**ENVIRONMENT AND SOCIAL SYSTEM ASSESSMENT (ESSA)**

E4425 REV







**Final for Disclosure**

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**ACKNOWLEDGEMENTS**

The Environmental and Social System Assessment (ESSA) for the Ethiopia Urban Local Government Program (ULGDP II) has been prepared by a team of environment and social development specialists from the World Bank working in partnership with the environmental experts of MUDHCo. The ESSA preparation involved significant consultations at local, assessment of existing system and site visit to environmentally and socially significant areas and activities throughout Ethiopian cities. This process required an in-depth analysis during the preparation of the Program and revisiting how environmental and social issues are assessed, integrated and operationalized into a new Program.

The ESSA has benefitted from consultations, inputs and feedback from a wide range of stakeholders. The World Bank would especially like to thank the ULGDP II team at MUDHCo for their dedication to mainstreaming environmental and social management into the Program, and their close collaboration with the Bank team. We would also like to thank the Mayors and city managers of various cities visited during the preparation for their technical inputs to the ESSA, including information provided during extensive fieldwork, institutional analyses, and drafting the Program Environmental and Social Management Plan. The World Bank ULGDP II team would also like to extend its thanks to the many stakeholders that have participated in this process; including staff in MUDHCo that participated in field visits and discussions.

# LIST OF ACRONYMS AND ABBREVIATIONS

|  |  |
| --- | --- |
|  |  |
|  |  |
| AACG  APAs | Addis Ababa City Government  Annual Performance Assessments |
| ARAP  BOFED  BTIUD  BoEPLAU  BOFED | Abbreviated Resettlement Policy Framework  Bureau of Finance and Economic Development (Regional)  Bureau of Environment Protection Land Administration and Use  Bureau of Trade, Industry and Urban Development (Regional)  Bureau of Finance and Economic Development (Regional) |
| BWUD | Bureau of Works and Urban Development |
| CIPs  CB  CBG | Capital Investment Plans  Capacity Building  Capacity Building Grant |
| DDCA | Dire Dawa City Administration |
| DLIs  EC  EFY | Disbursement linked Indicators  Ethiopian Calendar  Ethiopian Fiscal year |
| EIA | Environmental Impact Assessment |
| EIS | Environmental Impact Study |
| EMP | Environmental Management Plans |
| EPA  EPLAUA | Environmental Protection Authority  Environment Protection Land Administration and Use Agency |
| ESDU | Environment and Social Development Unit |
| ESMF | Environmental and Social Management Framework |
| ESSA  ESMS  ESDU | Environmental and Social Management System Assessment  Environment and Social Management System  Environment and Social Development Unit |
| FY | Fiscal Year |
| GIZ | German Society for International Cooperation (Deutsche Gesellschaft für Internationale Zusammenarbeit) |
| GoE | Government of Ethiopia |
| IEE | Initial Environmental Examination |
| LEPB | Land and Environmental Protection Board |
| LEPO | Land and Environment Protection office |
| LG  LDP | Local Government  Local Development Plans |
| LGA  MC | Local Government Authority  Minimum (access) Conditions |
| MoFA  MoFED | Ministry of Federal Affairs  Ministry of Finance and Economic Development (Federal) |
| MoUD | Ministry of Urban Development |
| MUDHCo | Ministry of Urban Development, Housing and Construction |
| MWUD | Ministry of Works and Urban Development |
| OP/BP | Operational Policy/Business Procedures |
| PAPs  PBG  PCR | Project Affected People  Performance Based Grant  Physical Cultural Resources |
| PDO | Project Development Objective |
| PforR | Program for Results |
| RAP | Resettlement Action Plan |
| REPA | Regional Environmental Protection Agency |
| UDCBO | Urban Development and Capacity Building Office |
| UGCBB | Urban Governance and Capacity Building Bureau |
| ULG | Urban local Government |
| ULGDP  UGCBB | Urban Local Government Development Project  Urban Governance and Capacity Building Bureau |
| ULGDP II | Second Urban Local Government Development Program |
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# EXECUTIVE SUMMARY

The World Bank is currently working with the Government of Ethiopia to provide support for the Urban sector as part of Second Local Governance Development Program using “Program for Results” as lending tool for investment, in accordance with Operational Policy/ Bank Procedures (OP/BP 9.00), Program-for-Results Financing. An ***Environment and Social Systems Assessment (ESSA)*** was undertaken, which included a comprehensive review of systems and procedures followed by MUDHCo, regional and city level government[[1]](#footnote-2) to address social and environmental issues associated with the ULGDP II. This ESSA report presents summary finding based on assessment of extent to which the existing program procedures for social and environment meet these core principals, and where they don’t, recommends an action plan to address shortfalls. The report is organized in seven sections, as follows:

**Chapter 1** Describes the **Second ULGD** Program (ULGDP II). **Chapter 2** describes the scope and methodology of the Environmental and Social Systems Assessment process conducted to inform design and preparation of the Program for Results Operation. **Chapter 3** examines the potential environmental and social effects of the proposed Program. **Chapter 4** describes Ethiopia’s existing environmental and social management system relevant to Urban sector. **Chapter 5** presents an assessment of Institutional Capacity of participating cities, including institutions responsible for implementation of environment and social management. **Chapter 6** presents Ethiopian system’s analyses against the six Core Principles of environment and social sustainability outlined in OP/BP 9.00. **Chapter 7** presents the measures to strengthen the system performance. Additionally, *Annex 1* describes the legal framework for environment and social management in Ethiopia; ***Annex 2*** summarizes the environmental impact regulations and procedure in Ethiopia; ***Annex 3*** provides a summary assessment of Environmental and Social Risks management under existing urban project using investment lending instrument; and ***Annex 4*** presents a summary of public consultation on ESSA findings and recommendation to be integrated into the ULGDP II.

The Second Urban Local Government Development Program (ULGDP II) in Ethiopia is a continuation of the Government of Ethiopia (GoE) fiscal decentralization plan that started with the first phase of the program, which has been implemented since 2009 with World Bank support. The proposed PforR Program will mainly cover 44 large urban local governments, including (i) the 18 local governments participating in the existing Government program, and (ii) 26 additional local governments. The Program Development Objective (PDO) is to enhance the institutional performance of participating urban local governments in developing and sustaining urban infrastructure and services. The key results of the institutional performance improvements will be (i) enhanced participation of citizens in ULG planning and budgeting, (ii) efficient fiduciary management, (iii) increased amount of own source revenues at the ULG level; (iv) improved infrastructure, service delivery and O&M systems and (v) strengthened accountability and oversight systems. ULGDP II is expected to run for a period of five years – from 2014/15 to 2018/19,comprising of two main items–Performance Based Grant (PBG) to 44 cities, expected to total US$ 323 million over five years; of which they can spent up to 5 % on capacity building support. They will use the funds provided with a demand-driven capacity building support within key areas of weaknesses identified through the annual performance assessments, such as financial management, procurement, ***social and environmental management***, urban planning, contract management and execution, monitoring and reporting. Activities to be financed under the PBG will be same as being financed under the existing government program including core urban infrastructure investments in roads, water supply, sanitation, solid waste, greenery, street lighting. The CIP will exclude all activities that are category “A” type of activities, as part of a well-defined investment menu under ULG responsibility to maximum gains and minimize the risks.

The institutional arrangements for program implementation will be based on the experiences from the current ULGDP, with clear division of tasks and responsibilities between federal government, regional government and LGs (Local Government), as per the GoE structure and consistent with existing legal provisions, regulations and guidelines. At the central level, the Ministry of Urban Development, Housing and Construction (MUDHCo) will be responsible for the overall program management and operations. At regional level, the regional government assisted by Regional EPA will be responsible for environmental and social aspects of the program, while at LG level, a planning and implementation staffed up with environment and social development specialists will be responsible for effective environment and social management. The division of tasks is clearly outlined in the ULGDP Operational Manual, which will be updated prior to the start of the ULGDP II.

The ESSA provides an assessment of the current conditions of this system and proposes measures that are built into the Program in order strengthen them. The ESSA analyzed and evaluated the Ethiopian system against 6 core principles of environment and social sustainability as outlined in OP9.0, Program-for-Results financing guidelines (i.e.*Core Principle 1: General Principle of Environmental and Social Management; Core Principle 2: Natural Habitats and Physical Cultural Resources; Core Principle 3: Public and Worker Safety; Core Principle 4: Land Acquisition; Core Principle 5: Indigenous Peoples and Vulnerable Groups; and Core Principle 6: Social Conflict*).

