COMBINED PROJECT INFORMATION DOCUMENTS / INTEGRATED SAFEGUARDS DATA SHEET (PID/ISDS) APPRAISAL STAGE

Report No.: PIDISDSA19897

Date Prepared/Updated: 24-Jan-2017

I. BASIC INFORMATION

A. Basic Project Data

Country:	Ethiopia	**Project ID:**	P156590
		Parent Project ID (if any):	
Project Name:	Ethiopia Trade Logistics Project (P156590)		
Region:	AFRICA		
Estimated Appraisal Date:	19-Jan-2017	**Estimated Board Date:**	03-Apr-2017
Practice Area (Lead):	Trade & Competitiveness	**Lending Instrument:**	Investment Project Financing
Borrower(s):	Federal Ministry of Finance and Economic Cooperation, Federal Democratic Republic of Ethiopia		
Implementing Agency:	Ethiopian Maritime Affairs Authority		

Financing (in USD Million)

Financing Source	Amount
BORROWER/RECIPIENT	0.00
International Development Association (IDA)	150.00
Total Project Cost	150.00

Environmental Category:	B - Partial Assessment
Appraisal Review Decision (from Decision Note):	The review did authorize the team to appraise and negotiate
Other Decision:	
Is this a Repeater project?	No

B. Introduction and Context

Country Context

A. Country Context

1. Ethiopia has experienced rapid and stable economic growth over the past decade. From 2004 and 2014, real GDP growth averaged 10.9 percent per annum. This is the fastest growth that the country has experienced and is considerably above the average achieved by low-income and Sub-Saharan African countries during this period. Recent growth was also noticeably stable, as the country avoided the volatility brought by spells of drought and conflict which plagued growth in the past.

2. There has been a significant reduction in poverty. Over the decade from 2004 to 2014 real GDP per capita increased on average by 7 percent per year. This propelled the country from being the 2nd poorest in the world in 2000 to the 11th poorest in 2014. Poverty declined substantially from 55.3 percent in 2000 to 33.5 percent in 2011, according to the international poverty line of US $1.90. There has also been significant improvement in nutrition, health, education, and access to services. Despite rapid growth, Ethiopia remained one of the most equal countries in the world with a Gini coefficient of consumption of 0.30 in 2011. However, the poorest 15 percent of the population experienced a decline in well-being during 2005-11 mainly as a result of higher food prices.

3. The sustained economic growth was driven primarily by structural improvements in the economy, as resources moved from low to higher productivity activities, supported by a conducive external environment. International trade has been very dynamic with exports increasing more than five-fold between 2000 and 2015 in nominal terms, while volumes increased by a magnitude of four, reflecting a positive commodity price effect. Imports increased by a factor of 8 over the same period. While the government has recently laid out ambitious plans to maintain this growth performance and for Ethiopia to become a middle-income country by 2025, the global external environment has become less conducive, faltering export performance has become a key policy concern and the country is facing the challenge of dealing with the current drought.

4. The government➢(s plan to sustain growth has a strong focus on manufacturing and export diversification. The Government➢(s broad economic strategy is laid out in the second phase of The Growth and Transformation Plan (GTP-II), which seeks to provide the framework to achieve growth rates of at least 10 percent per annum up to 2025. The plan has a strong focus on making Ethiopia a manufacturing hub in Africa - primarily through the expansion of light manufacturing, including textile and apparel, leather goods and processed agricultural products. Specific goals include: (i) creating 2 million jobs in medium and large businesses by 2025, (ii) increasing the contribution of manufacturing to overall GDP from the current level of 4% to 18-20%, (iii) ensuring that the manufacturing sector contributes 40% of exports by 2025. In this regard, the GoE➢(s three main tools are targeted manufacturing investment, development of industrial parks and provision of quality infrastructure in logistics, and skills development.

5. To support fast economic growth, the GoE upgraded economic infrastructure. Under GTP I, a series of investment programs in energy, transport (road and rail) and telecommunication were undertaken. Significant power generation capacity was constructed, as were complementary investments in sub-stations, power transmission and distribution to carry power to users. Rail corridors have been constructed, linking local and regional markets and through regional ports connecting Ethiopia to global markets. The road network was increased and, in particular, all-weather roads were constructed, thereby reducing the average time taken to reach the nearest all

weather roads to 1.8 hours. Major investment was also made in telecommunications to improve service quality, expand service coverage and to enhance institutional capacity. Under GTP II the government is giving special consideration to infrastructure development that helps in attracting investment, creates market opportunities, enhances competitiveness and boosts regional economic integration, namely road, railway, dry port, air transport, energy, telecommunication, water and irrigation schemes.

6. The Ethiopia-Djibouti corridor is the key conduit for trade. Since the independence of Eritrea in 1993, Ethiopia has been a land-locked country; a key factor shaping the external environment in which Ethiopia exports and imports. The Ethiopia-Djibouti Corridor linking Ethiopia to the Port of Djibouti is now t he dominant gateway for the country with over 95% of Ethiopia➢(s imports and exports using this route. Currently very small volumes of Ethiopian traffic are using the other ports in the region; Port Sudan, Berbera and Mombasa. Recent investments in road and rail along the Djibouti corridor have the potential to significantly reduce transport costs and time and are a key element encouraging greater interest from investors in opportunities to develop manufacturing export capabilities in Ethiopia. With projections that imports and exports will more than double under GTP II by 2020 (relative to the base of 2012) the performance of this corridor will be of paramount importance. This has been recognized by the government which is paying special attention to logistics performance and has developed a National Logistics Strategy.

