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**ENVIRONMENTAL AND SOCIAL SYSTEMS ASSESSMENT**

FOR THE

**ECONOMIC OPPORTUNITIES PROGRAM (P163829)**

Program-for-Results/Investment Project Financing

May 2018

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## 1 EXECUTIVE SUMMARY

### 1.1 Program and ESSA

Following the 2016 UN summit and as part of an overall roadmap (nine pledges) focusing on improving the rights of and services for refugees along the Comprehensive Refugee Response Framework (CRRF), the Government of Ethiopia (GoE) is working to expand its industrialization agenda to create jobs for Ethiopians and refugees, referred to as the Jobs Compact. The World Bank Group has been asked by the GoE and development partners to support the government's effort on the Jobs Compact Program.

This Environmental and Social System Assessment (ESSA) is part of the World Bank's process in working with the GoE to prepare such a support program, which will use the Program for Results (PforR) and a smaller, complementary Investment Project Financing (IPF) component as lending tools for investment, together referred to as the Economic Opportunities Program (EOP). From the World Bank side, the EOP is flanked by other projects' funding, among others on industrial parks (for example, the Competitiveness and Job Creation Project) as well as refugees/host communities (that is, the Development Response to Displacement Impacts Project [DRDIP]); more details and programs are noted in the Project Appraisal Document (PAD).

The EOP hybrid PforR/IPF would include a mix of policy actions, investment activities, and technical assistance (TA) to address a subset of the government's Job Compact reforms. The focus on industrialization is intended to create jobs directly and create the conditions for greater labor market access. In parallel, and in line with the government's vision of self-reliance for refugees, a set of reforms and interventions will allow refugees to benefit from job opportunities without putting undue strain on host communities. Such job opportunities may develop within and outside industrial parks with the Program not putting any constraints. Also, it shall be highlighted that, apart from a pilot program in the IPF component, the Program focuses on the provision of opportunities, rather than jobs itself. In addition, the project funds activities in promoting industrial parks and supporting its social and environmental sustainable development, focusing on the Better Work introduction of the International Labour Organization (ILO) within the parks and sustainable planning support for the further development of industrial parks, including environmental and social standards.

The proposed EOP Grant/Credit to support the wider Jobs Compact project is in the amount of US\$202 million plus US\$87.5 million U.K. Department for International Development (DFID) grant adding to the government contribution of US\$44.09 million; leading to a total financing of US\$333.6 million.<sup>1</sup>

The key results envisioned for the EOP are:

- (a) Employability and improved status of refugees in Ethiopia;
- (b) An improved investment climate, leading to more investment, more exports from competitive sectors, and job creation;
- (c) Improved labor productivity; and
- (d) Enhanced environmental and social sustainability of existing industrial parks.

The related Disbursement Linked Indicators are outlined in table 1.

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<sup>1</sup> The final sum will only be known after conclusion of the Program preparation process and still may change.

Table 1. Disbursement Linked Indicators

PforR Results Area	DL I No.	Proposed DLI	Financing allocated (US\$, million)	Prior Result	Baseline	Indicative Timeline for DLI Achievement (cumulative)						
						Year 0  (ending at effectiveness)	Year 1  (ending July 7, 2019)	Year 2  (ending July 7, 2020)	Year 3  (ending July 7, 2021)	Year 4  (ending July 7, 2022)	Year 5  (ending July 7, 2023)	Year 5  (ending July 7, 2024)
Providing access to economic opportunities for refugees	1	Number of refugees with access to economic opportunities	116.12	Refugees Proclamation promulgated	0	Proclamation on refugees promulgated	100	2,600	7,600	17,600	24,000	30,000
Improving the Investment Climate	2	Number of targeted investment facilitations by EIC increased	52.5	Amend the forex retention policy and change the debt-equity ratio for investors to facilitate and attract investment	250	NBE Directives amended to permit establishment of foreign exchange accounts and to permit higher debt-equity ratio for foreign investors	550	850	1150	1450	1750	n.a.
Improving Labor Productivity	3	Disclosure of Better Work synthesis compliance	25	Establishment of labor unit (OSS within	0	One labor unit established in each	—	Annual disclosure of Better Work synthesis	Annual disclosure of Better Work synthesis	Annual disclosure of Better Work synthesis	Annual disclosure of Better Work synthesis	Annual disclosure of Better Work synthesis



PforR Results Area	DLI No.	Proposed DLI	Financing allocated (US\$, million)	Prior Result	Baseline	Indicative Timeline for DLI Achievement (cumulative)						
						Year 0  (ending at effectiveness)	Year 1  (ending July 7, 2019)	Year 2  (ending July 7, 2020)	Year 3  (ending July 7, 2021)	Year 4  (ending July 7, 2022)	Year 5  (ending July 7, 2023)	Year 5  (ending July 7, 2024)
<b>and Quality of Jobs</b>		reports and MoLSA synthesis inspection reports done in collaboration with Better Work		industrial parks)		of Bole Lemi I, Hawassa, Mekelle and Kombolcha industrial parks		compliance report	compliance report	compliance reports and completion of MoLSA synthesis inspection report for year ending July 7, 2022 to be submitted by December 31, 2022	compliance reports and completion of MoLSA synthesis inspection report for year ending July 7, 2023 to be submitted by December 31, 2023	compliance reports
<b>Enhancing the Sustainability of Existing Industrial Parks</b>	4	Ethiopian Investment Board decision made on feasibility study of private sector-led participation in Bole Lemi I, Hawassa, Mekelle, or Kombolcha industrial park	30	n.a.	0	n.a.	0	1	2	3	4	5

PforR Results Area	DLI No.	Proposed DLI	Financing allocated (US\$, million)	Prior Result	Baseline	Indicative Timeline for DLI Achievement (cumulative)						
						Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 5
						(ending at effectiveness)	(ending July 7, 2019)	(ending July 7, 2020)	(ending July 7, 2021)	(ending July 7, 2022)	(ending July 7, 2023)	(ending July 7, 2024)
Fiduciary Systems Strengthening	5a	Procurement Directives and Manuals issued and used by IPDC and ARRA based on a legal framework issued by Federal Government	10	n.a.	Directives without legal framework	n.a.	Procurement Directives and Manuals issued, made public and used by IPDC and ARRA based on a legal framework issued by the Federal Government	Procurement Directives and Manuals issued, made public and used by IPDC and ARRA based on a legal framework issued by the Federal Government	—	—	—	—
	5b	Unqualified/clean entity financial audit report of the IPDC is submitted on time which is prepared from IFRS compliant financial statement				—	—	Year ended July 7, 2020 IFRS compliant financial statement is audited and the audit report is submitted with a clean or unqualified audit opinion on time by	Year ended July 7, 2021 IFRS compliant financial statement is audited and the audit report is submitted with a clean or unqualified audit opinion on time by	Year ended July 7, 2022 IFRS compliant financial statement is audited and the audit report is submitted with a clean or unqualified audit opinion on time by	Year ended July 7, 2023 IFRS compliant financial statement is audited and the audit report is submitted with a clean or unqualified audit opinion on time by	

PforR Results Area	DLI No.	Proposed DLI	Financing allocated (US\$, million)	Prior Result	Baseline	Indicative Timeline for DLI Achievement (cumulative)						
						Year 0  (ending at effectiveness)	Year 1  (ending July 7, 2019)	Year 2  (ending July 7, 2020)	Year 3  (ending July 7, 2021)	Year 4  (ending July 7, 2022)	Year 5  (ending July 7, 2023)	Year 5  (ending July 7, 2024)
									January 7, 2021	January 7, 2022	January 7, 2023	January 7, 2024
Safeguards Systems Strengthening	6a	An established environmental and social risk management system addresses respective risks	30	n.a.	0	n.a.	ARRA, MoLSA, IPDC and the EIC appropriately staffed	ARRA local facilitation and support branches functional for all refugee-hosting communities	ARRA local facilitation and support branches functional for all refugee-hosting communities	ARRA local facilitation and support branches functional for all refugee-hosting communities	ARRA local facilitation and support branches functional for all refugee-hosting communities	ARRA local facilitation and support branches functional for all refugee-hosting communities
	6b				0	Functional refugee tracking system established by July 7, 2019	NRCs established for all refugee-hosting communities	NRCs established for all refugee-hosting communities	NRCs established for all refugee-hosting communities	NRCs established for all refugee-hosting communities	NRCs established for all refugee-hosting communities	
	6c				0	—	Proof of community consultations	Community intervention	Community intervention	Community intervention	Community intervention	

PforR Results Area	DLI No.	Proposed DLI	Financing allocated (US\$, million)	Prior Result	Baseline	Indicative Timeline for DLI Achievement (cumulative)						
						Year 0  (ending at effectiveness)	Year 1  (ending July 7, 2019)	Year 2  (ending July 7, 2020)	Year 3  (ending July 7, 2021)	Year 4  (ending July 7, 2022)	Year 5  (ending July 7, 2023)	Year 5  (ending July 7, 2024)
									(A.M.= US\$150)	(A.M.= US\$100)	(A.M.= US\$75)	(A.M.= US\$50)
	6d				0	Environmental and social management system developed by ARRA, MoLSA, IPDC, and the EIC	Training of IPDC related to PforR activities on environmental and social management systems	Environmental and social audit on project activities conducted	Adaptation and adoption of pilot lessons-learned document by ARRA and the EIC, including a respective Action Plan	Environmental and social audit: corrective actions implemented	(Refresher) Training of IPDC related to PforR activities on environmental and social management systems	

## 1.2 Key Institutions and Legal Framework

The Program will be implemented under the leadership of the Ethiopian Investment Commission (EIC), with substantial components to be implemented by MoLSA as well as the Administration for Refugee and Returnee Affairs (ARRA). Additional tasks will be carried out by the Industrial Parks Development Corporation (IPDC). The EIC promotes and facilitates investments in Ethiopia and its services include promoting the country's investment opportunities; issuing investment permits, business licenses, and construction permits; issuing commercial registration certificates and renewals; and issuing work permits. ARRA manages all refugee camps in Ethiopia and ensures protection and assistance in partnership with the United Nations High Commissioner for Refugees (UNHCR) and other humanitarian actors. It will also carry out the day-to-day support for refugees benefiting from the new policy on refugees. The IPDC develops and administers industrial parks, constructs industrial buildings, leases developed land and buildings, prepares detailed national industrial parks master plans, and serves as the industrial park land bank in accordance with the agreements concluded with regional governments. As such, the IPDC will be the key institutions in addressing the sustainable development and management of industrial parks. Finally, MoLSA supervises employee's health and safety at workplaces, improves working conditions and environment, promotes efficient and equitable employment services, and maintains developmental social welfare of citizens. As such, it is the key institution in ensuring sound labor policies within and outside industrial parks.

These four institutions are embedded into a substantial legal framework regarding environmental and social impact mitigation policies, starting with the Ethiopian Constitution. Further details are regulated in the Growth and Transformation Plans (GTPs), the Environment Policy of Ethiopia including Proclamation No. 295/2002 on the Establishment of Environmental Protection Organs, the Environmental Pollution Control Proclamation (No. 300/2002), the Prevention of Industrial Pollution Regulation Proclamation (159/2008), the Water Resources Management Proclamation (197/2000), the Solid Waste Proclamation (513/2007), the Environmental Impact Assessment Proclamation (299/2002), the Proclamation on Expropriation of Land for Public Purposes and Payment of Compensation (455/2005 and others), the Proclamation on Rural Land Administration and Land Use (456/2005), and 22 ratified ILO conventions including protection of freedom of association, prohibition of forced labor, child labor, and discrimination as well as a convention on occupational safety and health. The Labor Proclamation No. 377/2003 is considered progressive, with further follow-up directives on occupational health and safety (OHS). In addition, the National Employment Policy (2016), National Operational Safety and Health, National Social Protection Policy and Private Organization Employees' Pension Proclamation No. 715/2011 comprise the institutional and legal framework for labor. Substantive regulations also encompass the support for ethnic and vulnerable groups and proactive addressing of gender inequalities, including Gender mainstreaming strategy and guideline (2010). Proclamation No. 213/2000 (revised family code) ensures child protection and just recently, a National Social Protection Strategy of Ethiopia (2016) has been developed.

While legal regulations are encompassing a large part of potential issues, it is assessed that implementation and enforcement of mentioned regulations is not yet satisfactory. Meanwhile, the assessment of current capacities cannot be extended to all aspects of the EOP, resulting from its innovative character, that is, the noted institutions will have to adjust to new roles and activities in the process of the EOP rollout (and on a larger scale the rollout of the GoE Jobs Compact Program including the nine pledges) and such changes can only be extrapolated from current performance with a considerable margin of error. Coordination needs between ARRA, EIC, MoLSA, IPDC, and local government units add to the risk of insufficient capacity. Thus, the EOP social and environmental risk provision will closely focus on the establishment of relevant institutional capacity as it implements related activities.

As part of addressing capacity gaps and safeguards system strengthening, DLI 6 of the EOP focuses on the need to strengthen the social and environmental management system, including establishment of institutions at the local level. Safeguards focal persons/staff at the national, regional, and city levels is important for the preparation and endorsement of risk management system guidelines and communication

strategies for the Program. The system needs to be resourced, capacities improved by trainings, and respective (site-specific) procedures established or updated. Following the project cycle, implementation of safeguards measures as well as annual audits will be necessary. To address the specific sensitivity of refugee influx into industrial park neighborhoods, Neighborhood Relations Committees (NRCs), modelled based on experiences of the World Bank-supported DRDIP, shall address the gap in host community-refugee relations. Expansion of ARRA's/UNHCR's support activities is further necessary.

### **1.3 Risks and Mitigation Measures**

The envisaged development of policies and implementing activities is, as noted, exploring uncharted territory and though there are experiences in different areas (industrial park development, out-of-camp program for refugees, host community support programs), none of these programs have experience with the comprehensiveness of the EOP approach in terms of cooperation (industrialization and refugees), scale (from policies to communities and industrial parks), institutional cooperation (federal to local), and geography (with effects potentially on the whole Ethiopian territory). The PforR lending tool for such a program is therefore risky; however, it is understood that to address the issue of refugees in a substantial way, risk appetite is necessary if urgent needs of progress should be achieved.

Risks associated with the topics have been assessed based on the core principles (CP) to be assessed as part of the ESSA.

#### **1.3.1 CP1 - General Principle of Environmental and Social Management**

The ESSA assesses that the policy framework to implement this PforR is overall adequate. Gaps exist in the implementation and enforcement of such framework overall and the limited environmental and social capacity of the implementing institutions resulting from limited resources (staffing, logistics), limited experience, and the need for cooperation. The resulting risks are therefore that identification of issues is delayed and that implementation is not as effective as necessary. The ESSA also notes the risk of legacy issues resulting from preprogram activities. Mitigation measures therefore need to focus on strengthening the individual capacity of each institution, the coordination between the institutions, and corrective actions in case of legacy issues.

#### **1.3.2 CP2 - Natural Habitats and Physical Cultural Resources**

The applicability of this CP is limited. Any plans developed under the PforR need, though, considers it to identify and mitigate any risks for natural habitats and physical cultural resources (PCR). The Program will not undertake any activities with significant impacts on natural habitats and PCR. In case audits identify legacy issues for specific sites with significant impacts which cannot be rectified, then the Program will refrain from engaging in such sites. In general, the same assessment applies as for CP1 - established policy framework but limited implementation capacity. The major need is in developing suitable screening mechanism for eventual subprojects/site. Minor to moderate risks would result from not applying respective mechanisms.

#### **1.3.3 CP3 - Public and Worker Safety**

One of the major aims of the Program is to address working conditions in industrial parks as outlined in the results framework. The ESSA has assessed that the legal framework regarding public and worker safety is in general adequate; however, the current enforcement in operational industrial parks is not. This extends to the monitoring and supervision of noted policies by the respective agencies. This goes hand in hand with a lack of awareness. Specifically, women and children have been identified as vulnerable regarding to this CP. The issues need to be addressed with capacity building (staffing, training) and in line with the establishment of a strong monitoring system. While addressing these risks is a core target of the Program, they may be aggravated by the complementary target of increasing job opportunities and resulting movement of refugees and Ethiopians toward industrial parks and other economic areas. Special attention

needs to be given to the specific vulnerability of women (including safety) moving toward and working in industrial parks.

### **1.3.4 CP4 - General Land Acquisition**

As with CP2, the applicability of CP4 is limited. However, it needs to consider any plans developed under the Program which may result in land acquisition. The Program will not undertake any physical activities involving involuntary land acquisition. In case audits identify legacy issues for specific sites, such impacts need to be rectified and if deemed not rectifiable, then the Program will refrain from engaging in such sites. Issues in general are lack in consultations and grievance redress mechanisms (GRMs), compensation for impacts on untitled and community lands, inadequate provision of relocation options, and lack of attention to livelihood restoration. For the Program, it will be necessary to strengthen community consultations, including for the development of planning documents as envisaged. In case it is necessary to rectify legacy issues, the noted points need to be addressed and reported in writing.

### **1.3.5 CP5 -Indigenous<sup>2</sup> Peoples and Vulnerable Groups**

The major vulnerable group for the Program are refugees, with the core Program aim to improve their situation and reduce respective vulnerability, including by the change of respective policies from supported camp accommodation to self-sustained, non-camp refugee hosting. Within this vulnerable group, additional differentiations need to be made, with women and children being most vulnerable, facing enhanced challenges including trafficking, gender-based violence (GBV), and Sexual Exploitation and Abuse (SEA). It is furthermore necessary to differentiate the context and address vulnerabilities of host communities, which may, as in Gambella, be overwhelmed by refugee migrations mixed with pastoralist movements. All of this needs a high capacity by implementing agencies, which the ESSA considers necessary to be enhanced in comparison to the current status, as noted above, resulting from inadequate staffing and logistics as well as missing experience. The Program needs to ensure adequate consultations, monitoring, and protection mechanisms to address induced risks as well as overall reputational risks resulting from association. It is furthermore suggested to pro-actively engage in gender-equity-supporting measures as the support for safe work environments within but also toward industrial parks. The complexity of vulnerability requires a multi-dimensional protection and support approach, including protection offices by ARRA as part of DLI6, actions noted in the PAP-required action plan, non-discrimination as part of DLI3/Better Works by IPDC/EIC, respective contract clauses in the EPP pilot, etc. (see below).

### **1.3.6 CP6 - Social Conflict**

The Program in general and some of its targets in specific are considered a substantial risk with regard to social conflict. While the Program's aim is to equally benefit refugees and Ethiopians alike by changing legislation and supporting the GoE industrialization policy, resulting in additional jobs, during the process, social conflicts need to be addressed. This encompasses pressure on public resources resulting from internal migration, cultural and communication barriers between communities, legacy issues from violent conflicts in original countries and following encampment aggravating current conflicts, and so on. Risks range from induced risks due to the support for change of policy and provision of opportunities to reputational risks resulting from World Bank association with refugee engagement overall. It is necessary to proactively address the noted conflicts and the ESSA assesses that existing experience by involved institutions outside of camps is limited, although basic activities by ARRA along the existing out-of-camp policy have been conducted. Lessons learned can be taken from the World Bank-funded DRDIP, addressing issues between host communities and refugees in the current camp areas. While it is expected that pledges within the CRRF

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<sup>2</sup> The term "indigenous" as used in the section title to refer to the World Bank's OP 9.00 is, as a term, not used in the Ethiopian context; rather the underlying concept of considering characteristic program impacts on the most vulnerable groups of society is applied. Accordingly, the document uses the term vulnerable groups in the detailed assessment outlined under this section required by OP 9.00

not covered by the EOP will also play a major role in addressing such issues, due to potential issues of sequencing, the EOP will need to support risk mitigation until other pledges may take over.

### **1.3.7 Mitigation Measures**

As noted, while most of these risks are not directly associated with activities financed via the EOP, the development of policies, plans, and provision of opportunities as envisaged by the Program link the Program and, with it, the World Bank to such risks. Accordingly, the EOP has designated core components to address the risks in DLIs 3, 4, and 6 as well as included respective measures in the Program Action Plan.

DLI 3 focuses on the introduction of Better Work; a joint ILO and International Finance Corporation (IFC) program that provides assessment, advisory, and training services to factories to improve working conditions and increase compliance with international labor protection standards (child labor, working conditions, and so on) and local labor law.

DLI 4 focuses on feasibility studies for industrial park enhancement, which include social and environmental due diligence in addition to the assessment of an integrated urban development master plan that includes the industrial park and identifies any gaps and recommendations on issues such as housing, waste management, transport connectivity (and where relevant, a refugee-host community risk management system). To enable the studies to also encompass environment and social assessments, one requirement of the PforR is to ensure a strengthened E&S systems in the first year, including enhancing respective strategies and procedures. The feasibility studies will not look at the construction of new parks but at the socially and environmentally sustainable management of existing parks and eventual adaptations necessary to reach international standards as demanded by global industrial clients. The assessments will look at all aspects covered by an ESIA as outlined in the Ethiopian regulations as well as the E&S system demanded by DLI6; this will encompass amongst others waste management and pollution, OHS, GRM, mitigation of vulnerabilities, adequate sanitary and resting facilities, options of adequate housing in the IPs or its neighborhood, externalities/impacts on communities, etc. Implementation will be conducted by a reputational firm. It will be the task of the feasibility study to prepare for the future; which also encompasses due diligence of all eventual current issues which requires rectification to allow sustainable management moving forward.

The most comprehensive DLI on addressing above risks is DLI 6, which focuses on the establishment of an environmental and social risk management system which addresses said risks in the Program implementing institutions (this includes staffing, trainings, and strengthening of the environmental and social system of the implementing institutions);<sup>3</sup> it encompasses staffing requirements; the establishment of local facilitation and support branches by ARRA for refugees; the establishment of local NRCs with representatives of refugees, host communities, local government, and ARRA; small-scale community interventions with a volume proportional to the influx of refugees; and environmental and social audits including corrective action plans to be implemented during Program implementation.

Finally, the smaller IPF component will support a pilot project including lessons learned reports and TA where necessary.

## **1.4 Risk Ratings**

The Program shall be able to reduce high risks to residual substantial risks, resulting mainly from missing track records due to the innovative character of the Program. The substantial risk also extends to the noted need for coordination among the different institutions for successful program implementation from an environmental and social perspective. It should be noted that the ESSA does not address political risks of this Program on a national level which has been assessed by a political economy study of the task team.

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<sup>3</sup> As noted in chapters 4 and 5, the institutions have different regulations for their current works and follow Ethiopian federal environmental and social laws and regulations. The aim of establishing the guidelines will be (a) to combine and strengthen existing provisions into a single, institution-specific document for each institution and (b) extend its scope to the additional activities to be conducted along the EOP.



The Program will need continuing support from the World Bank throughout its implementation and regular reporting from the client's side to ensure early warnings in case of issues. Three specific items relating to environmental and social risk management shall be highlighted to be integrated into the Program Action Plan, with details outlined in Chapter 6.

**Table2: Additional Mitigation Measures included in the Program Action Plan.**

Activity	Timeline	Lead Institution
Development of a communication strategy for the Program, incorporating a detailed stakeholder assessment and context-specific tools	3 months after effectiveness	EIC
Establishment of a GRM including provisions for One-stop-shops (OSSs), MoLSA hotlines, and female workers' counseling focal points	3 months after engagement in the respective industrial park	EIC/ARRA
Develop and commence implementation of gender and protection action plan for vulnerable people including children and women with a focus on discrimination and GBV and related site-specific SOPs. This shall include the establishment of a women-friendly-environment, including a child care center per EOP-addressed industrial park and a safe transportation plan for women working in industrial parks.	12 months after effectiveness	EIC

Thus, the final risk rating can be presented as follows.

**Table 3. Final Risk Rating**

Detailed Social and Environmental Risk Ratings	Original Social Risk	Original Environmental Risk	Mitigation Measures	Residual Social Risks	Residual Environmental Risks
Key result area/Component1: Refugee related employment and protection	High	High	DLI3+DLI6	Substantial	Substantial
<ul style="list-style-type: none"> <li>• Employment and Training</li> </ul>	High	Moderate	DLI3+DLI6	Substantial	Moderate
<ul style="list-style-type: none"> <li>• Business formalization and entrepreneurship</li> </ul>	High	High	DLI6 (NRC, Guidelines)	Substantial	Substantial
<ul style="list-style-type: none"> <li>• Host community integration</li> </ul>	High	High	DLI6 (NRC + Community Integration)	Substantial	Substantial
<ul style="list-style-type: none"> <li>• Vulnerability I: Refugees</li> </ul>	High	n.a.	DLI6 (Support offices)	Substantial	n.a.
<ul style="list-style-type: none"> <li>• Vulnerability II: Gender</li> </ul>	High	n.a.	DLI6 (Support offices + NRC)	Substantial	n.a.
<ul style="list-style-type: none"> <li>• Vulnerability III: Others</li> </ul>	Substantial	n.a.	DLI6 (Support offices + NRC)	Substantial	n.a.
Key result area/Component2: Improving the broader investment climate	Low	Low	n.a.	Low	Low

<b>Detailed Social and Environmental Risk Ratings</b>	<b>Original Social Risk</b>	<b>Original Environmental Risk</b>	<b>Mitigation Measures</b>	<b>Residual Social Risks</b>	<b>Residual Environmental Risks</b>
Key result area/Component3: Improving labor productivity	High	High (OHS)	DLI3, DLI6 (Guidelines)	Substantial	Substantial
Key result area/Component4: Improving Sustainability of Industrial Parks	High	High		Substantial	Substantial
<ul style="list-style-type: none"> <li>Ensuring environmental and social compliance of industrial parks including ensuring the wastewater treatment plants are operating continuously in compliance with the national environmental standards</li> </ul>	High	High	DLI4+DLI6 (i.e. audits and corrective actions)	Substantial	Substantial
<ul style="list-style-type: none"> <li>Preparing detailed environmental and social assessment of future industrial park projects</li> </ul>	Substantial	Substantial	DLI4+DLI6	Moderate	Moderate
<ul style="list-style-type: none"> <li>No follow-up on the established Environmental and Social Impact Assessments (ESIAs)</li> </ul>	High	High	DLI6 / Corrective Action Plans (CAPs)	Substantial	Substantial
<ul style="list-style-type: none"> <li>Environmental and social legacy issues from industrial park construction identified during project implementation</li> </ul>	High	High	DLI6 (Audit + CAP)	Substantial	Substantial
<ul style="list-style-type: none"> <li>Effect on urbanization including integrated planning and management of resources and waste</li> </ul>	High	High	DLI4+DLI6	Substantial	Substantial

## 2 INTRODUCTION

### 2.1 Context

#### 2.1.1 Country Context

Ethiopia has experienced impressive growth and gains in development in the past decade. Gross domestic product growth averaged more than 11 percent per year, higher than average for the region and exceeding that of other low-income countries. The government's accelerated, broad-based economic development plan paved the way for significant reductions in poverty—from 44 percent to 30 percent between 2000 and 2011—which has been accompanied by moderate improvements in access to education and healthcare. Although Ethiopia's 2015 Human Development Index (HDI) ranking (174 out of 188 countries) places it in the bottom quartile of countries in relative terms, Ethiopia was one of the top 10 countries in terms of recent gains in HDI.<sup>4</sup> Most of Ethiopia's growth is attributed to agricultural growth and major public investments, which have included large-scale safety net programs and expansion of basic services. Although a significant percentage of Ethiopians are still living below the poverty line, Ethiopia has comparatively low levels of inequality according to the Gini coefficient.

Despite accelerated progress toward development and poverty reduction, Ethiopia remains a low-income country challenged by the need to create opportunities for its growing population, including for an estimated 30 million Ethiopians living in poverty. Ethiopia also hosts more than 800,000 refugees (the second-largest refugee-hosting country in Africa after Uganda). Protracted conflict and fragility in neighboring countries have contributed to a longstanding practice of hosting refugees. Ethiopia's open-door policy, enacted in 1991, permits refugees and asylum seekers the right to reside in Ethiopia in officially designed camps that ARRA manages.

Following the 2016 United Nations (UN) summit and as part of an overall roadmap (nine pledges) focusing on improving the rights of and services for refugees along the CRRF, the GoE is working to expand its industrialization agenda to create jobs for Ethiopians and refugees, referred to as the Jobs Compact. The Compact is designed to operationalize and implement the commitment that the government has made to create 100,000 jobs (or economic opportunities), which would benefit Ethiopians and refugees. The Jobs Compact also includes pledges to provide work permits and certain basic and essential services. The pledges under the government's roadmap include a broad set of commitments, some of which are not covered under the Jobs Compact initiative (for example, education pledge, out-of-camp pledge, birth certificate documentation, local integration).

The Jobs Compact is being implemented in the context of the government's plans for rapid industrialization and structural transformation, with the ambitious aim of transitioning Ethiopia's economy to lower-middle-income status by 2025. Public investments have fueled recent economic growth, focusing on infrastructure, development of industrial parks, and expansion of basic services. The government's GTP I (2010–15) and II (2016–20) guide its development agenda, mostly focusing on large-scale safety net programs, expansion of basic services, and public investment in infrastructure. The GTP II emphasizes rapid structural transformation, industrialization, urbanization, and job creation. The government's industrial policy also focuses on the establishment of industrial parks throughout the country. The government currently has three operational industrial parks (Bole Lemi I, Eastern, Hawassa), which are fully leased out for investors. In addition, the Mekelle and Kombolcha industrial parks were inaugurated in early July 2017, and the Dire Dawa, Bole Lemi II, Kilinto, and Adama industrial parks are under construction. EOP encompasses Bole Lemi I, Hawassa, Mekelle, and Kombolcha. Key sectors prioritized for development include textiles, apparel, leather and leather products, agro-processing, pharmaceuticals, and chemicals. Underpinning the

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<sup>4</sup> UNDP (United Nations Development Programme). 2014. *National Human Development Report for Ethiopia*. Addis Ababa: UNDP.

government's industrialization vision are a number of government entities, including the Prime Minister's Office (PMO), EIC, IPDC, Ministry of Industry (MoI), and MoFEC.

Ethiopia has several advantages that it can leverage to harness the investment needed for job growth, including large infrastructure investments, low labor costs, and established free trade agreements with the European Union and the United States. Ethiopia is competitive in terms of low-cost manufacturing (with comparatively low unit labor costs, especially in textiles and leather) and is set on implementing strategies that would enable it to become one of the most competitive locations for light manufacturing. Ethiopia is utilizing these advantages to attract investment and generate jobs. According to the UN Conference on Trade and Development 2016 report, Ethiopia has attracted the most foreign direct investment in Africa. The country is being perceived as an attractive investment destination and major investors seized the opportunity to set up production facilities in the industrial parks. Despite these successes, Ethiopia continues to have a challenging business-enabling environment that offsets the attractiveness of low labor costs and preferential trade. Greater private sector competitiveness is required to unlock the investment and jobs growth needed to fulfill the goals of the Jobs Compact. Ethiopia ranks 109 out of 138 economies in the Global Competitiveness Index 2016/17 and 159 out of 190 countries in the Doing Business rankings. Addressing the challenges linked to Ethiopia's enabling environment will require a complex set of sequenced policy interventions, investment, and TA to promote a broad range of outcomes, including improvements in trade logistics, a more-skilled and productive workforce, enhanced links to markets, and a better business environment.

### 2.1.2 Jobs Compact Description

The government's Jobs Compact Program covers the following work streams:

- (a) **Refugee-related employment and protection.** This includes providing the legal basis for refugees to take up employment opportunities and tailoring the work permit application and other procedures to ensure they are appropriate and attainable for refugee populations. This component will entail a broad set of activities including provision of housing, skill development, development of employer and employment matching capability, and structures and oversight mechanisms to ensure that refugees' rights and well-being are protected. Although it is envisaged that a proportion of the work permits provided to refugees could be used for jobs in industrial parks (the PAD estimates 10-15%), opportunities through business formalization and entrepreneurship will also be considered. Facilitating employment opportunities for refugees will require addressing several significant issues including ensuring acceptable living standards for refugees, as well as Ethiopian workers, adjacent to industrial parks, considering that a significant number of the refugees are women and children and very few refugees live near the industrial parks. The ambitious targets that the government's program has set and the pioneering nature of some of the activities will necessitate adaptive and evolving implementation approaches that allow for course corrections as the government builds an evidence base for how to deliver this type of program.
- (b) **Improving the broader investment climate.** The government has prioritized significant investments in transport logistics and power to help crowd-in private investment. Additional reforms have included the rollout of OSS services and a 'Client Charter' on the turnaround and fees on key investor registration processes. Future activities will include targeted efforts toward the achievement of an improvement in the World Bank's 'Doing Business' ranking.
- (c) **Improving labor productivity.** Absenteeism, high turnover, and low productivity have been listed as critical factors of the labor market challenges. Much of the Ethiopian labor force is new to both formal sector and factory-based work and this transition will need carefully targeted policies that improve labor sourcing, grading, and soft skills training. Converting the abundant labor supply opportunity into jobs would, among other inputs, require developing effective labor training, sourcing, and employment matching capability. This includes

providing interventions to improve worker skills and reduce levels of absenteeism and turnover. This also includes encouraging good working conditions and adequacy of related social infrastructure for workers in industrial parks, which are conducive toward improving labor productivity. Although the PforR is designed to support interventions that would address these labor market challenges, it also aims to address specific causes such as limited transport connectivity and soft and technical skills that have been identified as major contributing factors to high turnover and low labor productivity.

- (d) **Further enhancing Ethiopia’s reputation on environmental and social issues (Improving Sustainability of Industrial Parks).** Ethiopia’s reputation for sustainable and inclusive development is both an important end in itself and also a prominent part of the ‘brand’ for investment promotion. The commitment to carbon-neutral growth, zero liquid discharge facilities at the Hawassa Industrial Park, and other investments have played an important part in this effort. The existing industrial parks will need to address potential and emerging social and environmental challenges to sustain the industrialization strategy and refugee policy for the Jobs Compact. Some of the social and environmental challenges identified include
- (i) The general effect on urbanization in terms of provision of basic social infrastructure such as housing and transport for an influx of new workers and the delivery of social services to meet acceptable working and living conditions;
  - (ii) Women’s and children’s welfare provisions, because many of the beneficiaries are expected to be women (and may be accompanied by children), who will need to relocate from their hometowns or existing camps (for refugees) to take on employment;
  - (iii) Risk of potential tensions and conflict among local communities and subgroups of refugees because the refugee groups are diverse, with varying social and political backgrounds; and
  - (iv) Integrated planning and management of resources and waste.

Future activities will include detailed environmental and social assessment of future industrial park projects, innovative approaches to rainfall capture and solar power generation, and adherence to global best practice on social compliance in both industrial park construction and in the dominant garment sector protection of the (predominately female) workforce.

- (e) **Strengthening investment promotion and export marketing capabilities.** The targeting of large numbers of high-quality, responsible, and sustainable investors is a critical pillar of Ethiopia’s industrialization drive, as is the active encouragement of buyer-supplier relationships to boost Ethiopian exports in competitive sectors. Strengthening these efforts will require targeted sector strategies, promotion, outreach, follow-up, and investor aftercare. This work stream will also include an institutional development component to raise the performance of the EIC to the level of the best in the region.

