, commitments of REDD+ finance have been low. Financial commitments for REDD+ activities in Ethiopia (2009-2012) have reached US\$20 million. From this, approximately US\$200,000 has been spent on R-PP preparation, and US\$13.6 million has been committed to REDD+ Readiness activities. The remaining funds have been committed to specific regional projects, with US\$3.5 million for the Bale Eco-Region REDD+ and US\$2.63 million committed for Salle-Nonno forest. To date, most of the REDD+ activities and funding in Ethiopia are concentrated in one administrative region, the Oromia Regional State, home to 70% of Ethiopia's remaining forests.

Major donors include the Royal Norwegian Government and the UK's Department for International Development (DfID). The Government of Ethiopia is scheduled to receive the largest proportion of these REDD+ commitments (US\$13.6 million), through the Ministry of Agriculture and Ministry of Environment and Forest (MEF), followed by Farm Africa-SOS-Sahel Ethiopia consortium (US\$2.63 million).

¹ Mulugeta Lemenih and Tadesse Woldemarian, "Review of forest, woodland and bushland resources in Ethiopia up to 2008," in *Ethiopian Environment Review No. 1 Forum for Environment*, ed. Sue Edwards, (Addis Ababa: Eclipse Printing Press, 2010).

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Acronyms

CCFE	Climate Change Forum Ethiopia
CRGE	Climate Resilient Green Economy
DfID	Department for International Development
ECFF	Environment and Coffee Forest Forum
EPA	Environmental Protection Authority
EU	European Union
EWNRA	Ethio-Wetlands and Natural Resources Association
Farm Africa	UK based international non-profit organization operating in Ethiopia
FCPF	Forest Carbon Partnership Facility
GEF	Global Environmental Facility
IDA	International Development Association
MEF	Ministry of Environment and Forest
MoFED	Ministry of Finance and Economic Development
MoA	Ministry of Agriculture
MRV	Monitoring, Reference and Verification
NABU	Nature and Biodiversity Conservation Union
OFWE	Oromia Forest Wildlife Enterprise
PDD	Project Design Document
REDD	Reducing Emission from Deforestation and Deforestation
REDD+	Reducing Emissions from Deforestation and Forest Degradation "plus" conservation, sustainable management of forests and enhancement of forest carbon stocks
R-PIN	REDD Project Idea Note
RPP	REDD+ Readiness Preparation Proposal
SCIP	Strategic Climate Institution Program
SLM	Sustainable Land Management
SOS Sahel	An Ethiopian Resident Charity
UNDP	United Nations Development Program
USD	United States Dollar
WB	World Bank

Introduction

Over US\$7.3 billion has been pledged to support REDD+ Readiness in the run up to 2015. However, information remains limited on how much of this finance is actually flowing to national level initiatives, the types of REDD+ activities supported and the organizations managing and actually implementing REDD+ on the ground.

To address these gaps, Forest Trends developed REDDX, a REDD+ Expenditures Tracking initiative in 2011 to follow REDD+ finance from donors to in-country recipients and ultimately REDD+ projects and activities on the ground to determine:

- Actual commitments and disbursements of REDD+ finance;
- Timelines between when funds are committed and actually disbursed;
- The types of organizations receiving and implementing REDD+ activities; and
- Types of activities supported by the current financial commitments.

Through this initiative, REDDX seeks to improve transparency around REDD+ financing mechanisms and ultimately provide information that will help governments and other REDD+ stakeholders better assess gaps and needs against national REDD+ strategies.

Ethiopia is one of fourteen tropical forest countries participating in REDDX (the other REDDX countries currently include Brazil, Colombia, Ecuador, Guyana, Mexico and Peru in Latin and South America, the Democratic Republic of Congo, Ghana, Liberia and Tanzania in Africa and Indonesia, Papua New Guinea and Vietnam in Asia-Pacific). Emerging results and trends from across these fourteen countries demonstrate that REDD+ financial commitments have slowly, yet steadily increased since 2009. Most commitments are multi-year grants with long disbursement schedules, which means that not all of the REDD+ finance committed is currently in circulation. At the end of 2012, 32% of REDD+ committed funds tracked had been released to first recipients/implementing organizations. The majority of REDD+ finance has and continues to be committed by donor country governments and multilateral financing institutions, but private foundations also played a significant role, particularly in the early years of the REDD+ process.

REDD+ financing results for REDDX countries are published through Forest Trends' REDDX website and report series available at reddx.forest-trends.org.

