



Nordic Development Fund

Project Information:

Second Community Action for Landscape Management Program for Results (CALM 2)

C180 - Ethiopia

PROJECT INFORMATION SHEET

Project Name	<i>Second Community Action for Landscape Management (CALM 2)</i>
Project Number	C180
Partner/Lead Agency	World Bank
Target countries/ regions	Ethiopia
Project description	Ethiopia faces macro-economic challenges, conflicts, increased poverty rates, in addition to being highly vulnerable to climate change. CALM 2 will support the Government of Ethiopia to achieve its Strategic Investment Framework for Sustainable Land and Natural Resources Management. The objective of the programme is to improve climate resilience and livelihoods by expanding the area under sustainable land management practices, secure land tenure and increase market linkages in highland areas of Ethiopia. CALM 2 builds on previous activities including forest protection, climate-smart agriculture, and soil and water conservation, and aims to restore degraded forests, develop agribusiness value chains, and incentivise private sector finance through payments for ecosystem services and a carbon credit system, hence aligning well with NDF's strategy 2030.
Project duration	2026 - 2031
Sector	CRS Code: 31110 "Agricultural policy and administrative management".

PROJECT COST AND FINANCING PLAN		
Total Project Cost	USD 1,027 million, of which Government of Ethiopia covers USD 788 million and donors cover USD 239 million	
NDF commitment	EUR 10 million	
Financing Plan		
Financiers	Amount	Instrument
NDF	EUR 10 million (~USD 11.6 million)	Grant
World Bank (WB) International Development Assistance (IDA)	USD 200 million	Credit

Scaling Climate Action by Lowering Emissions (SCALE)	USD 15.5 million	Grant
Climate Investment Funds (CIF)	USD 11.5 million	Grant
Total	USD 238.6 million	Combined
Mode of Finance	Joint financing	
Type of Legal Agreement & Contract	Joint co-financing agreement between NDF and the World Bank	
STRATEGIC ALIGNMENT		
Geographic	X	Least Developed Countries (LDCs)
		Lower Middle-Income Countries (LMICs)
	X	Sub-Saharan Africa
	X	Countries in Fragile Situations
		Small Island Developing States (SIDS)
Climate Objectives	Mitigation	Rio Marker: Significant
	Adaptation	Rio Marker: Significant
RMF Outcome Areas	Alignment with NDF RMF outcome areas: 1) Natural capital and water-energy-food security nexus enhanced.	
Sustainable Development Goals	<p>The project will deliver results within SDG 2: Zero Hunger (sustainable agricultural practices); SDG 13: Climate Action (Strengthen resilience and adaptive capacity to climate-related hazards) and SDG 15: Life on Land (restore degraded land and soil, and ensure conservation of mountain ecosystems).</p> <p>In addition, CALM 2 will contribute to: SDG 1 End Poverty; SDG 5 Gender Equality, SDG 6 Clean Water and Sanitation; SDG 8 Decent Work and Economic Growth and strengthening the institutional coordination and coherence and, SDG 17 on Partnerships.</p>	
Gender Equality Policy	Aligned with NDF Gender Equality Policy	
Gender Marker	Rio Marker: Significant	

Environmental and Social Policy	NDF Minimum Standards: <i>WB ESS</i> ; Project type: <i>Regular</i> Compliance: <i>Yes</i> ; Risk Category: <i>Substantial</i> ; Conditions: <i>Implementation of the Environmental and Social Commitment Plan (ESCP)</i> ; Compliance Supervision: <i>Monitoring of ESCP progress</i> .	
NDF Added Value/Principles of Engagement	X	Nordic climate leadership brings competencies and knowledge and create synergies in strategic partnerships.
		Early-stage interventions concentrate funding to where some of the greatest and more innovative high-impact projects can be found.
	X	Concessional, risk-tolerant financing
	X	Co-create structures and projects with high potential, while drawing on previous experience from similar projects.
		Convene like-minded providers of funding to obtain momentum, economies of scale, and critical financing thresholds.
		Complement to enable sufficient scales of investment and to bring projects across critical financing thresholds.