The Doing Business environment in Ethiopia is a major barrier to attracting investors. The existing regulatory service delivery is complicated and depends on discretion, with limited information access. Key reforms are needed to improve and complement the existing efforts, particularly significant investments in infrastructure that have already commenced (for example, final commissioning of the railway line from Addis Ababa to Djibouti, an intersection of major international shipping lines connecting Asia, Africa, and Europe). Although industrial parks can reduce the regulatory burden for investors, investors still rely on suppliers that face challenges, which affects operating costs. Along these lines, the government has identified some key reforms to be implemented, including strengthening trade and logistics efficiency, drafting and adopting an adequate legal framework for industrial parks, establishing OSSs, and addressing investor grievances.

- (f) **Construction of industrial parks.** To prioritize scarce resources and capture the spillover benefits of clustering, the government has prioritized the development of industrial parks in regions across the country. Building on the success of—and learning lessons from—the Hawassa Industrial Park, the government is targeting the development of 20million m<sup>2</sup> of factory floor space over 100,000 ha of land by 2025. In addition to public sector initiatives, the government is also seeking to expand the number of private sector developers through the establishment of a centralized land bank and a targeted incentive package.

The EIC is managing the government’s program in collaboration with ARRA and other government agencies including IPDC, MoLSA, and Ministry of Finance and Economic Cooperation (MoFEC) in addition to donor partners comprising the World Bank Group, DFID, European Union, and European Investment Bank (EIB). The donor partners have indicated their intent to provide a financing package of more than US\$500 million for the government’s program (including the proposed operation). The following list summarizes the envelope of funding and expected activities of each Jobs Compact donor:

- DFID (£80 million) will cofinance the World Bank Group’s Program.
- The European Union (US\$50 million) will support the Jobs Compact with grant financing, indicatively through a Sector Reform Contract (sector budget support). This will likely focus on (a) infrastructure development, (b) refugee integration, (c) productivity and decent work, (d) investment climate, (e) investment promotion, and (f) domestic revenue mobilization.
- EIB (US\$200 million) is expected to finance an investment project based on the ongoing prefeasibility study being carried out by the government with the support of DFID.

## 2.2 Economic Opportunities Program

### 2.2.1 Program Description

Following this assessment, the World Bank Group has been asked by the GoE and development partners to support the government’s effort on the Jobs Compact via the support of job opportunities creation for Ethiopians and refugees. This ESSA is part of the World Bank’s process in working with the GoE to prepare a program, which will use the PforR and a smaller, complementary IPF component as lending tools for investment; together referred to as the EOP. From the World Bank side, the EOP is flanked by other projects’ funding, among others on industrial parks (for example, the Competitiveness and Job Creation Project) as well as refugees/host communities (that is, the DRDIP); more details and programs are noted in the PAD.

The EOP hybrid PforR/IPF would include a mix of policy actions, investment activities, and TA to address a subset of the government’s Job Compact reforms; activities that are most closely tied to securing investment in the light manufacturing sector and job creation. The focus on industrialization is intended to create jobs directly and create the conditions for greater labor market access. In parallel, and in line with the government’s vision of self-reliance for refugees, a set of reforms and interventions will allow refugees to benefit from job opportunities without putting undue strain on host communities. Such job opportunities may develop within and outside industrial parks with the Program not putting any constraints. Also, it shall be highlighted, that, apart from a pilot program in the IPF component, the Program focuses on the provision of opportunities, rather than jobs itself. Also, to be clear, EOP does not provide any funds to support construction activities and thus supports only part of the governments Job Compact program.

The proposed EOP Grant/Credit to support the wider Jobs Compact project is in the amount of US\$200 million (US\$166million IDA refugee window, US\$33 million IDA) plus US\$50DFID grant adding to the government contribution of US\$57 million, leading to a total financing of US\$307 million.<sup>5</sup>

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<sup>5</sup> The final sum will be known only after conclusion of the Program preparation process and still may change.

### 2.2.2 Program Development Objective (PDO) and Key Results

The PDO of this operation is ‘to provide economic opportunities for Ethiopians and refugees in an environmentally and socially sustainable way.’<sup>6</sup>

The key results envisioned are

- (a) Employability and improved status of refugees in Ethiopia;
- (b) An improved investment climate, leading to more investment, more exports from competitive sectors, and job creation;
- (c) Improved labor productivity; and
- (d) Enhanced environmental and social sustainability of existing industrial parks.

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<sup>6</sup>‘Economic opportunities’ include access to formal entrepreneurship, own account, self-employment, and formal wage employment. ‘Ethiopians and refugees’ implies that the Program beneficiaries are Ethiopians and refugees living in Ethiopia. Refugees are defined through the 1951 Convention relating to the status of refugees and include those persons who are registered as refugees in Ethiopia with ARRA/UNHCR. ‘In an environmentally and socially sustainable way’ refers to adequate management and mitigation of emerging environmental and social risks associated with the government’s industrialization strategy and refugee policy.

**Table 4. Disbursement Linked Indicators**

PforR Results Area	DL I No.	Proposed DLI	Financing allocated (US\$, million)	Prior Result	Baseline	Indicative Timeline for DLI Achievement (cumulative)						
						Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 5
						(ending at effectiveness)	(ending July 7, 2019)	(ending July 7, 2020)	(ending July 7, 2021)	(ending July 7, 2022)	(ending July 7, 2023)	(ending July 7, 2024)
Providing access to economic opportunities for refugees	1	Number of refugees with access to economic opportunities	116.12	Refugees Proclamation promulgated	0	Proclamation on refugees promulgated	100	2,600	7,600	17,600	24,000	30,000
Improving the Investment Climate	2	Number of targeted investment facilitations by EIC increased	52.5	Amend the forex retention policy and change the debt-equity ratio for investors to facilitate and attract investment	250	NBE Directives amended to permit establishment of foreign exchange accounts and to permit higher debt-equity ratio for foreign investors	550	850	1150	1450	1750	n.a.
Improving Labor	3	Disclosure of Better Work	25	Establishment	0	One labor unit	—	Annual disclosure of	Annual disclosure of	Annual disclosure of	Annual disclosure of	Annual disclosure of



PforR Results Area	DLI No.	Proposed DLI	Financing allocated (US\$, million)	Prior Result	Baseline	Indicative Timeline for DLI Achievement (cumulative)						
						Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 5
						(ending at effectiveness)	(ending July 7, 2019)	(ending July 7, 2020)	(ending July 7, 2021)	(ending July 7, 2022)	(ending July 7, 2023)	(ending July 7, 2024)
<b>Productivity and Quality of Jobs</b>		synthesis compliance reports and MoLSA synthesis inspection reports done in collaboration with Better Work		of labor unit (OSS within industrial parks)		established in each of Bole Lemi I, Hawassa, Mekelle and Kombolcha industrial parks		Better Work synthesis compliance report	Better Work synthesis compliance report	Better Work synthesis compliance reports and completion of MoLSA synthesis inspection report for year ending July 7, 2022 to be submitted by December 31, 2022	Better Work synthesis compliance reports and completion of MoLSA synthesis inspection report for year ending July 7, 2023 to be submitted by December 31, 2023	Better Work synthesis compliance reports
<b>Enhancing the Sustainability of Existing Industrial Parks</b>	4	Ethiopian Investment Board decision made on feasibility study of private sector-led participation in Bole Lemi I, Hawassa, Mekelle, or Kombolcha industrial park	30	n.a.	0	n.a.	0	1	2	3	4	5

PforR Results Area	DLI No.	Proposed DLI	Financing allocated (US\$, million)	Prior Result	Baseline	Indicative Timeline for DLI Achievement (cumulative)						
						Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 5
						(ending at effectiveness)	(ending July 7, 2019)	(ending July 7, 2020)	(ending July 7, 2021)	(ending July 7, 2022)	(ending July 7, 2023)	(ending July 7, 2024)
Fiduciary Systems Strengthening	5a	Procurement Directives and Manuals issued and used by IPDC and ARRA based on a legal framework issued by Federal Government	10	n.a.	Directives without legal framework	n.a.	Procurement Directives and Manuals issued, made public and used by IPDC and ARRA based on a legal framework issued by the Federal Government	Procurement Directives and Manuals issued, made public and used by IPDC and ARRA based on a legal framework issued by the Federal Government	—	—	—	—
	5b	Unqualified/clean entity financial audit report of the IPDC is submitted on time which is prepared from IFRS compliant financial statement				—	—	Year ended July 7, 2020 IFRS compliant financial statement is audited and the audit report is submitted with a clean or unqualified audit opinion on time by	Year ended July 7, 2021 IFRS compliant financial statement is audited and the audit report is submitted with a clean or unqualified audit opinion on time by	Year ended July 7, 2022 IFRS compliant financial statement is audited and the audit report is submitted with a clean or unqualified audit opinion on time by	Year ended July 7, 2023 IFRS compliant financial statement is audited and the audit report is submitted with a clean or unqualified audit opinion on time by	

PforR Results Area	DLI No.	Proposed DLI	Financing allocated (US\$, million)	Prior Result	Baseline	Indicative Timeline for DLI Achievement (cumulative)						
						Year 0  (ending at effectiveness)	Year 1  (ending July 7, 2019)	Year 2  (ending July 7, 2020)	Year 3  (ending July 7, 2021)	Year 4  (ending July 7, 2022)	Year 5  (ending July 7, 2023)	Year 5  (ending July 7, 2024)
									January 7, 2021	January 7, 2022	January 7, 2023	January 7, 2024
Safeguards Systems Strengthening	6a	An established environmental and social risk management system addresses respective risks	30	n.a.	0	n.a.	ARRA, MoLSA, IPDC and the EIC appropriately staffed	ARRA local facilitation and support branches functional for all refugee-hosting communities	ARRA local facilitation and support branches functional for all refugee-hosting communities	ARRA local facilitation and support branches functional for all refugee-hosting communities	ARRA local facilitation and support branches functional for all refugee-hosting communities	ARRA local facilitation and support branches functional for all refugee-hosting communities
	6b				0	Functional refugee tracking system established by July 7, 2019	NRCs established for all refugee-hosting communities	NRCs established for all refugee-hosting communities	NRCs established for all refugee-hosting communities	NRCs established for all refugee-hosting communities	NRCs established for all refugee-hosting communities	
	6c				0	—	Proof of community consultations	Community intervention	Community intervention	Community intervention	Community intervention	

PforR Results Area	DLI No.	Proposed DLI	Financing allocated (US\$, million)	Prior Result	Baseline	Indicative Timeline for DLI Achievement (cumulative)						
						Year 0  (ending at effectiveness)	Year 1  (ending July 7, 2019)	Year 2  (ending July 7, 2020)	Year 3  (ending July 7, 2021)	Year 4  (ending July 7, 2022)	Year 5  (ending July 7, 2023)	Year 5  (ending July 7, 2024)
									(A.M.= US\$150)	(A.M.= US\$100)	(A.M.= US\$75)	(A.M.= US\$50)
	6d				0	Environmental and social management system developed by ARRA, MoLSA, IPDC, and the EIC	Training of IPDC related to PforR activities on environmental and social management systems	Environmental and social audit on project activities conducted	Adaptation and adoption of pilot lessons-learned document by ARRA and the EIC, including a respective Action Plan	Environmental and social audit: corrective actions implemented	(Refresher) Training of IPDC related to PforR activities on environmental and social management systems	

Due to the key importance of DLI6 for environmental and social risk management as well as its complexity, below the respective verification protocol:

**Table 5. Verification Protocol for DLI 6**

#	DLI	Definition/ Description of achievement	Scalability of Disbursements  (Yes/No)	Protocol to evaluate achievement of the DLI and data/result verification		
				Data source/agency	Verification Entity	Procedure
1	Number of refugees with access to economic opportunities	<p><b>DLR1.1 (Prior result):</b> Refugees Proclamation promulgated</p> <p>Promulgation of the Refugees Proclamation means endorsement by Parliament, signature by the President and publication in the Federal Negarit Gazette.</p>	No	Federal Negarit Gazette	Independent agent hired by the PCU	<p>The verification entity will check the final version of the Refugees Proclamation and its publication in the Federal Negarit Gazette. As part of its due process, the WB will facilitate a legal opinion by UNHCR to ensure it meets the international refugee law standards as defined under the 1951 Refugee Convention and the 1969 OAU Convention. The verification entity will include this as part of the its verification procedure.</p> <p>MoLSA, EIC, ARRA, Ministry of Trade (or any other authorized agency) will provide at minimum the following information from their databases/registries: refugee ID number, contact information (cell phone,</p>

#	DLI	Definition/ Description of achievement	Scalability of Disbursements  (Yes/No)	Protocol to evaluate achievement of the DLI and data/result verification		
				Data source/agency	Verification Entity	Procedure
		<p><b>DLR1.2-1.3: Refugees received economic opportunities</b></p> <p>This result is achieved when recognized refugees are provided economic opportunities in wage earning employment or are issued permits to engage in self-employment and commercial activities. This could include work permits issued by government agencies (EIC, MoLSA), residence IDs that enable refugees to work formally, and any other documents as specified through secondary legislation. Economic opportunities must be related to (a) formal entrepreneurship, (b) own account self-employment and, and (c) formal wage employment. Renewals will not be counted towards the DLI achievement.</p>	Yes	<p>EIC (work permits in industrial parks)</p> <p>MoLSA</p> <p>ARRA</p> <p>Ministry of Trade</p>	Independent agent hired by the PCU	<p>etc.), registration number for document providing formal employment.</p> <p>Verification entity will carry out a second level of verification to corroborate the information based on a random sample. The verification report should be issued within two months following the PCU notification.</p>
2	Number of targeted investment facilitations by EIC increased	<p><b>DLR2.1 (prior result): NBE Directives amended to permit establishment of foreign exchange accounts and to permit higher debt-equity ratio for foreign investors</b></p> <p>The forex retention policy must allow for the opening of foreign exchange retention accounts for eligible goods and services. The amendment of the debt-equity ratio must result</p>	No	EIC	Independent agent hired by the PCU	The verification entity will check the relevant directives (NBE External Loan and Supplier's Credit Directives No. FXD/47/2017 and Retention and Utilization of Export Earnings and Inward Remittances Directive No. FXD/48/2017 have been amended.

#	DLI	Definition/ Description of achievement	Scalability of Disbursements (Yes/No)	Protocol to evaluate achievement of the DLI and data/result verification		
				Data source/agency	Verification Entity	Procedure
		<p>in an increase of the debt to equity ratio for foreign investors to access a loan.</p> <p><b>DLR2.2: Number of targeted investment facilitations</b></p> <p>Investment facilitation includes: (i) site visits arranged for investors; (ii) processed visas; (iii) matches made between buyers and suppliers (defined through a contractual relationship between a buyer and supplier); (iii) documents prepared on behalf of investors (MOUs, lease agreements); (iv) licenses issued; (v) aftercare provided resulting in successful resolution.</p>	Yes			<p>Upon notification from the PCU, the verification entity will check the CRM database and relevant evidence (such as MoU, licenses, etc.) of the EIC.</p> <p>For (i) site visits arranged for investors: the primary evidence will be the site visit registry/logbook signed by each investor with a feedback note. In addition, pictures from site visit; and/or media coverage will also be considered as evidence;</p> <p>For (ii) processed visas: this mainly covers business visas facilitated through the EIC - investor visa and work visas for expatriate employees of investors. This</p>

#	DLI	Definition/ Description of achievement	Scalability of Disbursements  (Yes/No)	Protocol to evaluate achievement of the DLI and data/result verification		
				Data source/agency	Verification Entity	Procedure
						<p>will be verified through a copy of visa advice letters written by the Department for Immigration and National Affairs;</p> <p>For (iii) matches made between buyers and suppliers: to be verified through signed copies of sales/supply contracts;</p> <p>1)</p> <p>For (iv) documents prepared on behalf of investors (MOUs, lease agreements): signed copy of MoUs, lease agreements and other similar formal documents will be verified;</p> <p>2)</p> <p>For (v) licenses issued: this will mainly cover licenses issued by the EIC - investment permit, business license and expansion permit - to be verified</p>



#	DLI	Definition/ Description of achievement	Scalability of Disbursements (Yes/No)	Protocol to evaluate achievement of the DLI and data/result verification		
				Data source/agency	Verification Entity	Procedure
						<p>through copies of the licenses and permits;</p> <p>For (vi) aftercare provided resulting in successful resolution: this will mainly cover establishment issues/constraints of investors resolved through facilitation and problem-solving services of the EIC aftercare department - mainly issues on access to land, basic infrastructure (electricity and water) and loan/finance. Issues tracking tool available at the EIC aftercare department will be used to verify number of issues addressed and resolved.</p> <p>The verification entity will review and confirm the counting and perform random checks of the</p>

#	DLI	Definition/ Description of achievement	Scalability of Disbursements (Yes/No)	Protocol to evaluate achievement of the DLI and data/result verification		
				Data source/agency	Verification Entity	Procedure
						facilitated investments by directly contacting the investors, as appropriate. The verification report should be issued within two months following notification from the PCU.
3	Disclosure of Better Work synthesis compliance reports and MoLSA inspection reports done in collaboration with Better Work	<p><b>DLR3.1 (prior result): One labor unit established in each of Bole Lemi I, Hawassa, Mekelle and Kombolcha industrial parks.</b></p> <p>Established means that managers are hired and the units are equipped with office space, furniture, electronics and stationary materials. In addition, the necessary manuals and guidelines for the operation of the OSS must be in place.</p> <p><b>DLR3.2: Annual disclosure of Better Work synthesis compliance report</b></p> <p>Annual disclosure on the Better Work website.</p>	Yes	EIC	Independent agent hired by the PCU	<p>The verification entity will conduct field visits to each OSS to confirm that labor units have been established as well as verify that employment contract(s) for relevant staff have been accepted.</p> <p>Upon notification from the PCU, the verification entity will check the Better Work website each year to verify public disclosure.</p>
			No	MoLSA inspection department	Independent agent hired by the PCU	

#	DLI	Definition/ Description of achievement	Scalability of Disbursements  (Yes/No)	Protocol to evaluate achievement of the DLI and data/result verification		
				Data source/agency	Verification Entity	Procedure
		<p><b>DLR3.3: Completion of MoLSA Synthesis Inspection Report for year ending July 7, 2022 to be submitted by December 31, 2022 and for year ending July 7, 2023 to be submitted by December 31, 2023</b></p> <p>The report must include a summary of findings across industries/regions and recommended follow-up actions and needs to be endorsed/approved by MoLSA senior management by the end of four months following the reference year.</p>				The verification entity will confirm that the report is submitted within the agreed timelines and includes a summary of findings, recommended follow-up actions and endorsement/approval by MoLSA senior management.
4	Ethiopian Investment Board decision made on feasibility study of private sector-led participation in Bole Lemi I, Hawassa, Mekelle, or Kombolcha industrial park	<p><b>DLR4.1: Five (5) EIB Decisions with at least one decision per industrial park</b></p> <p>The decision must be relevant to the detailed feasibility study that is prepared and include an explanation whether a private sector led option is feasible and include at least one decision per industrial park.</p> <p>EIC should ensure that the detailed feasibility study include legal, social, environment, financial, and market due diligence. The feasibility study should identify if there is an</p>	Yes	EIC	Independent agent hired by the PCU	<p>Upon notification from the PCU, the verification entity will check the robustness of the detailed feasibility study and the summary of the minutes of the Ethiopian Investment Board.</p> <p>The verification report will accompany the documentation submitted by the EIC to the World Bank confirming decision(s) and</p>

#	DLI	Definition/ Description of achievement	Scalability of Disbursements (Yes/No)	Protocol to evaluate achievement of the DLI and data/result verification		
				Data source/agency	Verification Entity	Procedure
		urban masterplan that includes the industrial park and identify any gaps and recommendations on urban planning.				planned action(s) of the Investment Board.
5a	Procurement directives and manuals issued and used by IPDC and ARRA based on a legal framework issued by Federal Government	<p><b>DLR5.1: Procurement Directives and Manuals issued</b></p> <p>The directives and manuals must be made public and used by IPDC and ARRA based on a legal framework issued by the Federal Government.</p>	No	IPDC, ARRA	Independent agent hired by the PCU	<p>Upon notification from the PCU, a copy the relevant procurement directives and manuals with a copy of the legal framework of the Federal Government used to issue the directives and manuals will be submitted to the World Bank.</p> <p>IPDC and ARRA will provide the list of all procurements that they have completed since the issuance of the directives. IPDC and ARRA will apply the procurement directives and manuals to all procurement activities in their respective organizations. The verification entity will confirm based on a random sample check of</p>

#	DLI	Definition/ Description of achievement	Scalability of Disbursements  (Yes/No)	Protocol to evaluate achievement of the DLI and data/result verification		
				Data source/agency	Verification Entity	Procedure
						procurement documents (at least 30%) in the respective organizations.
5b	Unqualified or clean entity financial audit report of the IPDC that is prepared from IFRS compliant financial statement is submitted on time	<p><b>DLR5.2: Unqualified or clean entity financial audit report of IPDC that is prepared from IFRS compliant financial statement is submitted on time</b></p> <p>This indicator will be achieved when IPDC audit report for year ended July 7, 2020, July 7, 2021, July 7, 2022, July 7, 2023 are submitted respectively by January 7, 2021, January 7, 2022, January 7, 2023 and January 7, 2024.</p>	No	IPDC	Independent agent hired by the PCU	The verification entity will check whether a compliant financial statement is audited and that the audit report is submitted with a clean or unqualified audit opinion on time by the deadline.
6a	An established environmental and social risk management system that addresses respective risks (E&S System)	<p><b>DLR6.1: ARRA, EIC, IPDC and MoLSA, each have sufficient and qualified staff to develop and implement the E&amp;S System by July 7, 2019.</b></p> <p>Presence of qualified staff in the implementing institutions means, at minimum as follows: EIC: 1 OHS + 1 Gender officer; ARRA: 1 Environment/OHS + 2 Social Development + 2 Gender officers; MoLSA: 2 OHS + 2 Social Development + 2 Gender officers; IPDC: 1</p>	No	ARRA, EIC, MoLSA, IPDC	Independent agent hired by the PCU	Verification will be done via the assessment of (i) existing position TORs incl. reporting lines to senior management and (ii) active employment contracts and (iii) CVs of respective officers.

#	DLI	Definition/ Description of achievement	Scalability of Disbursements (Yes/No)	Protocol to evaluate achievement of the DLI and data/result verification		
				Data source/agency	Verification Entity	Procedure
		<p>Environment + 1 OHS + 1 Social Development/Gender officer.</p> <p><b>DLR6.4: ARRA local facilitation and support branches functional for all refugee-hosting communities</b></p> <p>ARRA local facilitation and support branches are established and functional for five years ending July 7, 2020, July 7, 2021, July 7, 2022, July 7, 2023 and July 7, 2024 for all Refugee Hosting Communities. Functional facilitation and support branch encompasses at least 1 social ARRA staff, office materials, and opening hours of at least 30 hours per week. The office shall be easily accessible and open for refugees but also for citizens with refugee-related concerns.</p> <p><b>DLR6.2: Functional Refugee tracking system established by July 7, 2019.</b></p> <p>Tracking system should be ICT-based system and encompass identifier, names, nationality,</p>	<p>Yes</p> <p>No</p>	<p>ARRA</p> <p>ARRA</p>		<p>Verification via (i) active employment contracts and (ii) ToRs for staff, (iii) budget tables for branches, and (iv) site visits and production of visual evidence (at least 5 pictures) of the branches including opening hours sign board.</p> <p>6b Year 1: Verification via (i) evaluation of the database system incl. spot checks and (ii) disclosure of basic statistics generated out of the database.</p>

#	DLI	Definition/ Description of achievement	Scalability of Disbursements  (Yes/No)	Protocol to evaluate achievement of the DLI and data/result verification		
				Data source/agency	Verification Entity	Procedure
6b		<p>age/date of birth, status, and location of all registered refugees.</p> <p><b>DLR6.5: NRCs established for all Refugee Hosting Communities for years ending July 7, 2020, July 7, 2021, July 7, 2022, July 7, 2023 and July 7, 2024.</b></p> <p>NRC establishment is defined as: (a) founding documents and current membership defined and (b) trained in the guidelines. NRCs shall include gender-balanced representatives (at least 40% of each gender) of host community, refugees, and woreda as well as the local ARRA officer.</p> <p>Refugee-hosting communities are defined as woredas with a registered number of refugees higher than (a) 300 refugees or (b) 100 refugees encompassing more than 20 percent of the woreda population) at the beginning of the project year.</p>	Yes	ARRA		6b Year 2-6: Verification via (i) assessment of the founding documents, (ii) membership list with names and positions, and (iii) visual evidence of trainings (at least 5 pictures) incl. participants lists by the end of the project year.

#	DLI	Definition/ Description of achievement	Scalability of Disbursements  (Yes/No)	Protocol to evaluate achievement of the DLI and data/result verification		
				Data source/agency	Verification Entity	Procedure
6c		<p><b>DLR6.6: Proof of community [consultations] led by ARRA in Refugee Hosting Communities by July 7, 2020.</b></p>	Yes	ARRA		6c Year 2: Verification via (i) minutes of meetings to discuss potential community interventions, (ii) visual evidence (at least 5 pictures) and (iii) participants lists.
		<p><b>DLR6.7: Community [intervention] implemented annually by July 7, 2021, July 7, 2022, July 7, 2023, July 7, 2024</b></p> <p>Community interventions: Envelope calculation based on number of registered refugees per woreda at the beginning of the project year multiplied by annual multiplier in refugee-hosting communities; application of ARRA environmental and social management systems with no significant environmental and social impact. Community interventions will be implemented upon NRC request and woreda approval by ARRA (procurement and supervision).</p>	Yes	ARRA		6c Year 3-6: Verification via (i) ARRA disclosure of refugee numbers per woreda, (ii) minutes of meetings of respective NRC incl. decision on requested intervention, (iii) copy of request letter towards ARRA, (iv) ARRA procurement contracting document



#	DLI	Definition/ Description of achievement	Scalability of Disbursements  (Yes/No)	Protocol to evaluate achievement of the DLI and data/result verification		
				Data source/agency	Verification Entity	Procedure
6d		<b>DLR6.3: Environmental and social (E&amp;S) System developed by ARRA, EIC, IPDC and MoLSA, by July 7, 2019.</b>	No	ARRA, EIC, IPDC and MoLSA		Verification: (i) internal E&S guideline documents of each institution materially consistent with UIIDP guidelines and GoE regulations; (ii) minutes of meeting of decision meeting or directive on adoption of new or updated guidelines by senior management.
		<b>DLR6.8: IPDC E&amp;S trainings completed by July 7, 2020</b>	No	IPDC		Verification via (i) copies of presentations, (ii) visual evidence (at least 5 pictures) and (iii) participants lists.
		<b>DLR6.9: E&amp;S audits conducted for involved industrial park and any other physical activity associated to program funds with specific corrective action plan by July 7, 2021.</b>	No	EIC, IPDC		Verification via (i) the copies of audit reports based on the responsible institution's E&S system including corrective actions if necessary and (ii) MoM on the report presentation to senior management.

#	DLI	Definition/ Description of achievement	Scalability of Disbursements  (Yes/No)	Protocol to evaluate achievement of the DLI and data/result verification		
				Data source/agency	Verification Entity	Procedure
		<b>DLR6.10: Adaptation and adoption of EPP pilot lessons learned document by ARRA and EIC including respective action plan by July 7, 2022</b>	No	ARRA/EIC		Verification via (i) copy of overall lessons-learned report, (ii) specific Action Plan for each institution, and (iii) MoM of decision meeting or directive on implementing the corrective actions by the respective institutions.
		<b>DLR.6.11: Audit of the E&amp;S System and implementation of corrective actions addressing audit results. by July 7, 2023</b>	No	EIC, IPDC		6d Year 5: Verification via site visits documented in (i) a corrective action compliance table and (ii) visual evidence (at least 3 pictures) for each corrective action.
		<b>DLR6.12: Refresher for IPDC on management of E&amp;S system by July 7, 2024</b>	No	IPDC		Verification via (i) copies of presentations, (ii) visual evidence (at least 5 pictures) and (iii) participants lists

### **2.2.3 PforR Scope**

As noted, the EOP will support a subset of the government's Jobs Compact Program relating to four results areas: (a) refugee-related employment and protection; (b) improving the broader investment climate (also including some investment promotion and export marketing activities); (c) improving labor productivity; and (d) further enhancing Ethiopia's reputation on environmental and social issues (improving sustainability of industrial parks). These work streams constitute the boundary of the Program and have been selected based on the World Bank Group's strengths and ongoing development operations. Two activities are not included as part of the Program boundary: some activities under the investment promotion stream (such as investment policy) and the rollout of the industrial parks.

### **2.2.4 Program Exclusions**

The Program will support activities that do not have significant environmental and social effects. The activities to be supported will not have significant environmental and social effects that are sensitive, diverse, or unprecedented on humans and environment, and any activity that may have adverse effects (activities that require significant land acquisition) will be excluded in this Program. On the social side, the proposed Program is not expected to support any infrastructure development activities that result in large-scale land acquisition that could result in any massive physical or economic displacement.

Most activities linked to investment promotion (except for investment mobilization), as well as the government's industrialization strategy (focusing on development of infrastructure), have been excluded from the PforR. The proposed TA component is an IPF-hybrid component within the PforR operation with no physical footprint, does not involve any capital investment or civil works or include activities related to land acquisition or restriction of access, and will not lead to any adverse environmental and social risks and impacts. The TA component activities are not envisaged to trigger any of the World Bank's safeguards policies. However, to address any potential issues of associated facilities to the EPP operation (job facilitation), OP 4.01 and OP 4.12 will be triggered. This refers on the one hand to the requirement of adequate accommodation facilitated for job seekers via the EPP. This will be integrated into the EPP procurement documents. On the other hand, do respective accommodation facilities be built materially consistent with OP 4.12. To ensure this, an audit will be conducted for such structures and a respective TOR has been annexed to the IPF ISDS.

### **2.2.5 Institutional and Implementation Arrangement**

The EOP is a new and evolving program which brings together different ministries and agencies. The governance structure and institutional arrangements will be critical to the success of the Program as a broad level of coordination and high-level political commitment will be required to achieve the results envisioned.

The institutional arrangements for the proposed PforR include the EIC as the lead agency that will house the Program Coordination Unit (PCU), which will have the overall responsibility for implementation, financial management, and any procurement, safeguards, and reporting for the PforR. The EIC will also be responsible for coordinating with other responsible and implementing agencies including ARRA, IPDC, and MoLSA, all with their own roles in the implementation of safeguards-related measures. The PCU will be funded through the IPF component of the Program and staffed with a program coordinator as well as technical and administrative staff including environment and social management experts.

Currently, the government's Jobs Compact governance structure includes a technical committee that guides the day-to-day progress of the Program, but there is a plan to establish a technical working group under the CRRF Secretariat that will be part of the overall governance structure for the Program once it is setup. The current Jobs Compact Technical Committee is chaired by MoFEC and includes the EIC, IPDC, ARRA, UNHCR, as well as the Jobs Compact donors (World Bank, DFID, European Union, EIB). The Technical Committee currently reports to a high-level Steering Committee chaired by MoFEC that provides strategic guidance and includes the EIC, ARRA, IPDC, MoI, and heads of development partner agencies. Once the CRRF Secretariat and pledge committees are running and staffed, the Work/Livelihoods Committee will provide a mechanism to coordinate activities for the Jobs Compact and for the EOP.

## 2.3 The Environmental and Social System Assessment

### Box 1. Overall Roles and Mandates of the Key Implementation and Partnering Entities

**EIC** - Promote and facilitate investments in Ethiopia and its services include promoting the country's investment opportunities; issuing investment permits, business licenses, and construction permits; issuing commercial registration certificates and renewals; and issuing work permits. In addition, the EIC has the mandate to advise the Government on policies to improve the investment climate. The EIC is overseen by the Ethiopian Investment Board- a governing body chaired by the Prime Minister and composed of Government officials designated by the Prime Minister wherein the EIC serves as its Secretariat.

**ARRA** - Manage all refugee camps in Ethiopia and ensure protection and assistance in partnership with UNHCR and other humanitarian actors.

**IPDC** - Develop and administer industrial parks, construct industrial buildings, lease developed land, lease and transfer land, lease buildings, prepare detailed national industrial parks master plan, and serve as the industrial park land bank in accordance with the agreements concluded with regional governments. IPDC is also mandated by the government to collaborate with the concerned bodies to ensure that necessary infrastructure is accessible to industrial parks developers.

**MoLSA** - Maintain employee's health and safety at workplace, labour protection, improve working conditions and environment, promote efficient and equitable employment services and maintain developmental social

### 2.3.1 Purpose of the ESSA

The major purpose of the ESSA is to provide a comprehensive review of relevant government systems and procedures that address environmental and social issues associated with the EOP. The ESSA will describe the extent to which the applicable government environmental and social policies, legislations, program procedures, and institutional systems are consistent with the core principles of OP/BP 9.00, (Program-for-Results Financing). The ESSA assesses the Program implementing agencies' organizational capacity, performance, and experiences to achieve the social and environmental objectives are associated with the Program and stipulate supplementary actions as necessary. Accordingly, the ESSA will focus on (a) reviewing the environmental and social management rules and procedures and institutional responsibilities for implementation and enforcement; (b) assessing the implementing agencies' (that is, EIC, ARRA, MoI, IPDC, and other relevant institutions) institutional capacity and performance to manage potential adverse environmental and social issues under the Program; and (c) recommend specific actions for improving the capacity of the main implementing institutions with regard to effective management of environmental, social, health, and safety issues during implementation. The development of the ESSA has thereby been an iterative process together with the task team, during which concerns have been addressed also by the main Program components. Therefore, the document outlines the overall risks and highlights how these are addressed and mitigated by (a) the Program itself, (b) by additional actions requested in an Action Plan, and (c) which risks may remain as residual risks outweighed by the positive project impacts.

### 2.3.2 Objective of the ESSA for the Economic Opportunities Program

When using the PforR mechanism, social and environmental safeguards are taken care by the borrower system in line with provisions in OP 9.00 (Program-for-Results Financing)

). Thus, it is of essential importance that the borrower system is able to ensure material consistency with World Bank standards. The ESSA is a tool to address this principle. Thus, the ESSA aims to ensure that environmental and social issues and risks are addressed from an early stage in the process of formulating the proposed EOP—that the implementation of the EOP PforR is in line with OP 9.00 and to provide necessary support to the borrower’s safeguards system.