Ethiopia has adequate legal framework, including a robust environment and social regulations; court system; and accountability provisions in-built into system. However, the implementation of existing provisions of the environment and social regulations have shown high level of unevenness. An assessment of environmental and social regulations, policies and procedures, including institutional capacity and practices indicate ***low to moderate level of environment and social risks*** associated with the program design and implementation. Many of the risks relate to implementation stage, including lack of application of standard procedures for risk screening and implementation of mitigation measures among ULGs; lack of coordination among various agencies; and lack of technical capacity. Given a significant variation in the capacity of participating ULGs for environment and social management of risks, the ESSA identified the following three key areas for strengthening:

* ***Defining an Environmental and Social Management System at city level:*** Under ULGDP II, ULGs must demonstrate that they have established a functional system for environmental and social management as a minimum condition to access the grant. After the first year, ULGs will be required to demonstrate that all projects are screened for impacts and have mitigation measures, and that all projects have environmental approvals from the national authorities prior to initiating works, for example. One of the primary issues impacting performance is the lack of a clear framework for environmental and social management at the ULG level. This will, for example, include an Environmental and Social Management System adopted at city level, which will outline specific roles and responsibilities for environmental and social risk screening, due diligence and regulatory requirements, consultation and coordination with other local and regional agencies, technical tools for implementation and monitoring, staffing and capacity building plan etc. Experiences from the ongoing Urban Development project indicate that the institutional aspects within MUDHCO for management of environmental and social issues have significant room for improvement. This area will, for example, include measures to seek agreement with MUDHCo and other agencies on roles and responsibilities for environmental and social management, coordination, technical tools, ensuring adequate staffing, and consultation processes; though Environment and Social Development specialists at MUDHCO has been satisfactorily managing environmental and social issues for cities under the ULGD project, there is room to strengthen operational decisions regarding planning and implementation under ULGDP II, which is likely to include many new cities. However, their capacity needs to be enhanced to improve coordination with Regional Government and 44 ULGs the requirements for Minimum Conditions and environment and social requirements against each Disbursement Linked Indicator (DLIs);
* ***Technical Guidance and Capacity Building:*** It is clear thatULGs can benefit significantly from sector specific technical guidelines that integrates environmental and social requirements for sectors such as road building, waste management, slaughter houses, water supply etc. MUDHCo is developing these guidelines to be shared with the ULGs. Participating ULGs have learnt from implementation of an Environmental and Social Management Framework (ESMF) developed under the existing ULGDP, particularly institutional procedures that would require strengthening through a robust capacity building plan to assist ULGs in implementing requirements outlined under the adopted Environment and Social Management System (ESMS). Also, it is important that regions ensure that ULGs are assisted from the planning stage to its implementation and results monitoring. It is also important to establish a protocol for independent monitoring and verification against a baseline so that future progress can be monitored and assessed against this baseline scenario; and
* ***Addressing Resource Constraints:*** This area includes measures to overcome constraints with respect to human and budgetary resources, through the Program incentive structure, as well as capacity building and training. A capacity building and training program will be key to ensure that staff within ULGs to understand their roles, have the capacity to fulfill them, and clearly understand how they will be evaluated through the Annual Performance Assessment.

The ULGDP II is addressing environmental and social challenges and gaps by integrating into the overall Program a “Minimum Access Condition”, and set of “Disbursement Linked Indicators (DLIs)”, as follows:

1. **Prior-agreement and advance planning for E&S risk screening**. Each Program local government will sign a Participatory Performance Agreement (PPA) with MUDHCo to show commitment by all parties to work under a common set of rules. This includes a process for ULG to produce an approved Capital Investment Plan (CIP); Annual Plan; and Budget. This will allow timely environment and social risk-screening and monitoring before endorsing environmentally and socially sensitive investments.
2. **Institutional capacity and system**. In order to ensure that there is minimum capacity to handle the entire project implementation process at ULGs, key positions, including environment and social development specialists will be in place at MUDHCo, regions and ULGs. Under ULGDP II, ULGs will be expected to demonstrate that they have established a functional system for environmental and social management (ESMS) and environmental and social focal person (s) as a minimum condition to access Program funds. This will ensure that there is a mechanism and capacity to screen environmental and social risks of the CIP prior to implementation. The city level ESMS (to be adopted for new 26 cities) will include procedures for due diligence; institutional procedures for grievance management and environmental, managing resettlement/land-take processes and environmental social mitigation and monitoring plan.
3. **Grievance and redress system**. In order to receive, review and address complaints related to environmental degradation of the surrounding: environmental health impacts on people; loss of livelihood, income or assets, a GRM committee will be established with members who are independent from the government and also represent interest of potentially affected people.
4. **Pre-requisite for environmentally and socially sensitive investments**. Investments in sanitary landfills could cause significant environmental and social concerns if not planned, screened or managed properly. Experience from existing ULGD project which financed few landfill sites in selected cities indicate that a preventive approach in planning landfill has allowed to significantly minimize the environmental and social risks. These preventive approaches follow the guideline and procedures for planning solid waste management, including for final disposal of solid waste using scientifically designed landfills. The guideline include requirements for identification of location which is away from habitation; has a geology that causes least environmental harm to the ground water and soil of the area; requires the landfill to have a high density polyethylene liner to prevent any leaching of polluting overflow into ground water; requires leachate collection and treatment system; requires monitoring of ground water and surface water during the operation of landfill. While the Ethiopian environmental regulations requires an environmental and social impact assessment is undertaken for each site in consultation with the neighboring community, including appropriate review and clearance by the Regional EPA, under the ULGD program to further minimizing environmental and social risks for any investments in landfill sites, regardless of size, the ULGs will demonstrate a sound and efficient system of waste segregation, recycling, collection, transportation, and treatment before they proceed with the project. All such screening of risks will be part of the ESMS that form a part of Minimum Access Condition, and on which specific training will be provided to each ULG by a team of national and international experts. The screening procedures and implementation of environmental management planning for each site and city will be verified through an independent assessment to be undertaken annually by the regional EPA, and verified through another assessment before disbursement.
5. **Evidence of implementation**. As one of the indicators of DLI on Institutional Capacity, the ULGs will be required to generate evidence (for independent verification) that all capital projects in previous FY were screened against the set of environment and social criteria in the planning stage, including preparation and approval by relevant authority of environmental management plans and resettlement action plans.
6. **Incentive to ULGs for being environmental responsible and socially inclusive**. Against DLI 6, Regional Government will be able to access grant by demonstrating a functioning Environment and Social Management for all ULGs under their jurisdiction.

A public consultation was organized in Ethiopia Management Institute at Bishoftu (on December 4, 2013) to discuss with various stake holders the key findings and proposed recommendations. The public consultation meeting was attended by more than 100 stakeholders from various participating cities. The participants broadly supported the project components and key findings of ESSA emphasizing the importance for ULGs to play a proactive role in minimizing, mitigating and monitoring environmental and social risks and impacts consistent with the Ethiopian laws and practices.

The following action plan is proposed based on the assessment of the Ethiopian country system to improve management of environmental and social impacts and to strengthen the capacity of the Ethiopian country system. The recommendations and action on environment and social management form a part of overall Program Action Plan.