This report specifically focuses on the national results for Ethiopia developed through a partnership between The Environment and Coffee Forest Forum (ECFF) and Forest Trends.

Methodology

Key REDD+ actors in Ethiopia were mapped through review of reports, strategies and consultations with key informants. The key actors include the REDD+ Focal Point and REDD+ Secretariat, the Ministry of Environment and Forest, the Ministry of Agriculture, the Ministry of Finance and Economic Development, project managers and implementers, donor agencies and fund managers. Additionally, relevant individuals working for the major actors were identified and interviewed separately. The information provided by donors and recipients was then crosschecked, validated via a National Stakeholders' Workshop, synthesized and presented in this report.

National Context

Current State of Ethiopia's Forests

With more than 80 million inhabitants (2010), Ethiopia is the second-most populous nation in Africa after Nigeria. The country's natural resources are the foundation of Ethiopian economic development, ensuring food security and providing basic necessities to its growing population. Agriculture is the mainstay of the country's economy, employing more than 85% of the population. Given its dependence on climate sensitive sectors of the economy, such as agriculture, Ethiopia remains among one of the most vulnerable countries to the effects of climate extremes.

However, Ethiopia is endowed with diverse forest resources of local, regional and international significance, which may contribute to the mitigation and amelioration of these negative climate impacts. Yet, the country has lost much of these forest resources since the turn of nineteenth century. Estimates indicate that Ethiopia's high-forest has declined from nearly 40% of land cover a century ago, to approximately 3.6%, as of 2013. In the southwest of the country, where a majority of the remnant high forests are found, more than 60% of the original forest has been lost over the last 30 years, between 1970 and 2000. Taking into account high-forests and woodlands, the total woody vegetation cover within the country stands at about 11%, with an additional 41% other wooded land outside of forest.²

The rate of deforestation remains quite high, with expansion of agriculture, settlement, wild fires, and lack of regulation to curtail an "open access" mentality as the main drivers of deforestation. Fuel wood consumption is the major driver of forest degradation with fuel wood supplies making up 94% of total household energy consumption³. Other drivers of forest degradation are grazing and illegal logging in areas where there are no economically important non-timber products, weak law enforcement and lack of incentives for sustainable forest management at local level.

Management Efforts to Prepare for REDD+

Cognizant of the high deforestation rate and forest degradation, the Government of Ethiopia is interested in adopting REDD+ as a way towards sustainable forest development. Thus, Ethiopia submitted a REDD+ Program Idea Note (R-PIN) in 2008 and developed a Readiness Preparation Proposal (R-PP), which was finalized in 2011 and then approved by the Forest Carbon Partnership Facility's participants Committee. . By June 2011, Ethiopia became an official observer of UN-REDD program board, which has enabled the country to access additional capacity building support and funding.

During that time, the government has also worked to develop the long-term, overarching Climate Resilient Green Economy (CRGE) strategy; REDD+ is recognized as one of the four policy pillars of this plan. The CRGE strategy includes mitigation efforts across seven sectors, including three agriculture-related sectors: forestry, soil and livestock for the period from 2011 to 2030. (Additional sectors include industry, electric power, transport and urban development). The CRGE strategy aims to attain middle-income economic status by 2025, following a green economic development path of net-zero emissions, utilizing 2010 as a baseline. Emissions from the forest sector account for approximately 37% of the current GHG emissions from Ethiopia and about 50% of the emission abatement potentials as outlined in the CRGE. Hence, REDD+ is viewed as one of the major fast-track pathways to reduce emissions and deliver the CRGE vision.

National REDD+ Strategy and Current Readiness Activities

REDD+ is still at early stages in Ethiopia and the institutional arrangements for managing and coordinating REDD+ activities are in the process of being set up. In 2013, the Government of Ethiopia established a new ministry, Ministry of Environment and Forest (MEF), to overcome the institutional gap in the sector. Under this new ministry, one

²FAO 2010. Global Forest Resources Assessment: Main Report. FAO, Rome.

³MAPT Country Capacities Assessment: Technical Capacity Forest Carbon Monitoring in Ethiopia.

directorate is dedicated to work on forest and carbon-related issues. Furthermore, the REDD+ Secretariat is responsible for managing day-to-day REDD+ activities and for implementing REDD+ on behalf the MEF. A Federal Level REDD Steering Committee provides overall oversight, advice and guidance during the Readiness phase and feedback to the REDD+ Secretariat. A multi-sectoral REDD+ Technical Working Group (RTWG) has been established, with the main function of reviewing REDD+ policies, programs and projects in order to inform decision-making.