Sectoral and institutional Context

Sectoral and Institutional Context

8. Trade will play a key role in achieving the objectives of GTP-II and in driving sustained poverty reduction in Ethiopia. Abundant low-cost labor provides Ethiopia with a comparative advantage in less skilled, labor intensive sectors such as light manufacturing. Previous analysis suggests that factory floor costs in Ethiopia in products such as garments, footwear and other leather products and processed food are lower than those in China and India. These competitive advantages are complemented by the tariff preferences that Ethiopia enjoys in key markets such as the US and EU. However, studies conclude that the potential to export such products is constrained by a number of key supply side factors. This lack of competitiveness is reflected in the fact that despite the advantages of low labor costs the unit value of Ethiopia➢(s exports of light manufacturing products at the point of export are considerably higher than those of China and competitor countries elsewhere in the world. For detailed products categories such as knitted or crocheted dresses of cotton that are exported by Ethiopia the unit value in 2015 was 47 percent higher than that of China while those of Cambodia and Vietnam were 26 percent above those of China.

9. One of the key factors that has been identified as undermining international competitiveness is poor trade logistics. A number of recent reports have drawn attention to the trade logistics sector in Ethiopia as being a critical constraint to current trade flows and a bottleneck to further economic growth and development. The table below benchmarks perceptions of Ethiopia➢(s logistics performance using the Logistics Performance Index (LPI). Ethiopia➢(s logistics sector appears to be considerably behind those of competitor countries in Asia as well as certain other land-locked countries in Africa, such as Uganda. In terms of actual costs it has been calculated that for a twenty foot container of garment exports to Germany, Ethiopia➢(s logistics costs are 247% higher than those of Vietnam and 72% higher than those of Bangladesh. Other factors that have been identified as undermining competitiveness include lack of industrial land, limited access to finance and the availability, cost, and quality of inputs

10. The logistics sector in Ethiopia faces 3 key opportunities: (i) improving the efficiency with which trade traffic is processed and adapting to the new intermodal (road-rail) transport system (ii) increasing capacity to deal with the projected increase in trade in the next 15 years (trade flows are expected to more than double under GTP II) and (iii) evolving to provide a wider range of higher quality services that are demanded by modern export oriented sectors. In particular, to support export diversification, especially into manufactured goods, requires significant improvements in the quality and reliability of logistics services but also an increase in the scope of services provided to include modern facilities for warehousing and consolidation services including inventory management and order processing.

11. The trade logistics sector needs to be seen not only in the narrow context of goods transport and warehousing but also in the wider role it plays in delivering a competitive industrial base. The path to prosperity lies in reducing the costs of trade well beyond tariffs. In its effort to accelerate manufacturing growth, GoE is implementing an ambitious industrial park development program under the GTP II. The strategy hinges on attracting Foreign Direct Investment (FDI) in export-led and labor-intensive manufacturing sectors, such as garments, electronics and agro-industry. The GoE provides the land and builds the infrastructure for the industrial parks. The success of these large-scale investments will therefore depend on the connectivity of these industrial sites to different nodes along trade corridors, on the capacity of the GoE and private operators to reduce trade logistics costs along the logistics chain; as well as on the emergence of a logistics sector capable of offering the diverse and high quality services that firms in Ethiopia require if they are to integrate successfully into global value chains.

12. The government of Ethiopia has taken several steps to improve the transport infrastructure. The Government of Ethiopia through the Ethiopia Railways Corporation (ERC) recently completed the first phase of an extensive railway development program to build a modern railway network extending over 5,000 km. The priority route, and the first one to be built is a line linking Addis Ababa to the Port of Djibouti, stretching some 752 kms. in total of which 82km are in Djibouti. The line is dual track between Addis Ababa and Adama and is electrified, except for the stretch inside the port area (13km). The railway is designed to have an operational speed of 120km/hour which could in theory reduce transit time between the port and Addis Ababa to about 6 hours, compared to 3 days by road. The governments of the two countries have issued a request for proposals for a management contract for the railway ➢(which should ensure it operates at a high level of efficiency. The investment in the Addis-Djibouti railway infrastructure amounts to almost USD 3.4 Billion. ERC currently owns a fleet of 32 locomotives and close to 1,100 wagons. About 990 wagons are designed for different kinds of cargos while 110 only transport fuel. The success of this large-scale investment depends on connectivity to efficient hinterland logistics nodes to which the railway essentially serves as conveyor while the port and dry port act as valves. In addition, the operational success of the new railway depends on its ability to develop an intermodal freight business as the economics of transportation favor movements through central consolidation facilities that generate economies of scale.

13. The new railway line should have a significant economic impact through a) an ability to move large volumes of cargo in and out of the port in one movement (up to 180 TEUs or 3,500 tons of goods per train); b) potentially reducing transit time to a quarter of what it is through road transport; c) reducing the amounts of demurrage payable to shipping lines for containers; and d) reducing some of the steps needed to clear transit movements through the border between Ethiopia and Djibouti. International railway shipments can be fast and efficient especially over the distance of the Ethiopia-Djibouti Corridor but this requires carefully designed operational

practices at both ends of the line, simple transit procedures and efficient logistics facilities and services supporting the line. It is expected that the investments in rail transportation will provide significant economies of scale which results in lower transportation costs, less accidents and fewer environmental emissions.