***Summary of the Program Action Plan for Environment and Social Risk Management***

| **Issue/risk description** | **Action/Completion** | **Time Frame** | **Responsible Party** | **Instrument** |
| --- | --- | --- | --- | --- |
| ***Cross Cutting/ General*** | | | | |
| ***Federal level – MUDHCo and MOFED*** | | | | |
| 44 ULGs are fully aware of the Program minimum conditions and environment and social performance measures | Produce the Performance Assessment Manual including procedures for Assessment of effectiveness of Environment and Social Management system at regional and ULG level, as part of the Program Operation Manual and share with 44 ULGs | Prior to the launch of first APA | MUDHCO |  |
| Sufficient environment and social management capacity in MUDHCO Program unit to manage ULGDP II | Fill the current environment and social staffing gaps at MUDHCO and provide additional staffing to ensure the scale up of the technical and geographic scope under the PforR | Program effectiveness | MUDHCO | Covenant |
| Independent and timely annual assessment, including environment and social reviews | The annual assessment is procured to an independent private firm. | (i) For FY2013/14 before the close: (ii) For following years by July 31 each year | MUDHCO | DLI |
| Independence and objectivity of annual assessment | Require the APA firm to share the first draft results simultaneously with MUDHCO and the World Bank | Program implementation | MUDHCO | DLI |
| Bank’s duty for verification of performance, including E&S management | Agree that, as part of its verification responsibility, the World Bank can launch spot check audits to complement the APA if and when needed. | Program implementation | MUDHCO | DLI |
| Comprehensive review of progress on key Program areas including environmental and social aspects, and make progress results public in open forums | Produce an annual Program Report and convene an annual Program stakeholder review meeting including CSOs, which will be attended by MUDHCO, RGs, ULGs, World Bank and other development partners. | Program implementation | MUDHCO | Covenant |
| Robust supply of capacity building for ULGs | * Implementation of standard ULG management training program, including a dedicated module on environment and social management in Urban sector through the Ethiopia Civil Service University and other designated centers of excellence for urban development and management; * Form and deploy to the field mobile capacity building teams, including environment and social development specialists. | Program implementation | MUDHCO | DLI |
| Capacity building of RGs are planned properly | * Develop capacity building plans for second generation four emerging RGs, including environment and social management; * Facilitate and support first generation RG capacity building efforts. | Program implementation | MUDHCO | DLI |
| ***Regional Governments (RG)*** | | | | |
| Regional EPA undertakes environment and social audit of ULGs | Ensure that the offices of the regional EPA are supported and that agreements are made to cover all the enrolled cities on an annual basis | Program implementation | RGs | DLI |
| ***Urban Local Governments (ULG)*** | | | | |
| Sufficient environment and social management capacity at ULGs to implement Program | ULGs keep the following key positions in place following positions under the coordination of the City manager, including environmental and social sustainability focal person. | Program implementation | ULGs | DLI |
| ***Urban Local Governments*** | | | | |
| Adverse environment and social impacts resulting from poor planning during construction at city level: This may result from failure to adequately identify and mitigate adverse environmental impacts of the works leading to environmental damage, including loss of natural habitats and known or unknown physical cultural resources. Risk of increased environmental pollution and occupational health impacts. | Screening for Environment and Social Risks of all proposed investments at city level:  • Incorporate environmental impact and risk criteria in the site selection screening forms for all city level investment in physical works through the ULGDP II window. Ensure that the screening is explicit in addressing natural habitats and physical cultural resources considerations in order to avoid siting of infrastructures in areas that would cause significant adverse impacts.  • Appropriate mitigation measures to address induced impacts should also be identified during the site screening process for all new construction activities proposed through the ULGDP II. | Prior to final selection of a site for construction. | MUDHCO, Regions and ULGs tasked with carrying out the site screening exercise for site selection of all construction activities at city level. |  |
| Lack of capacity for environmental and social management: Capacity gaps may lead to a weak planning, implementation and monitoring of environmental and social management plan at city, regional and federal levels. | Develop an Environment and Social Development Unit (ESDU) with trained environment and social development specialists to service and coordinate with Regions and ULGs :  • This will include working with the regional EPA on capacity building programs  • Working closely with the Department of Labor to improve implementation of occupational health and safety issues | Program implementation | MUDHCO and RGs |  |
| Risks of loss of income and livelihood for project affected people due to inadequate Land acquisition, resettlement and compensation | Improve capacity to document consultations and participatory approaches where communal land is used or vulnerable person is involved.  • Provide systematic training on environment and social management procedures as outlined in the ESMF and RPF of existing ULG project to all participating ULGs and Regions  • Provide for Grievance Redress Mechanism  • Undertake annual review of performance of implementation of environmental and social management planning | Program implementation - prior to validating civil works contracts | MUDHCO, RGs and ULGs |  |
|  |  |  |  |  |

CHAPTER 1: DESCRIPTION OF THE PROGRAM

## **Introduction**

The World Bank is currently working with the Government of Ethiopia to provide support for the Urban sector as part of Second Local Governance Development Program using “Program for Results” as lending tool for investment, in accordance with Operational Policy/ Bank Procedures (OP/BP 9.00), Program-for-Results Financing. The use Program for Results (PforR) instrument emphasizes the use of existing program systems with regard to safeguards, procurement and financial management. Therefore, an Environment and Social Systems Assessment (ESSA) was undertaken, which included a comprehensive review of systems and procedures followed by MUDHCO, regional and city level government to address social and environmental issues associated with the ULGDP II. The ESSA is carried out within the limited scope of the proposed ULGDP-II Program, and provides an assessment and a summary of the key environment and social risks associated with the program and clients existing management system; including key actions to ensure effective and successful implementation of the Program. Operations to be prepared under this new lending instrument will follow a set of principles and attributes as set out in operational policies (OP and BP 9.0), consistent with PforR principles. This report presents summary finding based on assessment of extent to which the existing program procedures for social and environment meet these core principals, and where they don’t, recommends an action plan to address shortfalls. The report is organized in seven sections, as follows:

**Chapter 1**presents the general background to the Program and the ESSA exercise as well as a brief introduction to the key elements of the Second Urban Local Governance Development Program (Henceforth called ULGDP II). **Chapter 2** describes the scope and methodology of the Environmental and Social Systems Assessment process conducted to inform design and preparation of the Program for Results Operation. **Chapter 3** examines the potential environmental and social effects of the proposed Program. **Chapter 4** describes Ethiopia’s existing environmental and social management system relevant to Urban sector. **Chapter 5** presents an assessment of Institutional Capacity of participating cities, including institutions responsible for implementation of environment and social management. **Chapter 6** presents Ethiopian system’s analyses against the six Core Principles of environment and social sustainability outlined in OP/BP 9.00. **Chapter 7** presents the measures to strengthen the system performance. Additionally, ***Annex 1*** describes the legal framework for environment and social management in Ethiopia; ***Annex 2*** summarizes the environmental impact regulations and procedure in Ethiopia; ***Annex 3*** provides a summary assessment of Environmental and Social Risks management under existing urban project using investment lending instrument; and ***Annex 4*** presents a summary of public consultation on ESSA findings and recommendation to be integrated into the ULGDP II.

**Second ULGD Program Description**

The Second Urban Local Government Development Program (ULGDP II) in Ethiopia is a continuation of the Government of Ethiopia (GoE) fiscal decentralization plan that started with the first phase=, which has been implemented since 2009 with World Bank support Building on the ULGD Program, the government, with support from the World Bank, is expanding the geographic scope of its performance based fiscal transfer system from 19 to 44 urban local governments. This expansion, to be called the second Urban Local Government Development Program (ULGDP) uses the World Bank Program for Results funding modality (OP/BP 9.00).

The proposed PforR Program will mainly cover 44 large urban local governments. These 44 cities include (i) the 18 local governments participating in the existing Government program, and (ii) 26 additional local governments. Some 18 of the 26 new cities have been receiving capacity building support from the Government program and 8 of them have been supported by the technical assistance provided by the German Society for International Cooperation. ULGDP II will also introduce incentives at the federal and at the regional government level to improve the shortcomings of the existing system. This will be done through a result/performance-based budget allocation system under the PforR modality, clearly linked to well-defined disbursement-linked indicators (DLIs). The Program Development Objective (PDO) is to enhance the institutional performance of participating urban local governments in developing and sustaining urban infrastructure and services. The key results of the institutional performance improvements will be (i) enhanced participation of citizens in ULG planning and budgeting, (ii) efficient fiduciary management, (iii) increased amount of own source revenues at the ULG level; (iv) improved infrastructure, service delivery and O&M systems and (v) strengthened accountability and oversight systems.

The largest expenditure item of the Program - US$ 323 million of the US$ 380 million - will go as performance grants to ULGs. As per current practice, it will determine allocations to ULGs through a simple population formula, and disburse funds on the basis of a local government performance assessment with clearly defined performance indicators. In doing so, ULGDP II will leverage institutional strengthening, achievement of planned infrastructure activities, and support local capacity building. **ULGDP is expected to run for a period of five years – from 2014/15 to 2018/19 with the first disbursement year 2014/15.** As explained above, the focus of the performance grant, and the CB support, will be for some of the country’s most populated 44 cities of the total number of larger cities (85), except Addis Ababa, with a total population of 3,312,107 people (2007 figures) and 4,348,853 (2013 estimates). The proposed Program is covering all nine regions and the city-administrative region of Dire Dawa. The population of the 44 ULGs is about 26% of the total urban population.

The Program’s expenditure framework will comprise two main items. First, and major part, will be the performance-based fiscal transfer to 44 cities, expected to total US$ 323 million over five years. Experiences from the first phase of ULGD Project also prove the importance of combining the investment grants with performance incentives/objective neutral performance assessments, as well as comprehensive CB support to enable local governments to respond to the initiatives. Experiences have also shown the importance of ensuring a strong intergovernmental as well as intra-government coordination and support. The actual grant disbursement will depend on the performance of the ULGs with a simple average allocation per year per ULG on US$ 1.5 Million (with a variance of US$400,000 for the smallest urban local government – Samera- to US$4,000,000 for the largest urban local government, Dire Dawa). The Program will also include a set of parallel, but related activities, expected to total US$ 35 million over five years. These activities will include CB activities for the 44 core cities participating in the ULGDP II, and will build on the existing technical assistance provided under the current government and GIZ programs. As such, the Program will pursue a two-pronged approach in CB; one prong focusing on the CB needs of the new 26 cities, which are expected to be fairly high, and second on the CB needs of the 18 cities which currently receive grant transfers under the government program.

