

<b>Integrated Safeguards Data Sheet (ISDS)</b>	
<b>Section I – Basic Information</b>	
Date ISDS Prepared/Updated: November 14, 2004	Report No.: <b>30638</b>
<b>A. Basic Project Data</b>	
<b>A.1. Project Statistics</b>	
Country: Ethiopia	Project ID: P050272
Project: Private Sector Development Capacity Building	TTL: Agata E. Pawlowska
Total project cost: US\$25.00	
Appraisal Date: November 1-12, 2004	Loan/Credit amount(\$m): IDA: 24.12, of which grant component US\$5.00
Board Date: December 21, 2004	
Other financing amounts by source:	(\$m.)
Managing Unit: AFTPS	Sector: General industry and trade sector (100%)
Lending Instruments: Specific Investment Loan	
Is this project processed under OP 8.50 (Emergency recovery)? Yes? <input type="checkbox"/> No? <input checked="" type="checkbox"/>	
Environmental Category: B	
<b>A.2. Project Objectives</b>	
<p>The key objective of the project is to facilitate increased participation of the private sector in the economy by creating conditions for improving its productivity and competitiveness. This goal will be achieved by helping accelerate the process of divestiture of public enterprises and facilitating increased private participation; improving the business environment and increasing competition and the contestability of markets; strengthening the linkages and integration of the Ethiopian economy into the global markets; strengthening support for technical and business management skills and thus improving the productivity at the firm level. The project integrates a set of complementary and mutually reinforcing activities to support enterprise needs, including a matching grant fund, tools for business schools to better train managers, and a business plan competition to catalyze innovation, and entrepreneurship. The project will also support poverty reduction strategy dialogue and implementation of policy measures agreed in the framework of the PRSC.</p> <p>The higher level objective is to facilitate increased growth and competitiveness of the Ethiopian private sector. This objective is aligned with the Bank's CAS and with the Government's commitment to stimulate PSD to attain high and sustainable level of growth needed to reduce poverty and realize the MDGs.</p>	
<b>A.3. Project Description</b>	
<p>To support the implementation of agreed policy measures under PRSC-II, as well as to build the capacity of the private sector, the PSD CB Project consists of three components:</p> <ul style="list-style-type: none"> <li>(i) Component One - Accelerating the Implementation of Privatization Program;</li> <li>(ii) Component Two - Improving the Business Environment through Implementation of Competition Policy and Accession to the WTO</li> <li>(iii) Component Three - Strengthening the International Competitiveness of the Private Sector and the Capacities of its Representative Organizations.</li> </ul>	

### ***Component One - Accelerating the Implementation of Privatization Program***

This component will assist the Government in accelerating the implementation of its Privatization Program of commercial public enterprises. The Government has recognized that its early approach to privatization needed to be revised substantially and outlined the key principles and approach to the privatization process in a Privatization Action Plan, which the PSD CB project will help implement over the next five years. The Plan is geared towards accelerating the privatization program. To achieve this objective, the Government intends to make use of a range of divestiture modalities including asset sale, concessions, leasing, joint ventures, management contracts, etc. The Government will adopt process-driven procedures in transactions using a market-oriented, open, transparent and competitive bidding process. Further, in order to address concerns of potential investors related to labor issues, the divestiture process will allow the successful bidder flexibility to restructure the labor force of the enterprise. To mitigate the social impact of possible redundancies that may result, the Government will develop and introduce an excess labor program. The details of the program (i.e., the options offered to redundant workers, that may include voluntary redundancy, retraining, counseling, early retirement, etc.), a defined formula in accordance with existing legislation, institutional arrangements, as well as a mechanism that ensures that staff benefiting from the program will not be rehired by Government, will be designed prior to the implementation of the redundancy program.

This component will provide financial and technical assistance in the following areas:

- (i) *Institutional capacity building of PPESA* – This activity will cover training of the PPESA staff and board members on specific topics such as negotiating skills and contract management. An enhanced information system, building on the systems that were in use in PESA and EPA, will also be designed and implemented.
- (ii) *Transaction advisory services to the divestiture process* – This activity will support a range of services, including: (a) transaction advisors to assist PPESA at various stages in transactions from preparation through to closing for selected larger and more complex transactions; (b) full and partial environmental impact assessments, identified as required during the environmental pre-audit and, if required, (c) capacity building for the Environmental Protection Authority.
- (iii) *Excess labor program* – This activity will assist in dealing with excess labor in public enterprises slated for privatization.<sup>1</sup> The program will be co-funded by Government and investors and will provide a package of benefits, which may comprise of voluntary redundancy, early retirement, counseling, retraining and out placement, for redundant workers. A short term consultancy will be funded to assist in the design of the program.
- (iv) *Studies*. - A short term consultancy will be funded to help design and implement a system to monitor compliance by investors with contract covenants.