14. The government has also invested heavily in the road network. Of particular importance for this project are the investments that have been and are being made in the road corridor to Djibouti via Galafi and the investments that will complete the road corridor to the port via Dire Dawa and Dewele. When completed, the latter will cut the distance between the Port of Djibouti and Modjo by 130 Kilometers. Important investments are also being made that will link industrial parks to the main transport corridors within Ethiopia and onward connectivity to the Port of Djibouti. For instance, the WBG financed Expressway Development Project supports the Batu (Zeway)-Arsi Negele section of the Modjo-Hawassa Development Corridor. The Expressway will provide an important and efficient link between the Hawassa Industrial Park - the largest specialized Textile and Apparel Industrial Park in Africa - to the Modjo Dry Port.

15. However, infrastructure investment on its own, though important, is not enough to reduce overall logistics costs in an economy. A significant part of the cost and time savings will come changes to the logistics system which reduce transit time on all modes of transport. The Government clearly recognizes this and as part of the export and industrialization goals, GTP II outlines specific targets for the logistics sector. These include (i) to cut the import and export transit time by a half, (ii) reduce the average dwell time of imported goods in the dry ports from 40 days to 2 days, (iii) increase the rate of local containerization of all containerizable export cargo from 7% in 2014 to 100% in 2025, (iv) reduce the number of documents required for export/import from 10 to 4.

16. To manage the achievement of these objectives the Government, through the Ethiopian Maritime Affairs Authority has finalized a National Freight Logistics Strategy (NFLS) for Ethiopia. The strategy document provides an assessment of the Ethiopia➢(s logistics sector, identifies the main logistics impediments and provides key recommendations to transform the sector. The NFLS outlines key strategies along with corresponding interventions for implementation in five areas: (1) improving logistics service offerings, (2) improving trade finance, production and the distribution network, (3) improving and developing trade logistics facilities and infrastructure, (4) Implement an efficient transit and trade facilitation, and (5) Set up effective logistics governance. GoE has also created a high level governance structure to implement the NFLS in an integrated and coordinate manner. At the highest level, the logistics sector is overseen by Ethiopia National Logistics Council (ENALCO), which is supported by a Logistics Transformation Office (LTO) housed within the Ethiopian Maritime Affairs Authority.

17. While Ethiopia is seeking to reduce its dependence on a single corridor, the immediate focus for logistics improvements is the corridor to Djibouti. The corridor now handles more than 90% of Ethiopia➢(s trade; more than 11 million tons in 2015. For the Port itself traffic originating from, or destined to, Ethiopia accounts for more than 80% of all Port traffic. The key link is to Addis Ababa and the surrounding area where about 90% of inbound containers are processed at the Modjo dry port.

18. With significant investment undertaken or planned in the key links along the corridor attention is now focusing on inefficiencies at the key logistics nodes and in the regulatory and policy

framework. Usually the logistics industry develops through hubs, which are clusters of logistics activities. Efficient hubs are characterized by high service levels and low costs. Such hubs are crucial for consolidating/distributing small flows to achieve the critical masses necessary to reap the benefits of economies of scale that are crucial for international competitiveness. In the logistics system that Ethiopia is developing the dry ports are the key hubs for logistics services activities. As a land-locked country, the other key nodes for Ethiopia are at the border and at the Port of Djibouti.

19. The main bottleneck on the logistics supply chain for containerized imports is currently the dry port at Modjo. The key issues are at the main nodes of the logistics supply chain for the Ethio-Djibouti corridor at the Port of Djibouti, the border crossing at Galafi, the dry ports, such as at Modjo, and distribution/consolidation centers for agricultural products. There are challenges at each of these main nodes which lead to delays, uncertainties and increased logistics costs. For inbound container traffic, the constraints are most apparent at Modjo and are manifest through long delays, significant uncertainties and unnecessary costs. Modjo regularly reaches its terminal capacity very quickly and stays crowded thereafter. For Multimodal traffic - which currently accounts for more than 85% of containerized imports, 86% of the total transport time is spent at Modjo. There are significant operational constraints at the Modjo dry port including: a) insufficient cargo handling equipment b) lack of facilities for stuffing of export containers and un-stuffing of import containers, c) lack of proper systems for the management of the facility, leading to delays in locating containers and necessitating increased moves of boxes; the port is operating without a proper TOS(Terminal Operating System) and gate system d) increased congestion around the facility due to poor traffic flow patterns and lack of parking spaces for trucks; e) Poor port security as evidenced by the absence of CCTV; and f) lack of facilities and readiness to handle inbound and outbound railway traffic when commercial operations start in early 2017. Underinvestment in facilities and equipment, poor operational procedures and control, and lack of yard management system are responsible for the excess time for truck turnarounds and for 35%-40% of the container dwell time. For bulk imports the key weakness is the lack of storage and handling facilities in Ethiopia.

20. Modjo has been identified by the Government as the key node for the emerging Ethiopian intermodal trade logistics system. Most of medium and large manufacturing firms connected to international markets are located in the surrounding areas of Addis Ababa (see Map 1 in Annex 9) and the numbers of these firms has been rising every year. It is envisaged that Modjo will play an increasingly important role as the main port in Ethiopia to facilitate the prompt evacuation of import traffic from Djibouti (bulk as well as containerized imports), be a hub for the consolidation of exports and the stuffing of export containers and become a facility providing a range of modern logistics services to support emerging manufacturing industries. A critical part of this will be the provision of logistics services for the intermodal connection between rail and road. This follows from the construction of a rail spur into the Modjo facility that is currently being completed. The Figure below shows how Modjo becomes an even more important node in the logistics system as the railway becomes the main mode of transport for international trade along the Ethio-Djibouti corridor.