All ULGs will be provided with a demand-driven capacity building support, where they can spent up-to 5 % of the PB grants on their own CB needs (a total of US$ about 16 million over the 5 years) where access to this will be conditioned on proper use of funds within the eligible types of expenditures and accountability for use of previous funds. The ULGs will receive additional backstopping support from the regions, which in turn will be supported by mobile CB teams from MUDHCO. The main focus of this support will be on the key areas of weaknesses identified through the annual performance assessments, and will potentially include financial management, own source revenue (OSR) mobilisation, asset management, procurement, social and environmental management, urban planning, contract management and execution, monitoring and reporting. The formulation of CB plans for ULGs, regions as well as the overall MUDHCO support to be provided will be overseen by a small capacity building team at MUDHCO. This window will also include the funding of annual performance assessments (APAs) to be procured by MUDHCO and other program management support, including strengthening of the M&E functions. Finally, the Program will provide some support and incentives to ensure timely annual audits and strengthening of the safeguards management by the regions

Activities to be financed under the PBG are core infrastructure investments in roads, water supply, sanitation, solid waste, greenery, street lighting, etc. in a well-defined investment menu, which is defined to target infrastructure investments towards areas under ULG responsibility, and to maximum gains and minimize the risks. The first ULGD Project shows that the major investments (EFY 2005 – FY2012/13) are cobblestone roads (33 %) followed by drainage (15.3) and gravel roads (9.6%)[[2]](#footnote-3). The ULGs will prepare the project in a participatory manner and use the planning tools developed under first ULGDP, the assets management system, capital investment plans, annual plans and budgets. Participatory approach and proper planning and budgeting will be promoted through the annual assessments.Cities and regions will contribute to the investments through a substantial level of counterpart funding, where the size of the support will depend on the time of enrollment in program and location ranging between 10-30 %.

**Disbursement Linked Indicators**

1. **All Program funds will be provided through disbursement-linked indicators (DLI).** The first set of DLIs (1 through 3) will aim to strengthen institutions and delivery of infrastructure and services by ULGs and are expected to be financed by US$ 323 million IDA funds over the Program implementation period**.** These three DLIs will target ULGs. Each of these DLIs will represent a composite index of different minimum conditions and performance measures:

* DLI 1: ULGs have achieved Program Minimum Conditions (MCs) in the annual performance assessments [[3]](#footnote-4);
* DLI2: ULGs have strengthened Institutional performance as scored in the annual performance assessments;
* DLI 3: ULGs have delivered infrastructure, maintenance and supported job creation as per their annual plans, as scored in the annual performance assessments, and ensured value for the money.

1. These three DLIs in particular build on ULGDP performance assessment system and will aim to ensure that;
   1. Basic fiduciary, project planning and execution, and environmental and social management conditions are in place such that local governments can absorb the Program funding;
   2. ULGs continue to strengthen their institutions of urban management;
   3. ULGs use program funds effectively in creating infrastructure and delivering services, achieve the targets in infrastructure delivery, maintenance and development and to promote the GoE’s strategy on urban development at the city level.
2. The second set of DLIs (4 through 9) will target strengthening of regional and federal government capacity so that they can properly fulfill their respective roles towards ULGs. These DLIs will leverage, and disburse according to results achieved by MUDC (i) RGs in providing support to ULGs, and (ii) MUDHCO in strengthening the capacity of and backstopping regions and the regional support to ULGs as well as annual assessment and audits:

* DLI 4: Regional government capacity building and support teams in place and support urban service delivery;
* DLI 5: Regional Government Audit Agencies (ORAG) carry out ULG audits on time. This addressed a very important area of the program and timely audits is crucial for reduction of fiduciary risks as well as for the performance assessments:
* DLI 6: Regional environmental protection agencies (REPA) review of ULG safeguards on environmental and social management compliance in a timely fashion;
* DLI 7: Regional Revenue Authorities’ support ULG revenue mobilization, - indicated through annual consultative meetings in order to address and support the longer-term sustainability of the investments;
* DLI 8: Completion of annual MUDCHO capacity building activities for program ULGs, RGs and the Ministry. This promotes that MUDHCO strengthens its capacity to service ULGs and provide CB support to regions to enable them to provide support to cities, addressing the action plan outlined for the program;
* DLI 9: Timely launch and completion of Program Annual Performance Assessments (APA) and Value for the Money (VfM). MUDHCO ensures timely completion of the independent annual performance assessment, and VFM audits, and establish body for approval and complaints handling – an area which is core for the result-based budget allocations.

In particular **DLI6** will ensure that Environment and Social Management System will function and start to deliver results on the ground. The incentive structure set in place for regional government by linking disbursement to improved capacities for environment and social management at city level will provide strong incentives to the participating ULGs to become more environmentally friendly and socially inclusive; effective in implementation of environment and social mitigation measures; and improve transparency by adopting a consultative process of development at city level. The details of required actions for regional government against DLI 6 may include:

1. A need to undertake Annual Performance Review of Environment and Social Management of ULGs under their jurisdiction; and
2. A requirement to organize annually training program targeting cities; themes and officials for continually improving environmental and social sustainability at regional level

The verification of results to trigger disbursement is a key to Program success, which will be accomplished through recruitment of an independent firm to verify the Program results on a timely manner to provide the basis for disbursements of funds under the Program to the participating ULGs. Results will undergo a quality assurance by MUDC (under a sub-committee established), and verified by both the MUDC and the World Bank.

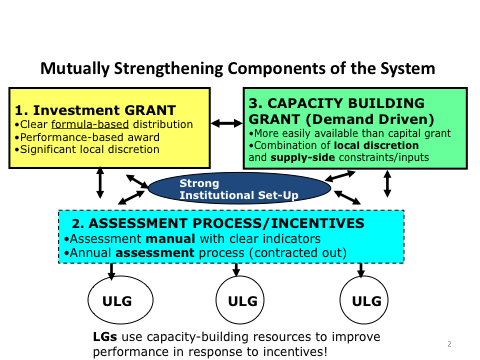
**Institutional arrangement**

**The institutional arrangements for program implementation will be based on the experiences from the first ULGD Project, with clear division of tasks and responsibilities between involved parties,** as per the GoE structure and consistent with existing legal provisions, regulations and guidelines of which some will be up-dated to include the new features of the Program**.** At the central level, the Ministry of Urban Development and Construction (MUDHCO) will be responsible for the overall program management and operations. MoFED will be responsible for transfers of funds, financial management, including audit and reporting, and compilation of federal fiscal reports. The Program will be implemented through the same institutional architecture used under the first ULGD Project. At the federal level, MUDHCO through its Urban Governance and Capacity Building Bureau (UGCBB) will be responsible for the overall management of Program activities, ensuring coordination and providing technical support to Program local governments. ULGs will take primary responsibility for implementing their own subprojects including all fiduciary and reporting requirements.

**As per the first ULGD Project, MUDHCO will be the coordinating ministry and will have the overall responsibility for implementation oversight and accounting for ULGDPII** funds to the Parliament and the days to day coordination will be handled by the Urban Governance and Capacity Building Bureau (UGCBB**)**. The division of tasks is clearly outlined in the ULGDP Operational Manual, which will be updated prior to the start of the second ULGD. MUDHCO will also be responsible for the CB support to the regions and management of the annual performance assessments and oversight and M&E issues on Program specific matters. MUDHCO has proved in the first phase to have the capacity to manage activities expected in the coming operations, but will need support in the scaling up, and strengthening of the CB support to regions and M&E activities.

**At the regional level, the Bureaus of Trade, Industry and Urban Development (BTIUDs) will be the core coordinating office for the ULGDP II**, and will have tasks related to CB support of cities, consolidation of progress reports, oversight functions and backstopping support on various tasks related with the Program. **At the ULG level – the mayor’s office will be responsible for the overall performance of the ULG,** and based on a signed participation and performance agreement, the tasks will be clearly defined in areas of counterpart funding, compliance with MCs, performance criteria, accountability requirements and operations. The project selection and approval will be done at the city council level after involvement of citizens in the process of identification and prioritization and the established appraisal committees with Heads of Department, chaired by the city manager/or mayor. The city will also ensure that it is complying with all financial management, procurement and environmental and social safeguards and regulations. The incentives in the annual performance assessments will promote this.