Despite this preparation, Ethiopia yet to create a specific national REDD+ strategy; however, the country recently launched several major national studies that will provide into its development. A multi-sectoral REDD+ Technical Working Group (RTWG) has been created, with the main function of reviewing REDD+ policies, programs and projects in order to inform decision-making. The National REDD+ Secretariat, under the coordination of the MEF, is leading strategy development and implementation of other Readiness activities.

Ethiopia officially launched a REDD+ Readiness Phase on the 15th of January 2013. A majority of the country's current REDD+ Readiness activities are concentrated in the Oromia Regional State, which hosts 70% Ethiopia's forest cover. Oromia is part of the government's jurisdictional REDD+ pilot, which is attempting to implement the R-PP at state level to pilot the R-PP. The region also contains several advanced REDD+ initiatives such as the Bale-eco-region REDD+ project and other new initiatives in the southwest. The major REDD+ projects underway are in Oromia include:

- The Bale Eco-Region REDD+ project-Farm Africa-SOS consortium and Oromia Forest and Wildlife Enterprise (OFWE). The PDD is finished, and validation process and pilot implementation are started in parallel. The Bale Mountains Eco-region REDD+ project is at an advanced stage, its design is completed and validation is under consideration.
- A Community-based participatory forest management in South West Ethiopia (Salle-Nonno)-EWNRA and OFWE. Currently, the feasibility study and preparations for the design of the project's PDD preparation are under way.
- The Yayu Coffee Forest REDD+ Project. The Ethiopian Institute of Biodiversity (EIB), with financing from GEF (and supporting the Environment and Coffee Forest Forum with a small grant), conducted a Mainstreaming Agrobiodiversity project contributing to a feasibility study, which was completed in 2010. However, adequate finance has not been secured in order to proceed with PDD preparation.

National REDD+ Registry

Currently there is no REDD+ registry put in place; however, the REDD+ Secretariat has planned to create the registry during the early period of the Readiness Phase. Since The REDD+ registry is slated to be finalized during the early years of the R-pp implementation. A regional project entitled "Building Carbon Bridges in Africa –BCB", led by the Nature Conservation Research Center-Ghana, has also been supporting Ethiopia (and a number of other African countries) in efforts to develop a REDD+ registry. The MEF is also working with a private company called Echnoserve on a registry for the CRGE strategy for other sectors. The project is funded by Dfid through their SCIP Fund, and some lesson can be drawn for REDD+ registry development.

Preliminary Findings: REDD+ Finance in Ethiopia

Overview

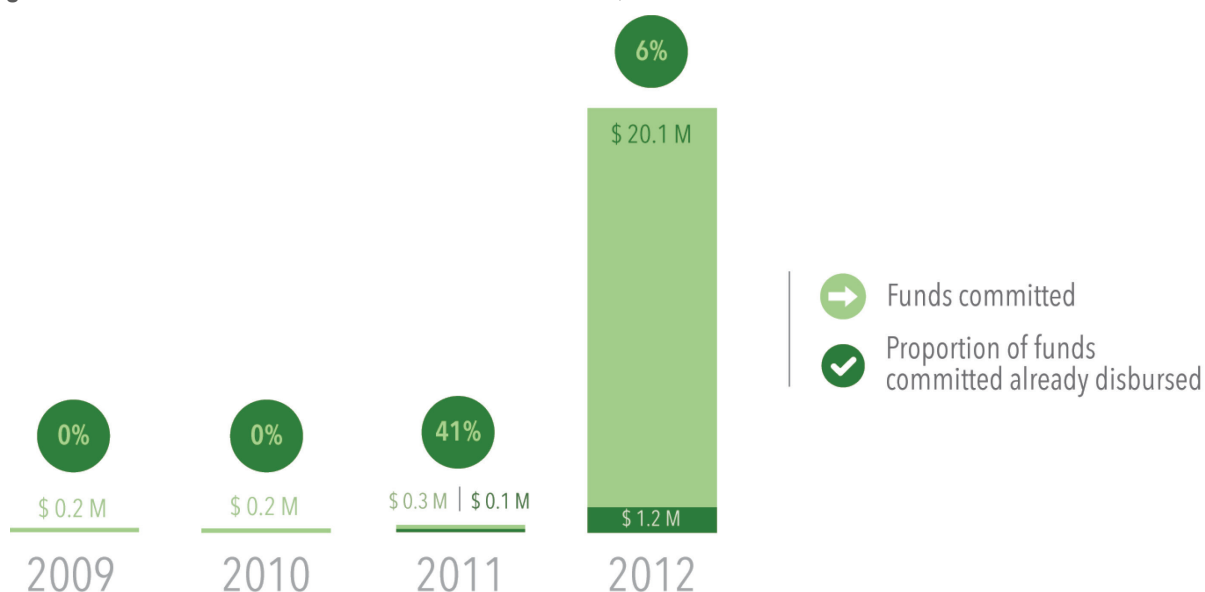
Financial commitments for REDD+ activities in Ethiopia (2008-2012) have reached US\$20 million. From this, approximately US\$200,000 has been spent on R-PP preparation, and US\$13.6 million has been committed to REDD+ Readiness activities. The remaining funds have been committed to specific regional projects, with US\$3.5 million for the Bale Eco-Region REDD+ and US\$2.63 million committed for Salle-Nonno forest. To date, most of the REDD+ activities and funding in Ethiopia are concentrated in one administrative region, the Oromia Regional State, home to 70% of Ethiopia's remaining forests.