The specific objectives of the ESSA for the EOP PforR are to

- Assess the consistency of the borrower’s systems with core principles and attributes defined in the Program-for-Results Guidance Note on Environmental and Social Assessment;
- Identify the potential environmental and social impacts/risks applicable to the proposed EOP interventions and ensure that these will be subjected to an adequate initial screening so that relevant mitigation measures can be identified, prepared, and implemented; this includes enhanced stakeholders’ consultation and participation approaches to mitigate negative impacts and enhancement of benefits identified;
- Evaluate the institutional capacity to manage the likely environmental and social effects in accordance with the country’s own requirements under the proposed Program;
- Recommend adaptations to the institutional arrangements for the identification, planning, design, preparation, and implementation of the projects under the proposed Program to adequately address environmental and social sustainability issues;
- Determine the training, capacity building, and TA needed to successfully implement the provisions of the ESSA;
- Recommend specific actions for improving counterpart capacity during implementation to ensure that they are able to adequately perform their mandate; and
- Specify appropriate roles and responsibilities and outline the necessary reporting procedures for managing and monitoring environmental and social concerns related to the proposed Program.

Next to providing advice to the main components of the project, the ESSA will also describe actions that will be included into the Operation Action Plan to strengthen the Program’s performance with respect to the core principles of the PforR instrument.

### 2.3.3 ESSA Methodology

To review and assess the existing environmental and social management systems (ESMSs) as well as analyze how these systems are applied in practice, the ESSA preparation process has drawn on a wide range of data. Inputs analyzed for this ESSA include those discussed in the following paragraphs.

**Desk review of policies, legal framework, and Program documents.** The review examined the set of national and regional states policy and legal requirements related to environment and social management. The review also examined Program concept note papers, mission reports, draft PAD, and other ESSA documents prepared by the World Bank for similar programs carried elsewhere.

**Institutional analysis.** An in-depth institutional analysis was carried out to identify the roles, responsibilities, and structure of the relevant institutions responsible for implementing the environmental and social management systems for the EOP, including coordination between the different entities involved. These included assessments carried out on federal institutions such as the EIC, ARRA, MoI, MoLSA, and IPDC. The assessment also focused on existing key institutions that enforce environmental and social assessment and management, public, and workers safety at federal and regional levels.

**Interviews and focus group discussions.** The ESSA team conducted interviews and consultations with the GoE’s relevant ministries and authorities, including those at the national, regional, and city level as well as

technical experts involved with environmental and social management issues. Ministry of Women and Children Affairs (MoWCA) was consulted on gender-related issues, MoLSA representatives were interviewed on labor and working condition issues, IPDC staffs have been consulted on the environmental and social management issues during construction and operational phase of the industrial parks, the EIC was consulted on social and environment management related to the Program, and ARRA was consulted in line with refugee matters. Focus group discussions were also held with refugees at Hitsats and Mayayne refugee camps (Tigray Region) as well as with investors' association presidents and factory managers at the visited industrial parks.

**Field visits.** To assess the baseline situations of the existing systems and practices, field visits were carried in three industrial parks selected from the currently functional and recently inaugurated parks. These include the Bole Lemi I Industrial Park and Hawassa Industrial Park which are currently operational and the Mekelle Industrial Park which is expected to enter into operation in the near future.

**Assessment of the potential environmental and social impacts/risks of the Program.** The potential environmental and social impacts/risks associated with the proposed EOP were assessed at various levels to determine the significance level of anticipated impacts and risks and to recommend the corresponding mitigation measures to ensure the implementation of the Program is environmentally friendly and socially acceptable.

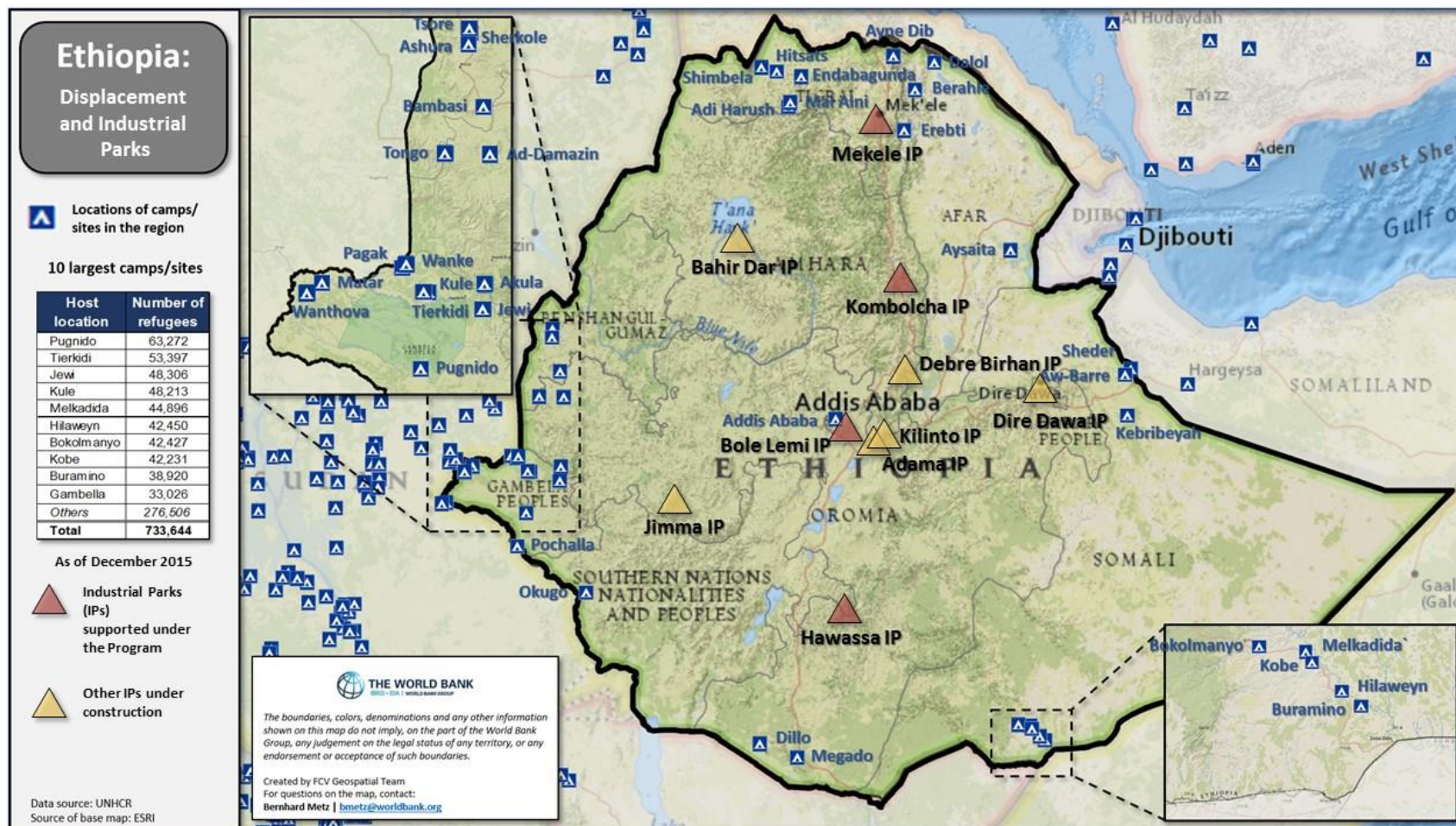
#### **2.3.4 Stakeholder Consultation Process**

The preparation of the ESSA has been carried out in a participatory manner involving feedback and inputs from a number of key stakeholders working in government and private sector and other sectoral experts. Extensive consultations were carried out with representatives from relevant sector offices that will directly or indirectly engage in the implementations of environmental and social management of the Program on the federal and regional levels. The World Bank team has used informal interviews and stakeholder dialogue in combination with more formal and structured focus groups and other public meetings to solicit information relevant to the analysis as well as to verify judgments made in the course of conducting this review.

Going forward, the Program team will plan a second consultation process for the ESSA report involving all the stakeholders and partners of the EOP. This consultation is planned to be held in end of February 2018 with participants drawn from the implementers, development partners, nongovernmental organizations (NGOs), and beneficiaries. The draft ESSA will be disclosed on the World Bank's external website as well as the borrower's website. The World Bank will also disclose the final ESSA report on the World Bank's external website.

Overall, the Program will develop a stakeholder engagement plan with the target of including all relevant stakeholders, considering the sensitivity of the targeted development process.

Figure 1: Map of Ethiopia Including Industrial Park and Refugee Camp Locations



The population of refugees and asylum-seekers is estimated to total 901,236 (238,272 households). Approximate breakdown by nationality is the following: South Sudanese (47.6 percent), Somalis (28.2 percent), Eritreans (18.4 percent), Sudanese (5 percent), Yeminis (0.2 percent), Other (0.7 percent).

**Figure2. Consultations Carried Out with EIC, ARRA, IPDC, and MoI staff (Source: WB Consultant 2017)**





### 3 ENVIRONMENTAL AND SOCIAL IMPACTS AND RISKS

The potential positive and adverse environmental and social impacts of the EOP will be associated with the Program activities to be undertaken under each component to reach the targeted results. The proposed Program benefits Ethiopians and refugees by creating economic opportunities that shall consequently contribute to improved livelihoods. However, the Program has also risks that need to be managed well for successful implementation and sustainability of the same. The main environmental and social risks and benefits of the proposed Program are associated with refugee-related employment and protection, working conditions, and sustainability of industrial parks. Social risk is considered Substantial above all due to the number of new workers (locals, internal migrants, and refugees) injected into the industrial parks and other local economic sectors outside the camps as an indirect consequence of Program activities (approx. 3,000-5,000 refugees are expected to find work in the industrial parks; the rest outside of the industrial parks: close to their current location or in Addis Ababa), in addition to the substantial environmental and social risks associated with the engagement on industrial parks (operation/employment and construction legacy issues).

#### 3.1 Key ResultsArea1: Refugee-related employment and protection

Alongside the provision of a legal framework allowing refugees the right to work in Ethiopia, the Program requires a number of actions to provide the aimed opportunities<sup>7</sup>. The related process may have environmental and social impacts. Governmental institutions at federal, regional, and local levels will need to address issues that may impede the success of reforms. Thereby, some challenges will need to be addressed by the GoE to ensure the successful implementation of the Program (like the availability of housing, skills development for both refugees and Ethiopians, and addressing wider constraints to business setup and entrepreneurship). Other challenges derive from successful implementation of said reforms. The latter are the main topic of the ESSA: how structures and oversight mechanisms will be established to ensure refugees' and Ethiopians' rights and well-being are protected and potential environmental issues are addressed.

##### 3.1.1 Employment and Training

A key target of the Program is providing refugees the opportunity to get employment; industrial parks are at the core of the government's industrialization policy and related employment strategy, while opportunities may also arise from employment in small and medium enterprises (SMEs). Based on existing refugee profile studies, the latter will form a key component. These studies also show a skills gap, depending on the origin of refugees and it is likely that trainings will need to be provided to refugees to allow meaningful employment (not part of the EOP) and/or business development (see the following paragraphs).

**Issues.** The skill disparity and competition with Ethiopian workers brings refugee employees in a weak position when addressing good work conditions. This includes remuneration but also compliance with OHS regulations by employers' systems. Furthermore, while jobs are open to all genders, judging from applicants for current manufacturing jobs in the parks, the largest catchment group for vocational training for industrial park jobs will be young, unmarried women. Issues of culture, traditional, and community expectations may arise for some women (Ethiopian and refugee), restricting their access to both training and the job market. There may well be a need for community sensitization appropriate for both young women and young men to increase the uptake of both skills training and formal jobs.

**Risks.** Employment (including vocational training such as garment sewing) can expose employees and trainees to occupational hazards and risks. OHS training is needed and related safety systems established, including personal safety appliances and safe tools and machineries. If the systems are not implemented properly, injuries and fatalities may occur. These risks are addressed by Key Results Area 3. However, for refugees, they interlink with specific issues noted above, heightening the risks and requiring specific

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<sup>7</sup> To reiterate from above, the PforR target are to provide legal job opportunities, not actual jobs.

measures to be established. For example, skills development without prior consent from community elders may result in violence, especially directed toward young women. On the environmental side, the consumption of resources for carrying out practical vocational training sessions shall be considered, avoiding excess use of resources (impacting sourcing and disposal) to reduce the environmental footprint (including focus on recycling).

### 3.1.2 Business Formalization and Entrepreneurship

**Business formalization and entrepreneurship.** Among the EOP-recognized possibilities for job opportunities is self-employment. Reports on the existing out-of-camp policy indicate that since refugees have not been allowed officially to work or engage in business activities so far, there are no refugees engaged in businesses and entrepreneurs with a formal business license. However, Jobs Compacts and EOP, in particular, set out to change this.<sup>8</sup>

**Issues.** The various businesses, entrepreneurs, and SMEs of refugees that may come forward through business formalization—including pastoral- and agro-pastoral-based businesses such as cattle fattening, dairy production, vegetable irrigation farming, and other urban-based businesses such as retail shops, coffee shops and restaurants, boutiques, carpentry, metal work, and so on—may affect the environment during operation. They also form competition for existing local businesses.

**Risks.** The environmental effects of SMEs will depend on the size and scale of their operation. Whereas most of the SMEs are expected to be home-based micro and small businesses, others could come forward in medium- and large-scale investments. The environmental effects of the home-based SMEs are largely connected to the release of liquid and solid wastes which will be generated during their operational phases. In the absence of organized municipal waste management systems in the hosting towns and villages, the solid and liquid waste releases can affect the environment and human health through uncontrolled dumping in open spaces, water bodies, and drainages. Businesses connected to agro-pastoral activities such as dairy production and cattle fattening, whether small or large scale, will affect the environment and human health if carried without proper environmental controls. The establishment of cattle fattening and dairy production businesses in urban places may have an adverse effect to the neighborhood due to animal waste and foul odor releases. The environmental effects of medium- and large-scale businesses and entrepreneurs may have more severe impacts than from SMEs. Usually, work permits are either issued by the EIC for investments and Ministry of Industry (MoI) for business licenses. Thus, the EIC will address the

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<sup>8</sup> Although mapping of the key wage and self-employment activities that can be realistically applied across the different refugee population groups and host community equitably is pending, potential businesses and entrepreneurship types that may come forward in the Program implementation process could be sensed from the general traits and backgrounds of the refugee population in Ethiopia. Review of the general character of the refugees in Ethiopia shows that while the Somali refugees found in the camps around Jigjiga are mainly entrepreneurial with also pastoralist and agro-pastoralist backgrounds, Somali refugees found in Dolo Ado area are predominantly characterized by agro-pastoralists with a few from urban centers. Almost all the South Sudanese refugees found in refugee camps around Gambella are pastoralists with lower potential for skilled employment and higher potential for pastoralist activities. On the other hand, while the Eritrean refugees found in camps around western Tigray are mainly urbanites and relatively educated, with high opportunities for wage and self-employment activities, those found in refugee camps around Afar region are majorly pastoralists with no basic education and higher potential for pastoralist activities. The potential implication of the refugee traits for business and entrepreneurship formalization is that it is most likely that the rural-based pastoral and agro-pastoral type of businesses and entrepreneurship types will be among the first to come forward for formalization followed by the other urban-based businesses. In this regard, reports indicate that some villages and towns around refugee settlement sites are beginning to flourish while skills are being transferred between communities. The business formalization and entrepreneurship activities may further seek to organize entrepreneurs in SMEs, provide targeted skill trainings, explore credit facilities, create market links, and pioneer export readiness programs to support the self-reliance of refugees through business formalization.

environmental effects and risks of medium- and large-scale businesses by carrying out environmental and social screenings at the outset. Regular cumulative assessments will be conducted as well.

On the social side, such environmental impacts may lead to conflicts with host communities, including resource competition. This then extends to competition on existing markets with potential crowding out of existing businesses. It is important to ensure fair competition based on legal standards and open communication with host communities to address related issues (see the following section).

### 3.1.3 Host Community Integration

In case a critical portion of refugees move to a host community, social risks have to be considered.

Possible tensions and conflicts between refugees and local populations and among subgroups of refugees (as the refugee groups are diverse with differing social and political backgrounds) encompass one set of risks. A source for such risks is the necessary sharing of resources among refugees and local communities<sup>9</sup> if the target refugees move out of camp and settle close to economic centers (including industrial parks). A social assessment conducted for a related World Bank-financed project (DRDIP) showed that refugee-hosting areas are mostly located in the Developing Regional States (DRS), which constitute the least-developed areas of Ethiopia. Historically, the DRS—all of which are in Ethiopia's borderlands—were categorized as the 'lowland periphery', integrated into the nation state later than the rest of the country and often seen as sharing more, in terms of culture, religion, and traditions, with neighboring countries than the Ethiopian highlands. The depth of poverty in the DRS is greater than in the rest of the country (although the amount of poor people is higher in other regions, due to population density in the DRS being low relative to other parts of Ethiopia). The GoE has acknowledged the development lags of these areas, continually engaging in development interventions. A major challenge facing the Program will be ensuring that the government is not seen to be dispensing 'preferential treatment' to certain groups (be they Ethiopian or refugee) and thereby disenfranchising another. The ethnic and tribal mix is more complex in some refugee-hosting areas than others, so attention should be paid to the unique political economy of each region and respective assessments will continuously be updated throughout the Program. Causes of disputes can include theft of host communities' crops and small ruminants by migrants (refugees and rural migrants); restriction of access to resources such as farmlands, forest, and forest products; straying of refugees' animals into host communities' crops and irrigation land; competition over resources such as firewood, grass, and grazing land; damages to ecosystems; and so on. The host communities indicated being affected by illegal hunting of wild animals by refugees, fishing by refugees without the consent of the host communities, increase in price of basic household items and peer pressure by refugees on the local youth, leading to behavioral change, with potential for loss of cultural and social identity in border areas. The assessment showed a high risk of extra burden to social amenities, livestock, properties of host communities, environmental degradation, as well as incidences of GBV. While in the more urban areas surrounding the industrial parks impacts may shift, overall pressure on public resources (health, education, water, and sanitation in particular) continues to be the underlying theme.

Competition between groups, both refugee and Ethiopian, also applies to the job market. With over 3 million Ethiopian youth entering the job market every year and an unemployment rate of over 20 percent, the GoE will need to strike the right balance between jobs for Ethiopians and refugees, clearly outlining the underlying win-win strategy. If not, there is a real chance that the Ethiopian public at large, as well as the

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<sup>9</sup> Particularly in Gambella and parts of Somali Regional State, this is already the case, where many Ethiopians are as vulnerable as some refugees. In addition, the issue of perceived Nuer expansionism in Gambella is a potentially inflammatory issue. The Nuer will be the main beneficiaries of the Program, further increasing their access to international and Ethiopian largesse. In Somali Regional State, it is not yet clear which tribal groups will benefit more from assistance than others. The same dynamics are likely to be at play in regions like Benishangul-Gumuz, Afar, and potentially even Tigray. It will be important that the Program safeguards against this kind of 'ethnic favoritism' by encouraging the wider CRRF process and humanitarian/resilience interventions in general to be increasingly broad based, benefiting the wider community rather than specific groups.

host communities, will perceive that certain refugee or ethnic groups will benefit disproportionately from job opportunities and donor resources. In some communities, this is already a reality. In Gambella, the Nuer (Ethiopian and refugees) are seen to be benefiting more from international largesse than other minority groups, most obviously the Anouak.

For DRDIP target areas around the refugee camps in the country, the conflicts between the refugees and host communities have been addressed by committees composed of host community members, refugees' conflict handling committee members, ARRA, and Kebele and woreda administrators. The EOP will share lessons from the DRDIP and use the already-established GRMs in cases of the Program target refugees who will settle out of camp in the camp surrounding area/target area of the DRDIP. In the industrial park centers, the EOP will establish similar NRCs, adjusted to the local situation. A review of the progress reports by the DRDIP shows successful setup of such committees and related works, with the project showing satisfactory results throughout.

Meaningful consultation with the target refugees and the host community with transparency on the Program objectives is also vital. Awareness raising and behavioral change education as part of the overall stakeholder management strategy need to be designed for refugee and host communities to ensure that the overall social, economic, environmental, as well as other related impacts as stated by host communities and the refugees themselves will be minimized and/or mitigated. Furthermore, a functioning GRM needs to be established.

The establishment of NRCs with an envelope of community interventions addressing locals and refugee mutual concerns has been included as part of DLI 6. Committees that will be established in refugee-hosting communities and camps will include an equal number of representatives of host community members and refugees with sufficient resourcing to implement: (a) local risk management interventions, (b) an established activity plan, and (c) regular meetings to address mutual concerns.

If they are not addressed, the above processes may lead to hostilities and continually rigid boundaries between refugees and host communities; in the worst case, it may lead to walled neighborhoods with related socioeconomic consequences for inhabitants and the settlements as a whole. A key intervention can be improvement of language skills but also intercultural awareness campaigns, enabling communication with each other as well as with public authorities (for example, filling of forms and so on), differing from community to community. It will be up to local institutions to assess the respective needs. The Program provides support via ARRAs support and facilitation branches as well as the community intervention envelope made available to the Neighborhood Relations Committees.

Violent conflicts (including cross-border impacts on Ethiopian border areas), displacement, and encampment has long-term psychological impacts, leading to behavioral change if not addressed properly. While integration into a more regular lifestyle allows to break through this status, such protracted impacts may hamper its success, including continuous use of physical violence. In combination with the other risks, this may lead to escalating group-based conflicts, between refugees and host communities as well as between different groups of refugees. Thus, functioning, comprehensive GRMs are necessary, involving traditional conflict resolution mechanism, NRCs, as well as increased effectiveness and efficiency of formal institutions (judiciary, local police). These require sufficient resources including staffing and training and linking to the necessary establishment of neighborhood networks via community engagement noted above.

### 3.1.4 Housing

**Availability of housing.** The availability of housing adjacent to industrial parks has been identified as a key challenge and an impediment to hiring an adequate work force. Accommodation within industrial parks is so far focused on catering to the needs of international staff. Over the last years, the GoE has invested in the development of housing areas and has also relaxed options for local households to add volume to their existing structures for rent to industrial park workers. However, this has been assessed as not yet sufficient and currently, further condominium/dormitory projects are envisaged, including support from international investors (outside the program). This situation has also been confirmed during site visits to existing

industrial parks. The Hawassa Industrial Park has built about seven apartment blocks within its premises to be rented to the staff of companies at the parks. These housing facilities are well-furnished and will not be affordable to ordinary workers. The newly inaugurated industrial parks such as Mekelle and Kombolcha also do not provide housing facilities in their premises. Shortage of residential houses available for rent is reported from Mekelle, Hawassa and Addis Ababa. Reports indicate that longer-term, more sustainable approaches are being studied whereby the IPDC may build worker accommodations and also make land available for industrial park corporate tenants to build their own housing specifically for their own workers.

**Issues.** Increased refugee and Ethiopian labor inflow as a result of the EOP to take up employment in the industrial parks will aggravate the current shortages of housing provided in the hosting towns and cities. Construction of workers' accommodation that will serve both refugee and Ethiopian workers either by the IPDC or industrial park tenants (from different funds than the EOP) will have an adverse impact on the biophysical and social environment unless otherwise checked through the formal ESIA procedures. The program clearly notes no direct involvement in such construction, while it needs to make sure that any potential association is covered appropriately (either via DLI6 Audits or the Audit requirement in the IPF/EPP).

**Risks.** The construction of accommodation apartments for refugee and Ethiopian workers around the industrial parks will cause potential adverse impacts to the social and biophysical environment. Land might be acquired for access roads, workers' residences, and other associated facilities. In addition to the IPDC exploring the possibility of developing its own worker accommodation, it is also making land available for industrial park tenants to build their own housing specifically for their workers. There is currently serious interest in this option among some industrial park tenants, and in some cases (for example, George Shoe and Shints - tenants in Bole Lemi I), it appears that plans are already in place. Since worker accommodation is likely to be located offsite, support infrastructure such as utilities (water, sanitation, electricity, and so on), healthcare, childcare, recreation, and canteen facilities need to be incorporated at the planning stage and integrated into the master plan for the area around the industrial parks, and the related social risks of land acquisition need to be managed well. On the environmental side, depending on the specific sites to be dedicated for building the accommodation apartments and related infrastructure, the construction activities may potentially affect the environment through vegetation clearance; change in surface profile, erosion, and sedimentation; compaction of land, dust, and noise pollution; generation of construction waste; and impacts on surface water and groundwater as well as natural habitats. The exploitation of natural resources for construction input materials such as gravel, sand, masonry stone, water, and so on may also affect the environment if proper quarrying practices and remedial actions are not taken. Though it depends again on the specific site to be selected for building the accommodation apartments in the industrial parks, there could be occurrences of displacement of peoples residing, farming, or grazing livestock on the site. Relatedly, if the land once constituted grazing land for migratory pastoralists then the resulting building could block access to onward migration routes. Once the accommodation apartments are built and start boarding Ethiopian and refugee workers, there will be additional solid and liquid wastes that will be generated. The management of the solid and liquid waste to be generated from the accommodation blocks will create additional pressure to the existing municipal waste management systems in the cities and there will be a risk of causing environmental pollution if not addressed properly. To reiterate, the EOP will not fund any housing construction, but any engagement in strategic planning support on feasibility study level via DLI 4 will also need to be materially consistent with World Bank environmental and social standards.

### 3.1.5 Vulnerability I: Refugees

As noted earlier, vulnerability is a key concern regarding refugees and their integration into the Ethiopian society.

On an individual base, refugees' vulnerability results from years in camps after the experience of violence and conflicts in their home countries. While ARRA, UNHCR, and NGOs provided support in refugee camps, such support is more difficult to provide outside the designated camp areas.

On a community base, social networks are an essential structure of support as well as of restraint in every community. This is even more important in communities where public services are weak. Refugees' social networks are already frail due to the people's displacement from their original homes; relocation from camps into towns and cities may reduce their networks even further. This leads to increased vulnerability (security/protection, economic safety nets, labor division) on the one hand and missing constraints via social norms on the other (violence, theft, and so on). Reformation of social networks via NRCs and local cooperatives, including host community and refugee members, can be one instrument. To support this process, the GoE will provide refugee support branches in refugee-hosting communities as noted in DLI6.

### 3.1.6 Vulnerability II: Gender

All these aspects are especially perilous for women, children, and other vulnerable individuals and groups. Without a functioning social network to protect from violence and to maintain resilience against socioeconomic shocks, female refugees are more likely to become victims of such impacts (including GBV) and/or to be forced to subordinate to men. Children (with 40.1 percent of refugees being 11 years or younger 2017) are equally dependent on social networks, which may have been harmed considerably by the displacement and its origin.<sup>10</sup> This can include severe trauma from experienced violence as well as the loss of parents/relatives. Including the long-term encampment, children may have never experienced a 'normal' life and thus need to learn the inclusion into the host community and its norms from scratch,<sup>11</sup> while continuously being vulnerable to the points noted earlier.

The great majority of workers at the existing industrial parks are young, unmarried women. While gender-related regulations in Ethiopia are on a high standard, risks are prevalent due to implementation challenges. Working women are vulnerable to a variety of different forms of harassment at work, commuting to work and within their communities, both near their place of work and in their birthplace. Some of these women would be defying social norms, and potentially the preferences of elders and or relatives. They may also encounter stark criticism and/or abuse from male colleagues as well as both men and women in the vicinity of industrial parks. Women workers are vulnerable and may face issues related to lower wages, lack of safe transportation, lack of childcare and toilet facilities, and sexual harassment in the workplace. Some companies work 24 hours, and on their way to work, female workers face rape, sexual harassment, and other forms of GBV. These risks are further compounded by the lack of safe, health-and-safety-assessed workers' housing in the vicinity of industrial parks that caters to women's protection needs. Refugees, children, youth, women with no or lack of skills and decision-making power are among the most vulnerable. A related potential risk out of camp is children's engagement in child labor to get income and support the family. Employers out of camp may prefer to hire child labor at lower wage. The Program needs to have a GBV strategy to address issues systematically from a higher level to both at the industrial parks and other out of camp areas. Furthermore, enforcement of the labor law to manage risks related to child labor is important. The refugees and the locals have different cultural backgrounds and interventions designed need to consider cultural background of host (including underserved) communities and refugees.

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<sup>10</sup> There is also a relatively unexplored risk relating to those women who are employed by an industrial park only to then stop working. Knowing that factories have a very high rate of attrition, little is known what then happens to these vulnerable women and men. Many presumably resort to sex work (women) and casual labor (men).

<sup>11</sup> This is, again, context-specific. Many refugees and hosts in Ethiopia's DRS share similar culture and traditions, including the prevalence of harmful traditional practices like female genital mutilation and early child marriage. The more difficult integration is likely to come outside of the host communities near the border. Highland Ethiopia, for instance, is extremely different in most respects, from Somali Regional State, Benishangul-Gumuz, Afar, and Gambella. Eritreans speak the same language as Tigrinians but not general Amharic, the national language prevalent in cities like Addis Ababa. These integration challenges will also be profound for rural Ethiopians (especially those with specific tribal identities) who have had little exposure to urban life.

### 3.1.7 Vulnerability III: Others

**Overall risks related to other vulnerable groups.** Vulnerable groups are particularly exposed to systemic barriers to project benefits, including women and children, youth, refugees, the elderly, women- and child-headed households, child workers, the disabled, landless, and ethnic minorities. Young people, seeing themselves with free time and lack of opportunities, are more likely to resort to violence, including sexual violence, criminal activities, or substance abuse. In other cases, young people become victims of abuse or exploitation. Young people in this situation are also more likely to resort to survival sex and have unsafe sexual relationships. For economic reasons, some may also drop out of school so that they can work (child labor) or enter early marriages. The young people in a refugee context assume adult roles at an early age and without proper role models or support networks.

The following are among the measures proposed to be taken to manage this social risk:

- Citizen engagement measures to strengthen voice of refugees, women, and other vulnerable groups
- GRMs
- Actions to increase access to information about their rights
- Provision of training to women workers on their rights
- A workers' center at the OSS where they can have counseling and their grievances are addressed
- A GBV strategy for the Program and assigning experts to follow up on gender issues
- Working with government bodies to provide protection
- Taking measures against the perpetrators of gender violence

Many of these points are integrated into Key Result Area 3, which will need to be considered in the special circumstances of refugees.

## 3.2 Key Results Area 2: Improving broader investment climate

This component of the EOP is one of those areas where the activities of the component are not directly or indirectly linked to any infrastructure development on the ground. Some of the main activities envisaged to be carried by this component involves the rollout of OSS services and a 'Client Charter' at the EIC, conducting targeted investment outreaches to continually attract investors into the industrial parks and other priority sectors, arranging site visits for investors, providing active encouragement of buyer-supplier relationships in competitive sectors, introducing reforms as a result of a public-private dialogue (PPD) process with investors and investor aftercare, conducting export marketing facilitation including investor recruitment, and so on. Other future activities under this component will include targeted efforts toward the achievement of an improvement in the World Bank's 'Doing Business' ranking.

As such, the implementation of these and other related activities by the component will not have a direct or indirect impact on the social and biophysical environment. Since the reforms under this component are bounded to be within the EIC legal codes, it is anticipated that it will neither have an influence on the national environmental and social management systems nor on its implementation. During the ESSA field assessment and consultations, it was noted that the EIC considers environmental protection, health, and safety requirements as essential conditions that need to be met by investors applying to obtain business licenses. Fulfillment of the environmental requirement is one of the key elements considered in the decision process to award investment permits and business licenses to the investors. The EIC will uphold its role in enforcing the environmental requirements in close collaboration with MoEFCC and the regional Environment Protection Forest and Climate Change Authorities.

**Issues.** Investment promotion activities need to be accompanied, among others, by sufficient information regarding national requirements on environment, health, and safety (EHS). The provision of this information during investment outreaches and in the OSS services will assist prospective investors to understand the national requirements and prepare themselves toward implementing it.

**Risks.** Absence of prior information on national EHS requirements to prospective national and international investor may hinder its implementation during construction and operation of investment projects and, in the long term, may create the perception those EHS requirements are barriers to investment inflow.

### 3.3 Key Result Area3: Improving labor productivity

This component will focus on the establishment of the Better Work Program<sup>12</sup>. Better Work is a joint ILO and IFC program that provides assessment, advisory, and training services to factories to improve working conditions and increase compliance with international labor protection standards (child labor, working conditions, and so on) and local labor law. Better Work focuses on the garment sector and targets a range of social and environmental compliance issues (for example, overtime, chemicals and hazardous substances, worker accommodation, worker protection, gender, among other areas). Better Work has been shown to increase worker productivity by helping ensure OHS (thorough reduced injury rates, improved supervisory skills training, improved skills, reduced verbal abuse, and other factors).

DLI 3 is intended to introduce and publicly disclose Better Work reporting on factory-level compliance, including compliance with minimum standards for housing provided to employees (Ethiopians and refugees) working in the industrial park in the garment sector. Better Work will target factory-level compliance with a list of at least 15 social and environmental-related items. The targeted DLI will focus on public disclosure by the GoE of the Better Work report through the Program's website. As part of DLI 6 on social system strengthening by assigning focal persons on labor and social affairs, an action plan is included on conducting annual social audits of companies at the industrial parks by MoLSA and timely submission of the audit report.

**Issues.** Employment in industrial parks can lead to a series of potential risks; improved working conditions and productivity are key for the sustainability of industries in Ethiopia as noted in the PAD. The industry faces challenges that require action to improve governance and oversight and develop effective frameworks and practices in accordance with international labor standards and national labor proclamations. The working conditions in some factories are not on Better Work's level, an issue which will be addressed by the upcoming Program. There is high turnover of workers at visited industrial parks because of low wages and high living costs, among other reasons. Better facilities, housings, and drinking water should be available at the parks.

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<sup>12</sup> The Better Work Programme is a unique partnership between the International Labour Organization (ILO) and the International Finance Corporation (IFC). It was launched in August 2006 in order to improve labour standards and competitiveness in global supply chains. The programme assists enterprises improve practices based on core ILO labour standards and national labour law. It does this with a strong emphasis on improving worker-management cooperation, working conditions and social dialogue. Enhancing respect for labour standards helps enterprises meet the social compliance demands of global buyers, improves conditions for workers, and helps firms become more competitive by increasing productivity and quality. The Compliance Assessment Tool looks at child labour, discrimination, forced, labour, freedom of association and bargaining, compensation, contracts and human resources, Occupational Health and Safety (incl. accommodation), working time, and key strengths and process integrity. Further details are available on <https://betterwork.org/>. Regarding worker accommodation, the following questions are being asked: Do workers and/or supervisors stay in dorms on the factory premises, or do workers stay in offsite housing that is managed by the employer? Does the accommodation comply with minimum space requirements? Is the accommodation separate from the workplace (even though it may be in the same compound/industrial park)? Does the accommodation have enough safe water? Does the accommodation have adequate toilets, showers, sewage and garbage disposal systems? Is the accommodation protected against fire? Is the accommodation adequately protected against heat, cold, and dampness? Is the accommodation protected against disease carrying animals or insects? Is the accommodation protected against noise? Is the accommodation adequately ventilated? Does the accommodation have adequate cooking and storage facilities? Is the accommodation adequately lit? Does the accommodation offer workers adequate privacy? Does the accommodation comply with other health and safety requirements? Has the employer adequately prepared for emergencies in the accommodation?