Risk Category		
Overall Rating	Perceived rating:	Residual rating:
Technical & Operational	Moderate	Moderate
Economic, Regulatory & Political	High	High
Financial	Moderate	Moderate
Environmental & Social	Substantial	Substantial
Counterparty	Moderate	Moderate

ABBREVIATIONS

BoA	Bureau of Agriculture
CALM	Climate Action through Landscape Management
CALM 2	Second Community Action for Landscape Management Program for Results
CIF	Climate Investment Funds
CWUCS	Community Watershed Users' Cooperative Societies
DLI	Disbursement-linked Indicator
EFD	Ethiopian Forestry Development
ESIF	Ethiopia Strategic Investment Framework
EUR	Euro
FAO	Food and Agriculture Organisation of the United Nation
FY	Fiscal Year
GDP	Gross Domestic Product
GGGI	Global Green Growth Institutes
GHG	Greenhouse Gas
GoE	Government of Ethiopia
GRM	Grievance Redress Mechanism
IDA	International Development Association
IFC	International Finance Corporation
IPF	Investment Project Financing
LDC	Least Developed Country
M&E	Monitoring and Evaluation
MoA	Ministry of Agriculture
MoF	Ministry of Finance
MoPD	The Ministry of Planning and Development
MRV	Monitoring, Reporting and Verification
NDF	Nordic Development Fund
NRLAIS	National Rural Land Administration Information System
NRMD	Natural Resource Management Directorate
PDO	Program Development Objective
PES	Payment for Environmental Services
PforR	Program for Results
PFM	Participatory Forest Management
RLAUD	Rural Land Administration and Use Directorate
RMF	Results Management Framework
SCALE	Scaling Climate Action by Lowering Emissions
SDG	Sustainable Development Goal
SLLC	Second Level Landholding Certificate
SLM	Sustainable Land Management
SLsM	Sustainable Landscape Management
tCO ₂ e	Tonnes of Carbon Dioxide Equivalent

RELEVANCE AND STRATEGIC CONTEXT

Geographic Focus

Ethiopia has experienced impressive economic growth over the past two decades, driven by agriculture, infrastructure development, and manufacturing, but challenges like poverty, inequality, and vulnerability to climate change persist. Despite high GDP growth rates, the World Bank estimates that more than 40% of the population live below the international poverty line of 3 USD/day, particularly in rural areas where the main dependency relies on subsistence farming. Income inequality is significant, with urban areas developing faster than rural, and gender disparities further hinder progress, especially in rural regions. Ethiopia is also grappling with political instability and internal conflict, which disrupt economic activities. While there have been improvements in health and education, access to services remains uneven, and issues like maternal mortality and child malnutrition persist. Rising debt levels and limited social protection continue to pose risks to sustainable development.

Due to distinct differences in development challenges and agricultural practices, the Government of Ethiopia (GoE) has defined programs for rural lowland areas and for rural highland areas. While the Resilient Landscape and Livelihoods Project (RLLP) operates in the lower lying areas of Ethiopia, the CALM 2 program targets sustainable landscape management in the highlands of Ethiopia defined as areas higher than 1500 meters above sea level.

Nexus between Climate and Development

Ethiopia is highly vulnerable to climate change with a climate-sensitive economy and low adaptive capacity. Key climate hazards are extreme temperatures, droughts and extreme precipitation and flooding, all of which present major risks to ongoing agricultural productivity. The country has faced frequent droughts, including seven major ones in the past 30 years. Despite reductions in poverty since 2000, the gains are fragile because more than 80% of Ethiopians rely on rainfed agriculture.

In 2020, agriculture accounted for approximately 50% of Ethiopia's greenhouse gas emissions, while land use change, especially deforestation and land degradation, contributed nearly all of the remaining emissions.

Climate hazards represent a major risk to ongoing efforts to reduce poverty. Improving farmers' adaptive capacity through improved land management, an increasing focus on biodiversity and shifts in cropping practices offer practical and effective ways to mitigate climate risks.