21. The move to a modern logistics sector centered on Modjo also requires addressing constraints arising from the current regulatory framework. The limits on competition and the burdensome regulatory process raise costs and limit the entry of suppliers of modern logistics services. Of particular importance is the regulatory framework that will govern the operation of the Modjo

logistics facility. The key challenge is to facilitate the transformation of the dry port that is focused on customs clearance of containers to a multi-purpose multi-service logistics hub that services bulk as well as containerized traffic, that provide efficient inter-modal connectivity and provides a wide range of logistics services including warehousing, consolidation of export volumes and deconsolidation of imports, the stuffing and unstuffing of containers, packaging and so on. This will require the participation of a variety of logistics providers beyond ESLSE. In this way, Modjo is seen as a national facility whose development is to be overseen by the EMAA.

C. Proposed Development Objective(s)

Development Objective(s)

The objective of this project is to enhance the performance of the Ethio-Djibouti corridor through improvements in operational capacity, efficiency and range of logistics services at the Modjo Dry Port

Key Results

D. Project Description

Project Description
The operation seeks to tackle the different constraints that lead to high trade logistics costs in Ethiopia focusing on critical nodes along the logistics chain that need to be addressed to deliver efficient and reliable trade logistics services and ensure that the impact on competitiveness of the large-scale investments in transport infrastructure that have been made by the government is fully realized. The proposed lending instrument is Investment Project Financing (IPF) with total proposed IDA credits of USD 150 million. The project would take a holistic approach looking at removing key constraints including infrastructure, institutional, regulatory and problems of poor coordination at key nodes along the trade logistics chain in Ethiopia.

The project comprises a mix of public infrastructure at the Modjo dry port, coordinated with targeted investment in ICT and regulatory and administrative reforms that improve the efficiency and coordination of logistics facilities and services. The project will also support institutional capacity building to ensure effective implementation and sustainability.

Component Name

Component 1: Improvement of infrastructure at Modjo ($120 million)

Comments (optional)

The Modjo dry port is the key logistics node in the intermodal transport system that is being developed in Ethiopia.
The investments in infrastructure at Modjo will support the facility to achieve 3 key objectives
The proposed project will finance the expansion and upgrading of the Modjo Dry Port through investment of facilities

Component Name

Component 2: Enhancing coordination through investments in IT systems ($15 million)

Comments (optional)

Component 2: Enhancing coordination through investments in IT systems ($15 million)

The Ethiopia logistics sector is characterized by poor coordination among logistics participants, fragmented implementation of logistics policies and the provision of low quality and unreliable logistics services.
Component 2 will address specific coordination failures that limit efficiency of the dry port and constrain the flow of information between stakeholders.
Component 2A: A management information system to facilitate the provision of documents and flow of information between agencies along the corridor. ($5m)
Component 2B: Logistics terminal operation and Electronic Gate Pass system at the Modjo dry port. ($10m)

Component Name

Component 3: Regulatory and Institutional Capacity Support ($15 million)

Comments (optional)

Component 3A: Capacity Enhancement Program for the Ethiopian Maritime Affairs Authority, Ethiopian Shipping and Logistics Enterprise, Logistics Transformation Office and Ethiopia National Logistics Transformation Council ($5 million)
The efficiency with which Modjo is operated and its evolution into a modern logistics hub are determined by policy, regulatory, and capacity issues
The project will finance feasibility studies for One Stop Border Posts at Galafi and Dewele.
Component 3B: Project Management, Communication and Monitoring and Evaluation ($ 10 million)
This component would finance the activities of the Project Implementation Unit (PIU).

E. Project location and salient physical characteristics relevant to the safeguard analysis (if known)

F. Environmental and Social Safeguards Specialists

Asferachew Abate Abebe (GEN01)

Chukwudi H. Okafor (GSU07)

Samuel Lule Demsash (GENDR)

II. Implementation

Institutional and Implementation Arrangements

A. Institutional and Implementation Arrangements

The Project will be implemented by the Ministry of Transport through the Ethiopian Maritime Affairs Authority (EMAA). The EMAA is an agency of the Ministry which (established in 2007 under Proclamation No.549/2007), has been given the responsibility and authority to ensure the standards of Ethiopia➢(s dry ports, and transport logistics infrastructure. Ethiopian Shipping and Logistics Services Enterprise (ESLSE) will be a beneficiary of the project and a contributor to its annual work plan as well as implementation. However, it will not be receiving and managing funds in the project. The Ministry will establish a Project Implementation Unit (PIU) within the EMAA. The PIU will have responsibility for the implementation of the project interventions and overall day-to-day project coordination and monitoring. As such, it will be responsible for procurement and FM

work, including detailed design, bidding documents, organization of the bidding process, contract signing and management, selection of supervision agencies, construction management, and payment to contractors, preparation of withdrawal applications, completion acceptance, and preparation of project progress reports, financial accounting, editing annual and semi-annual financial reports and coordination with the auditors.