Program activities geared toward providing transport to industrial park workers may involve a range of options from supporting public transport buses to improving access roads that link the industrial parks with the town's main roads. In some newly established industrial parks, such as Mekele and Kombolcha industrial parks, there are no paved access roads that link the industrial parks with the respective town's main roads. If the project supports planning of such infrastructure developments, then environmental and social standards need to be applied. On the other hand, as a role model, providing transport connections to industrial park workers should not result in causing unnecessary air pollution due to use of outdated vehicles. This will be especially so when individual transport means are encouraged over mass transport means while supporting transport connectivity.

**Risks.** Creating decent working conditions for both refugees and Ethiopians (locals as well as rural migrants) is important for the success of the Program. A challenge, as noted earlier, is the lack of uniform application of labor standards that set common working condition for companies under the industrial parks related to the gap in monitoring of the labor compliance by the administration. To ensure that industrial parks attract foreign investment in line with the GoE industrialization policy, are compliant with national and regional labor laws and international conventions and best practices, and create better working condition for workers, there is the need to have standards applied consistently, with regular monitoring and periodic audits to control social issues related to minimum wage, child labor, better facilities like drinking water, transportation, and accommodation for workers (refugee and locals).

Construction activities may result on the long run following the feasibility studies on sustainable park management (while no designs nor actual construction will be financed by EOP). These studies shall from the beginning include environmental and social standards as construction may later on cause potential adverse impacts to the social and biophysical environment. Land might be acquired while clearing the right-of-way for the access roads and there could be occurrences of displacement of people residing and/or farming on the right of way site. On the environmental side, the construction activities may potentially affect the environment through change in surface profile and storm water flow; erosion and sedimentation; compaction of land, dust, and noise pollution; generation of construction waste; and impacts on surface water and groundwater as well as natural habitats. On the other hand, considering the large number of workers in the industrial parks, there is a risk in selecting a mode of transport that can result in highly aggravated gaseous emissions in the areas. If the industrial park workers are encouraged to use individual or small group vehicles like the commonly available rickshaws or mini buses, the number of trip cycles to be made each day by the transporters will be high and would result in higher gaseous emissions causing risks of ambient air pollution in the industrial park hosting towns. Social risks are also present for this type of vehicles, including traffic accidents and sexual harassment. Studies developed under the Program need to address these risks.

### **3.4 Key Results Area 4: Improving Sustainability of IPs**

#### **3.4.1 Environmental Management of IPs**

The main activities of concern to the ESSA are those intended to address emerging social and environmental challenges in the existing industrial parks. These challenges include the general effect of industrial parks on integrated planning and management of urban resources and waste. To ensure the industrial parks address social and environmental compliance issues, the component will undertake activities to develop environmental compliance manuals for industrial parks. Almost all of the parks visited during the ESSA field assessment (that is, Bole Lemi, Hawassa, and Mekelle) have advanced wastewater treatment facilities in operation or under construction. The key concern is ensuring that these wastewater treatment plants are operated continuously, in compliance with the national environmental standards. Consistent internal and external environmental monitoring, inspection, and enforcement of the environmental standards in the industrial parks both by the IPDC and MoEFCC will be essential to the sustainability of the industrial operations. Assessments and plans developed under this component need to address these issues.

This component will also develop detailed feasibility studies that examine the most viable options for private sector-led industrial park development. In this regard, future activities will include detailed environmental and social assessments of how to improve managing industrial parks, including innovative approaches to rainfall capture and solar power generation. Though current practices of the IPDC show that the ESIA studies of industrial parks are outsourced to consultancy firms, there will be a need to develop the institutional capacity of the IPDC to enhance its reviewing and quality control capabilities to ensure good-quality and timely ESIA's are prepared, data gathered and analyzed, and recommendations acted on.

**Issues.** The sustainability of industrial parks also requires environmental and social sustainability. Ensuring the preparation of good quality and timely EIAs for managing industrial parks and carrying out effective waste management operations in the existing industrial parks will be a vital component for environmental sustainability of the industrial parks. Effective monitoring and enforcement of environmental requirements and standards in the industrial parks will contribute toward efficient solid and liquid waste management practices in general and efficient operations of the existing advanced waste treatment plants (WTPs) in particular. Thus weak environmental management capacities in the industrial parks, IPDC and the environmental enforcement institutions will affect environmental performance and sustainability.

**Risks.** In the absence of strong internal and external environmental monitoring, inspection, and enforcement capabilities at the industrial park, IPDC, and MoEFCC levels, the consistent, efficient, and compliant waste management operations of industrial parks would not be guaranteed in the medium and long term. There could be a risk of declining focus on the necessity to comply with environmental standards, which will affect the long-term sustainability of the industrial parks. Weak enforcement will also heighten the risk that an integrated plan for management of resources and waste with the host urban centers will be produced and upheld.

### 3.4.2 Legacy Issues

**Legacy issues.** A related risk is legacy issues in line with constructed industrial parks in case of lack of consideration of environmental social management best practices. This applies to all industrial parks integrated into the Program. The practice for already constructed IPs was that each of the IPs prepared an EIA and the Ministry of Environment and Forest and Climate Change evaluates the environmental impact assessment submitted to granting permission for their implementation in accordance with the Environmental Impact Assessment Proclamation. Furthermore, procedures of land acquisition and compensation are clearly established and implemented for households with usufruct rights by the respective local government units. Therefore, these provisions have according to the information assessed avoided high-risk legacy issues. However, it still could be that gaps exist to reach material consistency with World Bank standards. If construction and resettlement is not managed well and project-affected people (PAP) including informal settlers/nontitle holders were not compensated according to the market value (a specific issue for communal land), such activities may result in equity and reputational risks. Conflicts will arise and be a challenge to sustainability; including through hampering the introduction of new programs to such communities. The reputational risk includes, among others, the risk of lost investment opportunities from international industry, which is keen to avoid related conflicts. Risks are also faced on a social equity basis as lack of compensation to non-titleholders (informal settlers) often leads to poverty and vulnerability; this is more so if it is perceived as a consequence of programs to support refugees and other Ethiopians. Therefore, the program included in DLI 6 the requirement of assessing legacy issues and implement corrective actions if necessary.



#	DLI	Definition/ Description of achievement	Protocol to evaluate achievement of the DLI and data/result verification		
			Data source/agency	Verification Entity	Procedure
6b		<p>July 7, 2023 and July 7, 2024 for all Refugee Hosting Communities. Functional facilitation and support branch encompasses at least 1 social ARRA staff, office materials, and opening hours of at least 30 hours per week. The office shall be easily accessible and open for refugees but also for citizens with refugee-related concerns.</p> <p><b>DLR6.2: Functional Refugee tracking system established by July 7, 2019.</b></p> <p>Tracking system should be ICT-based system and encompass identifier, names, nationality, age/date of birth, status, and location of all registered refugees.</p>	ARRA		6b Year 1: Verification via (i) evaluation of the database system incl. spot checks and (ii) disclosure of basic statistics generated out of the database.
		<p><b>DLR6.5: NRCs established for all Refugee Hosting Communities for years ending July 7, 2020, July 7, 2021, July 7, 2022, July 7, 2023 and July 7, 2024.</b></p> <p>NRC establishment is defined as: (a) founding documents and current membership defined and (b) trained in the guidelines. NRCs shall</p>	ARRA		6b Year 2-6: Verification via (i) assessment of the founding documents, (ii) membership list with names and positions, and (iii) visual evidence of trainings (at least 5 pictures) incl. participants lists by the end of the project year.

#	DLI	Definition/ Description of achievement	Protocol to evaluate achievement of the DLI and data/result verification		
			Data source/agency	Verification Entity	Procedure
6c		<p>include gender-balanced representatives (at least 40% of each gender) of host community, refugees, and woreda as well as the local ARRA officer.</p> <p>Refugee-hosting communities are defined as woredas with a registered number of refugees higher than (a) 300 refugees or (b) 100 refugees encompassing more than 20 percent of the woreda population) at the beginning of the project year.</p> <p><b>DLR6.6: Proof of community [consultations] led by ARRA in Refugee Hosting Communities by July 7, 2020.</b></p>	ARRA		<p>6c Year 2: Verification via (i) minutes of meetings to discuss potential community interventions, (ii) visual evidence (at least 5 pictures) and (iii) participants lists.</p>
		<p><b>DLR6.7: Community [intervention] implemented annually by July 7, 2021, July 7, 2022, July 7, 2023, July 7, 2024</b></p> <p>Community interventions: Envelope calculation based on number of registered refugees per woreda at the beginning of the</p>			ARRA

#	DLI	Definition/ Description of achievement	Protocol to evaluate achievement of the DLI and data/result verification		
			Data source/agency	Verification Entity	Procedure
6d		<p>project year multiplied by annual multiplier in refugee-hosting communities; application of ARRA environmental and social management systems with no significant environmental and social impact. Community interventions will be implemented upon NRC request and woreda approval by ARRA (procurement and supervision).</p> <p><b>DLR6.3: Environmental and social (E&amp;S) System developed by ARRA, EIC, IPDC and MoLSA, by July 7, 2019.</b></p>	ARRA, EIC, IPDC and MoLSA		ARRA, (iv) ARRA procurement contracting document
		<p><b>DLR6.8: IPDC E&amp;S trainings completed by July 7, 2020</b></p>			IPDC

#	DLI	Definition/ Description of achievement	Protocol to evaluate achievement of the DLI and data/result verification		
			Data source/agency	Verification Entity	Procedure
		<p><b>DLR6.9: E&amp;S audits conducted for involved industrial park and any other physical activity associated to program funds with specific corrective action plan by July 7, 2021.</b></p> <p><b>DLR6.10: Adaptation and adoption of EPP pilot lessons learned document by ARRA and EIC including respective action plan by July 7, 2022</b></p> <p><b>DLR.6.11: Audit of the E&amp;S System and implementation of corrective actions addressing audit results. by July 7, 2023</b></p> <p><b>DLR6.12: Refresher for IPDC on management of E&amp;S system by July 7, 2024</b></p>	<p>EIC, IPDC</p> <p>ARRA/EIC</p> <p>EIC, IPDC</p> <p>IPDC</p>		<p>Verification via (i) the copies of audit reports based on the responsible institution’s E&amp;S system including corrective actions if necessary and (ii) MoM on the report presentation to senior management.</p> <p>Verification via (i) copy of overall lessons-learned report, (ii) specific Action Plan for each institution, and (iii) MoM of decision meeting or directive on implementing the corrective actions by the respective institutions.</p> <p>6d Year 5: Verification via site visits documented in (i) a corrective action compliance table and (ii) visual evidence (at least 3 pictures) for each corrective action.</p> <p>Verification via (i) copies of presentations, (ii) visual evidence (at least 5 pictures) and (iii) participants lists</p>

### 3.6 Risk Table

Summarizing the above risks, table 6 outlines initial risks, agreed mitigation measures, and residual risk levels. While agreements on key targets could be reached to reduce risk levels, many risks remain substantial due to the progressive and innovative nature of the Program.

**Table 6. Risk Table**

Detailed Social and Environmental Risk Ratings	Original Social Risk	Original Environmental Risk	Mitigation Measures	Residual Social Risks	Residual Environmental Risks
Key Result Area/Component1: Refugee-related employment and protection	<i>High</i>	<i>High</i>	<i>DLI3+DLI6</i>	<i>Substantial</i>	<i>Substantial</i>
<ul style="list-style-type: none"> <li>• Employment and Training</li> </ul>	<i>High</i>	<i>Moderate</i>	<i>DLI3+DLI6</i>	<i>Substantial</i>	<i>Moderate</i>
<ul style="list-style-type: none"> <li>• Business formalization and entrepreneurship</li> </ul>	<i>High</i>	<i>High</i>	<i>DLI6 (NRC, Guidelines)</i>	<i>Substantial</i>	<i>Substantial</i>
<ul style="list-style-type: none"> <li>• Host community integration</li> </ul>	<i>High</i>	<i>High</i>	<i>DLI6 (NRC + Community Integration)</i>	<i>Substantial</i>	<i>Substantial</i>
<ul style="list-style-type: none"> <li>• Vulnerability I: Refugees</li> </ul>	<i>High</i>	<i>n.a.</i>	<i>DLI6 (Support offices)</i>	<i>Substantial</i>	<i>n.a.</i>
<ul style="list-style-type: none"> <li>• Vulnerability II: Gender</li> </ul>	<i>High</i>	<i>n.a.</i>	<i>DLI6 (Support offices + NRC)</i>	<i>Substantial</i>	<i>n.a.</i>
<ul style="list-style-type: none"> <li>• Vulnerability III: Others</li> </ul>	<i>Substantial</i>	<i>n.a.</i>	<i>DLI6 (Support offices + NRC)</i>	<i>Substantial</i>	<i>n.a.</i>
Key Result Area/Component2: Improving the broader investment climate	<i>Low</i>	<i>Low</i>	<i>n.a</i>	<i>Low</i>	<i>Low</i>
Key Result Area/Component3: Improving labor productivity	<i>High</i>	<i>High (OHS)</i>	<i>DLI3, DLI6 (Guidelines)</i>	<i>Substantial</i>	<i>Substantial</i>
Key Result Area/Component4: Improving Sustainability of Industrial Parks	<i>High</i>	<i>High</i>		<i>Substantial</i>	<i>Substantial</i>
<ul style="list-style-type: none"> <li>• Ensuring environmental and social compliance of industrial parks including ensuring the wastewater treatment plants are operating continuously in compliance with the national environmental standards</li> </ul>	<i>High</i>	<i>High</i>	<i>DLI4+DLI6</i>	<i>Substantial</i>	<i>Substantial</i>
<ul style="list-style-type: none"> <li>• Preparing detailed environmental and social assessment of future industrial park projects</li> </ul>	<i>Substantial</i>	<i>Substantial</i>	<i>DLI4+DLI6</i>	<i>Moderate</i>	<i>Moderate</i>
<ul style="list-style-type: none"> <li>• No follow-up on the established ESIA's</li> </ul>	<i>High</i>	<i>High</i>	<i>DLI6 (CAP)</i>	<i>Substantial</i>	<i>Substantial</i>



<b>Detailed Social and Environmental Risk Ratings</b>	<b>Original Social Risk</b>	<b>Original Environmental Risk</b>	<b>Mitigation Measures</b>	<b>Residual Social Risks</b>	<b>Residual Environmental Risks</b>
<ul style="list-style-type: none"> <li>Environmental and social legacy issues from industrial park construction identified during project implementation</li> </ul>	<i>High</i>	<i>High</i>	<i>DLI6 (Audit + CAP)</i>	<i>Substantial</i>	<i>Substantial</i>
<ul style="list-style-type: none"> <li>Effect on urbanization including integrated planning and management of resources and waste</li> </ul>	<i>High</i>	<i>High</i>	<i>DLI4+DLI6</i>	<i>Substantial</i>	<i>Substantial</i>

## 4 ETHIOPIA'S ENVIRONMENTAL AND SOCIAL MANAGEMENT SYSTEMS

This section provides an overview of the policy and legal framework and a profile of the various key institutions and their role with respect to the management of environmental and social aspects. OP/BP 9.00 requires that all PforR operations function within an adequate legal and regulatory framework to guide ESIA and management. To assess the adequacy of Ethiopia's legal and regulatory framework, applicable laws and institutions for environmental and social management are described in this section, along with the roles and responsibilities of institutions involved. The assessment of how these systems function in practice is presented in Chapter 5 along with a structured gap analysis that identifies inconsistencies between the framework and the requirements of OP/BP 9.00.

### 4.1 Applicable Policies and Strategies Forming the National Environmental and Social Management System

This section discusses relevant national and regional environmental policies, strategies and legislations applicable to EOP that should be considered during the Program implementation. The discussion below provides a list of the key relevant environment legislations and key institutions that are in charge of the implementation. The relevance of these requirements to the Program is assessed with due consideration of the requirements and guidelines of OP/BP 9.00.

Although environmental management, as the term is used in Ethiopia, covers social issues, there are specific social issues of concern that justify particular attention. Social benefits cannot be guaranteed, unless there is a requirement to ensure that projects are planned, constructed and operated in a manner, which maximizes benefits. The Program activities are likely to deliver significant social benefits, if they are planned in an inclusive manner, and they are designed to ensure distribution of benefits to vulnerable groups including the elderly, youth, women, and the poorest. The Program will also consider social effects such as nature/scale of involuntary resettlement or land acquisition required, potential impacts on vulnerable communities, and impacts on underserved people.

To assess the adequacy of the social management system, relevant policies, laws, and regulations as well as the roles and responsibilities of related institutions are included in the following sections.

### 4.2 The Constitution of the Federal Democratic Republic of Ethiopia

The current constitution of the Federal Democratic Republic of Ethiopia came into force in August 1995. It sets out the supreme law of Ethiopia, providing basic and comprehensive principles and guidelines for environmental protection and management in the country. In general, it is seen to be a progressive and extensive constitution. However, the implementation of constitutional law is a continuing challenge. Nonetheless, reference to the constitution as the foundation for both environmental and social rights is useful, especially in cases on noncompliance. Sustainable development and environmental rights are presented in Articles 43, 44, and 92 of the Constitution.

#### *Article 43- The Right to Development*

- The Peoples of Ethiopia as a whole, and each Nation, Nationality and People in Ethiopia in particular have the right to improved living standards and to sustainable development.
- Nationals have the right to participate in national development and, in particular, to be consulted with respect to policies and projects affecting their community.

#### *Article 44- Environmental Rights*

- All persons have the right to a clean and healthy environment.

- All persons who have been displaced or whose livelihoods have been adversely affected as a result of State programs have the right to commensurate monetary or alternative means of compensation, including relocation with adequate State assistance.

#### ***Article 92- Environmental Objectives***

- Government shall endeavor to ensure that all Ethiopians live in a clean and healthy environment.
- The design and implementation of programs and projects of development shall not damage or destroy the environment.
- People have the right to full consultation and to the expression of views in the planning and implementations of environmental policies and projects that affect them directly.
- Government and citizens shall have the duty to protect the environment.

#### ***Article 42 - Rights of Labor***

Article 42(2) stipulates that “workers have the right to a healthy and safe work environment,” obliging an employer (be it government or private) to take all necessary measures to ensure that workplaces are safe, healthy, and free of any danger to the well-being of workers.

#### ***Article 92 - Consultation***

Article 92(3) focuses on public consultation and participation by stressing that “People have the right to full consultation and to the expression of views in the planning and implementation of environmental policies or projects that affect them directly.” Article 92(4) states that government and citizens shall have the duty to protect the environment.

### **4.3 The Growth and Transformation Plan (GTP) II**

GTPII consists of qualitative and quantitative targets in the spheres of macroeconomic performance, performance of economic and social sectors (including manufacturing industry) and cross-cutting sectors (including environment and climate change). GTPII aims at building a ‘Green Economy’ and implementing the existing environmental laws as part of the key strategic directions to be pursued during the plan period.

The development of the manufacturing industry through industrialization has now become indispensable in the renaissance drive of the country. The objective for the industrialization strategy is to make Ethiopia a leading manufacturing hub in Africa and among the leading countries in the globe and thereby transform the country into a lower-middle-income economy by 2025. The strategic directions for industrialization during GTP II are improving the productivity, quality, and competitiveness of both existing and new industries and ensuring structural change and building labor-intensive light manufacturing industry that is globally competitive in terms of productivity, quality, and price. The industrialization target in GTP II is to increase the industrial value addition at annual average growth rate of 20 percent and the share of the industry sector in overall GDP will accordingly increase from 15.1 percent in 2014/15 to 22.3 percent by 2019/20. The implementation strategy for realizing the industrialization targets are focused on

- (a) Providing comprehensive support to the manufacturing industry (developing industrial parks and clusters);
- (b) Manufacturing industry investment expansion program;
- (c) Productivity and competitiveness, quality and technology capacity-building program; and
- (d) Implementation of capacity-building program.

GTP II emphasizes that industrial parks need to be developed based on feasibility studies and investment demand in the upcoming years. Industrial parks’ development and administration policy will be formulated

and will be used as a policy instrument for the implementation of the industrial development policy of the country. GTP II also states that the completion of the construction of industrial parks started earlier in Addis Ababa will be accelerated, while the construction of industrial parks in Hawassa, Dire Dawa, Kombolcha, Mekele, Adama, Bahir Dar, and Jimma will be undertaken as soon as the ongoing feasibility studies are completed. As noted above, the EOP encompasses the following parks: Bole Lemi I, Hawassa, Kombolcha, and Mekkele.

#### **4.4 Environmental Regulations and Policies**

##### **4.4.1 Environment Policy of Ethiopia**

The first comprehensive statement of Environmental Policy of Ethiopia was approved by the Council of Ministers in April 1997 and was based on the policy and strategic findings and recommendations of the Conservation Strategy of Ethiopia. The policy is aimed at guiding sustainable social and economic development of the country through the conservation and sustainable utilization of the natural, man-made, and cultural resources and the environment at large. The overall policy goal is to improve and enhance the health and quality of life of all Ethiopians and to promote sustainable social and economic development through the sound management and use of natural, human-made, and cultural resources and the environment as a whole to meet the needs of the present generation without compromising the ability of future generations to meet their own needs. The Environmental Policy provides a number of guiding principles that require adherence to the general principles of sustainable development. In particular, it is needed to ensure that the Environmental Impact Assessment (EIA)

- Considers impacts on human and natural environments;
- Provides for early consideration of environmental impacts in project and Program design;
- Recognizes public consultation processes as essential to effective management;
- Includes mitigation and contingency plans;
- Provides for auditing and monitoring; and
- Is a legally binding requirement.

The GoE has recently initiated updates to the Environmental Policy of Ethiopia. The technical committee under MoEFCC was formalized to be in charge of updating the National Environmental Policy to fill gaps identified in addressing climate change and other environmental issues.

##### **4.4.2 Proclamation to Provide for the Establishment of Environmental Protection Organs (Proclamation No. 295/2002)**

The first objective of this proclamation is to assign responsibilities to separate organizations for environmental development and management activities on one hand, and environmental protection, regulations, and monitoring on the other, which is instrumental for the sustainable use of environmental resources. The second objective is to establish a system that fosters coordinated but differentiated responsibilities among environmental protection agencies at federal and regional levels.

##### **4.4.3 Ethiopia's Climate-resilient Green Economy Strategy**

The GoE has initiated the Climate-Resilient Green Economy (CRGE) initiative to protect the country from the adverse effects of climate change and to build a green economy that will help realise its ambition of reaching middle-income status before 2025.

Ethiopia's green economy plan is based on the following four pillars:

- Improving crop and livestock production practices for higher food security and farmer income while reducing emissions

- Protecting and reestablishing forests for their economic and ecosystem services, including as carbon stocks
- Expanding electricity generation from renewable sources of energy for domestic and regional markets
- Leapfrogging to modern and energy-efficient technologies in transport, industrial sectors, and buildings

#### **4.4.4 Environmental Pollution Control Proclamation (Proclamation No. 300/2002)**

This proclamation is aimed at eliminating or, when not possible, to mitigate pollution as an undesirable consequence or social and economic development activities. It has also an objective of protecting the environment and safeguarding of human health, as well as maintaining the biota and the aesthetic value of the environment. The proclamation, among others, has considered control of pollution; management of hazardous waste, chemical and radioactive substances; management of municipal wastes; the importance and need to respect environmental standards; and punitive and incentive measures.

#### **4.4.5 Prevention of Industrial Pollution Regulation (Proclamation 159/2008)**

As a follow-up to Proclamation No. 300/2002, a regulation to prevent industrial pollution was developed by the Federal Environmental Protection Authority to ensure compatibility of industrial development with environmental conservation. This proclamation includes comprehensive industrial pollution standards for a range of industrial and mining activities.

#### **4.4.6 Water Resources Management Proclamation (197/2000)**

The purpose of the proclamation is to ensure that the water resources of the country are protected and utilized for the highest social and economic benefits of the people of Ethiopia, to follow up and supervise that they are duly conserved, ensure that harmful effects of water are prevented, and that the management of water resources is carried out properly.

#### **4.4.7 Solid Waste Proclamation (Proclamation 513/2007)**

This proclamation aims to promote community participation to prevent adverse impacts and enhance benefits resulting from solid waste management. It provides for preparation of solid waste management action plans by urban local governments.

#### **4.4.8 Waste Handling and Disposal Guideline, 1997**

The Waste Handling and Disposal Guidelines have been in use since 1997. The guidelines are meant to help industry and local authorities handle medical waste situation at the local level.

### **4.5 Environmental Impact Assessment**

#### **4.5.1 Environmental Impact Assessment Proclamation (Proclamation No. 299/2002)**

An EIA is used to predict and manage the environmental effects of a proposed development activity as a result of its design, siting, construction, and operation, or an ongoing one as a result of its modification or termination. It thus helps to bring about intended development.

The proclamation is an effective means of harmonizing and integrating environmental, economic, cultural, and social considerations into the planning and decision-making processes, thereby promoting sustainable development. Moreover, it serves as a basic instrument in bringing about administrative transparency and accountability, to involve the public and the communities in particular, in the planning and execution of development programs that may affect them and their environment. The objective of undertaking the assessment study is to ensure the impacts of a development project and the incorporation of mitigating measures for the adverse significant impacts. The law and associated guidelines clearly define

- Why there is a need to prepare EIAs;
- What procedure is to be followed to implement EIA;
- The depth of environmental impact studies;
- Which projects require full EIA studies;
- Which projects need partial or no EIA studies; and
- To whom the report must be submitted.

Focus group discussion carried out with staff of MoEFCC as part of the EOP stakeholder consultation has revealed that there are plans to review the EIA Proclamation in the current fiscal year to update and improve it. The most challenging part is the actual implementation of the provision, which needs continuous attention. Guidelines have been developed to support this process.

#### **4.5.2 Environmental Impact Assessment Procedural Guidelines Series (Series 1 and 2)**

To facilitate the implementation of Environmental Impact Assessment Proclamation (Proclamation 299/2002), the then Environmental Protection Authority had formulated four procedural guidelines—Review Guideline Series 1: Guidelines for Review Approach; Review Guideline Series 2: Guidelines for Contents and Scopes of Report; Review Guideline Series 3: Checklist of Environmental Characteristics; and Review Guideline Series 4: Review Criteria. Consultations carried out with staff of MoEFCC have revealed that these widely applied draft EIA guidelines are currently under review to enhance the documents in light of the experiences gained so far and to publish it for official use after endorsement by MoEFCC. Review Guideline Series 1 and 2 will be elaborated to a certain extent here and any further updates made to the documents will apply after official publication of the reviewed guidelines.

##### **4.5.2.1 Procedural Guideline Series 1 -Guidelines for Review Approach**

This guideline points out roles and responsibilities of the Environmental Protection Agency (EPA) and regional environmental agencies, the proponent, consulting firm, interested and affected parties, and the licensing agency. In this guideline, the EIA processes and requirements, and comprehensive description of the Environmental Assessment process has been stated. It also outlined projects which may have adverse and significant environmental impacts, and may, therefore, require full EIA (Schedule 1), projects whose type, scale, or other relevant characteristics have the potential to cause some significant environmental impacts but not likely to warrant an environmental impact study (Schedule 2) and projects which would have no impact and does not require EIA (Schedule 3).

##### **4.5.2.2 Procedural Guideline Series 2 - Guidelines for Contents and Scopes of Report**

This guideline, among others, indicates structure and content of the Environmental Impact Study Report and describes the contents including the administrative, legal and policy requirements, assessment, and mitigation measures. The guideline indicates the following main types of mitigating measures, which need due considerations:

- Preventing, reducing, or minimizing impacts before they occur
- Eliminating an actual impact over time by incorporating appropriate maintenance measures during the life of the project
- Rectifying an impact by repairing, rehabilitating, or restoring the affected environment
- Compensating for an impact by replacing or providing substitute resources or environments as well as contingency plans in case of emergencies
- Maximizing beneficial impacts through specific additional actions

#### **4.5.2.3 Directive No.2/2014 (2006 EC) -Directive on issuing “professional competence certificate to consultants and firms providing service in Environmental Impact Assessment, Environmental Audit and Climate Change fields’**

The directive has been issued by MoEFCC and brought into force in the last three years. It has become an important milestone in the development of the EIA system in Ethiopia. The directive stipulates that EIA and Environment Audits should be conducted by professional consultants and firms that are registered and certified for their competence by the Ministry of Environment. EIAs and environment audits prepared by unregistered and certified firms will not be eligible for review and approval. The regional EPFCCs have also started applying the stated directive of MoEFCC. Directive No.2/2014 is also among the guidelines put under review by MoEFCC and is being updated.

#### **4.5.2.4 Environmental Guideline and Management Plan**

**EIA Guideline, July 2000.**The EIA Guideline document provides essential information covering the following elements:

- Environmental assessment and management in Ethiopia
- EIA process
- Standards and guidelines
- Issues for sector EIA in Ethiopia covering agriculture, industry, transport, mining, dams and reservoirs, tanneries, textiles, hydropower generation, irrigation projects, and resettlement
- Annexes that
  - Identify activities requiring a full EIA, partial measure, or no action;
  - Contain sample forms for application; and
  - Provide standards and guidelines for water and air.

**EIA Procedural Guideline (draft), November 2003.**This guideline outlines the screening, review, and approval process for development projects in Ethiopia and defines the criteria for undertaking an EIA.

**Guideline for Environmental Management Plan, May 2004.**This outlines measures for preparation of an Environmental Management Plan (EMP) for proposed developments in Ethiopia and institutional arrangements for implementation of EMPs.

## **4.6 Social Regulations and Policies**

### **4.6.1 Land Use**

As a disclaimer, it is highly unlikely that actual land use is undertaken by the project. However, as the Program will support planning processes, it is important that the principles discussed in the following paragraphs are integrated into any plans developed.

All land in Ethiopia is considered public property. The 1975 Proclamations of Public Ownership of Rural Land 31/1975 and Urban Land 1975 abolished the 1960 Constitutional Decree that recognized private ownership of land. Ownership of land is now vested in the State and Ethiopian citizens have only a usufruct right over the land.

The abolishment of private ownership of land was enshrined in the Constitution of Ethiopia (1/1987 Ethiopian Calendar), Article 13(2) and No. 1/1995, Article 40(3). According to these decrees, land is public property and cannot be subject to sale or other means of transfer or exchange. Article 40(5) recognizes the right of farmers to land and right of pastoralists to free land for grazing and cultivation. Article 40(6) recognizes the right of private investors to the use of land on the bases of payment arrangement established by law. The Constitution stipulates that the state has the power to expropriate land in the interest of the

public by paying compensation in advance commensurate to the value of the expropriated property, Article 40(8).

The 1995 Constitution, Article 40(1), 40(2), 40(4), 40(5), and 40(7), includes legal frameworks that protect citizens' rights to private property and sets conditions for expropriation of such property for state or public interests. Regarding immovable property built on land, the Constitution states that every citizen shall retain full right to immovable property built on the land and to improvements s/he brings about on the land by her/his labor or capital. Hence, the State owns all land, but citizens have a usage right and full ownership of developments and improvements built on State land. This includes the right to alienate developments, to remove them, or claim compensation for expropriation of property. Article 44 of the Constitution reiterates the right of displaced persons to financial or alternative means of compensation including relocation with adequate state assistance.

Based on the framework provided by the Constitution, three proclamations were issued: (a) Proclamation 455/2005 - Expropriation of Land Holdings for Public Purposes and Payment of Compensation;(b) Proclamation 456/2005 - Rural Land Administration and Land Use; and (c) Proclamation No. 721/2011 - Urban Land Lease Proclamation.

**Proclamation 455/2005 - Expropriation of Land Holdings for Public Purposes and Payment of Compensation.** This is the general condition for which land and property can be expropriated for public purpose and defines the basic principles and considerations for compensating a person whose landholding is expropriated.

**Proclamation 456/2005 - Rural Land Administration and Land Use.** This regulates use and administration of rural land and recognizes farm, pastoral, semipastoral, and communal landholdings. The proclamation requires that rural landholders expropriated for federal projects must be compensated based on federal compensation laws or, if displaced for regional projects, they must be compensated according to regional regulations.

**Proclamation No. 721/2011 - Urban Land Lease Proclamation.** This is a law which prioritizes the interest of urban centers to ensure sustainable urban development and equitable benefits by defining and detailing procedures and principles to enhance land delivery and to capture value of land.

**The Council of Ministers Regulations No. 135/2007- Payment of Compensation for Property Situated on Landholdings Expropriated for Public Purpose.** The regulations provide the formula/methodology for assessing compensation or replacement of expropriated assets.

### **Priority to Land-to-land Compensation**

Proclamation 455/2005 provides for expropriation of and compensation for land in both rural and urban areas. According to the proclamation, land-to-land compensation is considered where possible and provides for compensation of displaced persons for lost assets, as well as some assistance.

Compensation should be paid to any landholder, which includes individual, government, or private organization. According to the proclamation, landholder means an individual, government, or private organization or any other organ that has legal personality and lawful possession over the land to be expropriated and owns property situated thereon. Thus, Proclamation 455/2005 determines that only legal landowners with crops, perennial crops, or other property are eligible for compensation. Regulation 135/2007, Article (22) reiterates that any person claiming eligibility for compensation shall produce proof/evidence of legitimate possession of the expropriated landholding and ownership of the property entitling compensation.

According to Articles 7(1) and (2), a landholder whose holding has been expropriated shall be entitled to compensation for her/his property situated on the land and for permanent improvements s/he has made to the land (capital and labor expended on land). The amount of compensation for property shall be determined based on the replacement cost of the property.



Proclamation 456/2005 obliges payment of compensation to landholders if the holder is displaced or to provide replacement land with compensation for lost assets with evidence of ownership. The law also states that all rural landholders will be issued landholding certificate in the name of all holders (wife and husband and other holders when applicable).

### **Land Asset Classification, Valuation, and Compensation**

Land assets are classified as movable and immovable. For movable assets, compensation will be paid for inconvenience and other transition costs (Article 7[5]). Immovable properties in urban areas include residential houses, business installations, institutional structures, stores, fences, and public service providing installations. In rural areas, this category of properties may include seasonal crops, perennial fruit trees, timber trees, and other cash crops.

A rural landholder whose landholding has been permanently expropriated shall be paid displacement compensation, in addition to compensation payable for property situated on the land and for permanent improvements made to such land, which shall be equivalent to ten times the average annual income s/he secured during the five years preceding expropriation of the land.

Where substitute land, that can be easily ploughed and generate comparable income, is available, compensation shall be equivalent to the average annual income secured during the five years preceding expropriation of the land. Rural landholders whose land is provisionally expropriated shall be paid compensation for lost income, based on the average annual income secured in the last five years until repossession of land but shall not exceed payments for permanently expropriated land of similar size.

Urban landholders whose landholding has been expropriated will be provided with a plot of urban land the size of which is determined by the urban administration to construct a house. Such persons are also entitled to displacement compensation equivalent to the annual rent of the demolished dwelling house or be allowed to reside free of charge for one year in a comparable dwelling house owned by the urban administration.