Ethiopia has made progress in restoring degraded watersheds. The Ministry of Agriculture's (MoA's) approach to sustainable land management now focuses on a broader 'landscape' approach to land management called 'Sustainable Landscape Management' (SLsM). SLsM helps communities adapt by capturing rainfall, recharging groundwater, and reducing soil erosion. With increasing rainfall variability, scaling up SLsM is crucial as it reduces runoff, boosts infiltration, raises groundwater, extends stream flows, and enhances farmer productivity, resilience, and environmental sustainability. SLsM coupled with land certification has proven to be catalytic for raising incomes in rural communities.

By being embedded in the second phase of Ethiopia's Strategic Framework for Sustainable Land and Natural Resource Management (ESIF-II), CALM 2 is aligned with international frameworks and integrated into Ethiopia's Nationally Determined Contribution, National Adaptation Plan and Long-Term Strategy.

NDF Added Value and Rationale for Involvement

The CALM 2 program aligns well with NDF's new Strategy 2030. It is a multi-faceted initiative in a Sub-Saharan country and includes focus points on climate change adaptation and biodiversity elements for nature-positive outcomes. It is directed towards improving the livelihoods of people living in poor conditions and includes the establishment and maintenance of sustainable income streams to the rural population in the Ethiopian Highlands. While the bulk component of CALM 2 will be implemented through an incentive-based "Program for Results" (PforR) approach, NDF's contribution is to the more risk-tolerant Investment Project Financing (IPF) component targeting the improvement needs of government institutions identified during the CALM program (2020-2025). The NDF grant constitutes the largest (42.2%) of the IPF contributions and significantly strengthens this component of the program.

While the World Bank's IDA support is targeted mainly at the PforR component, there is also a small contribution to the IPF component. Despite the IDA credit being at very favourable terms for Ethiopia, it is not likely that the GoE would demand additional capacity-building support from credit sources. The IPF component gains scale and magnitude with the additional grant contributions from NDF and SCALE¹. The NDF contribution to the IPF component provides opportunities for co-creation, while

¹ **Scaling Climate Action by Lowering Emissions (SCALE)** is a World Bank umbrella program and multi-donor fund that supports participating countries to leverage World Bank projects with high-emissions reductions potential to attract private climate finance by generating high-integrity carbon credits from emissions reductions in projects and connecting them to international carbon markets.

connecting to programs in Ethiopia that are already under implementation by Nordic countries.

Four out of the five Nordic countries have embassies in Ethiopia and are active in sectors relevant to SLsM. A strong Nordic case can be made with the additional CALM 2 co-finance from NDF. In collaboration with Embassies, efforts can be made to engage Nordic expertise in project-related activities, for example, by further discussing SLsM and climate adaptation with GoE and raising attention to objectives of both bilateral programs and the NDF-funded CALM 2 activities. The Nordic countries are generally very well recognised by GoE as partners within the SLsM-relevant sectors. Ethiopia will host COP32 in 2027, which opens a concrete opportunity for engagement.

NDF will have opportunities to provide input to CALM 2 when identifying technical assistance needs to relevant government institutions, in agribusiness development, and in the operationalization of pilots to promote voluntary land consolidation. NDF will make sure, that monitoring, evaluation, and learning systems regarding land consolidation will continuously be linked to the Finland-supported National Rural Land Administration Information System (NRLAIS) database and climate indicators.

The NDF funding will function catalytically by maintaining a focus on consolidating a robust framework for carbon credit trading. When the carbon credit system starts providing additional funds, implementation of landscape management activities in Ethiopia will be able to continue post donor-funding.

Addressing gender issues is key to reversing environmental and land degradation in Ethiopia. In documents and formal communication, the GoE prioritises gender-inclusive natural resource management. However, in practice, gender aspects are often secondary. Therefore, NDF has proactively worked together with GoE and the WB team for a more intentional approach to gender equality and social inclusion during the CALM 2 design phase by including additional gender-responsive indicators and targets. A detailed gender action plan for the program will be a deliverable within the first six months of the program implementation. NDF will continue to be actively engaged in gender mainstreaming activities in the CALM 2 program implementation phase.