A Project Steering Committee will be set up to; (a) oversee overall implementation of the project; (b) provide policy guidance to the project; (c) ensure inter-agency coordination of the project; and (d) review and approve annual work plans and budgets. The PIU shall serve as the Secretariat of the Project Steering Committee. The Steering Committee will comprise of representatives from the main government stakeholders (Ministry of Finance and Economic Cooperation, Ministry of Transport, Ministry of Agriculture, National Bank, Ministry of Public Enterprise) and the main implementing and beneficiary agencies (EMAA, ERCA, ESLSE). The PSC will be chaired by the Minister of Transport and co-chaired by the Director General of EMAA. It will include the Deputy Director of ERCA in charge of Customs Administration, the CEO of ESLSE and other government agencies as deemed appropriate. The Committee will meet on a quarterly basis and ensure a smooth implementation and coordination on the basis of a common action framework.

A Technical Working Group will be established to support technical implementation of the project and will be chaired by a technical director from EMAA. A key role of the Working Group will be to ensure that the interests of users and other stakeholders are properly taken into account when designing interventions. The Working Group will comprise representatives of key value chains that are expected to benefit from logistics improvements including a number of manufacturing sectors and agricultural producers. The Working Group could also include a representative from women➢(s producer groups to ensure that gender issues are properly recognized and addressed in the project.

III. Safeguard Policies that might apply

Safeguard Policies	Triggered?	Explanation (Optional)
Environmental Assessment OP/BP 4.01	Yes	The proposed project will be implemented in Modjo subject to additional feasibility and detailed engineering design study. Because the project involves construction of logistics facilities such as container yards, truck parking areas, warehouse facilities, this safeguard policy is triggered. Environmental and Social Impact Assessment has been prepared for the Project. ESMP in the ESIAs as prepared will be instrumental to avoid and/or mitigate negative environmental and social impacts at implementation time The ESIA has demonstrated adequate coverage of the social dimension of the proposed project components and sites. The ESIA included, the key findings of a due diligence assessment on land acquisition matters initiated in 2015 before the project conception as well as mitigation measures.
Natural Habitats OP/ BP 4.04	No	The project is not implemented in or near natural habitats.
Forests OP/BP 4.36	No	The project does not involve or affect forests.

Pest Management OP 4.09	No	The project does not involve pest management measures.
Physical Cultural Resources OP/BP 4.11	Yes	This policy is triggered (and captured in the ESIA) given the possibility that there may be cultural assets and/or sites in the project area and on the bases of chance finds (as the project will be constructed with close proximity to towns)
Indigenous Peoples OP/BP 4.10	No	The project does not affect or involve IPs.
Involuntary Resettlement OP/BP 4.12	Yes	Project activities for Modjo will be carried out within existing locations. The client has confirmed that there are no encumbrances in the land under its management. The site for the bulk shipment facility is yet to be identified. A Rail Spur will be constructed connecting Modjo dry port and the Ethio-Djibouti railway. This is financed by the Ethiopian Shipping and Logistics Service Enterprise. But, it is an associated facility with the project. The ETLP has prepared and consulted upon an RPF as precautionary measure and is cleared by the World Bank, as the rail spur is an associated facility, EMMA/ESLSE will prepare a RAP/land acquisition plan as appropriate, before commencement of civil works. ETLP will finance feasibility studies for One Stop Border Posts at Galafi and Dewele. There will not be physical investment at the OSBP at Galafi and Dewele.
Safety of Dams OP/ BP 4.37	No	The project does not involve dams.
Projects on International Waterways OP/BP 7.50	No	The project does not involve international waterways.
Projects in Disputed Areas OP/BP 7.60	No	The project is not being implemented in any disputed areas.

IV. Key Safeguard Policy Issues and Their Management

A. Summary of Key Safeguard Issues

1. Describe any safeguard issues and impacts associated with the proposed project. Identify and describe any potential large scale, significant and/or irreversible impacts:
ETLP is Category B. The project triggered three out of the ten safeguard polices: Environmental Assessment (OP/BP 4.01), Physical Cultural Resources (OP/BP 4.11), and Involuntary Resettlement (OP/BP 4.12). Overall, the project would have positive environmental and social impacts through investments in physical infrastructure, ICT systems and support for regulatory reform to increase exports, raise incomes of producers and traders, and to generate jobs. However, Component 1: through improvement of infrastructure at Modjo, which is the key logistics node in the intermodal transport system that is being developed in Ethiopia may have limited adverse environmental and social risks. Thus, Ethiopian Maritime Affairs Authority (EMMA) has prepared

and consulted up on Environmental and Social Impact Assessment (with adequate coverage of the social dimension, including assessment of land acquisition matters in associated facility) in compliance with OP/BP 4.01 Environmental Assessment and resettlement Policy Framework in compliance with OP/BP 4.12.

Environment

The proposed project will have potential social and environmental impacts during construction and operation. The expansion of the dry port will involve construction of some facilities that would exacerbate current air pollution from dust and bring about noise pollution on adjacent communities, employees in the compound, and customers visiting the port. The impact on forest resources and other natural habitat will be very low since the current land use and land cover is dominated by cropland with some pasture land, bushland and very few tree stands. The potential impacts are largely temporary, site-specific and manageable. The major potential environmental and social impacts during operation include air pollution, noise pollution, and water pollution. There are also specific occupational safety and health risks related to physical and chemical hazards and those having to do with exposure to dust and noise. Hazardous materials, if not properly managed could also affect not only employees but also neighboring communities. On a positive note, the investments supported by this project would have significant positive environmental impacts by improving the efficiency of logistics operations. Augmented efficiency will reduce the environmental footprint of freight activities by reducing traffic congestion around the dry ports thereby lowering fuel consumption, air pollution from vehicular emissions and fostering fuel efficiency. The total environmental and social cost is estimated as ETB 123,352,845.00 million (USD 5,606,974.5) million).

