



FACTSHEET

NATURE, PEOPLE AND CLIMATE (NPC) INVESTMENT PLAN FOR ETHIOPIA

BACKGROUND

Deploying the power of nature is essential to addressing climate change, with natural ecosystems sequestering around 30% of man-made emissions. Rural peoples' resilience to the effects of climate change can also be strengthened when the vital services that nature provides are maintained and bolstered.

CIF's \$370 million Nature, People, and Climate investment program supports the development of Nature-based Solutions to climate change in low and middle-income countries, ranging from small island states to highly vulnerable sub-Saharan African nations and large Latin American countries. The program funds initiatives that recognize the interdependence among land use, climate change, and the livelihoods of rural communities and Indigenous peoples.

By bridging the gap between mitigation and adaptation funding, CIF's programmatic approach incentivizes countries to manage these complex relationships and understand the trade-offs between them, contributing to lasting change. It will target additional benefits, such as improved biodiversity and livelihoods.

A unique feature is the programs' Dedicated Grant Mechanism (DGM), a direct financing window for Indigenous Peoples and local communities. With DGM, they are empowered to contribute traditional knowledge to climate solutions, with the autonomy to decide how to allocate funding.

CIF NPC partners with Africa's Zambezi River Basin Region (Zambia, Malawi, Mozambique, Namibia, and Tanzania), Brazil, Dominican Republic, Egypt, Ethiopia, Fiji, Kenya, Namibia, Rwanda and Zambia to generate Nature-based Solutions as a contribution to achieving global climate goals.

THE CHALLENGE

Ethiopia, a large, agroecologically diverse, and densely populated country, relies heavily on its land to sustain most of its economy – through agriculture, livestock, forestry and tourism. Some of Ethiopia's key challenges include:

- **Climate variability and food insecurity:**
Recurring droughts, primarily caused by El Niño, have led to warming and low rainfall in the Horn of Africa, affecting the availability of surface and groundwater, and impacting the livelihoods of millions of smallholder farmers and pastoral communities. Changes in temperature and precipitation result in poor harvests, livestock losses and rising food prices in rural and urban areas.
- **Deforestation and land degradation:**
Ethiopia is losing its forest cover rapidly, due to unsustainable wood fuel harvest, forest fires, invasive species, climate change and land degradation. Land degradation poses a serious threat to the livelihood of millions of people in Ethiopia, estimated to reduce agricultural productivity by 5-10 percent by 2030 and GDP by up to 10 percent by 2045. More than half of the country's landmass (over 54 million hectares of land) show different levels of degradation.
- **Poverty and migration:**
Ethiopia's environmental challenges are exacerbated by socio-economic challenges, like growing income inequality, rising inflation, and unemployment. Increasing severity and recurrence of droughts, floods, uncertainty of rainfall patterns and compounding socio-economic challenges have led to the largest outward migration of youths from rural areas in the past three decades.

HIGHLIGHTS

The **overall objective of Ethiopia's NPC Investment Plan** is to transform land and natural resources management practices toward sustainable, just and equitable rural development.

25 districts in four regions of Ethiopia – namely, Amhara, Oromia, South Ethiopia and Somali, have been selected to implement the Investment Plan. These districts were chosen based on an integrated Geographic Information Systems and Remote Sensing assessment, a national socio-economic assessment and consultations with stakeholders. They represent highland, midland and lowland landscapes, as well as different farming systems, notably, smallholder farmers and pastoral communities. Integrated NbS interventions will be piloted in these districts to be scaled out to the adjacent regions, districts and landscapes with more resources.

The Ethiopia NPC investment plan is anchored on three interlinked pillars, in which private sector engagement, gender and social inclusion and capacity development are considered cross-cutting components. These are:

PILLAR 1- SUSTAINABLE MANAGEMENT OF NATURAL FORESTS AND BIODIVERSITY RESOURCES (\$7.17M CIF RESOURCES)

- Putting natural forests under a sustainable management system, while also supporting the socio-economic development of communities living around these forests.
- Promoting Participatory Forest Management practices, and adopting interventions that reduce pressure on forest habitats – including livelihood diversification for local communities.
- Accelerating community organizations, forest assessments, and decentralized joint management systems in target forests to strengthen participatory approaches and improve benefit sharing with local communities.



PILLAR 2- INTEGRATED LANDSCAPE AND ECOSYSTEM SERVICES RESTORATION (\$17M CIF RESOURCES),

- Restoring and managing the degraded forests and landscapes around these natural forests, including community landscapes and watersheds.
- Developing natural resource-based value chains with a focus on high-value wood and non-wood products including carbon credits.

PILLAR 3- CLIMATE RESILIENT AGRICULTURAL PRACTICES (\$9M CIF RESOURCES)

- Supporting smallholder farmers and pastoral communities to implement climate smart agricultural practices for soil health, improved livestock and rangeland management, value chains, and more.
- Improving the incomes and climate resilience of smallholder farmers and pastoral communities.

FUTURE IMPACTS

The objective of Ethiopia's Investment Plan is to:

- ensure the long-term conservation and sustainable use of natural forests and biodiversity resources,
- restore degraded landscapes and ecosystems and enhance their capacity to provide essential services, and
- promote agricultural practices that are resilient to climate change and contribute to sustainable food, nutrition and wood security.



THE CLIMATE INVESTMENT FUNDS

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