Based on Proclamation 455/2005 Article 7(2) for expropriation of landholdings for public purposes, compensation will be made at replacement cost. With this method of valuation, depreciation of structures and assets will not be taken into consideration. Compensation rates and valuation of properties will be based on a nationally set formula (Regulation 137/2007) based on data collected from local market assessments. Another important consideration for valuation is land zoning of property to be expropriated based on an approved structure plan or a neighborhood development plan to ensure the interest of citizens to acquire direct or indirect benefits and sustainable socioeconomic development. Even though compensation is commensurate with loss of assets, replacement cost does not consider location value.

In urban areas, minimum compensation should not be less than the current cost of constructing a single room, low-cost house in accordance with the standard set by the concerned region. Compensation for permanent improvements to land shall be equal to the value of capital and labor expended on the land. The cost of removal, transportation, and erection shall be paid as compensation for a property that can be relocated and continue its service as before.

In urban areas where the prevailing law to land is lease holding, the value of land for the remaining of the lease period is considered in the compensation to be paid (Proclamation 455/2005 Article 8[6], later reiterated in Proclamation 721/2011 Article 25[4]). Urban administrations have the responsibility to pay or cause the payment of compensation and provide resellers with rehabilitating support to the extent possible (Article 13[1]). The phrase ‘extent possible’ is subject to local government discretion that resulted in varied implementation.

Valuation of property will be done by certified institutions or individual consultants on basis of a valuation formula determined at the national level or, where such capacity does not exist, by a committee composed of five persons (rural) designated by the woreda or city administration. Procedures for valuation are to be determined by specific directives. Detailed directives on compensation are provided in Council of Ministers

Regulation 135/2007 ‘Payment of compensation for property situated on landholding expropriated for public purposes’.

**Public utilities.** According to Proclamation 455/2005, valuation of fair compensation required to replace utility lines owned by government organizations is determined by the utility provider. Valuation must be done within 30 days upon receipt of the expropriation order and the land must be vacated within 60 days after compensation is paid. Payment of compensation shall be covered by concerned implementing agency requiring the land.

**Procedures for expropriation.** The law requires that the expropriation order should be given before relocation. Such order shall not be less than 90 days before relocation; however, if there is no crop or perennial plant, farmland could be expropriated within 30 days of receipt of the expropriation order. The law regulates that compensation should be paid before relocation. Improvements made after landholder/land possessor is served with expropriation order is not entitled for compensation.

**Land-related GRM.** Proclamations 455/2005 and 721/2011 consistently made provisions for the local government to establish land-related GRMs; however, practice in relation to urban land varies from region to region. In local governments (urban or rural) where an administrative organ is established, complaints related to land acquisition can be logged at the office responsible for managing land. Other complaints related to land are addressed by a grievance committee established at the local government level. Field observation shows that in Southern Nations, Nationalities, and Peoples' Region, land-related complaints are addressed by the mayor’s committee (comprising city administration cabinet).

Amhara National Regional state has issued ANS Directive No. 7/2002 to provide for the expeditious decision-making system about expropriation of urban land. It provides the composition of the jury members: a justice officer as chairperson, two residents of the town where the land is located, and two representatives of government offices. The decision of the Appeals Court regarding basic land expropriation issues is final; however, an appellant could take the cases related to the amount of compensation, delays in payment, or similar cases all the way up to the High Court. However, according to the law, an expropriation order will not be delayed due to complaints regarding compensation payments.

### **Institutional Arrangements for Managing Land Administration and Use**

The Ministry of Agriculture and Natural Resources is responsible for implementation of the Rural Land Administration and Land Use Proclamation (456/2005). The ministry is also responsible for developing new policies and amendments to existing ones as well as establishing information exchange on rural land use and administration issues. Regional states have the responsibility to enact rural land administration and land use laws with detailed provisions on implementation and to establish institutions to support implementation of these laws.

woreda, kebele, and city administrations are key players in implementation of the land acquisition regulations and related guidelines. The woreda administration in rural areas and the city administrations in urban areas have the power to expropriate rural or urban holdings for public purposes. They are responsible for setting up a resettlement committee, valuation committee, and effecting compensation payments. The woreda administration is also responsible for establishing kebele-level implementation committees, clarifying policies and operational guidelines of kebele compensation committees, establishing standards for unit rates, coordinating and supervising implementation by kebele compensation committees, and ensuring that appropriate compensation procedures are followed.

According to Proclamation 455/2005, the implementing agency is any government agency or public enterprise that undertakes, or causes to be undertaken, development works with its own force or through contractors. IPDC is the government implementer that will be responsible for paying compensation related to land acquisition as long as it directly finances project activities. Regional government will be responsible if there are project activities financed from regional budgets. The law requires that the implementing agency

prepares detailed information on the land required for the work at least a year before commencement of the work and pay compensation in accordance with the proclamation.

For federal government-financed project activities, the IPDC and EIC will ensure proper consultation is conducted and grievance mechanisms established in accordance with the law. The implementers will also ensure that assets are valued properly and compensation calculated according to legal requirements and paid in full and on time. The implementers must also ensure that construction activities take place only after due process for land acquisition is completed. The woreda administration has the responsibilities to pay or cause payment of compensation and provide rehabilitation support to the extent possible.

## **4.6.2 Labor and Working Conditions**

### **4.6.2.1 Constitution of the Federal Democratic Republic of Ethiopia (FDRE)**

Article 42(2) of the FDRE Constitution states that “workers have the right to a healthy and safe work environment,” signifying the fundamental obligations of an employer/government to take all necessary measures to ensure that workplaces are safe, healthy, and free of any danger to the well-being of workers.

Freedom of association is one of the constitutional rights enshrined in the Ethiopian Constitution and the labor law. It is also a core right for all workers and a prerequisite for social dialogue and collective bargaining. However, a study shows that roles as well as the number of worker’s associations in the country are declining overtime. The available worker’s associations exist primarily in public and/or recently privatized companies, with few existing in private manufacturing companies. In the case of industrial parks workers’ associations are not existed in any factory.

### **4.6.2.2 Ratified ILO Conventions**

Ethiopia has ratified 22 ILO Conventions. Twenty-one are still in force, including 8 Fundamental Conventions that protect freedom of association and the right to organize and prohibit forced labor, child labor, and discrimination. The country has also ratified a Governance (Priority) Convention on tripartite consultations (C. 144), and 12 Technical Conventions, including a convention on occupational safety and health (C. 155). Ethiopia’s Labor Proclamation is partly modeled on the ILO’s Convention on Labor Inspections (No. 81), which provides a useful overview of the government’s commitment on labor inspections.

Ethiopia has had a regulation on OHS since the 1940s. MoLSA is the state organ that regulates workers’ safety and health in workplaces, both private and state-owned. MoLSA and its regional networks have an organizational structure lined to the periphery. Ethiopia is one among the many countries from around the world that have adopted ILO Convention No 155 of 1981 in 1991 which resulted in two major regulations: Labor Proclamation No. 377/ 2003 and Labor Proclamation No. 515/2007 on public civil servants.

### **4.6.2.3 The Labor Law**

Ethiopia has issued proclamations in the effort to improve employment relations and outcomes, prevent child labor exploitation, and maintain proper OHS. The transitional GoE has issued Labor Proclamation No. 42/1993. This proclamation was amended and replaced with Labor Proclamation No. 377/2003. The labor proclamations have detailed provisions pertaining to workers’ suspension and protects their rights. Besides, there are other labor-related proclamations such as the provisions of the Employment Exchange Service Proclamation (Proclamation No. 632/2009) and the Right to Employment of Persons with Disability (Proclamation No. 568/2008) enacted to govern the relations between employers and employees.

The Labor Law protects children against child labor abuse. Under the provisions of the Revised Family Code (2000), a child or minor is defined as “a person of either sex who has not attained the full age of eighteen years.” Proclamation No. 377/2003, Article 89 prohibited employment of children less than 14 years. The proclamation states “It is prohibited to employ persons under 14 years of age.” It is also prohibited to employ young workers which on account of its nature or due to the condition in which it is

carried out, endangers the life or health of the young workers performing it. ‘Young worker’ means a person who has attained the age of 14 but is not over the age of 18 (Article 89 Subarticle 3).

Proclamation 377/2003 is also the prevailing law protecting public and workers safety. The proclamation covers health and safety at work, harmonious industrial relations and minimum workplace standards, and addresses workplace vulnerability. Article 92–93 of the proclamation define obligation of employers and employees in a workplace including assignment of safety officers and health committee.

The Labor Proclamation mandates employers to protect OHS and create better working environment for their workers. Article 92 states that “An employer shall take the necessary measure to safeguard adequately the health and safety of the workers...” The proclamations have details about the safety and health of workers. For instance, it forces employers to (a) take appropriate steps to ensure that workers are properly instructed and notified concerning the hazards of their respective occupations and the precautions necessary to avoid accident and injury to health; (b) ensure that directives are given and also assign safety officer, establish an OHS committee of which the committee’s establishment shall be determined by a directive issued by MoLSA; and(c) provide workers with protective equipment, clothing, and other materials and instruct them of its use, and so on.

In cases of employment injury occurrences, remedial regulations such as taking compensatory measures after the damage has already been sustained is required. The proclamation indicates that employer’s liability is not limited to the stage of prevention. Once the accident is sustained, the employer is expected to cover cost of medication including the cost for any necessary prosthetic or orthopedic appliances. Hence, for work-related injury, the employer is required to cover medical cost and further obligated to provide disability benefit to the employee and pay the dependent’s benefit to the dependents of the deceased in cases of death. This proclamation needs to be followed as project workers will be exposed to various dangerous and hazardous environment during project implementation.

The proclamation has also included sections on labor dispute and how it can be resolved by labor court. Under part nine on labor dispute, the labor proclamation has employed an illustrative listing of what constitutes individual labor dispute and what constitutes a collective one (Articles138[1]and 142[1], respectively). According to the indication in the section, the labor dispute can be resolved at regional first instance court, labor division of the regional appeal at court, or labor division of the federal high court, depending on whether it is individual or collective and if unresolved at regional courts.

The2005 Occupational Health and Safety Directive, developed as a follow up to the Labor Proclamation, provides guidance on the establishment of OHS committees in public and private organizations.

#### **4.6.2.4 FDRE National Occupational Safety and Health Policy and Strategy**

The National Policy and Strategy on OHS was endorsed by the FDRE Council of Ministers in July 2014. The OHS policy and strategy was prepared to implement the rights of labor as stipulated in Article 42(2) of the Constitution and also implement the requirements of International Conventions on Occupational Health and Safety (No.155) to which Ethiopia is a signatory. The overall objective of the national OHS policy and strategy is to avoid, prevent, or minimize occupational and health hazards by providing effective OHS services in all working places and thereby contribute to the socioeconomic development of the country.

The guiding principles of the national OHS policy and strategy are stated as follows:

- (a) OHS services are basic rights of workers.
- (b) Occupational Safety and Health services are necessary in all working places.
- (c) Occupational accidents and health hazards can be prevented.
- (d) Tripartite and bipartite cooperation and coordination are key instruments for the national OHS policy and strategy implementation.

The specific objectives of the national OHS policy and strategy include the following:

- (a) To ensure availability and accessibility of OHS services in all economic activities including in the informal work sectors;
- (b) To prevent OHS hazards by establishing tripartite and bipartite consultation and coordination mechanisms;
- (c) To establish OHS systems that pay attention to those workers who seek special assistance (for example, women, youth, persons with disabilities, HIV patients, and so on); and
- (d) To protect environment and public and workers' health by preventing the release of pollutants from the workplaces.

The strategy of the national OHS policy includes

- (a) Establishing an effective and accessible work conditions inspection mechanism that is focused on prevention of non-compliances;
- (b) Formulating and implementing national regulations and standards on OHS and updating and improving it periodically;
- (c) Integrating and implementing OHS protection principles in all national development plans;
- (d) Establishing control and inspection mechanism that ensure prevention of occupational and health hazards to workers and impacts on the environment from occurring due to import, use or disposal of machineries, raw materials, or chemicals in workplaces;
- (e) Establishing a mechanism to ensure OHS services are provided in the private sector; and
- (f) Establishing a mechanism to ensure provision of advices and technical support on OHS are provided.

The national OHS policy and strategy is applicable to all types of workplaces and economic activities in Ethiopia.

#### **4.6.2.5 Building Proclamation**

Building Proclamation No.624/2009 and Regulation No. 243/2011 serves to protect the safety of the public and workers in the construction sector. Articles 31 and 36 state the precautionary measures to be taken during construction and necessary facilities required by persons with disabilities in public buildings. A detailed implementing direction is issued in Directive 5/2011 by the (former) Ministry of Urban Development and Construction. A note should be made that there is no law in the country to regulate the standard and quality of infrastructure constructed.

The Ministry of Construction (then part of the Ministry of Urban Development, Housing, and Construction) and MoLSA signed a Memorandum of Understanding (2012) to implement Proclamation No. 624/2009 in an integrated manner to prevent an onsite accident and ensure accessibility for persons with disabilities.

#### **4.6.3 Vulnerable Groups including Gender**

##### **4.6.3.1 Overall**

**Social Protection Policy.** In November 2014, the GoE approved a Social Protection Policy that lays out a vision for social protection in Ethiopia. The policy identifies five key strategic focus areas: (a) social safety nets; (b) livelihood and employment promotion; (c) social insurance; (d) access to health, education, and other social services; and (e) addressing violence, abuse, and neglect and providing legal protection and support. Overall, the policy commits the government to move beyond the partial and fragmented provision of social protection to establish a social protection system. The policy also provides a framework for the coordination and provision of social protection services in Ethiopia. It defines the roles and responsibilities

of the government at the federal, regional, and local levels in managing the social protection system to progressively fulfill the constitutional rights of citizens. The policy defines the vulnerable people to include children, older people, people with disabilities, and the chronically ill.

#### **4.6.3.2 Ethnic Groups**

The Ethiopian Constitution recognizes the presence and rights of many ethnic groups, including historically marginalized and vulnerable groups in Article 39 (1–5) the Rights of Nations, Nationalities, and Peoples. The Constitution recognizes the rights of Nations, Nationalities, and Peoples to self-determination including right to session. Nations, nationalities, and peoples are defined as “a group of people who have or share a large measure of common culture or similar customs, mutual intelligibility of language, belief in a common or related identities, a common psychological make-up, who inhabit an identifiable, predominantly contiguous territory.” The Constitution recognizes the rights of nations, nationalities, and peoples to speak, write, and develop their own languages; express, develop, and promote their cultures; preserve their history; and self-government, which includes the right to establish institutions of government in the territory that it inhabits and equitable representation in state and federal governments.

The GoE recognizes another group called ‘national minorities’. Article 54 of the Constitution explains that “Members of the House (of Peoples Representatives), on the basis of population and special representation of minority Nationalities and Peoples, shall not exceed 550; of these, minority Nationalities and Peoples shall have at least 20 seats.” This represents some 75 out of the 80 groups who are members of the House of Federation, which is the second chamber of the Ethiopian legislature.

The Ethiopian Constitution also recognizes the rights of pastoralist groups (Articles 40 and 41) which includes the right to “free land for grazing and cultivation as well as the right not to be displaced from their own lands.” Included in the Constitution’s Article 41(8), is the right to “receive fair prices for their products, that would lead to improvement in their conditions of life and to enable them to obtain an equitable share of the national wealth commensurate with their contribution. This objective shall guide the State in the formulation of economic, social and development policies.”

Finally, Article 89(4) of the Constitution states that the “Government shall provide special assistance to Nations, Nationalities and Peoples least advantaged in economic and social development.” This includes people in DRS (Afar, Somali, Gambella, and Benishangul-Gumuz), as well as the historically marginalized areas (peripheries) of two developed states (Southern Nations, Nationalities and Peoples, and Oromia).

A related policy, 1997 Cultural Policy of Ethiopia, enables the languages, heritage, history, handicrafts, fine arts, oral literature, traditional lore, beliefs, and other cultural features of the various nations, nationalities, and peoples of Ethiopia to receive equal recognition and respect and preserve and conserve them and pass them on to future generations.

In connection with the institutional framework designed to ensure equity between regions, the government has set up the Ministry of Federal and Pastoralists Development Affairs (MoFPDA). The responsibilities of this ministry include promoting equitable development, with emphasis on delivering special support to the developing regions. The main purpose of the special support is to address the inequalities that have existed between the regions over the decades, thereby hastening equitable growth and development. A Federal Special Support Board exists, which consists of relevant sector ministries. MoFPDA acts as vice chair and secretariat of the Board. A Technical Committee composed of sector ministries constituting the Board were also set up under MoFPDA to monitor and report the implementation of special support plans. As its main aim, the Board coordinates the affirmative support provided to the developing regions by the different organs of the federal government, and ensures the effectiveness of the implementation process. In addition, the Equitable Development Directorate General has been set up within MoFPDA, with directorates established to operate under it for the respective developing regions. Among many other activities, the Directorate General coordinates and directs case teams to collect, organize, and analyze data

in relation to the gaps in capacity building, social and economic development, good governance, gender, and environmental development in the regions in need of special support.

With the exception of Tigray, all of the major refugee-hosting areas are located in the DRS. International humanitarian assistance is already being received in some of these areas, mainly Somali Regional State and Gambella. As a result, Gambella in particular is showing all the signs of being a ‘boom’ town, though its current economic success is balanced precariously thanks to ongoing conflict dynamics bringing together imported South Sudanese conflicts with local tensions. The DRS have complex political economies that are starkly different from that of highland Ethiopia. They are largely tribal societies with kinship bonds that cross over the international borders. Ethnically, they are diverse, with many distinct groups, some of who are in open competition for resources with others. Many of the tribes are heavily armed with light weapons. So far, government programs have had limited success in bringing ‘accelerated development’ to the DRS, the reasons for that being complex. In sum, the DRS, particularly Gambella and Somali Regional State, are challenging development environments. The presence of large numbers of refugees has inevitably increased tensions over land, pasture, and water, but these tensions are not necessarily between refugees and hosts. Identity tends to be fluid for many people, who claim to be refugee or host depending on which might be most advantageous at a given time. In fact, for many peoples in the DRS, the international border is not recognized, as movement across it has been part of the seasonal pattern of migration for millennia. Perhaps more concerning in some locations is conflict between ethnic groups. For instance, in Gambella, the Nuer make up a large percentage of the refugee population. But the swelling Nuer numbers have been seen to be advantageous for Ethiopian Nuer, who have seen their influence and access to resources increase dramatically, much to the discontent of other tribes, like the Anouak.

#### **4.6.3.3 Gender**

The constitution (Article 43) provides a foundation for the recognition and protection of women’s rights and guarantee equal rights with men. The constitution stipulates providing special attention to women to remedy the historical legacy of inequality and discrimination Ethiopian women have endured. Women have the right to full consultation, the formulation of national development policies, and the designing and execution of projects particularly those affecting the interests of women. Women’s right to acquire, administer, control, and use and transfer property, and rights to equality in employment, promotion, pay, and transfer of pension entitlements are clearly stated in the constitution. The state shall enforce the rights of women including elimination of the influences of harmful customs and practices that oppress or cause bodily or mental harm to women.

The National Policy on Ethiopian Women (1993) underlines key issues like improving working and health conditions for women; protecting women from harmful traditional practices; empowering women in education and property rights, especially land rights; and engaging them in decision making. It also underlines the need to draw on women’s knowledge, skills, and labor for the overall development of the country. The policy requires and emphasizes that government policy, laws, regulations, plans, programs, and projects should:

- Ensure participation of women in the formulation of government policies, laws, regulations, programs, and projects that directly or indirectly benefit and concerns women;
- Support and encourage participation and involvement of women in implementation and decision-making processes; and
- Guarantee equal access of men and women to the country’s resources.

The GoE has recognized the need for establishing special program and affirmative action to improve the economic status of women in Ethiopia. Major policy changes have been made to integrate gender dimension in development intervention. Affirmative action has been taken to enhance women’s access and control over productive resources such as the revision of credit rules and the establishment of rural credit systems to reach marginalized grassroots women. The formulation of gender indicators in development projects and

programs are some of the examples of gender-sensitive intervention. On the other hand, the institutionalization of gender in all government development programs eventually allows women to benefit from development interventions at all levels.

The Gender Mainstreaming Strategy and Guideline (2010) is to be implemented at policy, program, and project level by government and development partners to ensure the outcomes of development are shared equally between men and women and both men and women enjoy equal opportunities, status, and recognition.

The ratification of the Family Law and amendments made to the criminal code significantly fight abuses committed against women and children. Proclamation No. 377/2003 gives special attention to women and young workers. The proclamation provides protection for women in general and pregnant women in particular from hard work and long hours. The law clearly states that women should not be discriminated against with regard to employment and payment on bases of her sex.

#### **4.6.3.4 Children**

The child population of Ethiopia is estimated to be more than 50 percent of the total population. Significant numbers are exposed to exploitation, abuse, and are victims of violence. In 2011, child labor of children aged 5–14 reached 27 percent and 18 percent for children 5–11 years of age. Furthermore, an estimated 40 percent of children aged 12–14 are engaged in household chores for 28 or more hours in a week.

Article 36 of the constitution states that a child should not be subjected to exploitative practices, perform work which may be harmful to his/her education, health, or well-being, and be free of corporal punishment or cruel and inhuman treatment. Ethiopia has also ratified the Convention on the Rights of the Child and African Charter on the Rights and Welfare of the Child (Proclamation 283/2002).

Proclamation No. 213/2000 (Revised Family Code) and Labor Proclamation No. 377/2003 are the most pertinent laws to prevent child labor in the country. The laws prohibit employment of children aged 14 and less and the engagement of young workers (between 14–18 years) in types of employments that are considered hazardous. The law limits the working hours of young workers to seven hours and clearly states that they should not work nights (10 pm–6am), holidays, overtime, and weekly rest days. Following the proclamation, MoLSA defined the types of jobs young workers should not be engaged in because they are harmful and unsafe.

#### **4.6.3.5 Elderly and Persons with Disabilities**

Article 41 of the constitution (Economic, Social, and Cultural Rights) states that every Ethiopian has the right to access publicly funded social services. Subarticle 5 of the same article stipulates the state, within available means, should allocate resources to provide rehabilitation and assistance to physically and mentally disabled, the aged, and to children who are left without parents or guardians.

Various policies and plan of action have been formulated to protect people with disabilities and the elderly. The most relevant are as follow:

- The National Plan of Action on older persons (1998–2007) give attention to the rights and needs of older persons to make them part of the country's development plans and poverty reduction strategy.
- National Plan of Action of Persons with Disabilities (2012–2021) addresses the needs of persons with disabilities for comprehensive rehabilitation services, equal opportunities for education, skills training and work, as well as full participation in the life of their families, communities, and the nation.
- Proclamation No. 568/2008, Rights to Employment for Persons with Disabilities, makes null and void any law, practice, custom, attitude, and other discriminatory situations that limit equal opportunities for persons with disabilities. It also requires employers to provide



appropriate environment for work, training, and take affirmative measures particularly when employing women with disabilities.

- Building Proclamation No. 624/2009 and Regulation 243/2011 put as a requirement accessibility for the elderly and physically impaired persons in the design and construction of public buildings.
- The National Social Protection Strategy of Ethiopia (2016) is expected to transform the way Ethiopian society cares for its most vulnerable. It is a strategy designed to address social issues in an integrated way focusing on promoting productive safety net, employment opportunities and improved livelihood, social insurance coverage, increase equitable access to basic social services, and provide legal protection and support for citizens exposed to abuse, exploitation, and violence. The strategy has designed instruments to reach long- and short-term objectives including conditional and unconditional social transfer; expansion of public works; providing technical support and financial services; mandatory social insurance and community-based health insurance; establishment of social work system; services for persons with disabilities, the elderly, and mobility constrained persons; enhancing abuse and exploitation prevention communication, provide protective legal and policy environment; support for survivors of abuse and exploitation; and drop-in centers and hotlines.

#### 4.6.4 Refugees

Ethiopia is the second largest refugee-hosting nation in Africa after Uganda. According to UNHCR data, Ethiopia hosts more than 800,000 refugees from over 20 countries, with the majority from South Sudan, Somalia, and Eritrea. There are 28 refugee camps located in 6 regional states (Somali Regional State - refugees from Somalia; Tigray and Afar - Eritrean refugees; and Gambella, Benishangul Gumuz, and Oromia Regional States -refugees from Sudan and South Sudan). Most of the mentioned refugee-hosting areas are known for harsh weather conditions, especially those located in Afar and Somali Regional State. Refugees with special needs (mainly protection concerns and health reasons), including the out-of-camp scheme, are sheltered in the two major urban centres (Addis Ababa and Mekelle).

Ethiopia is party to the 1951 Convention relating to the Status of Refugees, its 1967 Protocol, and the 1969 Convention governing the specific aspects of refugee problems in Africa. Refugees in Ethiopia, whether they live in camps or in cities, were unable to engage in formal employment and have traditionally had limited access to land for agricultural production. One approach to address this issue is the ongoing out-of-camp policy described in the following paragraph.

Ethiopia has agreed to apply the CRRF which aims to (a) ease pressure on countries that welcome and host refugees,(b) build self-reliance of refugees,(c) expand access to resettlement in third countries and other complementary pathways, and (d) foster conditions that enable refugees voluntarily to return to their home countries. Currently, although Ethiopia's refugee policy provides an open door to refugees and asylum seekers, the right to work and freedom of movement for refugees, as adopted in the 1951 Convention relating to the status of refugees, are taken as recommendations rather than legally binding obligations. As such, refugees are not granted the right to work and the majority (with the exception of approximately 20,000 refugees who reside in Addis Ababa under an out-of-camp scheme) live in camps with no prospects for formal employment. The pledges would pave the way for critical improvements that would extend the formal right to work to refugees, including in the manufacturing sector.

The CRRF is the focal point for the government's new refugee policy; its implementation comprises four key elements: (a) the implementation of nine pledges (see table 7), (b) strengthening the legal and policy framework, (c) supporting host populations, and (d) strengthening coordination mechanisms. Integral to the operationalization of the CRRF are the government's nine pledges made during the Leaders' Summit on Refugees. The pledges target a range of socioeconomic benefits for refugees, including expansion of the out of camp policy, improvements in rights and services, and access to work and livelihoods. ARRA and

UNHCR are leading efforts to collaborate with donors, line ministries, and NGOs to materialize the pledges into outcomes that are designed to strengthen the overall protection and assistance provided to refugees to allow them to become more independent. Various technical committees covering the six thematic areas of the pledges have been setup to guide their operationalization under the overall leadership of the CRRF Steering Committee Chairs, comprising ARRA, MoFEC, and UNHCR.

**Table 7. The Nine Refugees Pledges by the Six Thematic Areas**

<b>Thematic Areas</b>	<b>Pledges</b>
<b>Out-of-Camp Pledge</b>	<ul style="list-style-type: none"> <li>Expansion of the out-of-camp policy to benefit 10% of the current total refugee population</li> </ul>
<b>Education Pledge</b>	<ul style="list-style-type: none"> <li>Increase enrollment in primary secondary and tertiary education to all qualified refugees without discrimination and within the available resources</li> </ul>
<b>Work and Livelihoods</b>	<ul style="list-style-type: none"> <li>Provision of work permits to refugees and to those with permanent residence ID, within the bounds of domestic law</li> <li>Provision of work permits to refugees in the areas permitted for foreign workers, by giving priority to qualified refugees</li> <li>Making available irrigable land to allow 100,000 people (among them refugees and local communities) to engage in crop production</li> <li>Building industrial parks where a percentage of jobs will be committed to refugees</li> </ul>
<b>Documentation Pledge</b>	<ul style="list-style-type: none"> <li>Provision of other benefits such as issuance of birth certificates to refugee children born in Ethiopia, possibility of opening bank accounts, and obtaining driving licenses</li> </ul>
<b>Social and Basic Services</b>	<ul style="list-style-type: none"> <li>Enhance the provision of basic and essential social services</li> </ul>
<b>Local Integration</b>	<ul style="list-style-type: none"> <li>Allowing for local integration for those protracted refugees who have lived for 20 years or more in Ethiopia</li> </ul>

## 4.7 Main Risk Management Institutions

### 4.7.1 Overview

The following sections summarize the roles and responsibilities of institutions involved in environment and social management in Ethiopia. Identification of institutional roles and responsibilities considers potential environmental implications of supported activities and the requirements of OP/BP 9.00. The following points shall be noted when assessing respective institutions:

It is worth considering that, in general, all government institutions in Ethiopia have varying strengths and weaknesses that may affect the implementation of Program goals. A clear strength is that institutions of the government are present from federal level right through to local community level in every region. Weaknesses can include skills and capacities but also have clear political economy dimensions.

- (a) There are mixed incentives to producing data that accurately reflects conditions on the ground. Evidence can at times be subject to political interpretations that can create overcounting, undercounting, or lack of knowledge on numbers or conditions. It will be important that the veracity of evidence and data be ensured at federal and subnational levels.
- (b) Large government programs, serving millions of people across the country, have tended to be ‘top-down’ in design and application. This is often for good reason and can be an effective way of doing the most with limited (human and financial) resources. However, feedback, beneficiary participation, and flexibility have all been limited (or nonexistent) in government programs, which has drawn criticism. This Program should ensure that beneficiaries are able to participate fully in developing their economic opportunities and able to access GRMs and social protections in the event of challenges arising.

- (c) On the whole, Ethiopian government institutions suffer from under resourcing and a lack of appropriate capabilities. Yet, political will has proven to be a powerful force in ensuring seemingly weak institutions can be harnessed to deliver. In the end, it will be political will that will ensure the success of the Program, more than institutions that are completely capacitated to do the job.
- (d) Coordination across government bodies can be difficult, with the PMO often acting as the de facto coordination hub. In addition to this, it is rare to see coordination horizontally between regional bureaus or zonal offices across the country; coordination tends to be channeled through the federal institutions. Given the scope and ambition of the EOP, which requires multidisciplinary actions, coordination will be essential and will need to be encouraged, including with the wider CRRF process. It will also be useful to facilitate lesson learning between industrial parks directly rather than always through federal government institutions.

#### 4.7.2 The Ministry of Environment, Forest, and Climate Change

According to Proclamation 916/2015, MoEFCC has been bestowed with, among others, the following powers and duties:

- Coordinate activities to ensure that the environmental objectives provided under the constitution and the basic principles set out in the Environmental Policy of the country are realized
- Establish a system for evaluation and decision making in accordance with the EIA Proclamation, the impacts of implementation of investment programs and projects on environment before approvals of their implementation by the concerned sectoral licensing organ or the concerned regional organ
- Coordinate actions on soliciting the resources required for building a CRGE in all sectors and at all regional levels, as well as provide capacity-building support and advisory services
- Establish an environmental information system that promotes efficiency in environmental data collection, management, and use
- Enforce and ensure compliance with the EIA Proclamation which currently is being implemented through delegated authority provided to sector ministries
- Review EIAs and monitor the implementation of EIA recommendations which is also in part being implemented through delegated authority provided to sector ministries
- Regulate environmental compliance and develop legal instruments that ensure the protection of the environment
- Ensure that environmental concerns are mainstreamed into sector activities
- Coordinate, advise, assess, monitor, and report on environment-related aspects and activities

**Sector environment units.** The other environmental organs stipulated in the Environmental Protection Organs Establishment Proclamation (295/2002) are ‘Sector Environmental Units’ which have been established in some of the line ministries, including MoI. These sector environment units have the responsibility of coordinating and implementing activities in line with environmental protection laws and requirements (Article 14, Proclamation 295/2002).

Article 13 of the EIA Proclamation 299/2002 requires that public instruments undertake EIA. To this end, Sector Environment Units play an important role in ensuring that EIA is carried out on projects initiated by their respective sector institution. However, capacity of these units is limited.

**Delegated authority.** MoEFCC has delegated authority to sector institutions to ensure implementation of EIAs in their sector and to undertake EIA reviews. For instance, the Ministry of Industry, Agriculture, Mining as well as the Ministry of Water, Energy, and Irrigation are responsible for ensuring that an EIA is undertaken on their sectoral projects and to review the EIA. This delegation has been communicated to the sector ministries through an official letter sent by the Federal EPA.

#### **4.7.3 Regional Environment Protection Forest and Climate Change Authorities**

At the regional level, there are environmental bureaus to implement environment-related issues including the preparation of policies, legal framework, and directives within their respective regions.

Proclamation 295/2002 requires regional states to establish or designate their own regional environmental agencies. The regional environmental agencies are responsible for coordination formulation, implementation, review and revision of regional conservation strategies, as well as environmental monitoring, protection, and regulation. Relating to EIA specifically, Proclamation 299/2002 gives regional environmental agencies the responsibility to evaluate EIA reports of projects that are licensed, executed, or supervised by regional states and that are not likely to generate interregional impacts. Regional environmental agencies are also responsible for monitoring, auditing, and regulating implementation of such projects. The institutional standing of regional environmental agencies varies among regions. In some regions, they are established as separate institutions, while in others they are within Regional Sector Bureaus (for example, Bureau of Agriculture).

#### **4.7.4 Zonal and Woreda-level Environmental, Forest, and Climate Change Authorities**

The ESSA team identified that institutional structure at regional, zonal, and woreda level vary from region to region. In some regions, the environmental organs are embodied within the Environmental Protection and Land Use Administration Bureaus, whereas others have kept the same stand-alone structure with the national level, that is, the Environment, Forest and Climate Change Authority. In both arrangements, the roles and responsibilities of the local environmental organs are the same. These are safeguards documents for the review and clearance and monitoring of environmental management, as delegated by the regional bureau only for category B projects. However, the existing capacity to manage the environmental safeguards at the local level is very limited and required a capacity development program to improve the existing capacity in these matters. Among others, the responsibilities of zonal- and Woreda-level environmental organs are to

- Coordinate activities to ensure that the basic principles set out in the Environmental Policy of the country are realized;
- Establish a system for evaluation and decision making, in accordance with the EIA Proclamation, the impacts of implementation of investment programs, and projects on environment before approvals of their implementation by the concerned sectoral licensing organ or the concerned regional organ;
- Enforce and ensure compliance with the EIA Proclamation which currently is being implemented;
- Review EIAs and monitor the implementation of EIA recommendations;
- Regulate environmental compliance that ensure the protection of the environment;
- Ensure that environmental concerns are mainstreamed into sector activities; and
- Coordinate, advise, assess, monitor, and report on environment-related aspects and activities.