### ***Component Two - Improving the Business Environment through Implementation of Competition Policy and Accession to the WTO***

This component aims at assisting the Government in the effective implementation of their competition policy, preparation for WTO accession negotiations, and long-term capacity-building for the formulation and implementation of trade and competition policy. The ultimate objectives are to maintain and encourage competition, strengthen integration in the world economy, increase

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<sup>1</sup> The US\$7 million of IDA funding earmarked for this activity is likely to be adequate only for the initial phase of the program. Should the program prove to be successful, additional funding will need to be sought.

economic efficiency and competitiveness, and promote consumer welfare. It will provide technical assistance and training in two sub-components covering competition policy and WTO accession.

*Subcomponent A – Implementation of Competition Policy*

This component will assist in the implementation of the Trade Practices Proclamation in order to ensure a level playing field, fair business practices, and greater accountability and transparency in government-business relations for all economic agents. It will consist of the following elements:

- (i) *Preparation of implementation guidelines, regulations, procedures and methods* relating to various provisions of the Proclamation including the administrative procedures for handling complaints, selecting cases, conducting investigations, gathering evidence, protecting business confidentiality, measures safeguarding the rights and obligations of parties involved in competition case matters, remedies and fines, examination of widespread anticompetitive business practices and industry specific situations, engaging in ‘competition advocacy’ and other such matters deemed necessary for the effective implementation of competition law-policy. In addition, provision for the review, evaluation, and changes to improve the Proclamation is included.
- (ii) *Staff Capacity and Institution Building* through the provision of short term visiting international experts/advisers to provide advice and materials on case specific matters, investigative techniques, evaluating evidence, and conduct staff training workshops and public information dissemination programs. Also staff participation in short-medium term educational programs-courses, internships at cooperating counterpart competition agencies, workshops, etc.
- (iii) *Materials.* A limited amount of supplies will be provided to ensure that staff in the Competition Commission-Secretariat and MOTI have the material support necessary to do their jobs.

*Subcomponent B – Support to WTO Accession*

The project will help the government prepare for negotiations on WTO accession by supplementing other bilateral assistance and coordinating closely with other donors and international agencies involved in the process. It will consist of the following elements:

- (i) *Analytical studies* of the different policy options open to the government as it considers the degree and pace of liberalization that it is prepared to offer in various sectors. These will assess the likely economic impact of reform drawing on international experience but based on the specificities of the Ethiopian economy. The studies will include detailed treatment of the appropriate regulatory framework required for successful liberalization and assess the current state of play in Ethiopia.
- (ii) *Short-term advisors* to help in the preparation of responses to questions from WTO members, the elaboration of negotiating positions, and the delivery of workshops.
- (iii) *Training.* In addition to dissemination workshops for all studies, various seminars will be conducted for the private sector, civil society and parliament, in Addis and the provincial capitals, in order to improve public awareness of the objectives, issues and challenges involved in WTO accession.
- (iv) *Materials and workshops.* A limited amount of materials and documentation will be provided to ensure that staff in MOTI and one or two other key government ministries have the material support necessary to do their jobs.

***Component Three - Strengthening the International Competitiveness of the Private Sector and the Capacities of its Representative Organizations***

This component will help strengthen human and institutional capacity of the private sector. It includes three complementary and mutually reinforcing sub-components for which the PSD CB project will provide financial and technical assistance:

- (i) *BIZCAP* – aimed at building international competitiveness within private firms, and at building the capacity of private business and professional associations and of chambers to better serve their members.
- (ii) *BIZPLAN* – Business Plan Competition aimed to support and grow private small and medium enterprises (SMEs) in Ethiopia.
- (iii) *SCHOOLCAP* – Global Business School Network aimed to strengthen the institutional capacity of the Faculty of Business and Economics at the Addis Ababa University.

***Subcomponent A – BIZCAP***

This sub-component consists of two “windows.” *FIRMCAP*, which focuses on building the international competitiveness of Ethiopian private firms, so that they can compete in both domestic and international markets. The proposed basic delivery mechanism is a Matching Grant Scheme (MGS) where an individual firm will finance an agreed proportion of the costs of training and/or technical assistance it desires. *FIRMCAP* will build on long World Bank experience of operating similar MGS schemes in many developing countries. Three types of activities will be carried out within *FIRMCAP*: (i) pro-active promotion to firms of the benefits of using business development services, in order to build competitiveness; (ii) free, on-going hand-holding and advice in preparing their requests for grant funding; and finally (iii) the grants themselves including approving requests on the basis of compliance with clear eligibility criteria, and monitoring implementation of supported activities.