**A steering/coordinating committee** will be established with representatives from MUDHCO and MOFED to ensure strong coordination of issues on planning, allocations, flow of funds, and compilation of data and approval of the results from the annual performance assessments (APAs). A program technical sub-committee under this committee will review the results from the APA and provide quality assurance of the results, as well as handling of complaints in a streamlined manner. The Program Technical Committee (PTC) will comprise of key technical staff of MUDHCO and MOFEDand will also carry out periodic evaluation of program implementation against objectives and provide technical guidance with support from the World Bank. It will bring policy issues to the SC and ensure that the Program is implemented in line with the Program Operational Manual. It will meet on a quarterly basis.Using a combination of supply and demand driven CB support will ensure that the mutually strengthening triangle between support for capital investments, incentives in the APA and support to address the incentives and to improve performance (CB) will work in a mutually strengthening virtuous circle, see below.

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Note that the CB grant is part and parcel of the PB grants, and that ULGs can spent up-to 5 % of the grants on this activity.

**Need for minimum staffing level before a ULG can access the Program funds *–*** ULGDP II will address issues of capacity, which, if not attended, would pose a serious threat to the successful implementation of the Program. The main focus would be capacity gaps relating to staff competencies, operational tools equipment and financial resources. The widespread turn over in key professional and technical cadres pose a significant risk to the successful implementation. In this regard, the following core administrative and technical positions will be required to be substantively filled before a ULG can access the Program funds: (i) city administrator, who is also the main coordinator of the ULGDP II operations, or another dedicated officer (ii) Finance, (iii) Procurement Officer, (iv) Engineer, (v) Physical/Urban Planner, (vi) Environmental and Social Safeguard officers.

CHAPTER 2: SCOPE AND METHODOLOGY FOR ENVIRONMENTAL AND SOCIAL SYSTEM ASSESSMENT

## **ESSA Purpose and Objectives**

The ULGDP II Environmental and Social Management System Assessment (ESSA) examines Ethiopia’s existing environmental and social management system that is the legal, regulatory, and institutional framework guiding LG grants under the currently ongoing first ULGD project, proposes measures to strengthen the system, and integrates these measures into the overall Program. The ESSA is undertaken to ensure consistency with six “core principles” outlined in paragraph 8 of the World Bank’s OP/BP 9.00 Program-for-Results Financing in order to effectively manage Program risks and promote sustainable development.

Specifically, the ESSA exercise is designed to consider the consistency of the existing country systems with the proposed PforR operation along two dimensions: (1) systems as defined in the legal and regulatory framework of the country; and, (2) capacity of the Program institutions to effectively apply the environmental and social management systems associated with the Program’s environmental and social effects as well as the proposed set of actions in the Program Action Plan that address the major gaps in the system as identified in the ESSA with respect to the six core principles of OP/BP 9.00.

The six core principles that guide the ESSA analysis are presented in the Program-for-Results financing guidelines are as follows: **Core Principle 1: General Principle of Environmental and Social Management**. This core principle aims to promote environmental and social sustainability in Program design; avoid, minimize, or mitigate adverse impacts, and promote informed decision-making related to the Program’s environmental and social impacts. **Core Principle 2: Natural Habitats and Physical Cultural Resources**. This core principle aims to avoid, minimize, or mitigate adverse impacts on natural habitats and physical cultural resources resulting from the Program. **Core Principle 3: Public and Worker Safety**. This core principles aims to promote public and worker safety with respect to the potential risks associated with: (i) construction and/or operation of facilities or other operational practices under the Program; (ii) exposure to toxic chemicals, hazardous wastes, and other dangerous materials under the Program; and (iii) reconstruction or rehabilitation of infrastructure located in areas prone to natural hazards. **Core Principle 4: Land Acquisition**. This core principle aims to manage land acquisition and loss of access to natural resources in a way that avoids or minimizes displacement, and assists affected people in improving, or at the minimum restoring, their livelihoods and living standards. **Core Principle 5: Indigenous Peoples and Vulnerable Groups**. This core principle aims to give due consideration to the cultural appropriateness of, and equitable access to, Program benefits, giving special attention to the rights and interests of the Indigenous Peoples and to the needs or concerns of vulnerable groups. **Core Principle 6: Social Conflict**. This core principle aims to avoid exacerbating social conflict, especially in fragile states, post-conflict areas, or areas subject to territorial disputes.

In analyzing a program for consistency with the sustainability principles of OP/BP 9.00, the ESSA is intended to ensure that programs supported by PforR financing are implemented in a manner that maximizes potential environmental and social benefits and avoids, minimizes or mitigates any and all adverse environmental and social impacts and risks. For this PforR operation, the ESSA examines Ethiopia’s existing environmental and social management systems as applicable the set of activities supported by the ULDGP II Program.

For each ULGDP II supported activity, the ESSA reviews the relevant legal and regulatory framework and guidelines, and identifies strengths in the system as well as inconsistencies with the six core principles of OP/BP 9.00. The ESSA describes the potential environmental and social effects associated with the ULGDP II activities. The ESSA assesses institutional role and responsibility related to ULGDP II implementation and describes current capacity and performance to carry out those roles and responsibilities. More specifically, the ESSA presents the government’s regulatory and administrative framework and the capacity of the relevant implementing agencies, including local governments, to implement these, including consideration of previous relevant experience in the sector, against the environmental and social effects that are likely to be associated with the Program. The assessment involved extensive consultation with stakeholders. The ESSA also considers public participation, social inclusion, and grievance redress mechanisms in place and as applied in ULGDP II activities.

This ESSA presents the baseline data used to inform the analysis of the existing systems vis-à-vis the six Core Principles for environmental and social management in OP/BP 9.00. Based on the findings of the analysis, the ESSA report presents a set of actions to strengthen the existing system proposed for inclusion in the Program Action Plan. These actions are intended to contribute to the Program’s anticipated results to enhance institutional performance.

It is important to note that the ESSA will get updated based on the feedback received from stakeholders and implementation experience of the Program for Results operation going forward. The following section presents the steps undertaken in the ESSA preparation process to date and what the next steps include (e.g., stakeholder consultations).

## **Methodology**

In order to assess the existing systems as well as analyze how these systems are applied in practice, the process of preparing the ESSA has drawn on a wide range of data. Inputs analyzed for this ESSA include the following:

***Desk Review of policies, legal framework and program documents****:* The review examined the set of national policy and legal requirements related to environment and social management in the urban sector. The review also examined technical and supervision documents from previous and ongoing World Bank project and programs in the urban sector, namely the first ULGD Project.

***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 UPGDP II funded activities, including coordination between different entities at the national, regional and ULG levels. Sources included: existing assessments of key institutions that are implementing first ULGD project activities focusing on environmental and social assessment and management processes. The Federal Environment and Forest Minister which has the overall mandate in enforcing environmental and social impact assessment at the national level was assessed.

***Interviews****:* Interviews were held with various GoE ministries and authorities, including those at the national, regional, and city level as well as technical experts involved with environmental and social impact assessment and management in the urban sector.

***Field visits:***Fourteen Cities, including regions were visited (8 existing and 6 new) Adama, Sebeta, Bahirdar, Fenoteselam, Mekelle, Wukro, Jigjiga, Semera, Gambella, Assosa, Harar, Diredawa, plus **Regional Reports for** Oromia and Amhara region, Tigray). The aim of the field visits was to assess baseline conditions and assess performance and capacity of existing system.

## **Stakeholder Consultation Process**

The ESSA process includes comprehensives stakeholder consultations and disclosure of the ESSA Report following the World Bank’s Access to Information Policy. Going forward, the Program team will develop a comprehensive consultation process for the ESSA report to be held in November 2013. Likely aspects of such a process will include a stakeholder workshop which participants drawn from the four regions that need special attention, civil society, development partners supporting the urban sector and program implementers at different levels.

CHAPTER 3: ENVIRONMENTAL AND SOCIAL EFFECTS OF THE PROGRAM

## **Introduction**

Currently, projects funded by grants under ULGDP use the Environment and Social Management Framework that are consistent with the Ethiopian system for environmental, social, and resettlement management, as well as the World Bank’s safeguards policies. The proposed ULGDP II has a similar structure of infrastructure grants to LGs with MUDHCO as the implementing agency. It is important to note that the works financed with grants will be considerably smaller. Therefore, the experience gained by ULGs and MUDHCO under the first ULGD project will be extremely useful to identify and mitigate the adverse environment and social impact of small infrastructure that the new program is likely to include. As mentioned above, each LGA in Ethiopia already undergoes an Annual Performance Assessment, administered by an independent firm, which applies a set of minimum conditions in order to qualify for capital grants, as well as a set of performance indicators. Despite LGAs carrying out many of the responsibilities of environmental and social management, these elements are not included in the existing government assessment process nor is there systematic monitoring for performance or rewards for good performance.

Under ULGDP II, there is an opportunity to mainstream environmental and social management as a core element of institutional performance. Doing so contributes not only to the overarching sustainability goals of PforR financing, but more importantly to the goals of decentralized decision-making and more effective service delivery at the local level.