PROJECT DESCRIPTION

Project Objectives

The Program Development Objective (PDO) is to expand area under sustainable land management practices, secure land tenure and increase market linkages in highland areas of Ethiopia.

CALM 2 integrates carbon market, and a comprehensive value chain–agribusiness–PES package across multiple existing CALM watersheds. This approach connects organised smallholders to markets through targeted agribusiness capacity-building, enhanced access to inputs and technology, and structured private-sector partnerships. Simultaneously, the development of Payments for Ecosystem Services (PES) and a carbon market, including legal frameworks, valuation, and monitoring, reporting, and verification (MRV) systems, enables the watershed services to be monetised and mobilises private finance for the ongoing maintenance of SLM and restoration activities, thereby diversifying income and strengthening incentives for long-term stewardship.

The IFC will provide direct support for market linkage/advisory services and capacity-building for agribusiness development. The IFC aims to work on 10 agri-value chains through a phased approach over the project's life. Once CALM 2 is operational, specific value chains will be identified through a combination of IFC's existing clients and other firms through assessments undertaken in each region.

CALM 2 builds on the first programme phase, CALM, and support will be provided over a five-year period (FY26–FY31), largely aligned with the first half of ESIF-II. Two main components of the CALM 2 program, being the incentive-based “Program for Results” (PforR) modality and the Investment Project Financing (IPF) modality, respectively, will be targeting the two result areas.

Results Area 1 - Participatory watershed and forest management: The programme will provide results-based support to incentivise field-based interventions to scale up participatory watershed and forest management activities to reduce land degradation and deforestation. The Program will also support (i) development of capacity at the federal, regional and woreda levels for participatory watershed and forest management; (ii) SLsM-related research at the federal and regional levels; (iii) strengthening policy, institutional and regulatory framework for SLsM; (iv) building the SLsM knowledge base; and (v) management, monitoring and reporting of ESIF-II interventions for watershed management.

New areas added to the focus of Results Area 1 under the CALM 2 program are: (i) incorporating improvement of soil health under sustainable landscape management practices; (ii) including and managing natural forest areas adjacent to programme

watersheds under a Participatory Forest Management approach; (iii) direct support to cooperatives within the programme's watersheds to participate in existing and emerging agri-value chains; and (iv) promoting smallholder participation in PES and emerging carbon markets.

Results Area 2 - Rural land administration: The programme will provide results-based support for improved rural land tenure security and transferability of rights by incentivising: (i) preparation of Second Level Landholding Certificates² (SLLC's) and their issuance for private landholdings; and (ii) installation and operation of the digital National Rural Land Administration Information System (NRLAIS) at the federal, regional and woreda levels. The Program will also support (iii) development of governmental institution capacity at the federal, regional and woreda levels for rural land administration; (iv) strengthening policy, institutional and regulatory framework for rural land administration; and (v) management, monitoring and reporting of ESIF-II interventions for improved rural land tenure security.

New areas added to the focus of Results Area 2 program are: (i) issuance of Second Level Land Holding Certificates (SLLCs) for communal lands including forests or grazing areas; and (ii) connecting land administration offices to the national digital infrastructure to strengthen and improve land administration services, including transparent land access and transferability of rights.

Theory of Change

The Theory of Change connects the twin issues of degraded landscapes and insecure land tenure, demonstrating how the programme acts to address both the physical degradation of land and the institutional challenges related to improving land tenure security to generate resilient highland livelihoods. By addressing these issues in parallel, the programme aims to achieve **medium-term outcomes**, implementing sustainable natural resource management practices at scale, and securing land tenure on both private and communal land.