The MGS concept is different from most traditional approaches to helping firms as the scheme is deliberately temporary. The main “institution-building” achieved will be within each individual firm. The grants will decline over time, so as to reduce the risk of a “grant culture” being developed. The help given is deliberately partial. The firm must make a meaningful contribution to costs. Experience shows that this is essential to ensure real commitment and ownership. In return, however, it is the firm and not the scheme that decides on activities to be supported and that selects the service provider. The firms self-select, and are supported on first-come, first-serve basis. Also, the firm will reveal to the responsible MGS management unit its detailed and confidential competitiveness-building plans. To assure this, management arrangements are designed to ensure, so far as possible, that firms will have full confidence that commercial confidentiality will be maintained.

*ASCAP* will provide support to private sector entities such as business and professional associations and chambers of commerce, so as to improve their advocacy capabilities, expand membership, and where appropriate, regulate professional codes of practice. It operates under most of the same principles as apply to *FIRMCAP*. It aims at encouraging the use of outside expertise and of travel, to build capacity within associations and chambers.

***Subcomponent B – SCHOOLCAP***

This sub-component will build on the IFC initiative called the Global Business School Network (GBSN) started in 2002 to strengthen the institutional capacity of Business Schools in developing

countries. SCHOOLCAP will improve the capacity of the Faculty of Business and Economics at the Addis Ababa University which is the only institution in Ethiopia that awards graduate degrees in management and finance. Taking into account the composition of students obtaining their degrees at the Faculty of Business and Economics (FBE) at the Addis Ababa University, building their capacity will impact the private sector throughout Ethiopia.

SCHOOLCAP will upgrade the program curriculum as well as the resources required to implement the revision. In addition to other courses designed for the new curriculum, courses will be designed in the areas of competition policy and WTO accession. This sub-component will also include an annual training to transfer skills to the other business schools as well as a regular publication both to communicate new knowledge and record the development of business education in Ethiopia.

*Subcomponent C – BIZPLAN*

BIZPLAN, or Business Plan Competition, will assist GOE's efforts to support and grow private small and medium enterprises (SMEs) in Ethiopia. BIZPLAN Competitions have proved to be an excellent vehicle to identify and support promising small-scale projects in other countries. Ethiopian BIZPLAN aims to provide technical and financial assistance to Ethiopian SMEs thus enabling these entrepreneurs to strengthen their skills and increase the availability and quality of services, both financial and technical assistance, to them. By engaging the private banks, BIZPLAN will also strengthen and develop their institutional capacity to provide better services, financial and non-financial, to the private sector.

The Ethiopian BIZPLAN will promote competition among entrepreneurs for new and pioneering ideas aimed at increasing efficiency and productivity, and demonstrate to Ethiopian banks that lending to SMEs is an attractive and viable business line. Finalists of the BIZPLAN will receive technical assistance (TA) from the competition organizer and winners of the BIZPLAN will receive a financial award (credit from the private banks participating in the scheme). The TA and finance combination is designed to address the two main constraints to entrepreneurship growth. The process of identifying the winners is open, transparent, and highly visible, making it attractive for the participants to put their best ideas forward and for the organizers/sponsors to highlight key issues and priorities.

A.4. Project Location and salient physical characteristics relevant to the safeguard analysis:

Project location – Ethiopia – nationwide as the enterprises are located across the country.  
Salient physical characteristics relevant to the safeguard analysis – See the results of the environmental pre-audit as described below.

***B. Check Environmental Category*** A [ ], B [X], C [ ], FI [ ]

*Comments:* Environmental Category: B (Partial Assessment)

Experience has shown that successful privatization of industrial enterprises is intertwined with qualitative and quantitative assessment of the past, current, and future environmental, health, and safety issues. Moving PEs from the public domain to the private sector is not neutral in environmental terms as it raises the issue of responsibility for environmental impacts from past and ongoing operations as well as the broader concerns of environmental management. Such evaluation is also important for a potential buyer for whom a major issue is the associated environmental liability that results from a PE's purchase. Increasingly, financial institutions, as part of loan transactions, are also requiring evaluation of potential environmental liabilities associated with purchase. Thus, evaluation of environmental issues related to PEs is crucial. If the environmental

aspects are appropriately addressed, the reforms may produce positive environmental effects, such as, increased efficiency in the use of natural resources and more rapid adoption of cleaner technologies.