#### **4.7.5 Ministry of Labour and Social Affairs/Regional Labour and Social Affairs Bureaus**

MoLSA has the responsibility to ensure harmony between employers and employees, maintain employees' health and safety at workplace, improve working conditions and environment, promote efficient and

equitable employment services, and maintain developmental social welfare of citizens. Implementing OHS, public safety, social welfare protection activities and prevention of child labour are also among the mandates, roles, and responsibilities of MoLSA. Overall, the ministry shall have the following powers and duties:

- Encourage and support workers and employers to exercise their rights to organize and collective bargaining
- Encourage the practice of participating in bilateral forums between workers and employers and tripartite forums including the government
- Establish efficient labour dispute settlement mechanisms
- Issue and follow up the implementation of OHS standards
- Create conducive conditions for the provision of efficient and equitable employment services, determine conditions for the issuance of work permit to foreigners, issue such permits and incorporation with the relevance bodies, supervise compliance therewith, and regulate the provision of foreigners' employment services to Ethiopians
- Undertake studies on (un-)employment in the formal and informal sectors as well as occupational classifications
- Register workers' and employers' unions established at national level
- Register workers' unions and collective agreement relating to federal public enterprise situated in cities accountable to the federal government, and carry out labour inspection services in such enterprises; provide conciliation services to amicably settle labour disputes arising between employers and employees
- In cooperation with the concerned stakeholders, undertake and facilitate the implementation of studies on ensuring and improving social well-being of citizens in particular, on:
  - enabling conditions for persons with disabilities to benefit from equal opportunities and full participation
  - care to the elderly and the encouragement of their participation
  - prevention of social problems and rehabilitation services

Regional governments have established a bureau/agency responsible to implement the national vision and set mission of the ministry. Woreda and town administrations have offices whose responsibility is investigation and supervision of establishment (manufacturing plants) to ensure that all stakeholders are adhering to Proclamation 377/2003. Ensuring rights and interest of persons with disabilities and the elderly is included in policies and laws of federal and regional governments and are mainly the duty of the ministry. By the same token, even though the implementation of the National Social Protection Strategy is a consorted effort of all government organs, the responsibility mainly falls on the ministry.

In addition to MoLSA, the Ministry of Construction is responsible for ensuring public and workers' safety at construction sites. Regional governments have adopted different approaches to establish a body responsible for the construction sector, as a department within the bureau of urban development, housing, and construction (Amhara region) or an independent bureau of construction (Oromia region). All Local Government Units visited have offices/core processes of construction reflecting regional structures.

Nationally, 537 labor inspectors were available in 2017 and 46,800 enterprises had been inspected (about 67 percent); the inspection plan up to 2020 notes 95,000 enterprises to be inspected. The inspection activity is being done every 90 days. The national level of labor inspection is 35.6 percent; the low figure is a consequence of a lack of labor inspection services manpower in relation to the large number of enterprises.

#### 4.7.6 Grievance Redress Mechanisms

The constitution does provide a broad framework for systematizing the GRM concept, with its emphasis on respect for human rights and fundamental freedoms, especially the right of access to justice, rule of law, and democratic governance. The Civil Service Reform Program (1996) influenced reforms to the federal and regional state administrative systems, providing the stimulus for the GRMs that are being implemented in various jurisdictions, particularly on the regional level. Subsequently, the GoE pushed the GRM concept even further toward sustainability by making grievance redress a key goal of the Business Process Reengineering (BPR) initiative. The handling of citizens' grievances was given an important place in the BPR package that was distributed to regional and woreda governments, and a draft grievance handling guideline was circulated as part of the BPR package. Thus, the BPR provided the impetus and the initial template for the establishment of GRMs in a number of regional states and municipalities, most notably Tigray, SNNPRS, Benishangul-Gumuz, and Addis Ababa. The GRM covers a wide range of sector-specific grievances across national and subnational governments.

##### **Proclamations, Regulations, and Guidelines**

Proclamation No.211/2000 provided for the establishment of the Ethiopian Institute of Ombudsman (EIO), a federal-level institution accountable to the Parliament.

A number of regional states (most notably Amhara and Tigray) have begun creating grievance procedures based on global best practice standards, provide citizens with a forum to complain about governmental maladministration, and seek redress for any harm. Amhara has grounded its GRM in a legislation approved by the regional cabinet council. Tigray used Amhara's GRM procedures as a benchmark for its draft regulation and procedures manual. Other regional states—SNNPR, Benishangul-Gumuz, and Oromia—used the GRM from the two regional states as a model for strengthening their existing GRMs. Relevant to this review, the Amhara National Regional State (ANS) Directive No. 7/2002 provides for an expeditious decision-making system with regard to expropriation of urban land. It sets out the composition of the jury members: a justice officer as chairperson, two residents of the town where the land is located, and two representatives of government offices. The decision of the Appeals Court regarding basic land expropriation issues is final; however, an appellant could take the cases related to the amount of compensation, delays in payment, or similar cases all the way up to the High Court.

##### **Local Mechanism in Resolving Conflict**

The 'arbitration or reconciliation by elders' is a widely used informal mechanism in resolving conflicts in many parts of the country. Although the term has different names among different ethnic groups it has a common characteristic in that elders are the main people involved. For instance, among Gumuz ethnic group, it is called Mangima. It is the most important traditional institution for preventing, resolving, and managing ethnic conflicts of different scales and levels in different parts of the country. Through the application of the Mangima institution, the interethnic conflict between the Gumuz and other ethnic groups that were resettled in Metekel was somehow settled. Gradually, however, these traditional conflict resolution mechanisms have started to erode for various reasons. According to some elders, Ethiopian state administration took conflict management responsibilities from clan and group leaders and placed it in the hands of the local Kebele administrations.

Both formal and informal systems of dispute resolution can be discriminatory to women, children, and other disadvantaged groups. Decision making is influenced by the political ideology of the government on one hand, and on the cultural norms of the elders on the other.

Table 8 is a summary of traditional conflict redress mechanisms in host communities as captured by the social assessment conducted for the DRDIP in 2016.

**Table 8. Summary of Local Conflict Redress Mechanism**

<b>Community/Ethnic Group</b>	<b>Conflict Redress Mechanism(Traditional)</b>	<b>Members Composition</b>
Agnewaha in Abol woreda	‘Juatut’ is the traditional mechanism to solve conflict. If it escalates from this level, it will follow the formal mechanism starting from Kebele to the highest level judiciary structures.	Recognized elders from the community, representing both males and females
Nuer in Itang Special Woreda	‘Ruach’ is the primary mechanism. If it is beyond the control of the elders, it will follow the formal mechanism starting from Kebele to the highest-level judiciary structures.	Recognized elders from the community, representing both males and females
Berta in Homosha woreda	‘Mebi Lowendi’ refers to arbitration through mediation of elders; both sexes are represented in this case as well.	Community elders
Mao-Komo special woreda	‘Jarsuma’ refers to arbitration through mediation of elders as the main traditional mechanism; if it escalates from this level, it will follow the formal mechanism starting from kebele to the highest level judiciary structures.	Community elders
Afar	‘Mebloo’ in Afar refers to dispute settlement among the afar communities.	Elderly people and Clan leaders
Somali	The dispute resolution is locally called ‘Odiyash Deganka’ in Somali.	Clan leaders called ‘Ugas’. If the case is not settled by the ‘Ugas’, the highest leader of all clans called ‘Wamber’ will be involved.

### **Institutional Roles and Responsibilities for GRM**

The EIO, with six regional branches, is a federal entity accountable to the Parliament. It ensures that citizens’ constitutional rights are not violated by the executive organs, conducts supervision to ensure the executive carries out its functions according to the law, and receives and investigates complaints about, and seeks remedies for, maladministration.

Regional Public Grievance Hearing Offices (PGHOs) are regional entities, accountable to their regional presidents that receive appeals, complaints, and grievances related to public services and good governance, investigate, and give recommendations and decisions to resolve them. Most regions have established their PGHOs and have branches at zonal, woreda, and kebele levels that are accountable to their respective chief administrators. There are wide variations in the availability and application of GRMs in the regional states.

The Civil Service Charter of sector offices was designed by the Ministry of Civil Service in 2012 to serve as government institutions’ mechanism to address citizens’ complaints. Other internal complaint-handling mechanisms of sector offices/agencies—project management committees, focal persons—exist at the woreda level.

Information and complaint-handling desks exist in woreda or city administration offices, in some cases as pooled offices, to serve as information and complaint-handling centers in accordance with the guideline on woreda good governance.

Urban and rural social courts as complaint-resolving/reconciling bodies are responsible for hearing and resolving grievances. Disputes between employer and workers are also treated at such courts. However, the courts are normally inaccessible and usually inappropriate for complaints about service delivery, maladministration, and improper hiring practices for selecting candidates for government employment.

**ARRA, woreda, and kebele administration for areas around refugee camps.** The conflicts between the refugees and host communities have been addressed by a committee composed of the host community members, refugees' conflict-handling committee members, ARRA, and kebele and woreda administrators.



## 5 INSTITUTIONAL CAPACITY ASSESSMENT OF KEY PROGRAM PARTNERS

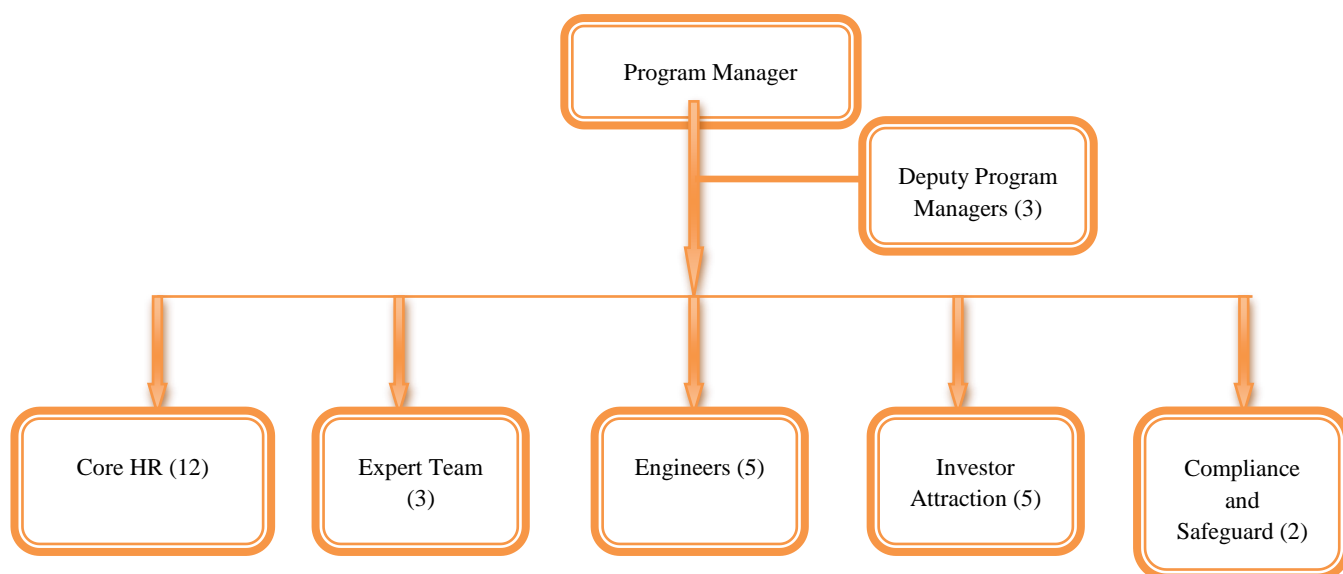
To assess the existing capacities, practices, and experiences of environmental and social management, the ESSA team conducted focus group discussions and field assessments with representatives of the Program implementing agencies/ministries. The assessment was focused on the quality and efficacy of environment and social management systems applied by the institutions, particularly focusing on institutional capacity, structure, practices, procedures, mechanisms, and effectiveness of implementation.

### 5.1 Program Setup

The current Jobs Compact Technical Committee is chaired by MoFEC and includes the EIC, IPDC, ARRA, UNHCR, as well as the Jobs Compact donors (World Bank, DFID, European Union, EIB). The Technical Committee currently reports to a high-level Steering Committee chaired by MoFEC that provides strategic guidance and includes the EIC, ARRA, IPDC, MoI, and heads of development partner agencies.

As noted above, currently, the Jobs Compact governance structure includes a technical committee that guides the day-to-day progress of the Program. However, there is a plan to establish a technical working group under the CRRF Secretariat that will be part of the overall governance structure for the Program once it is setup. The CRRF governance structure covers all nine pledges established by the government, with technical working groups established to lead each of the pledge areas. Under the leadership of the Steering Committee, technical working groups will guide the implementation of the pledges. The work/livelihoods technical committee will guide implementation in relation to the EOP. The structure and staffing of the PCU is shown in Figure 3. Specialized technical expertise, including compliance and safeguards, will be hired as part of the overall PCU team.

**Figure 3. Structure and Staffing of the PCU**



The roles and responsibilities of the institutions in implementing the EOP components and associated DLIs are summarized in table 9.

**Table 9. DLI Implementing Institutions**

No.	Program Component	DLI	Implementing Institution
1	Refugee-related employment and protection	Number of refugees with access to economic opportunities	EIC, ARRA, MoLSA
2	Improving the broader investment climate (also	Targeted investment mobilization and export marketing including investor recruitment,	EIC

No.	Program Component	DLI	Implementing Institution
	including selected investment promotion and export marketing activities)	generation of investment leads, and active encouragement of buyer-supplier relationships in priority and competitive sectors, and aftercare	
3	Improving labor productivity	Introduce and publicly disclose ‘Better Work’ report on factory-level compliance, including compliance with minimum standards for housing provided to employees.	EIC, MoLSA, IPDC
4	Improving sustainability of existing industrial parks	Develop a value proposition for private participation in Ethiopia’s industrial park program. The DLI on ‘Better Work’ will also support the government’s program on this endeavor.	EIC, IPDC
5	Fiduciary Systems Strengthening	Procurement Directives and Manuals issued and used by IPDC and ARRA based on a legal framework issued by Federal Government Unqualified or clean entity financial audit report of the IPDC	ARRA, IPDC
6	Safeguards System Strengthening	An established environmental and social risk management system addresses respective risks	EIC, IPDC, MoLSA, ARRA

The institutional arrangement designed to implement the EOP components follows the duties and responsibilities of the implementing agencies and ministries. As stated earlier, the main counterpart agency for the PforR is the EIC, which is responsible for overall coordination and implementation of the EOP. The EIC is an institution responsible for promoting and facilitating investments in Ethiopia and its services include promoting the country’s investment opportunities, issuing investment permits and renewals, and issuing work permits. In addition, the EIC has the mandate to advise the government on policies to improve the investment climate. The EIC is overseen by the Ethiopian Investment Board, a governing body chaired by the Prime Minister and composed of government officials designated by the Prime Minister, wherein the EIC serves as its Secretariat.

The IPDC is responsible for the development and administration of industrial parks, construct industrial buildings, lease developed land, lease and transfer land, lease buildings, prepare detailed national industrial parks master plan, and serve as the industrial park land bank in accordance with the agreements concluded with regional governments. The IPDC is also mandated by the government to collaborate with the concerned bodies to ensure that necessary infrastructure is accessible to industrial parks developers.

MoLSA is responsible, among others, for maintaining employee’s health and safety at the workplace, improve working conditions and environment, promote efficient and equitable employment services, and maintain developmental social welfare of citizens.

ARRA has a prime responsibility for managing all refugee camps in Ethiopia and ensure protection and assistance in partnership with UNHCR and other humanitarian actors. ARRA has six zonal and one liaisons coordination offices under it at different regions of the country.

## 5.2 Ethiopian Investment Commission

### 5.2.1 Role

The main counterpart agency for the EOP PforR is the EIC, which is responsible for overall implementation of the EOP. The EIC will be the lead agency for the proposed PforR and will be supported by PCU that will be established in the EIC. The lead agency (EIC) will also be responsible for coordinating with other responsible and implementing agencies including ARRA, IPDC, and MoLSA for the implementation of the DLIs. The PCU will have the overall responsibility for implementation, financial management, and any procurement and reporting for the PforR. The PCU will be staffed with a Program Coordinator as well as

technical and administrative staff. Monitoring and evaluation will also be carried out by the PCU in collaboration with the key implementation agencies/ministries identified to support the Program results.

### 5.2.2 Organization/Structure

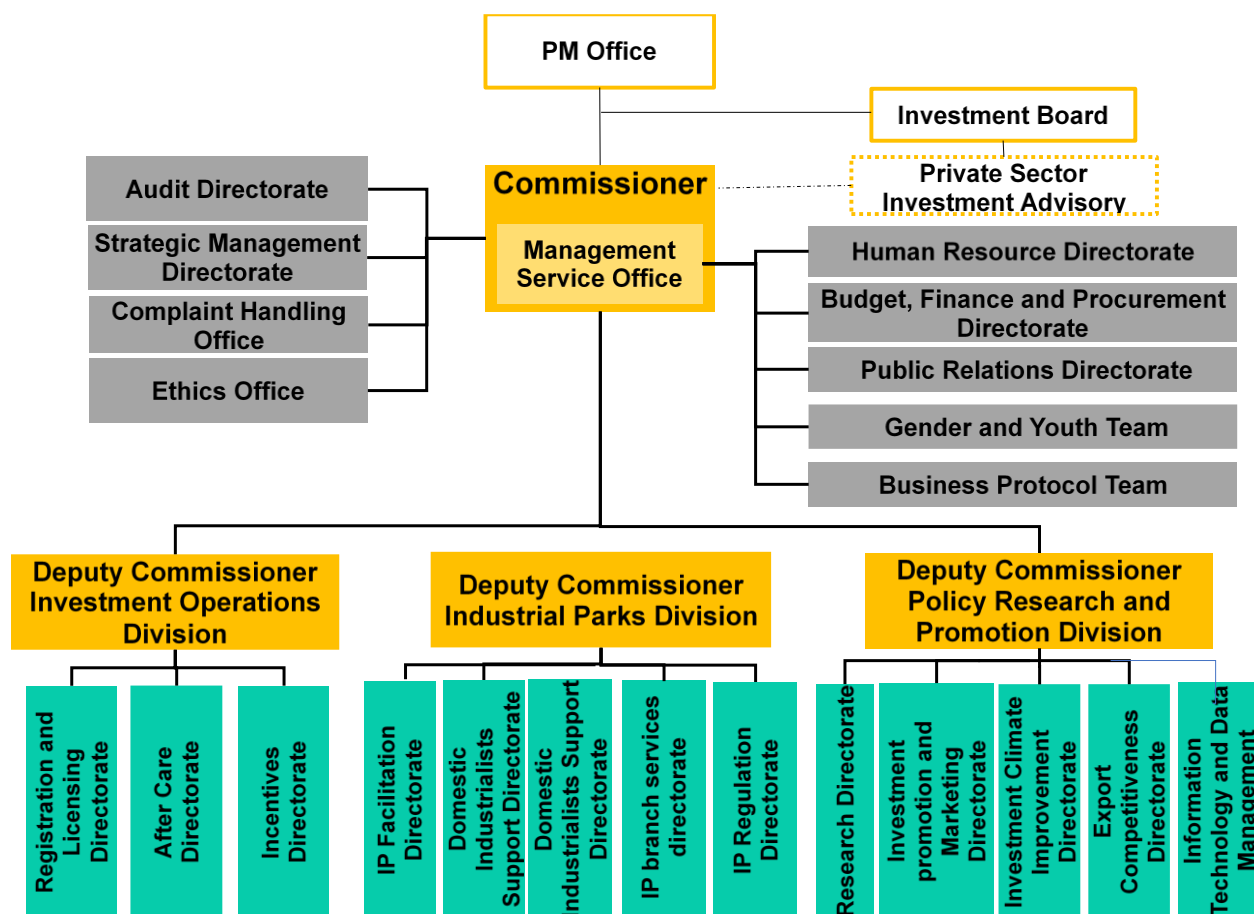


Figure 4. Organogram of EIC

Source: EIC Revision of Organizational Structure, 2017.

### 5.2.3 Environmental and Social Practices

Environmental and social management practices in the EIC are carried out in connection with processing and facilitation of applications to obtain investment permit and business licenses. The EIC considers environmental protection, health, and safety requirements as essential conditions that need to be met by investors applying to obtain business licenses. Investors are required to undertake an EIA study when they secure the land for their investment projects. The EIA study should be submitted to the appropriate federal or regional environment protection body for review and approval and needs to obtain environmental clearance certificate. Fulfillment of the environmental requirement is one of the key elements considered in the decision process to award investment permits and business licenses to the investors. In this regard, the EIC states that there is an ongoing cooperation with MoEFCC and regional EPFCCs on enforcing the environmental requirements during investment and business licensing. The EIC also reportedly exercises a certain level of environmental compliance monitoring on those investment projects to which it has awarded the licenses. It endeavors to rectify environmental noncompliances and related complaints by providing necessary advice as well as by suspending investment incentives in extreme cases. In addition, the commission is responsible for issuance of the investment permit to the industrial park developers, industrial park operators, or industrial park enterprises to carry out industrial park development-related activities. The

agreement is to be made between the commission and the industrial park developer to design, construct, and develop or to provide other services within the industrial park.

In terms of institutional capacity for environmental and social management, the EIC does not have a team or unit dedicated for environment and social management. The Investment Regulation Directorate, which is generally responsible for processing and follow-up of the investment permit and business license applications, is the department in charge of enforcing the environmental requirements. The Investment Regulation Directorate is reported to consist of one environmentalist among the larger team of experts in the Directorate. Review of the recently updated organizational structure also reveals that the ‘Aftercare Directorate’ will be responsible for the follow-up and facilitation of EIA requirements. The assessment revealed that the EIC has no social development specialist responsible for social due diligence. In general, EIC has shortage of skilled labor for conducting environmental and social compliance in investment projects and lacks a structured approach to implementation of environmental and social requirements. Hence, it is vital to recruit social safeguard expertise under the Industrial Regulation team and assign a social safeguard expert at the Program Management Unit that would be housed in the EIC to oversee the implementation of social and environmental measures. The assessment identifies the absence of sector-specific guidelines to manage resettlement issues by private investors. The assessment shows that a systematic guideline and information on social risk management such as land acquisition, compensation, resettlement, and the standards to comply with are not available to the investors.

Regarding grievance handling, the EIC has a complaint-handling unit which deals with issues raised by investors. However, for the workers at the industrial parks, no GRM is available at the industrial park level for the visited industrial parks. The workers who are familiar with MoLSA and the Agency for Labor and Social Affairs come all the way from industrial parks to report or file their grievance to harmonious industrial zone labor offices in Addis Ababa; obviously very far from their workplace. Therefore, GRM is one area that requires strengthening at the industrial park level.

The EIC is also mandated to coordinate the OSS with representatives from different government offices. Each industrial park has an OSS which comprises representatives from the ministry offices and other offices, namely, the MEFCC, MoLSA, Ethiopian Textile Industry Development Institute (ETIDI), Customs Authority, Immigration Agency, and utilities (telecommunication, electric power, and bank service). Currently, the two important environmental and social compliance regulators, the MEFCC and MoLSA, have not assigned their representatives to the OSSs visited. Under the institutional arrangements for service delivery for the investors, the EIC is delegated by MoLSA to issue work permits but no mandate has been given to oversee other social and labor issues such as labor safety and health inspection at the industrial park level. The expectation from the EIC is that it will receive delegated authority from MoLSA to act on its behalf. Therefore, in addition to deciding on the specific labor standards to be applied as well as sufficient planning and reporting, areas needing action include establishment of labor unit with a standard to be uniformly applied across individual firms in the industrial parks. The EIC is in the process of establishing a Labor Unit, which will be housed within each industrial park’s OSS. The main purpose of the Labor Unit will be to systemize a mechanism of inspections to ensure that working conditions within each industrial park are of an internationally recognized standard. As part of the unit, the required labor inspectors will be hired.

The gender team at the EIC headquarters is responsible for all gender issues in the commission. Before the recent restructuring by the commission, the Gender and Youth team was under the Gender Directorate. The team works very closely with MoWCA and meets every quarter with the ministry office. Currently, there are two staff—Gender team leader and expert in the Gender and Youth team. The staff were trained on gender auditing and analysis two years back. The team has different manuals/directives including a Gender Auditing Manual and an OHS directive, among others, to guide them to perform their gender activity. As part of assessing the situation of workers at the parks, who are mainly women and youth, the team has done workplace health and safety assessments in different investment sectors based on prepared checklists. Considering the number of industrial parks and gender issues, the current two vacant positions on gender

at the headquarters need to be filled. There is also budget constraint to performing gender mainstreaming activities as well as a need for capacity-building trainings which need consideration for effective implementation of activities by the team.

### **The Role of Investors and Buyers in Environmental and Social Compliance Issues**

The factory owners collectively or individually make requests to the MEFCC and MoLSA to visit their factories and to do the inspection on the environmental and social compliance to get clearance certificates from these ministries to meet the interest and requests of their buyer's requirements. Consequently, buyers place their orders after the confirmation received from the concerned body.

Buyers also hire international audit consultants who visit the country to perform environmental and social assessments in the respective factories. In addition, the contracted audit consultant hired by a buyer may inspect whether the PAP are well-compensated, observe their livelihood restoration, and make provisions for social and basic services through interviewing them. However, during the ESSA, the team was not able to collect documentation for verification.

## **5.3 Federal Ministry of Labor and Social Affairs**

### **5.3.1 Role**

The responsibilities for the enforcement of workers and public safety are mainly delegated to MoLSA in Ethiopia. The Labour Law (Proclamation No.377/2003), and the National Policy and Strategy on OHS published in July 2014 are the main instruments applied to run the OHS enforcement and inspection systems in the country. The proclamation covers health and safety at work, harmonious industrial relations and minimum workplace standards, and addresses workplace vulnerability. Article 92–93 of the proclamation defines obligation of employers and employees in the workplace including assignment of safety officers and health committee. All of the Regional States in Ethiopia has adopted Labour Proclamation No.377/2003 as it is and are applying it by establishing a Labour and Social Affairs Bureau as counterpart to the Federal Ministry.

MoLSA is one of the identified ministries for EOP implementation. Its roles and responsibilities in EOP implementation will assume dual aspects as service provider and regulator. The role of MoLSA in implementing the Program component on refugee-related employment and protection will largely engage it in providing its services to the refugees to issue work permits in coordination with ARRA. On the other hand, the EOP component on Improving Labor Productivity will engage MoLSA in implementing its regulatory function in relation to OHS which is an important part of the 'Better Work Program' to be complied with at factory level. According to Article (15) of Council of Ministers Regulation No.417/2017 on industrial parks which specifies the type of services to be offered in the OSS centers, "the follow up and giving support regarding the safety and health of workers in relation to work" is among those identified. MoLSA will have a prime role in providing these services in line with its core duties and responsibilities as stipulated in the labor law, which will contribute toward the realization of the 'Better Work Program'.

### **5.3.2 Environmental and Social Practices**

The consultation with MoLSA confirmed that there are written regulations for OHS management system based on which the ministry is able to provide support to the public enterprises. In addition to preparing guidelines, brochures, directives, and labor policy, the Harmonious Industrial Relations Directorate of the ministry provides technical support to the regional Labor and Safety Affairs Offices on areas including OHS, labor inspection, and harmonious industrial relation activities. For more effective implementation of the regulations, capacity at federal, regional, and city level of the visited Labor and Social Affairs Offices needs strengthening.

The assessment identified that the ministry office does not have a mandate to monitor and provide support to the industrial parks directly but via the OSSs; however, provision of respective staff is lacking. When some incidences related to safety occurs, the ministry will interfere and examine the situation. The

consultation revealed that the city-level labor and social affairs such as Addis Ababa Labor and Social Affairs office have the mandate to perform or monitor any OHS and social compliance within the industrial parks; however, the discussion with Addis Ababa Labor and Social Affairs office revealed that it does not perform any OHS compliance in the industrial parks due to capacity gap. Though there are well-written regulations on labor and working conditions and MoLSA's structures at regional, city, and woreda levels are mandated to inspect labor conditions within their coverage, there is big resource and staffing constraints to fully monitor and supervise social compliance. There needs to be improved commitment, provision of finance for logistics, and placement of additional staffs to conduct rigorous OHS assessment and to oversee overall labor compliance issues.

### **5.3.3 Administration for Refugee and Returnee Affairs (ARRA)**

#### **5.3.3.1 Role**

ARRA has a prime responsibility for managing all refugee camps in Ethiopia and ensure protection and assistance, in partnership with the UNHCR and other humanitarian actors. ARRA has six zonal and one liaisons coordination offices under it at different regions of the country. Its major strategic objectives and wide activities are according to their self-description:

- (a) Continuing and strengthening the country's asylum and protection policy of refugee
  - (i) Opening up our borders to all incoming asylum-seekers seeking a safe-haven in Ethiopia
  - (ii) Improving refugee hospitality through establishing a modern and fast and registration system
  - (iii) Providing fast and integrated emergency response in the advent of any massive influx through the early development of contingency plans
- (b) Maintaining the physical safety of refugees and avoiding potential security threats emanating from refugee themselves
  - (i) Strengthening refugee structures to enable refugees maintain their own safety and peace of their surrounding areas
  - (ii) Creating and establishing new outreach and awareness raising mechanisms to scale up people to people activities
  - (iii) Modernizing refugee and community services to provide transparent, quality services
- (c) Improving access and quality of basic and social refugee services
  - (i) Improving education services and expand coverage in preschool, primary, and secondary schooling through construction of new schools, upgrading teacher's capacities, and availing teaching aids and materials
  - (ii) Availing capacity-building support to government universities to increase their current refugee enrollment of 1,700 to 2,500
  - (iii) Providing a quality health care service through mainly strengthening health extension package programs and prevention of epidemics occurrence with a particular focus on overall prevention works
  - (iv) Improving productivity of surface water and groundwater to provide pure drinking water of 20 liters per person per day
  - (v) Increasing shelter coverage to 100 percent through refugee participation by constructing environment-friendly, cost-effective, and durable refugee houses

- (vi) Providing cash assistance in replacement of selected food and non-food items to meet refugees' non-food items and food needs
- (vii) Maintaining and upgrading in-camp and main roads to ensure access to refugee camps and hence improve service delivery
- (d) Expanding income-generating and livelihood opportunities to refugee and hosting communities
  - (i) Creating conducive environment to assist refugees engage in small-scale business, agriculture, and related livelihood interventions
  - (ii) Establishing enabling environment to improve refugee lives by allowing them to have access to work permits, driving licenses, right to own property, to open a bank account
  - (iii) Allowing more than 80,000 refugees to live out of camps, creating an enabling environment to self-sustain and engage in income-generating activities
  - (iv) Granting local integration opportunities for some 40,000 refugees who stayed in the country for over 20 years to enable them to improve their economic situation
  - (v) Benefiting 50,000 individuals each from the Somali refugee as well as hosting communities residing in and around Genale river through the application of irrigation schemes to increase their crop productivity
  - (vi) Allowing some 30,000 refugees to be able to get employment in the industrial parks
  - (vii) Providing work permits to refugee graduates in areas permitted for foreign workers by giving priority to qualified refugees
- (e) Advancing organizational implementation capacity
  - (i) Redesigning organizational structure and adopting new rules and procedures to ensure the delivery of fast and quality refugee service
  - (ii) Strengthening communication and image-building activities to ensure and expand organizational outreach works
  - (iii) Deploying modern technology and employing automation in the day-to-day operations of the organization to provide fast and efficient services
  - (iv) Establishing a modern, efficient, and compliant financial and procurement management system to support the successful achievement of organizational mission
  - (v) Devising human resource development strategy to improve organizational implementation capacity
  - (vi) Creating a welcoming, comfortable, and friendly working place to increase staff performance
- (f) Scaling up environmental protection activities and ensuring hosting communities benefit from refugee programs
  - (i) Expanding renewable energy and employing energy-saving technologies to mitigate natural resource degradation
  - (ii) Rehabilitating refugee affected surroundings, with the involvement of refugees, by scaling up tree planting, water, and soil

### 5.3.3.2 Environmental and Social Practices

Implementation results are much more moderate. The environment desk of ARRA was started as early as 2011 after the Climate Change Adaptation Program was formulated to address the impact of climate change on refugees. Environmental management programs and practices of ARRA mainly target mitigating the environmental impacts of refugees. Refugees utilize natural resources found around the camp areas to build their shelters and fetch fuelwood for cooking, heating, and lighting, which causes deforestation and land degradation. Moreover, some refugees also maintain livestock which can cause overgrazing, poor regeneration of natural vegetation, and the depletion of water sources in certain areas. To address such refugee-related environmental challenges occurring around the refugee camps, ARRA, in collaboration with its partners, started to implement environmental management strategies focused on environmental rehabilitation and environmental protection. The environmental rehabilitation programs were directed at planting trees and building terracing and check dams to prevent soil erosion by mobilizing refugees and local communities. On the other hand, the environment protection programs were focused on providing alternative energy sources such as fuel-efficient stoves, solar cookers, ethanol-powered stoves, and so on. As a result, the existing experiences and practices of ARRA in environmental management revolve around implementing such environmental conservation and alternative energy provision programs. Apart from this, during site selection for establishing new refugee camp, a committee is usually formed to carry out site selection based on established national and international criteria. The set of criteria applied includes existence of water bodies, potential for natural resource degradation, land use, host community aspects, social conflict issues, and so on that address environmental and social concerns during site selection. However, an EIA study is not carried out on the selected sites for refugee camp establishment. For this reason, ARRA has limited capacity and experience on carrying out environmental and social screening of subprojects and following up with associated EIA procedures. It appears to be less aware about the national EIA requirements, procedures, and the World Bank safeguard policies.

Environmental audit is also exercised to some extent by ARRA with the help of its partners. During the focused group discussion with relevant ARRA staff, it was noted that few environmental audit studies aiming to assess and quantify the scale of natural resource degradation by refugees (for example, Environmental Audit of Dolo Ado Area to quantify deforestation by refugees and host communities) were carried in the past with financial help of partners. However, such environment audit practices were dependent on availability of donor support and it was not sustained.

With regard to OHS management, ARRA appears to have a commendable system for ensuring that OHS aspects are included in the relevant Program Partnership Agreements (PPAs) that it signs with the implementing and operating partners. In PPAs, for example for vocational trainings, the inclusion of OHS articles that ensure provision of personal protection appliances and safety features to the trainees is mandatory. The implementation of this article during the course of Program implementation is monitored by the Program offices, environment and health officers, and the M&E personnel.

The institutional capacity of ARRA in the area of environmental management is limited. The environment desk found in ARRA head office is staffed by a single environment officer and is found under the Program Implementation and Monitoring Department. The six zonal offices of ARRA also have one environment officer each. ARRA runs its environmental programs in collaboration with its implementing and operating partners. The implementing and operating partners which could be national or international NGOs and local government agencies are the ones that carry out natural resource conservation and alternative energy provision activities on the ground in and around the refugee camps. Thus, the main purpose of the environment officers at the head office and in the zonal offices is to carry out monitoring and evaluation of the natural resource conservation and alternative energy provision programs implemented by the implementing and operating partners in the refugee camps.

Regarding social risk management, there is a social protection department at the federal as well as zonal level that performs among other duties' provision of protection within and outside of refugee camps to



refugees. With the introduction of EOP having a different approach than previous structures, additional protection officers will be required on the one hand to provide protection to refugees once they are out of camp and on the other hand to help refugees integrate themselves into the labor force as well as the host communities.