These improvements will contribute to **long-term outcomes** in adoption of more sustainable and productive land and resource management. Restoring degraded landscapes increases yields and smallholder incomes, opens new job opportunities and better access to markets, and brings opportunities for private sector and climate

² **Second-Level Land Certification (SLLC)** in Ethiopia is an advanced system that builds on the initial first-level certification, providing individual farm plots with precise, mapped boundaries (using GPS/satellite data) and registering this spatial information digitally, aiming to significantly enhance tenure security, reduce disputes, and enable land market activity

financing. Over the long term, the programme will foster more resilient, sustainable livelihoods that are also resilient to climate change. Additionally, improved land management will enhance carbon sequestration in the medium- and longer term.

Access to private sector finance is key to delivering transformational changes. The program will focus on agricultural markets, PES, and carbon markets as key opportunities to ensure a steadier financial flow that can directly benefit communities. Unless alternatives to donor finance are in place, the government's longer-term ambition to continue restoring degraded areas and improving livelihood security across the Ethiopian highlands is unlikely to be sustained.

Several assumptions underpinning the Theory of Change are critical to the program's success. These include: (i) securing land tenure will encourage communities to invest in improving the productivity of both private and communal lands; (ii) government's Agricultural Technical and Vocational Education Training Colleges have the necessary capacity to deliver effective natural resource management and land administration training; (iii) landscape restoration will create new job opportunities at scale, and innovative financing mechanisms - such as PES and carbon credits - will provide additional financial support to rural communities; and (iv) communities can mobilise participatory communal labor systems without coercion; and that the existing grievance redress mechanisms (GRM) can efficiently resolve inter- and intra-household disputes over land certification. While these assumptions have been tested under CALM and found to be realistic, they remain to be re-tested under CALM 2 as the programme covers new activities not fully included in previous programmes.

The CALM 2 ToC is well-aligned with the NDF ToC and contributes to **RMF Outcome area** "*Natural capital and water-energy-food security enhanced*". Moreover, the ToC is aligned with **NDF RMF Output** "*Sustainable water-energy-food security solutions established and/or improved*" and "*Sustainable solutions for natural resources management, conservation and ecosystem-based services established and/or improved*" and **Enabling Outputs** "*Increased capacities, improved skills and/or raised awareness*", and "*Direct (and indirect) full-time (equivalent) jobs supported or created*". Further, the co-benefits from successful CALM 2 implementation are aligned with **NDF End of Project Outcomes** "*improved socio-economic conditions of individuals vulnerable to climate change, especially women and girls*" and "*individuals, especially women and girls, with decreased vulnerability to natural resource depletion due to climate change*"

CALM 2 identifies disbursement-linked indicators (DLI's) for each result under the two result areas. The financing of the PforR component is allocated to incentivise activities directly leading to achievement of the results targeted in the PDO, namely the adoption

of SLsM practices, expansion of access to secure land tenure, and increase market linkages. The PforR component of CALM 2 has an identified Program Action Plan for technical and E&S actions.

The main activities of the IPF component feeds into the programme at various levels and are measured by the respective indicators. NDF funds the IPF component. Main IPF activities are further explained in the following section.

Project Activities

The Investment Project Financing (IPF) component of CALM 2 will finance five main activities and is **primarily implemented by the recipient (GoE)**:

- Support the operational needs of MoA and EFD for CALM 2 implementation. The activity finances the operational and system strengthening needs for CALM 2 implementation, including capacity-building, information system upgrades, and project management. It includes upgrading the Watershed Management M&E System and training on data collection, and land administration capacity-building to support and strengthen GoE actions to achieve PforR results.
- Agri-business development. The activity supports IFC agri-business advisory and capacity-building, including the Agri-business Leadership Program and associated training and coaching.
- Technical assistance for the design and implementation of PES schemes. This activity is also an IFC collaboration and finances technical assistance, mapping and engagement to support development and piloting of Payments for Ecosystems Services (PES) schemes. This assistance includes mapping the potential Ecosystem services and buyers.
- Operationalise pilots to promote voluntary land consolidation in Ethiopia's highlands. The activity involves baseline services, voluntary land exchange, and design/testing of a computerised platform in real-world conditions, supported by monitoring, evaluation, and learning.
- Carbon market technical assistance. The activity finances technical assistance to MoA to support carbon programme development; a feasibility study, and the setting up and strengthening of a digital monitoring, reporting and verification (MRV) system focusing on agricultural practices. The activity also entails enhancement of the national forest MRV system with the Ethiopian Forest Development Agency updating baselines for each crediting phase, and ensure higher quality environmental and social considerations, focusing on governance, biodiversity and measuring the livelihood impact of the benefit-sharing mechanisms in the communities. The activity furthermore prepares an assessment for a national approach to generate carbon assets from landscape management and technical