In Ethiopia, many of the 126 privatization candidates, particularly in certain industries, may leave behind significant environmental risks or have already caused serious impacts from their production and waste handling practices. The project recognized these facts and during preparation an environmental pre-audit was undertaken that: (i) measured the environmental and social conditions, for both past and on-going activities, of the selected enterprises against the risk of being held responsible for damage; (ii) determined the need for remedial actions necessary to bring a given enterprise into compliance with national and Bank safeguard policies prior to privatization; and (iii) formulated recommendations for partial and full audits for each facility or site, as applicable, and suggest a framework for subsequent audits.

As a result of the study, 24 PEs will require full environmental audits (EAs) and remediation plans; 72 PEs will require partial audits; 44 will require no audits.

***C. Safeguard Policies Triggered***

	Yes	No
<a href="#">Environmental Assessment</a> (OP/BP/GP 4.01)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<a href="#">Natural Habitats</a> (OP/BP 4.04)	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<a href="#">Pest Management</a> (OP 4.09)	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<a href="#">Cultural Property</a> (draft OP 4.11 - <a href="#">OPN 11.03-</a> )	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<a href="#">Involuntary Resettlement</a> (OP/BP 4.12)	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<a href="#">Indigenous Peoples</a> (OD 4.20)	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<a href="#">Forests</a> (OP/BP 4.36)	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<a href="#">Safety of Dams</a> (OP/BP 4.37)	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<a href="#">Projects in Disputed Areas</a> (OP/BP/GP 7.60)*	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<a href="#">Projects on International Waterways</a> (OP/BP/GP 7.50)	<input type="checkbox"/>	<input checked="" type="checkbox"/>

\* By supporting the proposed project, the Bank does not intend to prejudice the final determination of the parties' claims on the disputed areas

## **Section II – Key Safeguard Issues and Their Management**

### ***D. Summary of Key Safeguard Issues.***

D.1. Describe any safeguard issues and impacts associated with the proposed project. Identify and describe any potential large scale, significant and/or irreversible impacts.

As a result of The Environmental Pre-audit, 24 PEs will require full environmental audits (EAs) and remediation plans; 72 PEs will require partial audits; 44 will require no audits. Detailed EAs will be conducted as part of the transaction process for these PEs and prior to their divestiture, with funding provided by the project. When such audits are undertaken as part of privatization transaction, they will be reviewed and cleared by IDA. There are no potential irreversible impacts.

D.2 Describe any potential indirect and/or long term impacts due to anticipated future activities in the project area.

N/A

D.3. Describe the treatment of alternatives (if relevant)

N/A

D.4. Describe measures taken by the borrower to address safeguard issues. Provide an assessment of borrower capacity to plan and implement the measures described.

As a result of The Environmental Pre-audit, 24 PEs will require full environmental audits (EAs) and remediation plans; 72 PEs will require partial audits; 44 will require no audits. The approached adopted has been to agree with the Government on a specific set of guidelines for conducting EA but to defer conducting the EAs as part of the transaction process for these PEs and prior to their divestiture, with funding provided by the project. The list of privatization candidates for which environmental audits would be undertaken was agreed and is included in Annex 10, PAD. When such audits are undertaken as part of privatization transaction, they will be reviewed and cleared by IDA.

The Environmental Pre-audit has also assessed the institutional and legislative support for conducting environmental audits as well as for monitoring and enforcement of environmental management in Ethiopia. The Federal Environmental Protection Authority (FEPA) has the responsibility for overall management of Ethiopia's environment. The Authority, since its inception in 1995, has been continuously improving the environmental management initiatives.<sup>2</sup> However, extensive work is still required to develop and refine the specific EHS guidelines and regulations to accommodate the different sectors; methodologies for monitoring waste and toxic products in industrial effluents; standards for monitoring environmental parameters. The institutional set-up of the FEPA should also be strengthened to enable it to conduct high quality EAs and adequately monitor and enforce adherence to the national environmental standards and regulations. Recognizing these needs, the project will also provide funding for strengthening of capacities of the FEPA.

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<sup>2</sup> For instance, environmental management is gradually being integrated into the national policies for development in Ethiopia as outlined in the "Provisional Standards for Industrial Pollution Control in Ethiopia" (2003).