As can be seen in Figure 1, Major donors include the Royal Norwegian Government and the UK's Department for International Development (DfID). The Government of Ethiopia is scheduled to receive the largest proportion of these REDD+ commitments (US\$13.6 million), through the Ministry of Agriculture and Ministry of Environment and Forest (MEF), followed by Farm Africa-SOS-Sahel Ethiopia consortium (US\$2.63 million). Figure 2 illustrates the cumulative commitments and disbursements to Ethiopia. Although commitments were finalized in 2012, most projects were scheduled to start in 2013. Therefore disbursements were minimal in 2012.

Figure 1. Funds Committed and Disbursed for REDD+ Activities in Ethiopia through 2012



Figure 2. Cumulative Commitments and Disbursements, 2009-2012



Donors

A Major donor supporting Ethiopia’s REDD+ process is the Forest Carbon Partnership Facility (FCPF) managed by the World Bank as trustee. Ethiopia became a member of the FCPF participants committee in 2008 and received an initial grant of US\$200,000 to develop a Readiness preparation proposal (R-PP) in 2009. From 2009-2011 the federal Environmental Protection Authority (restructured as the Ministry of Environment and Forest since June 2013) led the development of the R-PP, which was finalized in May 2011. Implementation costs for Ethiopia’s proposed Readiness Plan were estimated to be around US\$13.6 million. Most of these required finances have already been secured from a number of different donors, including the World Bank’s Forest Carbon Partnership Facility (FCPF), the Royal Norwegian Government and DfID (UK). The FCPF Readiness Fund approved a Readiness grant of US\$3.6 million in 2012. The financed program was divided into three key components:

1. Support to the national Readiness management arrangements;
2. Support the design of a national REDD+ strategy; and
3. Preparation of a national implementation framework for REDD+. The FCPF Readiness program is expected to run for three years.
4. Securing additional financial commitments to implement the Readiness Plan took a couple of years.

Other large donors of REDD+ activities are Norwegian Government and the UK-DfID. The Government of Norway’s International Climate and Forest Initiative (NICFI) and UK Department for International Development (DfID) each committed US\$5 million in additional finance required for the Readiness phase at the end of 2012 , bringing total funding for Readiness to US\$13.6 million. NICFI and DfID funding will be used to supplement the implementation of the proposed R-PP activities, which are not currently covered by the FCPF grant. Figure 3 and 4 illustrate the donor commitments.

Figure 3 illustrates the relative levels of funding donors have committed as well as the proportion disbursed to their recipients by the end of 2012. The percentage of committed funding that has been disbursed varies from 0% to 100%. With the majority of commitments made in late 2012, disbursements have been minimal. Figure 4 maps the geographic distribution of the main donors to Ethiopia and cumulative support by geographic location of donor

headquarters. This chart therefore shows the growing importance of both government and non-government actors in financing for REDD+. Multilaterals and other types of internationally-focused donors are shown in the purple circle.