A GBV officer is available at the headquarters, who is responsible for working with all five zonal office social workers/NGOs. At the zonal office, there is a social worker who works with NGOs at the camp level. There is a Standard Operating Procedure (SOP) or manual prepared for each operating area which is in use by the officers for prevention of and response to sexual and gender-based violence (SGBV) within the camp and outside. There are projects run by nongovernment profit organizations like the International Red Cross and Norwegian Relief Centre working with ARRA at the zonal level on raising awareness on sexual harassment, violence, and GBV, including reporting options and also to provide psycho trauma service.

To address grievances, ARRA works with the host community representatives where the camps are located to avoid any social conflicts. At the visited camp in Tigray, there is a Refugee Central Committee elected by the refugees and block and zone leaders within the camp responsible for handling or redressing grievance reported by the refugees. As part of addressing needs and requests of refugees and host communities, ARRA tries to benefit from the host community both by providing social services in the area (building schools, health posts for both communities). It also works with NGO partners and other stakeholder interventions in the discharge of their activities.

In line with the protection of vulnerable groups in the refugee community, refugee Proclamation No. 409/2004, Article 22 states that the authority shall take measures to ensure the special protection of vulnerable groups such as women, children, elderly and disabled refugees. At the camp level, a number of associations exist—women’s association, youth association, vulnerable association, disabled association, elderly association, and child welfare, among others.

### **5.3.3.3 Out-of-Camp Policy**

There are 28 refugee camps located in 6 regional states (Ethiopian Somali Regional State - refugees from mainland Somalia and Somali Land; Tigray and Afar Regional States - Eritrean refugees; and Gambella, Benishangul-Gumuz, Oromia Regional States -refugees from Sudan and South Sudan). Refugees with special needs, including the out-of-camp scheme, are sheltered in the two major urban centers (Addis Ababa and Mekelle).

The refugees out-of-camp policy has been piloted on Eritrean refugees and about 16,344 Eritreans have been allowed out of camp. The out-of-camp program gives the refugee a three-month probation period and requires the refugee to have a guarantor so that the refugee no longer depends on the already limited resources allocated to other refugees. However, it has been difficult for refugees to fend for themselves outside the camps. There are times where the absence of persistent and assimilated provision of social services such as water, firewood collection, and so on creates uneasiness between the refugees and hosting communities surrounding the refugee camps if refugees venture out of their designated areas. This, in most cases, is the result of the degradation of the already fragile environment.

Services out-of-camp refugees receive are

- (a) Letter issued by the zonal office for free movement from one place to another place;
- (b) Letter issued by the zonal office for students to be accepted at the university;
- (c) Provision of legal service for victims of SGBV; and
- (d) Provision of social protection and physical safety.

ARRA has assigned three field-level social protection officers assigned to work with the out-of-camp refugees committee, two in Tigray region—Mekelle and Shire—and one in Addis Ababa where out-of-camp refugees are located. The main job of the field officers is performing follow-up activities on out-of-

camp refugee communities by meeting with the refugees as well as refugee representatives or committees once every one to three months, to discuss issues they may have. In case of issues with the host communities, the representative of out-of-camp refugees make contact with the field officers.

Refugees outside the camps do not get shelter, food assistance, and other basic services except provision of health care service at the time facing complicated health problems. In addition, the out-of-camp refugees in Shire and Mekelle do not get any benefit/services that the NGOs working with ARRA offer to the refugees at camp level.

Currently, around 4,000 refugees live in urban centers. The urban refugees are classified into three groups: refugees who left the camp due to serious health problem, refugees who escaped from their country as a result of government prosecution, and refugees who are victims of sexual abuse and harassment. These refugees are eligible to obtain the same basic services which are provided to refugees in the camp. The services are monetized and urban refugees receive cash assistance per month as a means for their livelihood.

To sum up, while ARRA is the relevant agency to manage the refugee agenda for the EOC with the experience of managing refugee issues and familiarity with the terrain, it will require capacity building, coordination, and resources to manage social risks. Above all, the geographic distance between existing refugee camps and industrial parks will make it necessary to set up new institutions in the areas where refugees will relocate. In these institutions, it is necessary to coordinate with regional and city administration. Due to the innovative character of the Program, it is only possible in the future to assess the capabilities by ARRA to adjust to this situation.

### **5.3.4 Industrial Parks Development Corporation**

#### **5.3.4.1 Role**

The role of the IPDCs is to develop and administer industrial parks, construct industrial buildings, lease developed land, lease and transfer land, lease buildings, prepare detailed national industrial parks master plan, and serve as the industrial park land bank in accordance with the agreements concluded with regional governments.

#### **5.3.4.2 Environmental and Social Practices**

The IPDC runs a comparatively organized and structured environmental and social management activity in the industrial park development operations it manages. The IPDC has a dedicated Environment Protection and Social Safeguard Directorate (EPSSD) established under the Industrial Parks Development Deputy Chief Executive Officer(CEO). The EPSSD is responsible for planning and executing the overall environmental management programs of the IPDC. The environmental and social management activities carried by the EPSSD are broadly divided into two phases, predevelopment and operational phase activities. The environmental management activities classified under the predevelopment phase are mainly focused on meeting the EIA requirements for new industrial park development projects. The EPSSD appears to be well aware of the importance of fulfilling the national environmental requirements as stipulated in the EIA proclamation and it commissions level-1 environment consultants to undertake ESIA study of industrial park development projects. In this regard, the EPSSD has gained experiences in implementing the national environmental requirements and procedures by commissioning the ESIA study, supervising and obtaining environmental clearance certificates for more than three industrial park projects. The EPSSD also demands the preparation of ESIA for industrial park projects that are developed by the private sector. As part of the predevelopment environmental management activities, the EPSSD also gets involved in the in-house review of site selection for new industrial park projects.

The operational environmental management works of the EPSSD are focused on conducting activities related to liquid and solid waste management, greenery, and safety aspects of those industrial parks that are operational. Overall, the environmental management activities of the EPSSD in the operational industrial parks are very limited. A key constraint for the full undertaking of its role in the operational industrial parks

is related to its position in the organizational structure of the IPDC. Whereas the management of operational industrial parks is the responsibility of the Operations and Management Deputy CEO, the EPSSD is under the industrial park development deputy CEO, which limits it to focus mainly on undertaking environmental management activities during the development phase of industrial parks. Even though the structural constraints are there, the EPSSD is attempting to lead environmental auditing in Bole Lemi Industrial Park. According to the EPSSD, there is growing request and demand by the industrial park tenant companies for certification on their environmental performance, but that service is not readily available. With regard to OHS activities, there are limited attempts by the EPSSD to carry out HSE audit and inspection in the industrial park tenant companies by applying a checklist. Though there are no major complaints received so far, the EPSSD also handles environmental complaints coming from members of the public.

Structurally, the Environment and Social Safeguards Directorate is supposed to be staffed with a total of six professionals including the director. Presently, the directorate is staffed with two environmentalists and one social safeguard specialist (the other social position is vacant) excluding the director. Thus, it appears that the directorate is in a better position to exercise its duties at head office level. Currently, the EPSSD presence is at the head office level with no branches or units at individual industrial parks.

While the IPDC has an adequate organizational structure documented, some gaps are observed in the human resources and knowledge to put this into practice. There appears to be a lack of a systemized approach to ensure compliance with social standards and a need for extensive capacity building. These present a risk to the social sustainability of the industrial parks. In the past, the IPDC has been involved in land acquisition and resettlement activities due to industrial parks construction which has been implemented and lessons gained for the future. Institutionally, the IPDC does not have sector-specific guidelines to manage the land acquisition and resettlement process. There have been gaps in documentation of consultations with the affected people and delays in compensations to the PAPs which relates to capacity. With more industrial parks and workers' housing to be constructed, the system of social risk management needs to be strengthened by having the required social staffs at the national and regional levels, development and application of the sector context-specific resettlement guideline and provision of relevant trainings and required financial and other logistical resources to get the social team well-equipped for the work. With the required capacity and commitment, the gaps in management of social risks can be addressed.

### **5.3.4.3 Industrial Parks Case Studies**

#### **Bole Lemi Industrial Park**

The Bole Lemi Industrial Park is one of the foremost facilities built and administered by the IPDC. The Operations and Management Division of the IPDC is responsible for administering the industrial park and has a branch office in Bole Lemi Industrial Park that undertakes the day-to-day administration and coordination. Current environmental management practices in Bole Lemi Industrial Park are directly geared to undertaking essential industrial waste management activities, landscaping and greenery maintenance, and industrial safety provisions. The Bole Lemi Industrial Park has its own functional WTP with a treatment capacity of 1,500m<sup>3</sup> per day. The WTP is connected to receive all industrial liquid wastes generated by the tenant companies in the sheds and carries physical, chemical, and biological treatments. Presently, an average of 300 m<sup>3</sup> per day industrial effluent is received from the tenant companies and treated by the WTP. The treatment facility is operated by a WTP department staffed with national experts. Liquid waste is monitored before and after treatment by the WTP laboratory to ensure that treated effluent quality standards are met. The WTP is planning to reuse the treated water for greenery, landscaping, and car wash within the Industrial Park by the end of 2017. Filtration sludge residues from the WTP operations are contained within the WTP for future safe disposal in appropriate landfill facilities.

**Figure 5: Partial View of the WTP at Bole Lemi Industrial Park (Source WB Consultant 2017)**

The Bole Lemi Industrial Park is also engaged in providing basic and standby services necessary for public, workers, and industrial safety. The industrial park runs a central clinic and standby firefighting service staffed with necessary personnel to protect public and industrial safety. Many tenants are multinational companies that have a well-established market supply chain with their own company HSE policy based on which they manage their HSE issues. It is reported that many of the tenant multinational companies provide Personal Protective Equipment (PPEs) and safety trainings to their workers. They also undertake independent HSE audits in their facilities to ensure compliance with their HSE policy and market supply chain requirements.

The regulatory roles needed to ensure that the required EHS management works are consistently performed in the industrial park both at the industrial park and tenant company level are yet to be filled in. In this regard, representatives of the key institutions (MoLSA and MoEFCC) for carrying out regulatory functions in the area of EHS in the OSS office of Bole Lemi Industrial Park are not yet present. MoLSA appears to be constrained by a shortage of budget to assign the necessary staff in the OSS of Bole Lemi Industrial Park. The EIC has indicated that the regulatory functions in relation to health and safety in all the federal industrial parks, including Bole Lemi, are expected to be handled by the federal MoLSA, leaving no space for their regional counterpart Bureau of Labor and Social Affairs (BoLSA) offices. There are high expectations by the Bole Lemi Industrial Park management that MoLSA will assign the necessary staff in the OSS this year.

MoEFCC also appears to be preparing to establish a new directorate within itself for discharging its responsibilities in the industrial zones. The new Directorate to be established will focus on providing services in the OSS of the industry zones, including Bole Lemi Industrial Park. According to the consultation discussions carried out with MoEFCC officials, the new directorate is designed to provide its services in the areas of environmental compliance and control, advisory support on environmental management aspects, and issuance of environmental clearances at the OSS of the industrial parks. MoEFCC plans to assign its staff and start discharging its responsibilities in the OSS of the industrial parks as soon as the proposed structure for the new directorate is approved and budget allocated.

Overall, the existing institutional capacities to carry out the environmental and social management works including health and safety aspects at the Bole Lemi Industrial Park appear to be at different stages. Whereas the existing institutional capacities to undertake essential environmental management works on the ground appear to be evolving and strengthening as more experience is gained through practical operation (for example, the Bole Lemi WTP infrastructure and its operational staff, the landscaping, and greenery), the regulatory side of the institutional capacity at Bole Lemi Industrial Park appears to be very low. This is demonstrated by the absence of permanent staff assigned in the OSS that represent MoEFCC, MoLSA, and other relevant authorities which can provide external competent authority controls and services at the Industrial Park. The EPSSD directorate of the IPDC, which can carry internal environmental auditing and

monitoring within the Industrial Park, also does not have branches at the Bole Lemi Industrial Park and the other industrial parks.

### Hawassa Industrial Park

Hawassa Industrial Park is the largest IPDC-built park that has become operational. Unlike the Bole Lemi Industrial Park which is managed by the IPDC operations and management branch office, the operational management of Hawassa Industrial Park is outsourced to an expatriate management firm. The operation and management integrated service center run by the management firm is composed of four teams that work on integrated services, property, finance, and administration, respectively. The IPDC has no management structure operating in the Hawassa Industrial Park. Similar to the Bole Lemi Industrial Park practices, the current environmental management works of the Hawassa Industrial Park are also focused on essential industrial waste management activities, landscaping and greenery maintenance, and industrial safety provisions. The Hawassa Industrial Park is equipped with a state-of-the-art and functional zero discharge waste treatment facility that treats both domestic and industrial effluents generated within the industrial park. The zero liquid discharge WTP is composed of many advanced waste treatment technologies that include activated sludge and reverse osmosis treatment technologies. The WTP is currently operated by expats and it will be handed over and run by local experts after three years. The WTP separately receives both domestic sewage wastewater and industrial effluents via the sewerage and effluent pipe line connections and treat it in several stages to environmentally acceptable levels. The treated wastewater, which is good-quality water, is reused in the factories for different purposes and no treated wastewater is released to the environment. Monitoring of wastewater before and after treatment is carried out periodically by the zero discharge WTP to ensure standards are met.

**Figure 6. Partial View of Hawassa Zero Liquid Discharge WTP (left) and Showing Effluent Before and After Treatment in the WTP (right) (Source: WB Consultant 2017)**



Similarly, the Hawassa Industrial Park is also engaged in providing basic and standby services necessary for public, workers, and industrial safety. The Hawassa Industrial Park runs a clinic with three ambulances and five standby firefighting trucks staffed with necessary personnel to protect public and industrial safety. At the tenant level, since many of them are multinational companies having a well-established market supply chain, it is reported that they have their own company HSE policy based on which they manage their HSE issues. It is reported that many of the tenant multinational companies provide PPEs and safety trainings to their workers. Moreover, the Addis Ababa fire brigade conducts regular inspection on some of the tenant companies to check compliance on fire hazard prevention codes and provide certificates for complying tenants.

**Figure 7. Partial View of the Fire Brigade Station and Clinic in Hawassa Industrial Park (Source: WB**

**Consultant 2017)**

Apart from the expat operation and management team, the Hawassa Industrial Park also has an OSS office. More than 11 different government offices are supposed to be represented in the OSS of the Hawassa Industrial Park consisting of MoLSA and Ministry of Environment, Forest, and Climate Change (MoFECC). However, the representatives of the key regulatory institutions for environmental management including health and safety are not yet in place in the OSS of the Industrial Park. Whereas MoLSA temporarily delegated the EIC representative in the OSS to act on its behalf, the representative of MoEFCC is yet to come. Accordingly, the regulatory roles needed to ensure that the required EHS management works are consistently performed in the industrial park both at the industrial park and tenant company level are yet to be filled in after the previously mentioned new industry zone directorate becomes operational. The EPSSD directorate of the IPDC, which can carry out internal environmental auditing and monitoring within the industrial park, also does not have branches at the Hawassa Industrial Park and the other industrial parks.

### **Mekelle Industrial Park**

The Mekelle Industrial Park is one of the recently inaugurated parks that is undergoing preparation to start operation. According to the discussion with the project manager of Mekele Industrial Park, the Mekele Industrial Park has an ESIA report reviewed and cleared by MoEFCC. Since most of the construction activities of the Industrial Park are completed, activities related to implementation of the ESMP during the construction phase have also been culminated.

As part of the Industrial Park development, the Mekelle Industrial Park is also building a zero liquid discharge waste water treatment facility. Learning from the achievements in Hawassa Industrial Park, the Mekele WTP is explained to consist of advanced waste treatment technologies that will have capacity to receive and treat wastewater generated not only from the current first phase sheds but also from the subsequent phases of the Industrial Park development and possibly from the urban neighborhood settlements in the area. Currently, the access to the industrial park is a dirt gravel road and there are plans to build asphalt roads to connect to the city and future train terminal. transport and housing facilities for the workers of the industrial park are yet to be developed and the project management seems to be considering different options for developing it.

**Figure8. Partial View of the Zero Liquid Discharge WTP Under Construction in Mekelle Industrial Park**

(Source: WB Consultant 2017)

### 5.3.5 Role of MoEFCC under EOP

In the broader sense, though the EOP is believed not to involve infrastructure development projects, MoEFCC will be responsible for ensuring that all Program component activities under the EOP comply with national environmental regulations and the mitigation requirements outlined in the action plan. Following screening by the responsible implementing agency/ministry especially for subprojects in the area of housing provisions and business as well as entrepreneurship-related economic opportunities, where relevant, MoEFCC or the delegated sector ministries such as MoI review and approve project EIAs before issuing an environmental permit/license where applicable. The federal MoEFCC and its regional counterparts are mandated to undertake environmental audits where required to ensure that the relevant implementing agencies are complying with their EMPs and their commitments to environmental management, mitigation, and monitoring.

More importantly, Article (24) of the Industrial Parks Proclamation No.886/2015 has stipulated that MoFECC shall establish an office within the industrial parks for the application supervision, protection and enforcement of environmental norms, standards, safeguards, and mitigation plans within the industrial parks. This will have an enormous implication on the roles to be played by MoFECC in realizing Program components like Improved Industrial Park Sustainability and Labor productivity. The Better Work Program to be implemented under improved labor productivity component will focus, among others, on environmental and social issues in industrial parks. Similarly, the Improved Industrial Parks Sustainability component will develop environmental compliance manuals for industrial parks. Thus, besides the EOP implementing agencies identified for these components which are mainly the EIC and IPDC, the active involvement of MoEFCC during the preparation, endorsement, and implementation of the environmental compliance manuals for industrial parks will be crucial. Hence, MoEFCC, together with the other implementing agencies of the EOP, will be responsible for the implementation of the stated Program component activities in industrial parks.

Assessments highlighted that there is a need for a strong coordinating and implementation capacity in the EIC and ARRA. As a result, an IPF component will be provided within the construct of this PforR to finance capacity building. The EIC and ARRA will be the key institutional ‘champions’ to address the set of proposed measures under the EOP and as such will primarily benefit from institutional capacity development activities proposed under the IPF.

### **5.3.6 Risks Related to Institutional Capacity**

As noted earlier, the assessment of current capacities cannot be extended to all aspects of the EOP, because of its innovative characteristics, that is, the noted institutions will have to adjust to new roles and activities in the process of the EOP rollout (and on a larger scale the rollout of the GoE Jobs Compact Program including the nine pledges) and such changes can only be extrapolated from current performance with a considerable margin of error.

Above all, coordination between ARRA, EIC, MoLSA, IPDC, and local government units add to the risk of insufficient capacity. Thus, EOP social and environmental risk provision will closely focus on the establishment of relevant institutional capacity as it implements related activities.

As part of addressing capacity gaps and safeguards system strengthening, DLI 6 focuses on the need for strengthening of the social and environmental management system, including establishment of institutions at the local level. Safeguards focal persons/staff at national, regional, and city levels is important for the preparation and endorsement of risk management (including resettlement) system guidelines and communication strategies for the Program. The system needs to be resourced, capacities improved by trainings, and respective (site-specific) procedures established or updated. Following the project cycle, implementation of safeguards measures as well as annual audits will be necessary. To address the specific sensitivity of refugee influx into industrial park neighborhoods, NRCs, modelled based on experiences by the World Bank-supported DRDIP, shall address the gap in host community-refugee relations. Expansion of ARRA's/UNHCR's support activities is further necessary.



## 6 CONSULTATIONS

### 6.1 *The Consultation Process*

The World Bank together with Ethiopian Investment Commission organized the Environment and Social System Assessment (ESSA) consultation meeting at Addis Ababa Capital Hotel on March 22, 2018 from 8:30am to 5pm. During the consultation meeting, 65 individuals representing key stakeholders of the Environmental and Social System management of the Ethiopia Economic Opportunities Program actively participated. The participant's representatives were from government and non-government institutions and the project affected people that include Ethiopian Investment Commission(EIC), Administration for Refugees and Returnees Affairs(ARRA), Ministry of Labor and Social Affairs (MoLSA), Ministry of Women and Children Affairs(MoWCA), Bureaus of Labor and Social Affairs(BoLSA), Regional and city administrations, Industrial Parks, Refugees, DFID, EU and UNHCR.



**Figure 9: ESSA Consultations March 22, 2018**

## 6.2 Topics

The consultation covered the following topics:

- 3) EOP - Program details including DLIs (Disbursement Linked Indicators)
- 4) Environment and Social System Assessment Purpose and Methods
- 5) EOP Environmental Benefits and Risks, OP 9.0 Core principles 1-3
- 6) EOP Social Benefits and Risks, OP 9.0 Core principles 4-6
- 7) ESSA Recommendations and DLIs

The details as assessed in this ESSA have been presented along this Agenda.

## 6.3 Q&A

Following the presentations, the following questions and answers were reflected.

- a) Does the ESSA extend itself to the level of devising various implementation procedures for Occupational Health and Safety aspects (OHS), protection of physical and cultural resources, natural habitats e.t.c,?
  - The team repeated that the World Bank applies mainly two three different types of financing mechanisms which are Development Policy Financing (DPF), Investment Project Financing (IPF) and the Program for Result Financing. The present Economic Opportunity Program (EOP) follows under the P for R financing mechanism with a mix of IPF. Under the PforR financing mechanism most of the responsibilities for implementing environmental and social management system (ESMS) requirements over the program implementing period goes to the client, who are the main program implementing agencies including EIC, ARRA, IDPC. The whole purpose of the ESSA is to assess the existing national and sectoral program implementing institutions environmental and social management systems, the existing institutional capacities to implement those systems, and to identify the GAPS and recommend the respective measure that helps to fill the gaps and ensure the strong system in the implementation of environment, social and safety management practices. It was further explained that the ESSA involves preparation of action plans that are necessary to bridge the identified gaps and strengthen the institutional capacity of the implementing agencies. Based on the action plans of the ESSA various guidelines and procedures including environmental and social management system guideline and Resettlement system guideline will be prepared by the borrowers. These guidelines encompass clear procedures and guidance towards establishing and strengthening the ESMS under the implementing institutions as indicated in the ESSA and to fulfil the requirements of the six core principles that include PCR and OHS in the course of program implementation. The prime responsibility for the preparation and implementation of these guidelines is that of the Client. Thus, the ESSA as such will not be expected to deal with devising innovative approaches to implement OHS or physical and cultural resource protection procedures, but will facilitate and provide guidance towards its attainment. It was also noted that such innovative mechanisms to implement specific procedures on OHS e.t.c are better pursued at company level.

- b) Another participant raised his concern by stating that the existing Industrial Parks has already prepared an ESIA and asked whether the current EOP is going to re-evaluate those ESIA's based on the ESSA. The participant also raised a question on who will be responsible to undertake an ESIA study for the new Industrial Parks.
- In response to the questions of the participant, it was explained that the EOP in general is not going to finance the establishment of new industrial parks and all program activities under environmental assessment category "A" that require full fledged ESIA are excluded from the direct finance from EOP. However, the EOP has a component to improve the sustainability of industrial parks and will conduct audits to ensure no unresolved legacy issues. The ESSA has broadly defined the institutional arrangement for implementation of the EOP. As indicated before, the Environmental and Social Management Guidelines will be prepared by the borrower further to elaborate the environmental and social screening processes and associated responsibilities of the implementing agencies.
- c) Accumulation of risks may lead to conflict between local social network and newly coming migrants(refugees), will Neighborhood Relation Committees (NRC) further exaggerate the conflict between refugees and host communities?
- Having open discussion and consultation among the NRC members will be more effective than rumor. In case there are challenges, it is important to have a forum for discussions and potential resolving of conflicts.
- d) How will the program address ill people who are not interested to participate in wage labor treated?
- The program will be implemented on a purely voluntary basis. If someone is not interested to participate in wage labor, no one will force him/her. In addition, wage labor is not the only option in this program; it encompasses also self-employment and entrepreneurship.
- e) Who conducts the Environmental and Social Impact Assessment of IPs?
- Conducting the Environment and Social Impact Assessments is the responsibility of the implementer. In the case of EOP, for the already built industrial parks, an environment and social audit will be conducted by an independent consultant to assess issues.
- f) What are the mechanisms put in place to address social conflicts?
- There are different mechanisms to address social conflicts. This program includes Neighborhood Relation Committees and community interventions to enhance public services.
- g) Will refugees be present in the Project Coordination Unit (PCU)?
- The major PCU will be established in EIC but other agencies including ARRA will have also its own units to manage program activities. Refugees are stakeholders but not included in the PCU. They will however be present in the neighborhood relations committees.
- h) How could the existing industrial parks accommodate new wage laborers?
- To clarify, existing industrial parks does not mean they are fully occupied and staffed. A key component of the program is to attract further businesses, which will allow increase of employment for Ethiopians and refugees.
- i) Who is responsible for the safeguards due diligence?
- The implementing institution in this case EIC, IPDC and ARRA are responsible for proper implementation of safeguards.
- j) Who is paying wage for refugees?

- The program will support job opportunities and the IPF component also job facilitation. However, following that, wages will be paid by employers like for everybody else.
- k) How will refugees who lost their educational documents be treated?
- If they attended educational institutions in Ethiopian, documents can be reproduced. This Program cannot answer this question but ARRA can provide support.
- l) Can refugees participate in business activities like Ethiopian citizens and how will the tax system work for refugees?
- Reforms and interventions will be made to allow refugees to benefit from opportunities. The details will be regulated in the new proclamation and eventual related procedures. As the proclamation is not yet ratified, ARRA asks to await the new proclamation to answer this question.
- m) What are the mechanisms in place to check whether the 30% refugees are benefiting from this program or not?
- The government of Ethiopia is responsible and committed to achieve this objective. A specific volume of funding is dedicated for this purpose via DLI1. Moreover, joint regular mission including the World Bank will be conducted to verify outcomes.
- n) How will the refugees' voice be heard?
- Labor related issues will be handled by DLI3 and the grievance mechanism to be establishing within Industrial Parks. Moreover, refugees are represented in different committees including Neighborhood Relation Committee (NRC) and meaningful consultation with the target refugees and the host community will be continuously conducted to ensure the refugees' voice are heard.
- o) How can the procedures and capacity of implementing institutes be improved?
- The IPF component of the program focuses on capacity building activities to strengthen the capacity and fill the identified gaps
- p) How will refugees be represented in the audit committee?
- This question was responded from two perspectives. If the question is related to immediate safeguard auditing, this is the responsibility of respective experts. However, during reviews and evaluations, refugees can be included into the monitoring process.
- q) Does the program include people with disabilities?
- Yes, there will be provisions in the IPF EPP for underserved people and vulnerable groups.

#### **6.4 Concluding Remarks**

The team closed the consultation and encouraged participants to further provide feedback also via [infoEOP@worldbankgroup.org](mailto:infoEOP@worldbankgroup.org). So far, no additional comments have been received, but several participants requested and have been provided with the consultation presentations.

## **7 COMPARATIVE ANALYSIS OF CLIENT ENVIRONMENTAL AND SOCIAL SYSTEMS AND WORLD BANK CORE POLICY PRINCIPLES**

### **7.1 Overall Findings of the ESSA**

This section provides an assessment of the extent to which the applicable environmental and social management systems are consistent with the core principles and key planning elements expressed in the World Bank policy on PforR Financing (OP/BP 9.00). The section analyzes the relevance of the system for the EOP elements, identifies the inconsistencies and gaps with the OP/BP 9.00 core principles, and suggests actions to strengthen the existing systems.

The analysis of the existing institutional capacity is mainly focused on the main implementers of the proposed EOP, that is, the EIC, ARRA, IPDC, and MoLSA. The interagency coordination practice and existing environmental and social management capacity of relevant organizations, including MoEFCC, BoLSA, REPFCC, which may participate for successful and sound implementation of the environmental and social safeguards and safety management of the proposed Program, are also analyzed.

Generally, the National Environmental Management Systems implemented at the federal and regional levels are considered to be appropriate and comprehensive in relation to the core principles of OP/BP 9.00 on environmental and social risk management. The Federal EIA Proclamation No.299/2002 and its associated guidelines provide the fundamental requirements and procedures that are enforced and implemented both by the federal and regional environmental and social management systems. To ensure sustainable development by enforcing the introduction of environmental and social sustainability measures in development projects, article 3(1) of the Federal EIA Proclamation requires that no person shall commence implementation of any project that requires EIA without the authorization from the authority or from the relevant regional environment agency. This requirement for the EIA along with article 4(1) that outlines environmental aspects for consideration during assessment of impacts that include site location, nature of project, cumulative effects, duration, reversibility or irreversibility of effects, and so on provides the desired regulatory framework to guide ESIA that will meet the principles and key planning elements of Core Principle 1 of OP/BP 9.0.

There are also other provisions in the Federal EIA Proclamation that provide the desired regulatory framework that will meet Core Principle 1 of OP/BP 9.0. These include article 8 (1&2) that requires providing sufficient information in EIA reports and outlining the minimum information that EIA reports should contain, which are essential for informed decision making during EIA review and approval. Moreover, the implementation of the Federal EIA Proclamation is also supported by the EIA procedural guideline (2003) and ESMP preparation guideline (2004) that provide the essential procedural steps for carrying out the EIA by the project proponents. The EIA procedural guideline requires that before the commencement of EIA studies, prescreening consultations, screening, and scoping exercises need to be done to categorize the proposed project into Schedule I, II, or III (Category A, B, or C). The EIA procedural guideline has in its annexes the list of project types that are categorized under Schedules I to III. The inclusion of concerns and opinions of concerned and affected communities in the EIA study process is also considered an important issue in preparing an acceptable EIA. The Federal EIA Law has made it clear in article 15(1) by stating that the authority (that is, MoEFCC) or the relevant regional environmental agency shall ensure that the comments made by the public and in particular by the communities likely to be affected by the implementation of a project are incorporated into the environmental impact study report as well as in its evaluation. MoEFCC and regional counterparts do not consider an EIA report without evidences for community consultation as acceptable for review and approval.

On the other hand, under article 7(1), the Federal EIA Proclamation states that a project proponent shall undertake an EIA to identify the likely adverse impacts of the project and incorporate the prevention measures and submit the environmental impact study report to the authority (that is, MoEFCC) or the

relevant regional environmental agency. Moreover, the adverse impacts a project proponent is required to assess includes any change to the environment or to its components that may affect flora, fauna, or natural or cultural heritage or, in general, alter environmental, social, economic, or cultural conditions. Thus, the Federal EIA Proclamation has provisions by which it considers the issues of conserving natural habitats and PCR that are the main concerns of Core Principle 2 of OP/BP 9.0 on environmental and social risk management.

Public and worker safety are adequately covered by the policies, laws, and regulations of MoLSA, and there are no major inconsistencies between the system and Core Principle 3. Ethiopia has a functional OHS policy and strategy that is aimed to avoid, prevent, or minimize occupational and health hazards by providing effective OHS services in all working places. Proclamation 377/2003 is also the prevailing law protecting public and workers safety. The proclamation covers health and safety at work and minimum workplace standards.

Thus, assessment of the key features of the ESMS as depicted in the legislations and implemented on the ground reveals that there is a robust system that strives to ensure sustainable development by incorporating an informed decision-making process through the enforcement of environmental assessment requirement on development projects. The national ESMS has set out clear procedures that guide the environmental assessment to minimize, avoid, or develop mitigation measures for environmental and social impacts. As a result, Ethiopia's environmental system meets PforR core principle and attributes. The scope of the legal and regulatory systems is adequate to address underlying environmental risks of the Program.

On the social side, **the system is much less prepared for the key social changes to be induced by the PforR.** The integration of refugees into the Ethiopian society, above all economy, is an innovative process through the CRRF, and accordingly the EOP has a strong focus on institutional developments. Thus, it can be expected that there will also be a strong focus on social consequences.

The ESSA notes that though the ESMS is established on robust legal frameworks, its implementation by proponents including public institutions is uneven. It is found that whereas EOP implementing agencies such as the IPDC have acquired certain institutional capacity and experience in implementing ESMS requirements and procedures, the others such as ARRA and EIC have less experience and capacity in the area. Understandably, MoLSA has specialized capacities in the areas of health and safety management, but its capacity for undertaking comprehensive environmental practices is limited. Such limitations in capacity and experience of the Program implementing agencies will have a direct influence on fulfilling the PforR core principles and attributes. These limitations are even more severe regarding the handling of refugees. To be clear, there is key expertise in the refugee camps, but it is so far unclear how this expertise can be transferred as refugees migrate to find work. As with the legal system, this will also be an innovative process, which the EOP shall proactively support, but there is currently no track record to be assessed.

Of specific concern is the management of social relations between refugees, rural migrants, and host communities in the industrial park areas as noted earlier. New institutions will need to be set up to address such issues. These new institutions will need capacity building as well as connection to other institutions on the local level, including city administrations, policy, protection institutions, and so on.

The ESSA also noted that the Program activities are operationally distributed among the implementing agencies, which can create gaps in coordinated implementation of the ESMS. For example, whereas Better Work is supposed to be implemented mainly by IPDC, other Program activities such as business formalization and entrepreneurship are going to be mainly implemented by ARRA and MoLSA. The distribution of such Program activities among the different institutions, which may need to undergo the environmental and social screening process, will demand coordination during Program implementation to ensure that the Program activities that need to be screened pass through the ESMS procedures.

## 7.2 Core Principle 1: General Principle of Environmental and Social Management

**OP 9.00:** Environmental and social management procedures and processes are designed to (a) promote environmental and social sustainability in program design; (b) avoid, minimize, or mitigate against adverse impacts; and (c) promote informed decision making relating to a program's environmental and social effects.

**BP 9.00:** Program procedures will

- Operate within an adequate legal and regulatory framework to guide ESIA's at the Program level and
- Incorporate recognized elements of environmental and social assessment good practice, including (a) early screening of potential effects; (b) consideration of strategic, technical, and site alternatives (including the 'no action' alternative); (c) explicit assessment of potential induced, cumulative, and transboundary impacts; (d) identification of measures to mitigate adverse environmental or social impacts that cannot be otherwise avoided or minimized; (e) clear articulation of institutional responsibilities and resources to support implementation of plans; and (f) responsiveness and accountability through stakeholder consultation, timely dissemination of Program information, and responsive GRMs.

**Applicability: Fully applicable**

- The EOP is designed to include components on refugee-related employment and protection, improving labor productivity, and improving sustainability of industrial parks. The activities of these Program components are likely to entail physical footprint with a varying degree of environmental impacts requiring mitigation.
- Certain type of Program activities such as provision of housing adjacent to industrial parks, transport connectivity, skill development, and business and entrepreneurship formalization including SME formations could potentially have adverse environmental impacts due to raw materials management, land acquisition, and OHS for workers.
- Undertaking environmental and social screening and environmental assessment and implementing an EMP will be key to mitigating adverse environment and social impacts.