## **Context and Potential Effects**

More than 18 ULGs that have received support under the first ULGD project have used the Ethiopian environmental regulations as well as procedures defined in the Environment and Social Management Framework to address key environment and social concerns associated with improving small infrastructure. Urban local governments participating in the ULGDP II have improved their capacity to deliver infrastructure and services. Cities have made significant improvements in their planning, revenue mobilization, asset management, budgeting, financial management, and investment planning, procurement, and project execution (as measured by the independent annual performance assessments). While prior to first ULGD Project cities did not systematically consult with citizens in determining priorities, all program cities now have regular citizen consultation practice; in nearly all first ULGD Project cities the number of citizens participating in planning forums has more than doubled since the start of the program. The additional 26 ULGs under the new proposed ULGDP II are experiencing population growth, and will follow a similar approach to improving the lack of infrastructure, as well as congestion and environmental degradation.

The scope of physical investments under the Program is expected to include urban roads, integrated infrastructure and land services, sanitation, solid waste management, water supply, and urban drainage in the 44 urban local governments, which are expected to generally have a positive impact on the environment. ***The Program will avoid including sub-projects that are likely to have significant environment and social risks or category “A” type of investments***. One of the criteria in the choice of specific infrastructure investments under Program will be associated or likely social and environmental effects, particularly risks associated with potential loss or conversion of natural habitats; effects on physical and cultural resources; potential pollution or other project externalities; and changes in land or resource use. The program will also consider social effects such as nature/scale of involuntary resettlement or land acquisition required; potential impacts on vulnerable communities; changes in resource access and impacts on underserved groups. The program is expected to involve multiple jurisdiction and implementing partners with varying capacity to implement regulations and procedures. The implementing capacity and commitment of various cities has been assessed and presented in ***Chapter 5***.

The existing ULGDP II cities have implementation experience since 2008 in using an Environmental and Social Management Framework (ESMF) and a Resettlement Policy Framework (RPF) that was developed consistent with the Bank’s safeguards policies and local Ethiopian regulations. These were used by local governments in implementing first ULGD Project performance grants including roads, solid waste management (landfills), water supply, urban drainage, market sheds and bus terminals. The cities have continued to use practices developed earlier which include screening of all infrastructure investments for environment and social risks, approval by the Regional Environmental Protection Agency (REPA) of relevant safeguard instruments (EIAs, environmental management plans, and resettlement action plans (RAPs), and regular site visits.

The experience of the government program shows mixed institutional capacity. While some of cities are able to use the prepared safeguards instruments properly, others show poor implementation performance in the use of the approved tools and approaches. This lesson will be incorporated in ULGDP II by proactively fostering collaboration with participating cities in the use of similar risk management tools and approaches which will be incorporated in the Program design and further, in the program action plan, if needed.

Environmental and social monitoring is required as per Ethiopian environmental regulations, which, GoE will ensure through adequate funding, reinforced by federal, regional and participating city governments. As per the requirement, the environmental and social safeguard implementation is reviewed and monitored by Regional Environmental Protection Agencies, and with the City level safeguards focal persons. Furthermore, environmental and social specialist(s) are maintained at the Regional and City levels to provide additional technical assistance on environmental and social matters, including development of a functional Grievance Redress Mechanism (GRM) to assist in handling complaints and grievances in a more systematic way

Under the ULGDP II, support to the 44 (18+26) ULGs will be provided through a performance based grant. ULGs that fulfill these minimum conditions will receive a grant in order to build their capacity only those ULGs that fully meet the minimum access conditions, including those that relate to presence of commitment, capacity and system for environment and social risks management will be eligible to receive Program funds. Those ULGs that do not meet one or more of the minimum access conditions will not be able to access funds.

Table 1: List of Possible/Eligible Investments under ULGDPII

|  |  |
| --- | --- |
| **Infrastructure/Service** | **Type** |
| **Roads** | Expenditure group 1.   * Cobblestone, gravel and red ash roads   Expenditure group 2.   * Rehabilitation of roads * Bridges, fords and culverts * Pedestrian walkways * Street lighting, etc.   *Roads, which require significant resettlement of people (more than 200 people), will not be eligible with funding from the ULGDP II PB grants.* |
| **Integrated multiple infrastructure and land services (residential, micro and small enterprises, industrial zones)** | Expenditure group 3.   * Servicing of land with utilities (water supply, electricity, telecommunications, roads and drains (within existing right of way), solid and liquid waste collection and disposal, and other core urban infrastructure). |
| **Sanitation (liquid waste)** | Expenditure group 4.   * Sewer reticulation systems (no large canals (note\*) * Wastewater treatment ponds * Sludge ponds * Community soak away pit and septic tanks * Community latrines: dry pit, ventilated improved pit, ecosan, composting * Vacuum trucks, vacuum handcarts, and the like. |
| **Solid waste management** | Expenditure group 5.   * Collection trucks and other collection equipment, collection bins, transfer stations, collection points * Landfills (of the size of maximum 10 hectares and minimum design criteria as per the SWM Manual) * Biogas and composting plants * Landfill site equipment including compaction vehicles, etc. |
| **Water supply** (schemes to be financed under the program will follow the policies and principles of those of the Ministry of Water and Irrigation and Energy MWIE) | Expenditure group 6.   * Spring catchments and gravity distribution system * River intake (run of river/dam), treatment works and pressure distribution * Wells with submersible pumps, treatment works, and pressure distribution * Rehabilitation or expansion of existing system, communal standpipes, etc. |
| **Urban drainage** | Expenditure group 7.   * Drainage systems * Flood control systems, etc. |
| **Built facilities** | Expenditure group 8.   * Urban markets with associated services (water supply, drainage, access roads, and the like) * Development of production and market centers for small businesses * Slaughter houses (abattoirs), with by-products and processing facilities. |
| **Urban parks and greenery** | Expenditure group 9.   * Support to urban parks and greenery development projects for beautification. |
| **Consultancy services for design and contract management** | Expenditure group 10.   * For studies relating to preliminary and detailed design, contract documentation and supervision relating to the above infrastructure and services, and the like. |
| **Capacity Building Support** | Expenditure group 11.  Up to 5 % of investment grants can be utilized on CB support |

\*Sewer reticulation systems canals (primary canals) shall not exceed in diameter 1 m and in length 10 kilometers.

**The investment menu above explicitly excludes possible high-risk activities and Category “A” types of activities.** This exclusion of investments with significant environment and social impacts will be further ensured through the environment and social risks screening that would be followed at ULG level. The infrastructure investments that will be supported by the ULGDP II will remain at the municipal level and the procedures for preparing sub-projects projects will, as per current practice will include criteria to screen for significant negative impacts that are sensitive, diverse, or unprecedented on the environment and/or affected people. It is confirmed that risk levels are manageable.

The infrastructure projects implemented by urban local governments are likely to deliver significant social benefits, provided that they are planned in an inclusive manner, and they are designed to ensure a distribution of benefits to vulnerable groups including the old, youth, women, and the poorest. Social benefits cannot be guaranteed, and there is a requirement to ensure that projects are planned, constructed and operated in a manner which maximizes benefits. In particular, this should take cognizance of the vulnerable groups as mentioned above, and ensure their participation in ongoing consultation throughout the design and implementation of first ULGD project. In some cases, there may be risks of the permanent or economic displacement of people, requiring a carefully planned and implemented RAP. The potential environmental benefits of urban infrastructural projects depend on the nature and location of the project, though they are likely to be limited in scale.

An assessment of potential effects of the types of investments eligible for financing in the context of ULGDP II indicate that most adverse impacts and risks are associated with the construction phase, as well as the possibility of land acquisition, resettlement, and livelihood impacts. Potential adverse environmental impacts include air pollution from dust and exhaust; nuisances such as noise, traffic interruptions, and blocking access paths; water and soil pollution from the accidental spillage of fuels or other materials associated with construction works, as well as solid and liquid wastes from construction sites and worker campsites; traffic interruptions and accidents; and accidental damage to infrastructure such as electric, wastewater, and water facilities. Detail potential impacts are given below.

These types of impacts, however, are generally site-specific and temporary. Experience from implementation of first ULGD project in Ethiopia indicates that short-term construction impacts for the most part can be prevented or mitigated with standard operational procedures and good construction management practices. Technical Manuals prepared by first ULGD project have been adopted by the MUDHCO, which are standard part of environmental management plans included in bidding documents for contractors.