Social

(I) Social development challenges that have implication for this project include unemployment, high cost of import and export and weak market linkages at various levels. Although the project primarily will benefit exporters, importers, manufacturers and farmers, it will also enable the poor and vulnerable groups in the trade and logistics value chain to unlock new opportunities in jobs, skills and markets through community development initiatives, livelihood restoration and gender mainstreaming.

(II) The project involves complex and multiple interactions with isolated communities that lack information, connectivity, basic infrastructure and the initial social impact assessment indicates that, may have the following social risks and impacts; (i) due diligence assessment identified gaps in the provision of livelihoods restoration as a legacy issue on the 2015 land acquisition in Modjo Dry Port, (ii) weak institutional capacity and expertise at ESLSE and EMAA to deal with social and environmental risks; and (iii) potential impacts on the livelihood of vendors (informal traders) in intersections and corridor section.

(III) Citizen Engagement, Gender Aspects and Grievance Redress Mechanism. The design of the project was informed by consultations and stakeholder involvement, particularly during the preparation of the RPF, ESIA and due diligence assessment to promote community ownership, transparency and enhancing sustainability. The consultation process provided communities and stakeholders in Modjo the opportunity to make contributions aimed at strengthening the project development objective while avoiding negative impacts as well as reducing possible conflicts. The

consultation process with stakeholders will continue during implementation of the project. The project will organize safeguards stakeholders➢(workshop before implementation starts. In addition, it will ensure disaggregation of data in the M&E framework.

(IV) The project will ensure adequate gender representation in its working groups, committees, and project community development initiatives. The dedicated capacity buildings, employment opportunities, livelihood restoration and rehabilitation interventions will give due attention to women headed households and vulnerable peoples in the project area.

(V) Labor and Working Conditions: to minimize the impact of the influx of external labor on the community, such as (i) the contractor may not pay fair wage (ii) increased cost of living and food prices in local market, (iii) risk of cultural misunderstandings/exploitation, (iv) risk of sexual violence due to workers relations with local women/girls; and (v) risk of increase in local alcohol consumption, the project will put in place adequate risk mitigation measures such as, (i) zero tolerance to sexual violence, (ii) promote fair treatment, non-discrimination and equal pay for equal work for all project workers, (iii) have a code of conduct on relationship with the local community including labor management procedures to prevent and address harassment, intimidation and/or exploitation and unwanted pregnancies.

(VI) Grievance Redress. Communities and individuals in the ETLP operation sites who believe that they are adversely affected by the project can submit complaints to the project level Grievance Redress Mechanism (GRM) to be put in place by the PIU or the World Bank➢(s Grievance Redress Service (GRS). The ETLP GRM builds on Ethiopian grievance redress systems as part of a risk mitigation measure. The project will support prompt review and resolution of ETLP related complaints or grievances in a formalized, transparent, cost-effective, and time-bound manner. Issues relating to project displacements and compensations, particularly with the project affected persons, will be handled effectively to minimize chances of possible conflicts; and all project affected people will be informed about how to register grievances or complaints, including specific concerns on any ETLP activities. An indicative outline of the GRM institutional arrangement and procedure is included in the ESIA and RPF.

(VII) Livelihood Restoration and Rehabilitation Support: According to the client, the land was acquired in 2015, before the initiation of the ETLP project with the World Bank. ETLP is taking extra risk management to address any legacy issues while assessing the use of good practice in land acquisition. Thus, a due diligence assessment was conducted and the findings of the assessment and proposed mitigation actions are included in the ESIA. One of the key finding of the due diligence assessment was lack of livelihood restoration and rehabilitation package. The proposed mitigation action included a livelihoods needs assessment and subsequent livelihood restoration and rehabilitation program and monitoring and technical support with a total budget of 22,570,800.00 Ethiopian Birr which is equivalent to $1 million USD. The livelihood restoration and rehabilitation program needs assessment and the subsequent proposal will be implemented starting the ETLP effectiveness.

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

Generally, the baseline environmental performance is very poor in terms of occupational safety and health, solid waste management, hazardous cargo handling, hazardous waste management, air pollution, traffic congestion, and noise pollution. In the Modjo Dry Port,the top most ailments of employees are directly related to workplace exposure to dust, chemicals, and physical hazard.

Solid waste management is very poor in that all kinds of solid waste such as papers, wood pallets, and plastics are being dumped into a pit and burned all together. Waste collecting bins are largely non-existent in the compounds. Toilet facilities are not only substandard but also fail to address the needs of customers visiting the facilities on a daily basis. The lack of adequate port machinery, especially the reach stackers which are in poor condition and almost always overloaded with work, has often resulted in the failure of the machines and subsequent delays in service delivery. This has oftentimes affected the smooth traffic flow of trucks resulting in unnecessarily high congestion potentially affecting air and surface water pollution. This is exacerbated by lack of proper maintenance facilities in the respective dry port premises. Although dangerous cargo is stored separately and stacked according to international standards, the lack of sufficient space has handicapped the management from providing safe and up-to-standard services. As such, dangerous cargo is placed close to other non-dangerous containers. Leakage of chemicals was reported and observed which is not consistent with proper and safe handling.
There is a possibility of ground water pollution if different types of chemicals, oils from vehicles and machineries, wastes from the compound and garages, and chemicals leaking from containers are not properly handled. Given the increasing volume of trucks into the ports, washing of vehicles near water bodies could be a source of pollution that would affect local communities who depend on these water bodies for human and livestock consumption. As it stands now, waste management is very poor in the dry ports.