assistance to the Ministry of Planning and Development (MoPD) to operationalise the legal and regulatory framework related to carbon credits; capacity-building to manage global registries, including UNFCCC optional registry, provision of IT support for managing registries and carbon transactions.

A smaller part of the activities in the IPF component will be implemented by the World Bank. **Bank-executed** resources will primarily support:

- Strengthening monitoring, reporting, and verification (MRV) systems using advanced remote sensing and digital platforms;
- Data-driven identification of priority woredas;
- Mapping and technical design of Payments for Ecosystem Services (PES) areas; and
- Operationalisation of pilots for voluntary land consolidation in the Ethiopian highlands to demonstrate productivity, environmental and social gains.

In addition, Bank-executed technical assistance is critical to prepare ToRs and supervise complex technical assistance to (i) enhance carbon market access, including the design and registration of emission reduction programmes for agriculture; (ii) strengthen EFD capacity to support the ART-TREES (ART116) national forest programme; and (iii) build capacity at MoPD to operationalise the carbon credit regulatory framework, manage global registries and deploy IT systems for carbon transactions.

Project Beneficiaries and other Stakeholders

Primary beneficiaries are smallholder farmers in selected programme watersheds in the Ethiopian highlands. The programme will increase smallholders' livelihood security and broaden income-earning opportunities. The programme aims for an equitable inclusion of all beneficiaries in Community Watershed Users' Cooperative Societies (CWUCS) including vulnerable groups such as landless, women, youth, elderly, and female-headed households. This programme will build on previous experience to ensure that female-headed households, landless youth, the asset-poor and demobilised veterans are targeted for support.

National, provincial and local government authorities will benefit from the implementation of CALM 2, and in particular from the technical assistance and capacity-building elements of the NDF-funded IPF component. Other stakeholders of the programme include development partners, civil society groups and leaders, non-governmental organisations, community-based organisations, policy-makers, and the media. A Stakeholder Engagement Plan (SEP) sets out details of the purpose, timing and methods of stakeholder engagement and strategy for information disclosure. It

incorporates the view of stakeholders directly and indirectly affected by the programme.

Private sector is engaged through a main activity in the IPF component. IFC will assist by applying a tested Agri-business Leadership Program to selected communities and establish agricultural value chains with 10 different agricultural commodities.

Gender Analysis

In Ethiopia, women farmers produce on average 23% less than their male counterparts. This gap is mainly due to inequitable access to and control of resources such as land, technologies and information, and lower levels of participation in decision-making from local to national levels. Various manifestations of climate change, such as drought and water scarcity, add to the domestic burden of women as they are primarily responsible for homestead crops, collection of fuelwood and water. Female-headed households (26% of all rural households) remain particularly vulnerable to climate shocks and face multiple challenges such as lower ownership and weaker tenure rights.

The Government of Ethiopia has made gender inclusion in natural resource management a priority as women in Ethiopia remain vulnerable to economic, social, and environmental risks. Likewise, World Bank's corporate commitments on gender and the WB Group's Gender Strategy (2024-30) objectives of closing gender gaps, ownership and control of assets, and women's and girls' voices, to ensure equal opportunities for all and transforming structural causes of gender inequality by making interventions gender sensitive and responsive is well-aligned with the NDF gender equality policy.