While the scope and scale of works under the Program are not expected to cause significant adverse impacts, the current EIA procedures in Ethiopia require that all investments are screened for negative impacts that are sensitive, diverse, or unprecedented on the environment and/or affected people. **In addition to screening for significant negative impacts, the following works will be ineligible for financing under the ULGDP II program, and have been agreed with the GoE:**

* + Road works outside of existing rights-of-way;
  + Works involving physical relocation of more than 200 people;
  + Large-scale flood control systems (such as dams or large dykes);
  + New landfills that are larger than 10 hectare in area or have no system for upstream waste collection, segregation, transportation; and treatment and disposal of leachates or that do not strictly follow the solid waste management manual of the MUDHCO that sets out the minimum conditions;
  + Activities that would significantly convert natural habitats or significantly alter potentially important biodiversity and/or cultural resource areas.

### Potential Environmental Impacts and Risks

The anticipated adverse environmental and social effects of the ULGDP II program are not expected to be significant taking into consideration: (i) that most proposed works are relatively small and confined within the existing right-of-way where the incremental environmental effects are likely to be not significant; (ii) the limited geographic footprint of planned works; (iii) the nature of works which focus primarily on repair, maintenance and minor upgrade; and (iv) mitigation measures are known and effective provided proper care and oversight during construction. The program activities are unlikely to encroach upon or degrade sensitive habitats because the program excludes any infrastructure located in sensitive areas of biodiversity value and new works in designated protected areas. Adverse environmental effects of the small civil works are likely to be temporary in nature but depending on local conditions may have implications for the following issues to varying degrees.

The following are the potential adverse environmental impacts that can be envisaged of eligible ULGDP II program activities.

### Environmental implication of land taking and gathering of construction materials

Some infrastructural projects may require small area of land. In addition, the sourcing of construction materials (gravel, sand etc.) from borrows pits and gravel pits can potentially result in the complete removal of vegetation. In addition to the displacement of people, urban infrastructure projects could lead to loss of important ecological resources for local people, vegetation that provides watershed protection, and the depletion of biodiversity of national or international importance. The exact location of the project and the management of the sourcing of construction materials are the key issues here.

### Implications for Physical Cultural Resources

The road alignments and other smaller infrastructures, commonly avoid the sites of archeological, cultural, religious, and historic value. The expected cobble stone roads will be constructed along the existing right-of-way that already exists. Hence, there is little chance of occupying the area belonging to the known sites of cultural, religious, archeological and historic value. Review of the implementation report from first ULGD project did not found issues related to Physical Cultural Resources. However, the possibility of “chance finds” may not be ruled out. These potential adverse effects on physical cultural property will be accounted for and adequate measures will be taken to address such effects.

### Potential for Soil erosion

Soil erosion could result around infrastructure, undermining the foundation of the infrastructure itself, and reduce its operational life greatly. Soil erosion, especially alongside roads, can also result in the loss of productive farmland or forests including silting of nearby watercourses, unless it is built according to the required engineering design specifications. Ministry of Urban Development has strong engineering and technical manuals mainstreaming environmental requirements that the ULGs are expected to follow for all infrastructure. This includes road, drainage or other infrastructure works including water points (boreholes, pans etc).

### Potential for Deforestation and over-exploitation of natural resources

Timber and poles could be used in construction, placing greater pressure on forest resources, unless they are procured from sustainable sources. However, MUDHCO is unlikely to request any large number of timbers for the anticipated program activities. Also, Ethiopia has a robust environmental regulation to prevent activities that could cause large scale deforestation.

### Potential for Depletion and pollution of surface- and ground- water resources

Water required for construction purposes could potentially place greater demand on both surface and groundwater resources. Drainage systems in urban areas to divert flood water could have a significant adverse environmental impact on water courses, resulting in pollution with solid waste debris, wastewater, and silt, and thereby a significant reduction in the human and ecological value of the water course. Review of the implementation report from first ULGD project did not found issues related to over-exploitation of ground water. The risk of over-extraction of groundwater due to anticipated program activities remains quite low.

## **Occupational Health & Safety and Labor Camp issues**

The field visits carried out as part of this assessment to the project sites similar to those proposed under this program revealed inadequate provision to and use of safety gears by the workers. The labor camps facilities were also found to be of poor quality, such as poor quality housing, congested sheds lacking ventilation, unhygienic water & sanitation, etc. These adverse impacts on community, individual and worker safety are expected to be mitigated through improved implementation of safety laws of Ethiopia that has provision for ensuring workers safety in design, construction, operation and maintenance of physical infrastructure.

## **Implication for Cumulative Impacts of the Project**

ULGDP II activities may individually have insignificant adverse environmental impacts. However, several projects in combination, or in combination with other government or private sector activities at ULG level, have potential to cause cumulative impact that could be significant. This could be relevant if program activities involve: Deforestation due to the exploitation of forest resources, owing to the use of timber and poles for construction, combined with greater access to forests; Groundwater depletion owing to the demand for water for construction; and surface water depletion, owing to the impact of several diversion schemes on small streams and watercourses. In addition, resettlement due to the acquisition of land for urban infrastructure projects also has potential to induce migration of people (for labor, services etc) that can potentially put pressure on natural resources in sensitive areas.

However, the design of ULGDP II activities relies on the principles of avoidance and mitigation of impacts of individual projects; careful planning, based on sound technical knowledge of the location, size, and material requirements of infrastructural projects, within the ULG and regional planning cycles. The improved planning ability combined with a strategy to screen out risky sub project at city level will ensure that cumulative impacts of investments are not significant.

## **Potential Social Benefits and Risks**

The ULGDP II is anticipating impacts of land acquisition and resettlement, but the impacts are expected to be limited and minor due to the nature and scope of the eligible program activities. In these operations, the land acquisition and involuntary resettlement impacts are expected to be not significant based on past experiences, and, if any, they are likely to be associated with temporary impacts during project operations. Some of the social benefits of the program may include:

## **Implications for Employment**

Road rehabilitation and construction will have significant positive impacts on the socio-economic environment in the short term, as they provide employment for laborers leading to increased income. In the long term, improved road conditions provide increased access to social services, markets and can improve the overall employment situation[[4]](#footnote-5). Specific socio-economic benefits include: Increased demand for skilled and unskilled labor; increase in income for local communities; and indirect employment opportunities from provision of services to construction workers, such as sale of food and beverages.

## **Improved transportation, resulting in improved access to markets and social support networks**

Socio-economic benefits provided by road rehabilitation and construction include all-weather road reliability, reduced transportation costs, increased access to markets for local produce and products, increased investment in real estate development, industry and commerce, better access to health care and other social services. In the long term, this will have a positive benefit to local economic development.

## **Improved availability of clean water, resulting in improved environmental health**

Water supply projects can significantly improve peoples’ lives by giving access to clean water. This decreases child mortality and general health levels in the community by decreasing waterborne diseases, and increasing hygiene and sanitation. This in turn increases productivity and opportunities for social development and overall community improvement, particularly for household women who are disproportionally affected due to poor access to clean water supply.

## **Avoidance of damaging floods in urban areas**

Floods can have devastating social and economic consequences, limiting communities in terms of access, sustainable production and income streams. Addressing the problem of floods through infrastructure improvements can have a significant impact on livelihoods, sustainability and productivity.

## **Environmental health impacts of investments in sanitation and solid waste**

A wide range of diseases, environmental impact on ground and surface water, soil and air environment can be caused by poor collection and disposal of solid and liquid wastes within an urban setting. Contamination of ground water, soil and air could cause serious environmental health concerns in neighborhoods and amongst poor people in particular. Multiplier economic investment effects of providing integrated infrastructure and services to land for residential and industrial development

Provision of integrated urban infrastructure services make available serviced land for residential, commercial and industrial purposes. The beneficiaries may include governmental authorities as well as vulnerable groups such as women, NGOs, real estate developers, private individuals, cooperatives, etc. The potential multiplier economic effects are considerable in a broad range of examples from employment generation, productive investment in industry and services to the generation of increased ULG revenues.

CHAPTER 4: ETHIOPIA’S ENVIRONMENTAL AND SOCIAL MANAGEMENT SYSTEMS RELEVANT TO URBAN SECTOR

## **Introduction**

OP/BP 9.00 requires that all PforR operations function within an adequate legal and regulatory framework to guide environmental and social impact assessment and management. In this context, management of the environmental and social effects of ULGDP II-financed activities is assessed based on the existing environmental and social management systems of Ethiopia.

In order to assess the adequacy of Ethiopia’s legal and regulatory framework, relevant laws and institutions for environmental and social impact assessment and management are described in this section, along with the roles and responsibilities of institutions involved in the assessment and management processes. The assessment of how these systems function in practice is presented in Section 6 along with a structured gap analysis that identifies inconsistencies between the framework and the requirements of OP/BP 9.00.

This section is organized in two subsections: (i) environmental impact assessment and management system; and, (ii) social impact assessment and management system.