Figure 3. Proportional Total Donor Commitments and Disbursements, 2009-2012

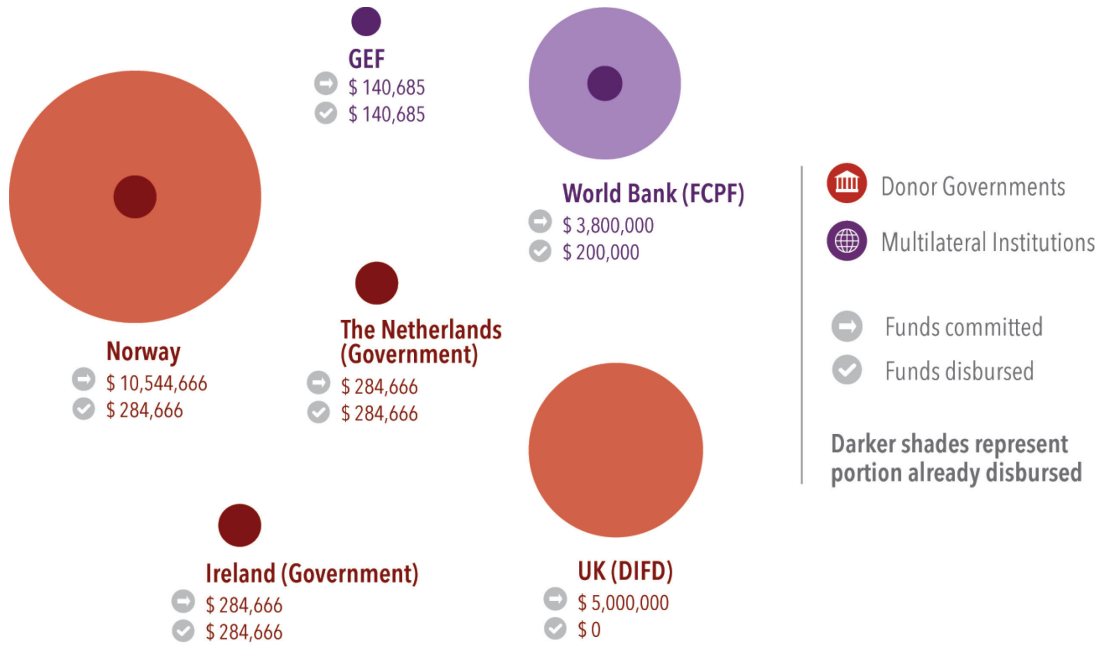


Figure 4. Donor Commitments by Location, 2009-2012

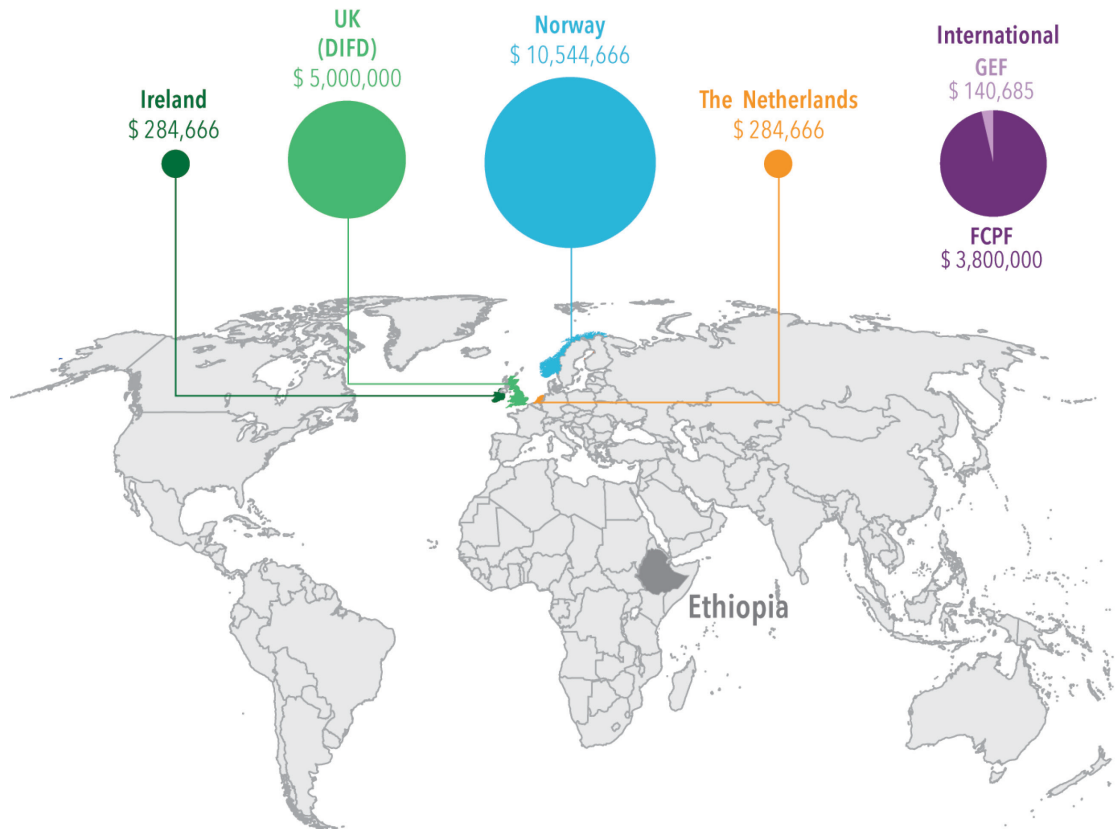
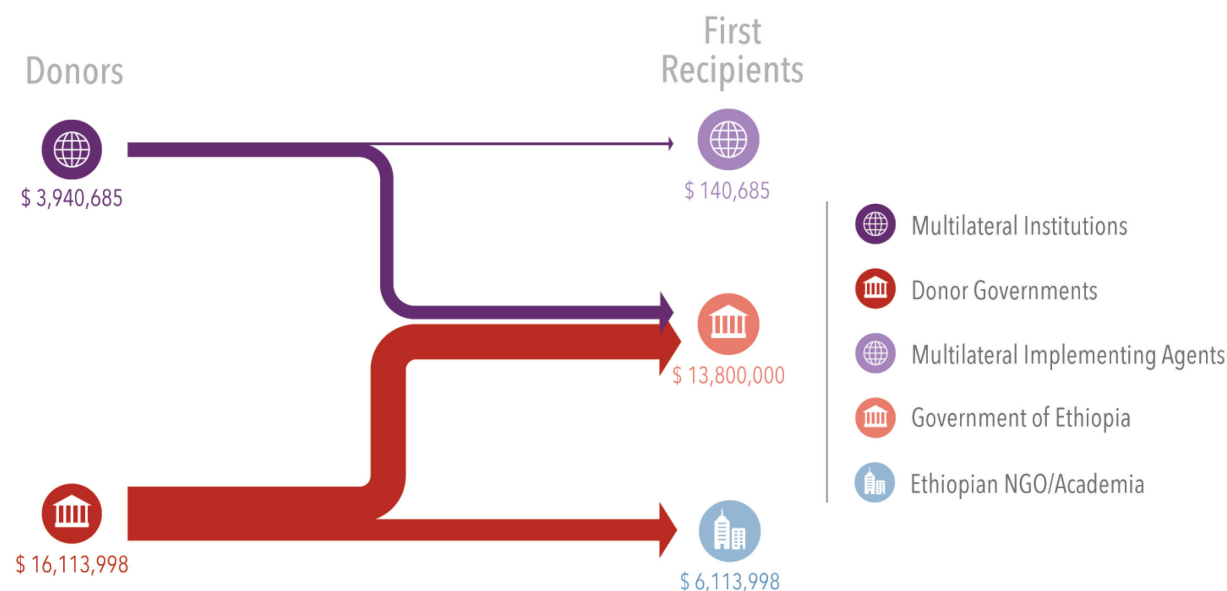


Figure 5 illustrates the finance flows to Recipients. Donor government agencies account for 80% of all REDD+ financing flowing to Ethiopia between 2009 and 2012. Approximately 62% of this funding is going to the government of Ethiopia, with the other 38% flowing to Ethiopian NGOs. Multilateral institution finance accounts for the remaining 20% of the total funds committed, with the majority going to the Government of Ethiopia (US\$3,800,000). REDD+ financial flows from multilateral institutions to multilateral implementing agents account for less than 1% of the total funds committed, as only US\$140,685 is going to UNDP.