Local air pollution: Relatively high emission due to increased number of vehicular traffic causing more air pollution in and around the dry ports. Air pollution also comes from different kinds of equipment, mainly cranes and forklifts, which are not in good working conditions. Road accidents: The volume of traffic into and out of the city will dramatically increase possibly increasing the risk of traffic accidents. Too many trucks staying in town will also escalate noise pollution and increase pollution from vehicular effluents such as leaking oil, truck washing. Occupational health and safety, and labor and working conditions issues in the dry ports primarily include biological, physical, and chemical hazards.

3. Describe any project alternatives (if relevant) considered to help avoid or minimize adverse impacts.

The following alternatives were considered and dealt by the ESIA consultants in consultation with relevant stakeholders at EMAA, ESLSE and the dry ports.

Given the rapidly increasing volume of cargo entering and leaving the country, the expansion of dry ports was found out to be a unanimously agreed option due to its strategic social, environmental, and economic benefits. Therefore, the no-expansion option was ruled out from the very outset. Therefore, the alternatives were rather analysed on the basis of two factors. For the central logistics hub, there were two options: Modjo dry port and Endode dry port.

Endode was picked as an option because of its comparative advantage owing to its geographic location, ease of access and proximity to a railway terminal. A comprehensive comparative assessment was then conducted to compare each site against its potential competitor. In this connection, eight key social and environmental factors were employed to undertake the comparison.

On the social count, while all other social impacts remain more or less the same, three key parameters were selected to compare the given alternative sites for the central and eastern hubs. These are settlements, traffic flow and accidents, and access to customers. Overall, Modjo turn out

to be the better alternatives in terms of social impacts. On the environmental count, five major parameters were employed to compare the candidate sites for the central hub. These were climate impacts; wild flora and fauna; land availability for development; and access to water and electricity. Again, Modjo turn out to be the better alternative in this regard.

The kinds of impacts anticipated for both sites are the same. The difference lies mainly in the scope of the impacts, which is partly a function of distance to the densely populated capital city. Proximity to settlements aggravates impacts such as air pollution, increase in road accidents, traffic congestion. Moreover environmental problems are more severe on some counts in the capital city than Modjo town, e.g., traffic congestion and air pollution. In addition to its less economic appeal, the mitigation costs for social and environmental impacts would be greater for Endode due to the above exacerbating factors.

It was found out that the choice of the key stakeholders was largely dictated by economic factors. However, from social and environmental perspectives the same candidate held for the central hub. Therefore, total mitigation costs would be higher for Endode as compared to Modjo for the central and eastern logistics hub.

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

The Borrower has prepared and consulted up on an ESIA and RPF with the aim to address anticipated environmental and social impacts. In view of this, the Ethiopian Maritime Affairs Authority and Ethiopian Shipping and Logistics Services Enterprise will be responsible for supervising the implementation of the ESIA and RPF. These agencies will develop contract documentation (bidding documents) that are responsive to the findings of the ESIAs and RAPs, and will ensure that all prohibitions and mitigation measures that are identified in the ESIA and RPF are complied with. The Ethiopia Shipping and Logistics Services Enterprise seems to have some capacity. However, the Ethiopian Maritime Affairs Authority requires significant capacity building support. Therefore, the proposed project will support measures that will strengthen the Borrower's capacity to identify and assess potential adverse environmental and social impacts, implement and monitor appropriate mitigation measures.

At the moment, the institutional arrangement to manage the dry ports fundamentally lacks institutional capacity to implement and monitor the current ESIA and RPF. This owes to lack of human resource and skill deficit in the area of environmental management and monitoring. However, EMMA has agreed to recruit one Environmental and Social Specialist for the ETLP under the Project Preparation Advance (PPA) for the project period. The Bank reviewed the ToR for the specialist and provided feedback. The ToR stated that, EMAA will use this opportunity to build its own in-house environmental and social team comprising the desired number of experts in the meanwhile. The team will then issue environmental and social standards and guidelines, provides technical guidance to ESLSE and the dry ports, liaises with other entities dealing with environmental and social issues, gives overall guidance on implementation to ESLSE and the dry ports, and will be responsible for the monitoring and evaluation of the environmental and social mitigation measures in and around the dry ports.

EMAA, which is mandated to inspect, regulate and supervise all dry port and vessel services and facilities, has Maritime Safety and Security, and Environmental Protection Team that is currently staffed with just one person, who exclusively deals with maritime safety and security issues with no activity geared towards the dry ports. Although there seems to be no direct provision about

regulating pollution in and around dry ports, Article 6.15 mandates the EMAA to regulate maritime pollution and contamination.

ESLSE has safety and security division that exclusively deals with safety and security issues, but little on environmental issues. Furthermore, the dry ports have safety and security departments, which largely focus on security and safety issues with little capacity to adequately address occupational health, labor and working conditions and larger environmental and social issues.