To address the identified gender inequalities and building on the lessons learnt and work from the previous phase, CALM 2 will aim to:

- a) improve women's land tenure security and economic empowerment by prioritising gender-responsive land registration and ensuring women's rights to both individual and communal lands;
- b) expand women's participation in governance, leadership and access to resources and to increase the active engagement of gender focal officials. Likewise, inclusive awareness campaigns and structured outreach on joint and individual titling and ensuring robust data systems is expected to significantly increase the share of women with formal land rights.

Women use their land certificates to access credit and machinery at scale. CALM 2 will demonstrate this link between land security and economic opportunity by promoting the use of SLLCs for collateral, improving financial literacy, and ensuring that women have equal access to lending, equipment, and advisory services. This will be supported by targeted outreach to help women navigate financial institutions and bring their assets into productive use.

During CALM 2, the cooperatives are expected to adopt gender-inclusive membership based on the agreed targets (at least 40% against the baseline of 20%) and benefit-sharing practices. With the IFC support, the programme aims to expand tailored agribusiness and entrepreneurship training and introduce group-based livelihood support with targeted grants. These measures aim to support women in entering more lucrative value chains, improve market linkages, and diversify income sources.

Further, CALM 2 will build on the network of gender focal officials under CALM to assess gender mainstreaming capacity across implementing institutions and develop a strengthened gender action plan within six months of project appraisal. This will ensure that grievance redress systems, watershed governance structures, and community-level institutions consistently uphold gender-equitable practices. Biannual progress reports will be prepared to track the implementation of the action plan and gender mainstreaming progress. These reports will be submitted to the World Bank and NDF teams for review with the aim of enhancing gender-responsive design and implementation.

CALM 2 is categorised as *Significant* in the OECD DAC Gender Marker tool.

Sustainability and Exit Strategy

CALM 2's sustainability strategy builds on the institutional and operational foundations established under CALM, while introducing market linkages and financial mechanisms to ensure that restored landscapes continue to generate livelihoods and ecosystem services beyond the life of the project. This approach connects organised smallholders to markets through targeted agri-business capacity-building, enhanced access to inputs and technology, and structured private-sector partnerships. Simultaneously, the development of PES and carbon market, including legal frameworks, valuation, and monitoring, reporting, and verification (MRV) systems, enables the monetisation of watershed services and mobilises private finance for the ongoing maintenance of SLM and restoration activities, thereby diversifying income and strengthening incentives for long-term stewardship. By building and institutionalising GoE's carbon credit trading

system and associated beneficiary mechanisms, activities may be replicated and scaled with income from selling the carbon credits generated through improved landscape management systems.

The collaboration with IFC will advance private sector participation through investments and advisory services as well as identification and development of PES. IFC's agri-business advisory will help strengthen supply chains and build market-oriented skills. Community Watershed User's Cooperative Societies (CWUCS) supported by the programme could participate in IFC's Agribusiness Leadership Program to improve management skills and professionalism of small scale agri-enterprises. This is expected to ensure long term income opportunities for the watershed cooperatives.

The GoE ESIF-II provides a suitable framework to incorporate a PforR approach that incentivises links to income streams from value chains and private capital, laying the foundation for a transition away from donor finance.

IMPLEMENTATION

Project Management and Coordination

Institutional responsibility for leading and coordinating action on SLM is the responsibility of the Ministry of Agriculture (MoA). Under the MoA, the Natural Resources Management Directorate (NRMD) and the Rural Land Administration and Use Directorate (RLAUD) are instrumental in leading implementation of the ESIF-II. A Project Coordinating Unit (PCU) with a minimum of support staff in the NRMD has been established during the CALM program and will be strengthened for the implementation of both the PforR and IPF components under CALM 2. At regional and local level, SLM initiatives are delivered by regional Bureaus of Agriculture (BoAs) and Bureaus of Land Administration and Use, and administrations at the woreda level.

The Ethiopian Forest Development (EFD) is responsible for implementing sustainable forest management and supporting restoration initiatives on forest areas including state, private, association and community forests. EFD will provide oversight and technical support for forestry activities financed under the CALM 2 program. EFD is also responsible for ESIF-II targets related to forests.