Figure 5. Flows of REDD+ Finance between Donors and Recipients, 2009-2012



Recipients

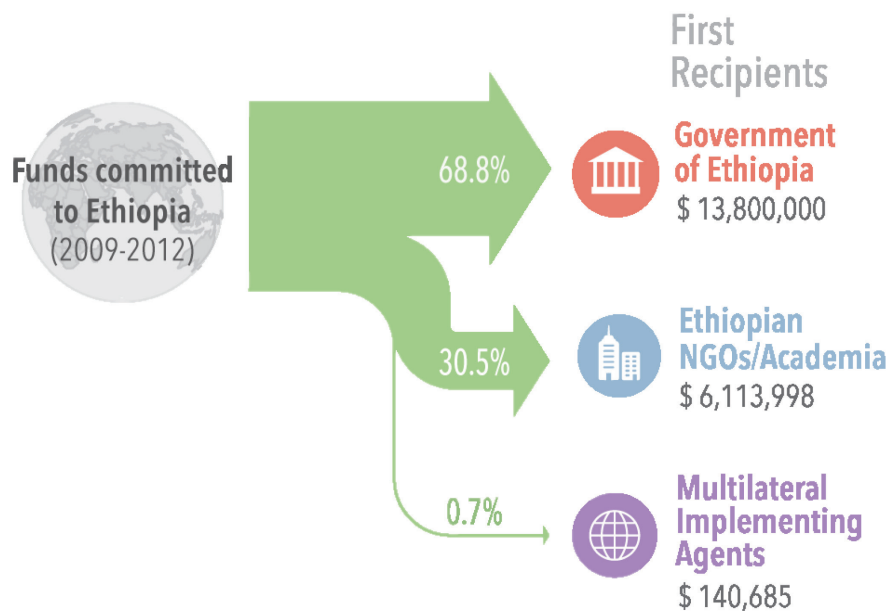
The largest recipient is the Government of Ethiopia through Ministry of Agriculture and Ministry of Environment and Forest (MEF), followed by several NGOs, which are directly receiving REDD+ funds to support specific projects like the Bale Eco-region project led by Farm Africa and SOS Sahel Ethiopia, Southwest montane forests by Ethio-Wetlands and Natural Resources Association (EWNRA).

Farm Africa-SOS Sahel Ethiopia received US\$7.89 million (6 million Euro) for eco-regional planning and sustainable forest management in Bale, which was co-financed by the Government of Norway, the Netherlands and Ireland from 2007 – 2012, each committing US\$ 2.63 million (2 million Euro). Part of the funding for this project was used to prepare the PDD for the Bale Eco-region REDD+ Project, as this is one of the few REDD+ pilots under development in the country. Around US\$7.29 million of the funds have been disbursed and a portion of this has gone directly to REDD+ activities. Of the US\$7.29 million actually disbursed, around US\$900,000 has been spent on direct REDD+ related activities, and the rest for regional planning, livelihoods and sustainable forest management through PFM. The other activities of the project also contribute to the reduction of deforestation and CRGE targets.

The Government of Norway approved another US\$2.63 million (2 million Euro) for the Farm Africa-SOS Sahel consortium to strengthen sustainable livelihoods and forest management for REDD+ pilot implementation in Bale Eco-region, for the period of 2013-2015. The grant is mainly for REDD+ capacity building for government and community, verification and validation, and to strengthen community forests as well as other income generating activities to improve local livelihoods. Similarly, Ethio-Wetlands and Natural Resources Association (EWNRA), has received US\$2.63 million (2 million Euro) from the Norwegian Government for a REDD+ project at Salle-Nono in Illubabor Zone of Oromia state for the period of 2013 – 2015.

There are several other projects with small grants or smaller portions of their funds specifically allocated to REDD+ activities. For instance, the Ethiopian Institute of Biodiversity (EIB) is implementing a project, with funding in the amount of US\$140,685 from GEF through UNDP as implementing agent, The project is entitled “Mainstreaming Agro Biodiversity Conservation into Agricultural Production Systems of Ethiopia” is implemented at four sites (2011-2015), including Yayu. Part of the project activities at Yayu Coffee Forest Biosphere Reserve focus on payments for ecosystem services, especially REDD+. The stated amount is allocated for REDD+ project development at Yayu Coffee Forest Biosphere Reserve. Figure 6 illustrates the recipients by type.

Figure 6. Commitments to Recipients by Type



Additional funding to Ethiopia is underway for 2013. The Government of Norway, for example, has also pledged about US\$2.63 million (2 million Euro) for Oromia Forest and Wildlife Enterprise (OFWE) to design a REDD+ program throughout Oromia, but this had not been committed by then end of 2012. This fund is largely to be managed by the World Bank, and is expected to be spent by OFWE starting in early 2014. Additional donors include UN-REDD, which has committed US\$150,000 for REDD+ anti-corruption and forest governance, and the government of Ireland.

Integrated REDD+ and Climate Funding

Other related finances include sustainable land management (SLM) and CRGE related funds. On August 30, 2013 two agreements were signed between the Government of Norway and the World Bank to provide US\$102 million for sustainable land management, climate smart agriculture and forest protection in Ethiopia. The first agreement from the government of Norway injects US\$50 million through a trust fund to co-finance SLM program that aims to reduce land degradation and increase small landholder productivity. The Government of Norway and the World Bank’s Bio Carbon Fund (BioCF) signed a second agreement to provide US\$13 million to support Ethiopia’s Climate Resilient Green Economy (CRGE) Facility to promote climate-smart agriculture, forest protection and land rehabilitation at the landscape level. Similarly, the UNDP has committed US\$5.2 million in 2012 from its core climate change related budget for CRGE related activities implementation within five ministries: the Ministry of Agriculture, Industry, Water and Energy, Finance and Economic Development, and Ministry of Environment and Forest (formerly the EPA). The funding is through the end of 2013.