<p><b>Current system (opportunities and gaps)</b></p> <ul style="list-style-type: none"> <li>• National EIA system provides a comprehensive framework for ESIA broadly consistent with the core principles outlined in OP9.00.</li> <li>• Regional-level proclamations and guidelines on waste management, EIA implementation, pollution control, and so on have been prepared and enacted to ensure sound environmental and social safeguards management during implementation of development programs, including the proposed EOP.</li> <li>• Availability of GRMs at the refugee camps for house communities around refugee camps by the DRDIP and at the city administration offices (urban local government offices)</li> <li>• Limited institutional capacity for environmental and social screening, mainly in ARRA, EIC, and MoLSA reflected by lack of experience and capacity for implementation of safeguards instruments in line with legal frameworks, standards, and procedures</li> <li>• Insufficient resources, among others, financial and human resources, skills and technical expertise in the preparation and implementation of the ESIA, and overseeing implementation of impact management measures</li> <li>• Weak coordination among Program implementing agencies including the EIC, ARRA, MoLSA, IPDC, and federal and regional environmental organs on the day-to-day environmental safeguards management activities, which is applicable to the Program at a different level.</li> <li>• There is a lack of functioning GRMs for workers in industrial parks; existing community grievance system needs to integrate Program grievances</li> </ul>	<p><b>Areas for strengthening and mitigation</b></p> <ul style="list-style-type: none"> <li>• Assign adequate environment, social, health, and safety officers to all EOP implementing agencies including ARRA, MoLSA, and EIC.</li> <li>• Develop technical guidelines for environmental and social screening and implementation of the ESMP as appropriate to the envisaged EOP activities.</li> <li>• Distribute updated national and World Bank safeguard policies and guidelines and train assigned staffs for implementation</li> <li>• Provide training on the preparation, review, and approval procedures of the ESIA and other safeguards instruments.</li> <li>• Establish and strengthen a coordination mechanism among the EOP implementing agencies and other sectoral institutions including environmental institutions for smooth day-to-day safeguard implementation.</li> <li>• Provide capacity building to the EIC, ARRA, MoLSA, MoI, and IPDC before starting the Program.</li> <li>• Ensure a continuously functioning, accessible, and responsive GRMs, including policies and procedures, resourced institutions, disclosure toward stakeholders, with timely implementation, and appropriate documentation and monitoring.</li> <li>• Develop a communication strategy for the Program including regular consultation and documentation process.</li> </ul>
<p><b>Risks to the Program:</b></p> <ul style="list-style-type: none"> <li>• Not strengthening institutional capacity, particularly in the Program implementing agencies, and inability to enforce the current environmental regulations in Ethiopia on time are the two key risks that could lead to localized environmental issues affecting local population and surrounding. Both risks are deemed moderate to significant given the anticipated scope of the Program activities. These risks should be mitigated through a combination of improved compliance with national legislation and existing guidelines and implementation of specific actions included in the EOP PforR Program Action Plan, as well as dedicated World Bank implementation support. Obviously, strong political will is key to achieving this.</li> <li>• Risks also result from institutions, above all at the local level, dealing with related Program issues, such as urbanization challenges for local municipalities. This may also reciprocally affect the Program itself, for example, through social and environmental impacts on industrial parks. Such risks can be regarded substantial; coordination with other respective World Bank-funded projects may be a way forward.</li> <li>• Risks may result from the incapacity to establish a functioning coordination system between the different institutions on the different levels (federal, regional, local) to address the changing pattern of cooperation due to the movement of refugees. This risk must be considered substantial.</li> </ul>	



- The necessity of specific GRMs has been outlined earlier. In addition, this Program will need a specific and detailed stakeholder management plan, including wider interested parties, as the sensitivity of the Program may lead to serious social and political challenges if not proactively addressed through meaningful consultations. The risk is considered substantial.
- A further risk is related to legacy issues. If in Program-associated facilities, an inadequate ESMS leads to environmental and social issues, these issues will hamper the Program, as unresolved grievances may be enforced by the perceived disproportionate distribution of benefits and adverse impacts. The risk is considered substantial.

### 7.3 Core Principle 2: Natural Habitats and Physical Cultural Resources

**OP 9.00:** Environmental and social management procedures and processes are designed to avoid, minimize, and mitigate against adverse effects on natural habitats and PCR resulting from Program activities.

**BP 9.00:** As relevant, the Program to be supported

- Includes appropriate measures for early identification and screening of potentially important biodiversity and cultural resource areas;
- Supports and promotes the conservation, maintenance, and rehabilitation of natural habitats;
- Avoids the significant conversion or degradation of critical natural habitats and, if avoiding the significant conversion of natural habitats is not technically feasible, includes measures to mitigate or offset impacts of Program activities; and
- Considers potential adverse effects on physical cultural property and, as warranted, provides adequate measures to avoid, minimize, or mitigate such effects.

**Applicability: Limited applicability**

- The Program will support activities that do not have significant environmental and social effects. The activities to be supported will not have significant environmental and social effects that are sensitive, diverse, or unprecedented on humans and the environment.
- Activities implemented following plans developed under the EOP will likely generate impacts on natural habitats and physical and cultural resources since Program activities encompass rural pastoral and agro-pastoral-based businesses and entrepreneurship formalization, which may be carried out around the refugee camp areas and may cause limited adverse impacts on natural habitats.
- Construction of house accommodations and transport connectivity infrastructures could pose some risk to natural habitats and PCR if not sited appropriately and if chance finds procedures are not embedded in general construction contracts and supervised appropriately. However, provisions are integrated into the Program to limit connections to such projects (which will not be financed by the EOP).

<p><b>Current system:</b></p> <ul style="list-style-type: none"> <li>• National proclamation and EIA procedural guidelines are consistent with Core Principle 2, which is highlighted through the requirement to assess any change to the environment or to its component that may affect flora, fauna, or natural or cultural heritages.</li> <li>• Aside from the provisions of the national environmental policy and guidelines, sectoral policies, such as Forest Policy 2007, Wildlife Policy 2007, and water policy 2002, are relevant regulatory policies that are applicable for safeguarding the natural habitats and PCRs.</li> <li>• Screening criteria for projects in national parks and areas containing endangered flora and fauna are established in the national ESMS.</li> <li>• Limited capacity to assess the potential impacts on the natural habitats and PCR.</li> <li>• Existing monitoring mechanisms are weak to ensure no impacts occur on the natural habitats and PCRs.</li> <li>• Existing resource constraints, lack of environmental monitoring equipment and tools, and lack of training and incentives.</li> <li>• Physical cultural heritages are not exhaustively listed and could be lost unintentionally.</li> </ul>	<p><b>Areas for strengthening and mitigation</b></p> <ul style="list-style-type: none"> <li>• Need to improve capacity to manage natural habitats, which requires strengthening with additional financial and human resources.</li> <li>• Strengthen the screening procedures to include a checklist to assess whether a subproject has the potential for disturbing a known cultural or religious site.</li> <li>• All subprojects associated with the EOP and business and entrepreneurship SMEs/projects/investments coming forward for formalization will need to be screened for their social and environmental effects including on natural habitats.</li> <li>• The need to adopt a simple, clear, and guiding procedure for screening all commercial enterprises that may come forward for formalization through the Program.</li> <li>• Strengthen the capacity of the EIC, ARRA, IPDC, and regional and local level relevant offices for environmental management as appropriate.</li> <li>• The need to include chance finds procedures will be included in all construction contracts.</li> </ul>
<p><b>Risks:</b>                  Inability to apply practical and operationally feasible early screening practices for known PCR and chance finds could lead to adverse environmental impacts on natural habitats and physical and cultural resources. However, the risk is deemed to be minor to moderate if the regional and federal governments adopt simplified screening procedures for known PCR and develop and apply internationally recognized chance finds procedures in the early screening practices for site selection of proposed subproject activity to be financed through the EOP.</p>	

#### 7.4 Core Principle 3: Public and Worker Safety

<p><b>OP 9.00:</b> Environmental and social management procedures and processes are designed to protect public and worker safety against the potential risks associated with (a) construction and/or operations of facilities or other operational practices developed or promoted under the Program; (b) exposure to toxic chemicals, hazardous wastes, and otherwise dangerous materials; and (c) reconstruction or rehabilitation of infrastructure located in areas prone to natural hazards.</p>
<p><b>BP 9.00:</b></p> <ul style="list-style-type: none"> <li>• Promotes community, individual, and worker safety through the safe design, construction, operation, and maintenance of physical infrastructure or in carrying out activities that may be dependent on such infrastructure with safety measures, inspections, or remedial works incorporated as needed.</li> <li>• Promotes use of recognized good practice in the production, management, storage, transport, and disposal of hazardous materials generated through Program construction or operations; promotes use of integrated pest management practices to manage or reduce pests or disease vectors; and provides training for workers involved in the production, procurement, storage, transport, use, and disposal of hazardous chemicals in accordance with international guidelines and conventions.</li> </ul>

<ul style="list-style-type: none"> <li>Includes measures to avoid, minimize, or mitigate community, individual, and worker risks when Program activities are located within areas prone to natural hazards such as floods, hurricanes, earthquakes, or other severe weather or climate events.</li> </ul>	
<p><b>Applicability: Fully applicable</b></p> <ul style="list-style-type: none"> <li>Job placement of Ethiopians and refugees in industrial parks, self-employment, as well as wage employment opportunities taken up in various economic sectors could expose the workers to occupational safety and health risks and toxic or hazardous materials at workplaces.</li> </ul>	
<p><b>Current system:</b></p> <ul style="list-style-type: none"> <li>There are national policies, proclamations, and guidelines addressing public and worker safety in Ethiopia. These cover a range of important aspects including occupational safety and health policies; labor laws; and standards for workplace, and environmental emissions and discharges.</li> <li>MoLSA and regional BoLSAs are responsible to ensure the health and safety of workers and the public.</li> <li>Enforcement of existing health and safety requirements in the currently operational industrial parks is considered inadequate, primarily due to insufficient capacity and absence of federal labor and social affairs at the OSSs.</li> <li>Prevalence of a generally weak enforcement or lack of inspection/supervision on safety management in many economic sectors including SMEs by MoLSA and regional BoLSAs.</li> <li>There is general lack of awareness on public safety and health issues, particularly in relation to exposure to hazardous chemicals; workplace safety aspects in hazard prone areas, and so on.</li> <li>Limited capacity of implementing agencies such as the EIC, ARRA, and IPDC to follow up achievements and identify constraints on OHS aspects of Program operations.</li> <li>The national EIA system does not comprehensively encompass aspects of public and worker safety.</li> <li>There are laws to ensure building construction sites are safe to workers and users.</li> <li>Women and children may suffer additional vulnerabilities due to the lack of on-site housing and childcare as well as insufficient reporting on safety.</li> </ul>	<p><b>Areas for strengthening and mitigation</b></p> <ul style="list-style-type: none"> <li>Improve enforcement capacity of OHS regulatory agencies to protect public and workers' safety at large.</li> <li>Need to strengthen MoLSA to carry out regular OHS enforcement and inspection activities in the industrial parks by curbing its shortage of manpower and budget.</li> <li>Need to build the capacity of MoLSA and BoLSAs to inspect working conditions in different workplaces where Ethiopian and refugees take up economic opportunities to enforce occupational safety and acceptable work environment/condition standards.</li> <li>Need to improve the capacity of the federal and regional labor and social affairs offices by providing inspection equipment.</li> <li>Need to provide capacity building for the EIC, ARRA, and IPDC on general principles, procedures, and requirements of OHS.</li> <li>Need to initiate a system for regular OHS monitoring and inspection for timely prevention and remedial actions.</li> <li>Need to incorporate health and safety consideration into contract agreements.</li> <li>Need to consult with local administrations to handle the question of adequate workers' housing (including provisions for their families and related public services).</li> </ul>
<p><b>Risks:</b></p> <ul style="list-style-type: none"> <li>Inability to ensure public and worker safety can result in avoidable accidents and fatalities leading to loss of productive days and life. Given the sheer number of jobs, the EOP aims to support, <b>these risks are deemed to be moderate to significant</b>. Such risks could be mitigated through concerted enforcement and inspection actions of the OHS regulatory bodies and compliance of employers.</li> </ul>	

- Given that the project target may induce labor and refugee migration, meeting the current challenges of provision of adequate housing in industrial park areas, the risk of inadequate housing for laborers and their families is substantial. This may also result in ghettoization with respective consequences (see Core Principle 6).
- Potential of gender-specific violence is high, due to the close proximity of male and female workers with limited protections. Women may face harassment, abuse, and/or rape due to lack of onsite safety measures, including in terms of housing, childcare, and transportation.

## 7.5 Core Principle 4: Land Acquisition

**OP 9.00:** Land acquisition and loss of access to natural resources are managed in a way that avoids or minimizes displacement, and affected people are assisted in improving, or at least restoring, their livelihoods and living standards.

**BP 9.00:**

As relevant, the Program to be supported:

- Avoids or minimizes land acquisition and related adverse impacts;
- Identifies and addresses economic and social impacts caused by land acquisition or loss of access to natural resources, including those affecting people who may lack full legal rights to assets or resources they use or occupy;
- Provides compensation sufficient to purchase replacement assets of equivalent value and to meet any necessary transitional expenses, paid before taking of land or restricting access;
- Provides supplemental livelihood improvement or restoration measures if taking of land causes loss of income-generating opportunity (for example, loss of crop production or employment); and
- Restores or replaces public infrastructure and community services that may be adversely affected.

**Applicability:**

Some of the project operations (planning documents) or parallel PforR activities such as induced workers housing/dormitory constructions could lead to physical or economic displacements. Also, industrial parks may have legacy issues in relation to land acquisition and resettlement.

**Strengths:**

- Land acquisition, especially of individual holdings, is usually the last option when land is required for public purposes. Ethiopian peasants and pastoralists have the right not to be evicted from their landholdings (FDRE Constitution Article 40 (4), (5)). This constitutional guarantee can only be overridden for public purpose upon payment of commensurate compensation.
- Land is state-owned, and citizens have only a usufruct right over their landholding.
- A legal landholder whose holding has been expropriated is entitled to compensation at replacement cost for assets on and any permanent improvements to the land, based on the provisions of Proclamation No. 455/2005 and Regulation No. 135/2007.
- Some regional states have issued their own directives to implement these federal laws. However, as there is no sufficient budget allocated for payment of compensation, there have been complaints about the amount of compensation payments in most of the regional states.
- Compensation payment includes only lawful occupants of the land, but the lawful occupant may not necessarily mean the holder of land use right certificate. Those who customarily occupied land are eligible to get payment.

**Gaps:**

- Consultations with PAP are not conducted systematically, and GRMs are slow to resolve disputes.
- In addition to compensation issues, there is often a gap in restoring livelihoods of the PAPs where applicable.
- **Accommodation for settlers with no land titles**—Ethiopian law does not make any specific accommodation other than recognition of some land use rights.
- Lack of proper documentation of the consultation procedures

<ul style="list-style-type: none"> <li>• Replacement provisions (in-kind payment, for example, land for land) are conditional on the availability of land in the vicinity.</li> <li>• Land can be expropriated before relocation sites are ready, and forced eviction is possible after expiry of the notice period.</li> <li>• There is a dispute resolution and grievance mechanism through compensation review committees, arbitration tribunals, and the court system.</li> <li>• There is a capacity gap to manage resettlement issues and lack of standard guidelines.</li> <li>• No compensation is available in the event of land acquired from communally used areas (that is, pastoralist areas).</li> </ul>
<p><b>Actions:</b></p> <ul style="list-style-type: none"> <li>• If applicable, existing procedures need to be strengthened to include restoration of livelihoods of PAP. This could be done by coordinating with other schemes of the government at the city or district level that focuses on income restoration.</li> <li>• Affected communities should be consulted and such consultations documented.</li> <li>• Compensation and the provision of relocation assistance, transitional support, and civic infrastructure need to be completed before the start of civil works, construction, or activities (if any).</li> <li>• High-risk groups such as women, children, the elderly, ethnic minorities, indigenous people, the landless, and those living under the poverty line should receive special consideration to ensure that they can maintain at least the same standard of living if displacement takes place.</li> </ul>
<p><b>Risks:</b></p> <ul style="list-style-type: none"> <li>• The risk results here from <ul style="list-style-type: none"> <li>○ Legacy issues in case of inadequate land management during the construction of industrial parks (see CP1) and</li> <li>○ Potential future housing projects to accommodate workers (see CP3).</li> </ul> </li> <li>• Due to overall weakness on land acquisition processes in conjunction with the sensitivity of the Program, such a risk must be considered substantial.</li> </ul>

## 7.6 Core Principle 5: Indigenous<sup>13</sup> Peoples and Vulnerable Groups

<p><b>Core Principle 5-Vulnerable Groups</b></p> <p><b>OP 9.00:</b> Due consideration is given to the cultural appropriateness of, and equitable access to, Program benefits, giving special attention to the rights and interests of indigenous peoples and to the needs or concerns of vulnerable groups.</p>
<p><b>BP 9.00:</b></p> <p>As relevant, the Program to be supported</p> <ul style="list-style-type: none"> <li>• Requires free, prior, and informed consultations if indigenous peoples are potentially affected (positively or negatively) to determine whether there is broad community support for the Program;</li> <li>• Ensures that indigenous peoples can participate in devising opportunities to benefit from exploitation of customary resources or indigenous knowledge, the latter (indigenous knowledge) to include the consent of the indigenous peoples; and</li> <li>• Gives attention to groups vulnerable to hardship or disadvantage, including as relevant the poor, the disabled, women and children, the elderly, or vulnerable ethnic groups. If necessary, special measures are taken to promote equitable access to Program benefits.</li> </ul>
<p><b>Applicability:</b></p> <p>There are people who are vulnerable and underserved who will need special assistance in the Program. This applies above all to refugees as noted above.</p>
<p><b>System strength:</b></p> <ul style="list-style-type: none"> <li>• The Constitution recognizes the existence of many ethnic groups, including historically disadvantaged and vulnerable groups, as well as the right to their identity, culture, language, customary livelihoods, socioeconomic equity, and justice.</li> </ul>

<sup>13</sup> On the usage of the term and concept in Ethiopia, see remark above.

- The Constitution provides (Article 50 [4]) that: “adequate power shall be granted to the lowest units of government to enable the people to participate directly in the administration of such units.” Devolution of decision-making powers to the lowest units of government (woreda and kebele levels) encourages the management and coordination of provision of basic services in their areas.
- Establishment of a federal special support board consisting of sector ministries under the PMO to ensure better coordinated cross-sector affirmative support to the four regions that need special attention
- Twinning each of the four DRS requiring special attention with better performing regions

**Gaps:**

- The GoE’s attempts at resettlement and commercial development in the DRS are still faced with limited success.
- Working conditions that will lead to risks of sexual harassment
- Inclusion of vulnerable groups and meaningful consultation and documentation
- Provision of special support and consideration
- Accessible GRM for underserved people and vulnerable groups
- Provisions for refugees integrating into the national society (core of this Program)

**Actions:**

- Application of procedures for equitable and fair treatment of vulnerable and underserved groups. Projects/programs supported by the Program need to be designed and implemented such that both women and men, including the ones in host communities, and refugees in host communities and camps, (a) are able to participate fully and equitably, (b) receive comparable social and economic benefits, and (c) do not suffer disproportionate adverse effects during the development process. Also, the project will emphasize the need to consult with these communities. Some of the relevant measures include the following:
  - Provision of women-friendly enabling environment (safe transportation, stipends to cover childcare)
  - Develop a GBV strategy to prevent and respond on the issue as part of environmental and social guidelines
  - Establish a workers’ center at the industrial parks (legal advisers on workers’ rights, grievance centers, operational health and safety measures, harassment hotline) for prevention and timely response to incidents and accidents
  - Effective use of women groups, youth groups, and other community forums to facilitate community conversations in targeting special groups such as women, traditional leaders, and other vulnerable groups
  - Ensure that women’s groups and women in the community are adequately represented in the arrangements for the provision of compensation. GRM officers/focal persons at the district level should be provided with training on working with illiterate and vulnerable community members to ensure that their grievances are documented and addressed in culturally appropriate manner, to build confidence in the GRM system, and to post and publicize examples of successful GRM cases so that citizens become aware that the system is working.
  - Awareness raising on the GRM to the community and workers; there is a need to create awareness in most vulnerable communities about the procedures for accessing the GRM, understanding how the GRM functions, timelines, and so on.
  - Have a communication strategy in place that also covers vulnerable and underserved groups
  - Build capacity for identifying vulnerable groups and application of procedures for equitable treatment of such groups—EIC and ARRA—should also include in its policies and procedural manuals to ensure equitable treatment of vulnerable groups who may be affected by the Program and to guide screening to detect the presence of vulnerable groups and measures for consultation and participation
  - Orientation of workers on their rights and responsibilities
  - Ensure functioning protection institutions for refugees on the local level (eventually in cooperation with international organizations/NGOs involved in the overall Jobs Compact)
  - Ensure Program benefits do no harm in the DRS through inadvertently empowering certain tribal or ethnic groups over others

**Risks:**

- Inability to improve the inclusion of vulnerable and underserved groups. The design will consider concerns of vulnerable groups and underserved people; as a minimum access condition for the local government, these risks are deemed to be moderate to substantial. An appropriate level of consultation with underserved and vulnerable communities and application of procedures for equitable treatment of the same shall be part of risk management action.
- High risk of increased resource pressure (including inflation) in industrial park towns may disproportionately hit vulnerable groups.
- Risks for children of migrant workers are considered high and need to be addressed (GBV, trafficking, inadequate basic services, and so on).
- Equally, risks for female workers are high, especially for female migrant workers (GBV and trafficking).
- Missing treatment for traumatized refugees may lead to individual hardship, reduced economic productivity, and social disruptions. This risk is also considered high.
- Disrupted social networks due to migration may lead to increased vulnerability. This risk is considered substantial.

**7.7 Core Principle 6: Social Conflict**

Avoid exacerbating social conflict, especially in fragile states, post-conflict areas, or areas subject to territorial disputes

Consider conflict risks, including distributional equity and cultural sensitivities

**Applicability:**

The Program is designed to yield significant social benefits to all citizens and to improve distributional equity. There is, however, a strong possibility of social conflict between target refugees to be employed (influx of refugees) and host communities. Social tensions due to political tension can significantly affect the capacity of the Program to deliver services.

**Strength**

- The program is designed to yield significant social benefits to citizens.

**Areas for strengthening and mitigation:**

- The Program will need a clear and proactive communication strategy to get involved in the sensitive discourse related to it.
- The established GRM must be accessible and inclusive to ensure its functioning
- Expected issues between refugees need proactive engagement, as the GRM may be too slow to address social conflicts resulting from migrant-host community issues, potentially escalating within hours. Thus, NRCs shall be established in all areas where a large number of refugees will move in. Establishment of NRCs have been included as part of DLI 6; these shall include an equal number of representatives of host community members and refugees with sufficient resourcing to implement (a) local risk management interventions, (b) an established activity plan, and (c) regular meetings to address mutual concerns. Advice shall be sought from the DRDIP. Further, involved international stakeholders (UNHCR/NGOs) shall be included in the process.

**Risks:**

As noted earlier, the migration of refugees is a sensitive issue, resulting in the following risks:

- Social conflicts between refugees and host communities can erupt due to resource pressure and cultural animosities. This is a high risk.
- The risk of violent conflicts between refugees and host communities following unaddressed social conflicts as noted in the previous paragraph is substantial, above all due to the difficulty in anticipating rapidly escalating situations.
- Risk of increased crime related to in-migration into unprepared urban centers (Ethiopians and refugees alike) is substantial.
- Security forces and intelligence services may consider some groups of refugees a threat to national security, threatening the Program target.
- Political conflicts resulting from EOP implementation in progressing times may put pressure on achieving Program results and area high risk.

## 8 RECOMMENDATIONS AND PROPOSED ACTIONS TO STRENGTHEN SYSTEM PERFORMANCE

The Ethiopian EOP ESSA identified opportunities, gaps, and risks in Ethiopia's environmental and social management system with respect to effectively addressing the environmental, social, and safety risks associated with the proposed Program. The ESSA recommendations and actions depicted here can be pursued to ensure that the opportunities identified in this assessment are built on and reinforced so that they can be relied on to deliver the results sought in the EOP objectives, particularly in the area of environmental, social, and safety assessment and management. The current gaps in the system are addressed through a set of essential but viable actions to be adopted by the GoE to strengthen the environmental, social, and safety management capacity and performance at the national, regional, and local levels. This is important to the environmental, social, and safety management systems and structures in place. The ESSA Action Plan presents the core principles associated with each action and the risks associated with not completing the action.

The main areas for action are:

- Strengthening of the environmental, social, and safety assessment systems;
- Institutional capacity enhancement measures;
- Coordination mechanisms, reporting, and disclosure procedures;
- Development of environmental and social screening guidelines and improved enforcement of the regulatory frameworks; and
- Awareness creation and resource allocations.

The analysis identified the following main areas for action to ensure that the Program interventions are aligned with Core Principles 1, 2, 3, 4, 5, and 6 of OP/BP 9.00. These will be further clarified during the ESSA consultation process and during implementation, as required. Elements of the ESSA Action Plan will be embedded into the Program Action Plan. The ESSA therefore highlighted the key recommendations described in table 10 to be taken for sound environmental, social, and safety due diligence in the Program.

### Environmental and Social Enhancement Measures

**Table 10. Strengthening Existing Environmental and Social Management Capacities in Program Implementing Agencies**

Need of Enhancement	Source/Notion for EOP Measures	Remark
Conduct annual review meeting with the Program stakeholders, World Bank, and other development partners to review progresses and results in safeguard implementation.	Overall Program Setup	
Establish and strengthen coordination and environmental and social reporting mechanism between the PCU and EOP implementing agencies (EIC, ARRA, IPDC, and MoLSA) and other sectoral institutions including environmental institutions for smooth day-to-day safeguard implementation.	Overall Program Activity	
Integrate UNHCR and other institutional stakeholders into the EOP cooperation structure to address issues of refugee protection (in line with CRRF governance structure).	Overall Program activity	



Need of Enhancement	Source/Notion for EOP Measures	Remark
<b>TA/IPF</b>		
Strengthen the capacity of federal and regional EPAs to carry out their regulatory enforcement role appropriately by providing technical and financial support.	TA IPF/ DLI 6	Trainings will be provided to respective agencies. Furthermore, strengthening of the respective institutional ESMS is included in DLI6 (setup + staffing)
Provide focused technical training on the preparation and review of the ESIA and RAP and other safeguards instruments to the technical staff of the implementing agencies and regional environmental agencies.	TA via IPF / DLI 6	Such training is initially funded by the IPF trainings and for the following years included in DLI 6
Provide capacity-building support (TA and logistics support) to the MoLSA to coordinate the broader OHS monitoring and inspection programs carried out on working conditions in different workplaces where Ethiopians and refugees take up economic opportunities for timely prevention and remedial actions.	TA IPF	MoLSA will be integrated into the TA.
Strengthen the enforcement capacity of regional- and zonal-level OHS regulatory agencies by providing technical support and training to protect public and workers safety at large.	TA IPF / DLI 3	Trainings will be provided by the TA; wider awareness through DLI3
In light of the new engagements in HSE issues during implementation of Program activities, provide awareness-raising workshops for the EIC, ARRA, and IPDC on general principles, procedures, and requirements of OHS.	TA IPF	This will be included in the TA curriculum (see above)
Conduct awareness-raising programs/workshops on national and World Bank safeguard policies and guidelines to implementing agencies (EIC, ARRA, MoLSA, MoI and IPDC) including members of the higher-level management before starting the Program.	TA via IPF (DLI 6)	WB will support the institutions during the strengthening of their ESMS as outlined in DLI 6
Have a transparent targeting system at local level that includes vulnerable groups for the matchmaking pilot.	Environmental and Social Guidelines in IPF	Respective language will also be included in the EPP contract documents
<b>DLI 3 - Better Work</b>		
Introduce the Better Work Program as planned by the project, creating decent working conditions for both refugees and Ethiopians.	DLI 3	
Train workers on their rights, life skills, and reporting on sexual abuse or harassment inflicted on them at the workplace.	DLI 3	
Assignments of skilled labor inspectors at the park (see above) and monthly monitoring and supportive supervision of factories.	DLI 3 / DLI 6	
Generate data to measure sexual harassment cases in the industrial park and outside the industrial park.	DLI 3	
Develop, notify, and implement standard operating procedures related to OHS and strengthen its implementation.	DLI 3	
<b>DLI 4 - Sustainability Studies</b>		
Proactively provide information on labor standards and environmental standards through printed materials and	DLI 4	

Need of Enhancement	Source/Notion for EOP Measures	Remark
company visits and awareness raising activities during investment climate improvement component promotion activities.		
Prepare site-specific social impact assessment and mitigation measures, cleared by the pertinent organization, for all EOP-related site-specific policy and planning documents.	DLI 4	
<b>DLI 6 - Environmental and Social System</b>		
The required environmental and social technical personnel are expected to be positioned in the key sector institution— EIC, IPDC, MoLSA and ARRA, as well as the OSSs. These include, in addition to the environment and social safeguard specialists at the national PCU in EIC and within the industrial park OSSs by EIC, focal persons for environment, social, and health and safety in the implementing agencies including ARRA, IPDC, and MoLSA that liaise with the PCU and ensure the existence of a functioning environmental, social, and safety management system in the main Program implementing agencies. Moreover, allocating sufficient financial and logistical resources as well as monitoring and review tools is vital. This includes strengthening MoLSA to carry out regular OHS enforcement and inspection activities in the industrial parks by curbing its shortage of manpower and budget as well as necessary tools (noise, air quality, dust, and so on).	DLI 6	Required for year 1 of DLI 6 as part of the ESMS system strengthening
Develop environmental and social management guidelines pursuant to national and World Bank requirements to environmental and social screening and implementation of ESIA/RAP procedures as appropriate to the envisaged EOP activities.	DLI 6	This is part of the above noted ESMS system strengthening
Ensure that Social Development and Gender focal persons are assigned and trained to follow up planning, implementation, and monitoring of gender equality and social inclusion issues (as noted above).	DLI 6	Respective detailed staffing requirements included in the verification protocol
Distribute the guidelines and train the relevant technical staffs on time for due implementation of the ESMG.	DLI 6	Part of the ESMS system setup.
Disclose Program information in a language easily understandable by locals and refugees and conduct meaningful consultations with target refugees and host communities that incorporate how the host community will share Program benefits, as a necessary part of preventing and resolving possible tensions.	DLI 6	Part of the ESMS system setup.
Setup ARRA/UNHCR (coordination to be determined) offices close to targeted industrial parks.	DLI 6	Included in DLI 6(a); details see verification protocol above
Conduct meaningful consultations with target refugees and host communities including disclosure of EOP activities, schedules, instruments, and so on.	DLI 6	Included in DLI 6(b); details see verification protocol above
Establish NRCs addressing issues between host communities and refugees.	DLI 6	Included in DLI 6(b); details see verification protocol above

Need of Enhancement	Source/Notion for EOP Measures	Remark
Initiate screening of subproject activities to be carried out by each of the Program components to be formalized through the EOP, which will be supported under the EOP.	Audit as part of DLI 6	Included in DLI 6(d); details see verification protocol above
Screen EOP addressed industrial parks for compliance with international best practice on land acquisition including consultations with local stakeholders.	DLI 6	Included in DLI 6(d); details see verification protocol above
If necessary, establish a Corrective Action Plan and implement noted actions within a reasonable time.	Audit and CAP as part of DLI 6	Included in DLI 6(d); details see verification protocol above
In case of any other EOP-related land acquisition, apply international best practice on land acquisition including RAP development, consultations with local stakeholders, compensation at replacement cost, and livelihood restoration.	Guidelines as part of DLI 6	Included in DLI 6(d); details see verification protocol above
Conduct Two-Annual Performance review and audit by third party on environment, social, and safety management on Program implementing agencies to ensure that Program component activities implemented comply with the PforR requirements of OP/BP 9.00.	DLI 6	Included in DLI 6(d); details see verification protocol above
<b>PAP</b>		
Develop communication strategy for the Program. It shall incorporate the identification of stakeholders, with content and communication channels that are culturally appropriate and context-specific; it shall ensure continuing consultations and information disclosure in a transparent, accessible, and meaningful manner. Regular sensitization and awareness workshops are required at various levels to ensure officials' and experts' commitment and knowledge on implementation of safeguards instruments over the EOP period.	PAP via EIC	Included in the PAP as outlined in the PAD
<p>Establish a GRM including:</p> <ul style="list-style-type: none"> <li>• Establishment of a first point of contact at the industrial park OSSs (MoLSA officer, see above);</li> <li>• Creation of labor affairs advisory committee consisting of employers, workers' representative, and GoE representative within industrial parks;</li> <li>• Establishment of a MoLSA-managed hotline, similar to the hotline that has been used to report child labor, to receive reports on work-related injuries or incidences and any other labor-related grievances;</li> <li>• Establish female workers' counseling focal points at the industrial parks;</li> <li>• Option of establishment of labor union branches;</li> <li>• Training for the focal persons managing the GRM and allocating the required resources;</li> <li>• Awareness raising on the workers' GRM system; and</li> <li>• Build monitoring and evaluation system to assess percentage of case resolution.</li> </ul>	PAP	Included in the PAP as outlined in the PAD
Develop and implement gender and protection strategy for vulnerable people including children and women with a focus on discrimination and GBV and related site-specific SOPs. This shall include the establishment of a women friendly environment, including a childcare center per EOP	PAP	Included in the PAP as outlined in the PAD

<b>Need of Enhancement</b>	<b>Source/Notion for EOP Measures</b>	<b>Remark</b>
addressed industrial park and a safe transportation plan for women working in industrial parks.		
Conduct awareness creation trainings on GBV, women's rights, and reporting on sexual abuse or harassment inflicted on them.	PAP	This will be integrated into the above noted PAP Gender Protection Plan

**ANNEX I: STAKEHOLDER CONSULTATION PARTICIPANTS ATTENDANCE LIST**

**Environmental and Social Systems Assessment (ESSA) for Job Compact Project (JCP)**  
**List of participants in consultation meetings with stakeholder and Program Implementing Institutions**

No	Name	Institution	Responsibility	Telephone No.	Signature
1	Aminal Aiyu	Industry minister	Environmental I	0983802416	
2	Girma Mekonnen	Industry Minister	Environmental I	0923709571	
3	Tizazu Yesset	"	Environmental I	091343954	
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5	Belay H. M. Mohamed	EIC-HIP	Manager	0916825493	
6	Belayneh Jaramo	EPFA SNNPR	Deputy	0913694949	
7	Zewdu Bedade	ARRA	Program Inpu	0947721313	
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11	Zekarias G/Aneni	Mekelle IPDC	Project Coordinator	0925758831	
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13	Kiros Hagos	BOLSA	Head of BOLSA	0914745735	
14	Berhe Fizeha	TEPLAU	Manager	0914720454	

**Environmental and Social Systems Assessment (ESSA) for Job Compact Project (JCP)**  
**List of participants in consultation meetings with stakeholder and Program Implementing Institutions**

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8	Mebratu Deffere	ETP (Bale Lemi)	Coordinator	0911 252115	
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