The implementation of the mitigation measures recommended in this assessment requires active involvement of these institutions at different levels tasked with particular roles and responsibilities. This would involve the revamping of these existing units to include labor and working conditions, occupational health and broader environmental issues, the recruitment of additional personnel, and continuous capacity building of staff members in the team and beyond.

In a nutshell, the following institutional arrangements are agreed for the management, monitoring and reporting of the implementation of the ESIA findings in the ESMP, the RPF and RAP if prepared in the dry ports in an efficient manner. Given his regulatory mandate and as member of Board of Directors of ESLSE, the Director General of EMAA will be able to rectify any challenges and problems encountered during the implementation of the ESMP, the RPF and RAP (when prepared).

5. Identify the key stakeholders and describe the mechanisms for consultation and disclosure on safeguard policies, with an emphasis on potentially affected people.

There are a number of stakeholders identified who will be involved during project implementation. These are organizations under Ministry of Transport specifically the Maritime Affairs Authority (EMAA), Ethiopian Road Transport Authority (ERTA), Ethiopian Shipping and Logistic Services Enterprise (ESLSE), Ethiopian Revenue and Customs Authority (ERCA), Ethiopian Railway Corporation (ERC).

The ETLP ESIA and RPF will be implemented by the MoT through the EMAA which will host the Project Implementation Unit (PIU). The Ministry will establish a PIU within EMAA. The PIU will be responsible for the implementation of the project interventions and overall day-to-day project coordination and monitoring. The PIU will be responsible for the implementation, monitoring and reporting of the agreed safeguard instruments; the RPF and the complementary ESIA.

In line with the general institutional arrangements of the project and the national legislation, different government institutions at different level will play a role in the implementation of the RPF and subsequent RAP/ARAPs as needed. The development and implementation of the RAP/ ARAP will be the responsibility of implementing agencies in collaboration with woreda/town administration. Woreda EPLAUO is responsible for the review and approval of the RAP/ARAP. Compensation and Resettlement Committee (CRC) together with PIU are responsible for the implementation of RAP/ARAP. EPLAUO will assist Woreda and Kebele councils and CRC in quality assurance and adherence to the approved packages during implementation.

The role of the woreda and kebele level CRC is vital. Usually, the CRC members consist of representatives from woreda/town administration; woreda/town office of finance and economic development; Woreda office for agriculture; Woreda office of trade and marketing; Woreda office for women, children and youth; Woreda EPLAUO; and Community/PAPs representative.

B. Disclosure Requirements

Environmental Assessment/Audit/Management Plan/Other	
Date of receipt by the Bank	04-Jan-2017
Date of submission to InfoShop	17-Jan-2017
For category A projects, date of distributing the Executive Summary of the EA to the Executive Directors	
"In country" Disclosure	
Comments:	
Resettlement Action Plan/Framework/Policy Process	
Date of receipt by the Bank	04-Jan-2017
Date of submission to InfoShop	17-Jan-2017
"In country" Disclosure	
Comments:	
If the project triggers the Pest Management and/or Physical Cultural Resources policies, the respective issues are to be addressed and disclosed as part of the Environmental Assessment/ Audit/or EMP.	
If in-country disclosure of any of the above documents is not expected, please explain why:	

C. Compliance Monitoring Indicators at the Corporate Level

OP/BP/GP 4.01 - Environment Assessment	
Does the project require a stand-alone EA (including EMP) report?	Yes [×] No [ ] NA [ ]
If yes, then did the Regional Environment Unit or Practice Manager (PM) review and approve the EA report?	Yes [×] No [ ] NA [ ]
Are the cost and the accountabilities for the EMP incorporated in the credit/loan?	Yes [×] No [ ] NA [ ]
OP/BP 4.11 - Physical Cultural Resources	
Does the EA include adequate measures related to cultural property?	Yes [ ] No [ ] NA [ ]
Does the credit/loan incorporate mechanisms to mitigate the potential adverse impacts on cultural property?	Yes [ ] No [ ] NA [ ]
OP/BP 4.12 - Involuntary Resettlement	
Has a resettlement plan/abbreviated plan/policy framework/ process framework (as appropriate) been prepared?	Yes [×] No [ ] NA [ ]
If yes, then did the Regional unit responsible for safeguards or Practice Manager review the plan?	Yes [×] No [ ] NA [ ]

Is physical displacement/relocation expected? 8 Provided estimated number of people to be affected	Yes [×] No [ ] TBD [ ]
Is economic displacement expected? (loss of assets or access to assets that leads to loss of income sources or other means of livelihoods) Provided estimated number of people to be affected	Yes [ ] No [×] TBD [ ]
The World Bank Policy on Disclosure of Information	
Have relevant safeguard policies documents been sent to the World Bank's Infoshop?	Yes [×] No [ ] NA [ ]
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?	Yes [×] No [ ] NA [ ]
All Safeguard Policies	
Have satisfactory calendar, budget and clear institutional responsibilities been prepared for the implementation of measures related to safeguard policies?	Yes [×] No [ ] NA [ ]
Have costs related to safeguard policy measures been included in the project cost?	Yes [×] No [ ] NA [ ]
Does the Monitoring and Evaluation system of the project include the monitoring of safeguard impacts and measures related to safeguard policies?	Yes [×] No [ ] NA [ ]
Have satisfactory implementation arrangements been agreed with the borrower and the same been adequately reflected in the project legal documents?	Yes [×] No [ ] NA [ ]

V. Contact point

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VII. Approval

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