MoPD is responsible for managing Ethiopia's carbon market policy, legal framework and strategy and will provide oversight and support to CALM 2's carbon market initiatives. MoPD will implement selected activities of the IPF component and provide guidance

and technical support for carbon finance activities and trading emission reductions from agriculture, forestry, and other land uses.

The World Bank team will provide support through regular missions and focused follow-up on activities. If a lack of security constrains World Bank staff from travelling to any programme areas, then reporting from government teams, cross-checked with reports from the Independent Verification Agency and community monitoring where applicable, will be used to gauge progress and identify areas where additional support is required.

NDF's main partner is the World Bank team in Ethiopia. NDF will continuously seek influence in the project through meetings and missions to Ethiopia and conversations with the World Bank. Monitoring visits will allow NDF to visit government institutions to assess progress of the CALM 2 and ESIF-II programs. This follow-up will under normal circumstances take place together with the World Bank team. NDF will take part in joint supervision, monitoring and evaluation missions and consult with Nordic embassies regarding programme progress, Ethiopian context and donor climate. NDF will review and discuss with the WB team, the annual results reports, as well as the quarterly and mid-year activity and financial progress reports.

Monitoring and Evaluation

CALM 2 will use a robust Monitoring & Evaluation (M&E) system to track progress, measure impact, and ensure accountability, building on the learnings and systems established in CALM. The system will be aligned with NDF RMF indicators and results reports will be delivered with an adequate level of disaggregation as per the NDF reporting requirements, including sex-disaggregated data collection aligned with the NDF Gender Equality Policy requirements. Annual results reports will be reviewed and discussed with NDF.

MoA will have overall responsibility for program results M&E. NRMD and RLAUD will aggregate M&E data provided by regional Bureaus of Agriculture (BoAs) and Bureaus of Land Administration and Use, collected at the woreda and Kebele levels, providing evidence of progress on the Results Framework indicators, with particular emphasis on results related to DLIs, and compliance with Program Action Plan requirements. The Ethiopia Statistical Service, acting as the Independent Verification Agency, will verify results for both Result Areas in accordance with the Verification Manual. MoA will provide six-monthly program progress reports, and an Annual Program Report based on compiled M&E data, identifying challenges to programme implementation and recommending solutions, that will be presented to the National SLM Steering Committee for validation. MoA will submit the Annual Program Report to the World Bank not later than 60 days after the end of the Ethiopian Fiscal Year, and the progress

report six months later. The programme reports will provide the basis for the World Bank's implementation support missions, as well as the program midterm review.

At any time, NDF can if deemed necessary do its own supervision / M&E missions and will always have the right and opportunity to be part of WB coordinated missions. NDF will also engage in the developing of ToR's, review and approval of reports, for the mid-term review, and end of project evaluation.

Communication Plan

WB is currently working on an overall programme communication plan including communication objectives, high-level communication activities of the programme and joint efforts to disseminate programme achievements at conferences and events.

CALM 2 will provide opportunities for NDF to communicate on strategic, thematic and programme level topics and to engage in related events. Relevant opportunities will be fed into the annual communication plan throughout the programme's five-year implementation period and carried out in close collaboration between the NDF communications team, the Program Manager and the WB.

A particular opportunity arises when Ethiopia will host COP32 in 2027. Nordic embassies and NDF together may raise the importance of SLsM programmes and practices. This may be sequenced with specific communication efforts in Ethiopia to raise the visibility of the Nordic countries and NDF.

Potential knowledge products will be developed to be user-friendly and may be tailored to target specific audiences (e.g., policymakers, CSO partners, local communities, etc.). The products will include, among other things, news items and social media content on the potential NDF commitment, as well on project impact and alignment with NDF's strategic goals.

NDF's communication on CALM 2 should adopt a narrative that highlights NDF's strategic goals and the added value of working with the Nordics. Specifically for our target audience of Nordic decision-makers, our communication should emphasise 1) the project's Nordic emphasis with Ethiopia being a focus country for the Nordic countries, 2) the Sub-Saharan region and 3) biodiversity investments as the project will feature this component.