The Strategic Climate Institutions Program (SCIP) is another DfID, Norway and Denmark supported project, dedicated to building institutional capacity in preparation for the CRGE strategy implementation. The SCIP Fund has committed a total of US\$15.2 million (GBP 9.5 million) to be fully disbursed by 2014. The SCIP funded projects focus on capacity building for climate change adaptation and mitigation, and generation of knowledge that are useful in strategic decision making to implement the CRGE strategy.

In comparison with REDD+, more significant commitments have been made to support implementation of the CRGE strategy, with a total of US\$122.4 million provided by the Government of Norway, the World Bank, SCIP and UNDP. The CRGE strategy includes mitigation in seven sectors including three agriculture related sectors: forestry, soil and livestock (other sectors include industry, electric power, transport, buildings/ green cities). The Forestry sector includes REDD+, and the allocation of CRGE funds to the forestry sector or other sectors is based on demand of the key actors and current level of emissions.

Challenges

Despite relatively low investments in REDD+ within Ethiopia, the ECFF team found there were several challenges in tracking REDD+ financial flow:

1. **Difficulty disaggregating REDD+ finance from other development funding:** REDD+ related activities up to now are grants by donor country governments or multi-lateral donors. Hence, projects have multiple objectives, and make separating out funds allocated for REDD+ and other activities difficult. There are also many projects that deal with sustainable forest management, reducing deforestation and forest restoration, but not categorized as REDD+ project and not claiming carbon credits, though contributing similar goals.
2. Some implementers also find it **difficult to disclose financial information**. Some confuse the assessment with project evaluation.
3. **A Lack of institutional memory and capacity:** Over the past few years, several different governmental agencies have been responsible for coordinating and implementing REDD+ activities, which has impacted institutional memory and capacity. As institutional arrangements are still evolving, there is a need to bolster agencies' capacities to oversee and manage all REDD+ initiatives. Particular attention should be paid to the REDD+ Secretariat, which mandated to coordinate all REDD+ activities in Ethiopia.
4. **A Lack of a national REDD+ registry:** The lack of registry makes it difficult to assess all REDD+ relative finances in the country. The REDDX data collected by ECFF may be of use in informing and creating a national registry.

Recommendations for Future Action

REDD+ financing flowing to Ethiopia is relatively minimal, but is starting to grow, especially over the past year. Additional resources are needed particularly for supporting REDD+ pilots in regional states aside from Oromia, and within different ecological and socio-economic settings. There is also great interest from several regions for demonstration activities.

Additionally, the REDDX tracking initiative in Ethiopia highlights the need for:

- ❖ **Greater communication to build trust and transparency among donors, project fund managers and implementers.** This should also include greater discussion of the importance of tracking REDD+ finance to avoid possible misunderstandings regarding the purpose of such assessments.
- ❖ **The assessment of capacity and needs of key REDD+ actors.** Based on preliminary information, technical support should be provided to the REDD+ Secretariat regarding the analysis REDD+ finance documentation and design of the national registry.

- ❖ **Discussion between the National Focal Point and REDD+ Secretariat**, in order to agree on protocols for documentation of REDD+ finance until the registry is put in place.
- ❖ **The continue assessment of REDD+ finance over the coming years**, as Ethiopia is still at an early stage of the REDD+ process, and there is a growing trend in financial flows related to REDD+ and CRGE initiatives.
- ❖ **Evaluation of the location and types of, problems faced by REDD+ projects in Ethiopia** in order to build capacity and also monitor the financial flow of REDD+. Moreover this evaluation may help ensure projects are in line with the national REDD+ strategy.
- ❖ **An effort to design Payment for Ecosystem Services (PES) system** to create additional funds for the effective implementation of REDD+ in Ethiopia.
- ❖ **Continued partnership with the REDD+ finance tracking** to build transparency around available funds in Ethiopia and highlight donors and finance directed to REDD+ Readiness activities. Information on financial flows will be beneficial in helping promote more dialogue between key actors and development partners in order to build trust, assess capacity needs, and provide targeted technical support that can help in implementing the CRGE strategy.