<b>Section III – Compliance Monitoring Indicators at the Corporate Level (To be filled in when the ISDS is finalized by the project decision meeting)</b>		
<b><i>OP/BP 4.01 - Environment Assessment:</i></b>	<u>Yes</u>	<u>No</u>
Does the project require a stand-alone EA (including EMP) report?	X	
	Pre-audit report	
If yes, then did the Regional Environment Unit review and approve the EA report?		X
Are the cost and the accountabilities for the EMP incorporated in the credit/loan?		X
<b><i>OP/BP 4.04 - Natural Habitats:</i></b>	<u>Yes</u>	<u>No</u>
Would the project result in any significant conversion or degradation of critical natural habitats?		X
If the project would result in significant conversion or degradation of other (non-critical) natural habitats, does the project include mitigation measures acceptable to the Bank?		X
<b><i>OP 4.09 - Pest Management:</i></b>	<u>Yes</u>	<u>No</u>
Does the EA adequately address the pest management issues?		X
Is a separate PMP required?		X
If yes, are PMP requirements included in project design?		X
<b><i>Draft OP 4.11 (OPN 11.03) - Cultural Property:</i></b>	<u>Yes</u>	<u>No</u>
Does the EA include adequate measures?		X
Does the credit/loan incorporate mechanisms to mitigate the potential adverse impacts on physical cultural resources?		X
<b><i>OD 4.20 - Indigenous Peoples:</i></b>	<u>Yes</u>	<u>No</u>
Has a separate indigenous people development plan been prepared in consultation with the Indigenous People?		X
If yes, then did the Regional Social Development Unit review and approve the plan?		X
If the whole project is designed to benefit IP, has the design been reviewed and approved by the Regional Social Development Unit?		X
<b><i>OP/BP 4.12 - Involuntary Resettlement:</i></b>	<u>Yes</u>	<u>No</u>
Has a resettlement action plan, policy framework or policy process been prepared?		X
If yes, then did the Regional Social Development Unit review and approve the plan / policy framework / policy process?		X
<b><i>OP/BP 4.36 – Forests:</i></b>	<u>Yes</u>	<u>No</u>
Has the sector-wide analysis of policy and institutional issues and constraints been carried out?		X
Does the project design include satisfactory measures to overcome these constraints?		X
Does the project finance commercial harvesting, and if so, does it include provisions for certification system?		X
<b><i>OP/BP 4.37 - Safety of Dams:</i></b>	<u>Yes</u>	<u>No</u>
Have dam safety plans been prepared?		X
Have the TORs as well as composition for the independent Panel of Experts (POE) been reviewed and approved by the Bank?		X
Has an Emergency Preparedness Plan (EPP) been prepared and		X

arrangements been made for public awareness and training?		
<b>OP 7.50 - Projects on International Waterways:</b>	<u>Yes</u>	<u>No</u>
Have the other riparians been notified of the project?		X
If the project falls under one of the exceptions to the notification requirement, then has this been cleared with the Legal Department, and the memo to the RVP prepared and sent?		X
What are the reasons for the exception?		X
Please explain:		X
Has the RVP approved such an exception?		X
<b>OP 7.60 - Projects in Disputed Areas:</b>	<u>Yes</u>	<u>No</u>
Has the memo conveying all pertinent information on the international aspects of the project, including the procedures to be followed, and the recommendations for dealing with the issue, been prepared, cleared with the Legal Department and sent to the RVP?		X
Does the PAD/MOP include the standard disclaimer referred to in the OP?		X
<b>BP 17.50 - Public Disclosure:</b>	<u>Yes</u>	<u>No</u>
Have relevant safeguard policies documents been sent to the World Bank's Infoshop?		
Have relevant documents been disclosed in-country in a public place in a form and language that are understandable and accessible to project-affected groups and local NGOs?		
<b>All Safeguard Policies:</b>	<u>Yes</u>	<u>No</u>
Have satisfactory calendar, budget and clear institutional responsibilities been prepared for the implementation of the safeguard measures?	X	
Have safeguard measures costs been included in project cost?	X	
	TDB in detailed EAs	
Will the safeguard measures costs be funded as part of project implementation?	X	
Does the Monitoring and Evaluation system of the project include the monitoring of safeguard impacts and measures?	X	
Have satisfactory implementation arrangements been agreed with the borrower and the same been adequately reflected in the project legal documents?		
<i>Signed and submitted by:</i>	<u>Name</u>	<u>Date</u>
Task Team Leader:	Agata E. Pawlowska	14 Nov 2004
Project Safeguards Specialist 1:	Amadou Konare	
<i>Approved by:</i>	<u>Name</u>	<u>Date</u>
Regional Safeguards Coordinator:	Thomas E. Walton	
Comments:		
Sector Manager:	Demba Ba	
Comments:		