## **Environmental Impact Assessment and Management System**

### Applicable Policies, Laws and Guidelines

This section describes the legal and regulatory requirements for environmental impact assessment and management in Ethiopia. The relevance of these requirements to ULGDP II is assessed with due consideration of the requirements and guidelines of OP/BP 9.00.

The **Ethiopian Constitution** adopted in 1995 provides the framework for environmental protection and management in Ethiopia. The concept of sustainable development and environmental rights are presented in Articles 43, 44 and 92 of the Constitution.

* Article 43: The Right to Development identifies citizens’ right to: improved living standards and sustainable development and participate in national development and to be consulted with respect to policies and projects affecting their community.
* Article 44: Environmental Rights stipulations that all citizens have the right to a clean and healthy environment; and those who have been displaced or whose livelihoods have been adversely affected as a result of state programs have a right to commensurate monetary or alternative means of compensation, including relocation with adequate state assistance.
* Article 92: Environmental objectives are identified as: government shall endeavor to ensure that all Ethiopians live in a clean and healthy environment. The design and implementation of programs shall not damage nor destroy the environment. Citizens also have a right to full consultation and to expression of views in the planning and implementation of environmental policies and projects that directly affect them. Government and citizens shall have the duty to protect the environment.

The **National Conservation Strategy** (1995) takes a holistic view of natural and cultural resources and seeks to present a coherent framework of plans, policies and investments related to environmental sustainability. The Strategy consists of five volumes including: the Natural Resource Base, Policy and Strategy, Institutional Framework, the Action Plan and Compilation of Investment Program.

A number of proclamations and supporting regulations contain provisions for the protection and management of the environment and put into effect the principles of the Constitution and the Environmental Policy. Specifically, the Environmental Impact Assessment Proclamation No. 299/2000 contains provisions designed to ensure sustainable development while Proclamation 299/2002 makes Environmental Impact Assessment mandatory not only for development projects but also for policies, plans and programs.

### Relevant policies, proclamations, regulations, guidelines and plans are detailed below.

The **Environmental Policy** of Ethiopia was approved by the Council of Ministers in 1997. It is comprised of 10 sector and 10 cross-sector components, one of which addresses ‘Human Settlements, Urban Environment and Environmental Health’. The Policy is based on the findings and recommendations of the National Conservation Strategy of Ethiopia. The Policy contains elements that emphasize the importance of mainstreaming socio-ecological dimensions in development programs and projects.

The goal of the **Environmental Policy** of Ethiopia is to improve and enhance the health and quality of life of all Ethiopians and to promote sustainable social and economic development through sound management of the environment and use of resources so as 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, the need to ensure that Environmental Impact Assessment:

* 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
* Is a legally binding requirement

***Proclamation 299/2002, Environmental Impact Assessment*** makes EIAs mandatory for implementation of major development projects, programs and plans. The Proclamation is a tool for harmonizing and integrating environmental, economic, cultural, and social considerations into decision making processes in a manner that promotes sustainable development. The law clearly defines:

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

***Proclamation 300/2002, Environmental Pollution Control*** requires developmental activities to consider environmental impacts before their establishment. The Proclamation requires ongoing activities to implement measures that reduce the degree of pollution to a set limit or quality standard. Thus, one of the dictates of the legislation is to ensure, through inspection, the compliance of ongoing activities with the standards and regulations of the country through an environmental audit.

***Proclamation 295/2002, Establishment of Environmental Protection Organs*** establishes the organizational requirements and identifies the need to establish a system that enables coordinated but differentiated responsibilities of environmental protection agencies at federal and regional levels. The Proclamation indicates duties of different administrative levels responsible for applying federal law.

***Proclamation 513/2007, Solid Waste Management*** 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.

***EIA Directive 1/ 2008, Directive to Determine Projects Subject to Environmental Impact Assessment*** was issued to determine the categories of projects subject to the Environmental Impact Assessment Proclamation 299/ 2002. To this end, the Environmental Impact Assessment Proclamation is to be applied to the types of projects listed under these directives. The types of projects subject to EIA in the urban sector include roads, solid waste facilities, water supply schemes, which are part of the ULGDP II program.

***Proclamation 159/2008, Prevention of Industrial Pollution Regulation:*** As a follow up to Proclamation 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.

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

***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.

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

* Environmental Assessment and Management in Ethiopia
* Environmental Impact Assessment Process
* Standards and Guidelines
* Issues for sector environmental impact assessment in Ethiopia covering agriculture, industry, transport, mining, dams and reservoirs, tanneries, textiles, hydropower generation, irrigation projects and resettlement
* The guideline contains annexes that:
  + Identify activities requiring a full EIA, partial measure or no action
  + Contain sample forms for application
  + Provide standards and guidelines for water and air

***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.

### Urban sector Sector-Specific Policies, Laws and Guidelines

Over the last few decades, a number of technical Guidelines, Directives, Manuals and Frameworks have been developed which are particularly relevant to the urban sector for the purpose of environmental and social impacts management. Sector policies have been prepared by various agencies. The Federal Water Resource Policy formulated by the Ministry of Water Resources advocates comprehensive and integrated water resource management. The overall goal of the policy is to enhance and promote all national efforts towards the efficient and optimum utilization of the available water resources for socio-economic development on a sustainable basis.

The technical guidelines and tools, such as mentioned above, are prepared and issued by competent authority (such as a Ministry or a Department) by elaborating and explaining the provisions of acts and regulations as well as incorporating good practices. These are intended for use within the jurisdiction of the issuing competent authority, and are enforceable to the extent these do not contradict with the provision(s) of the mother act and regulation. These guidelines and tools describe the requirements, processes and procedures in more detail than in the act and regulation. Many guidance documents, such as Environmental and Social Management Framework, prepared under the existing ULGD project encapsulate many of the core principles and key attributes of OP/BP 9.0. These have been accepted and endorsed by the government for their departmental investment operations, and form part of the Environmental and Social Management System (ESMS). They describe the process and procedures of environmental assessment to ensure integration of environmental consideration in the project survey, design, tender and contract documents. The Environmental and Social Impact Management Framework of MoUD not only provides details of environmental assessment procedures but also stresses on the compliance of environmental as well as social measures for the sector wide application.

**Environmental guidelines and standards**

Ethiopia has robust standards for pollution control, emissions and waste as outlined in the Proclamation for Environmental Pollution Control. However, the implementation quality and enforcement standards are highly uneven across cities and municipalities. The Environmental Protection Authority have produced a number of documents to guide any person or organization who is undertaking activities that may have positive or negative impacts on social, physical or cultural environments. These are described below.

Table 2: EPA Guidelines and Standards

|  |  |
| --- | --- |
| **Guideline / standard** | **Description** |
| EIA Guideline, July 2000 | The EIA Guideline Document provides essential information covering:   * Environmental Assessment and Management in Ethiopia * The Environmental Impact Assessment Process * Standards and Guidelines * Issues for sectoral environmental impact assessment in Ethiopia covering: agriculture, industry, transport, mining, dams and reservoirs, tanneries, textiles, hydropower generation, irrigation projects and resettlement projects. * Annex 1 identifies the activities for which a full EIA, partial measure or no action is required. Annex 2 provides an example of an application form. Annex 3 provides standards and guidelines for water and air. |
| EIA Procedural Guideline, November 2003 | The guideline outlines the screening, review and approval process for development projects in Ethiopia and defines the criteria for undertaking an EIA. |
| Draft Guideline for Environmental Management Plan (draft), May 2004 | The guideline outlines the necessary measures for preparation of an Environmental Management Plan (EMP) for proposed developments in Ethiopia and the institutional arrangements for implementation of EMPs. |
| Environmental and Social Management Framework, 2010 | The framework developed to support investment lending operation has since been used by the Ministry of Urban Development. The ESMF defines the procedures for screening or various environment and social risks; identification and evaluation of risks and required due diligence; mitigation and monitoring measures to address key risks related to investments in urban infrastructure. |
| Labour Proclamation (42/93) | The Labour proclamation requires an employer to take the necessary measures to adequately safeguard the health and safety of the workers. |
| Ethiopian Roads Authority (ERA) Environmental Procedures Manual, 2001 | ERA prepared this manual for the use and technical guidance for design personnel of the Ethiopian Roads Authority and consultants doing an Environmental Assessment Study during road design. The manual was developed in order to standardize Environmental Procedures for design of new roads and rehabilitation of existing roads. |

### Institutional Roles and Responsibilities for Environmental Impact Assessment and Management

This table summarizes the roles and responsibilities of institutions involved in environment and social management in Ethiopia. Identification of institutional roles and responsibilities takes into account potential environmental implications of supported activities and the requirements of OP/BP 9.00.

Table 3: Institutional Roles and Responsibilities for Environmental and Social Management

|  |  |
| --- | --- |
| **Entity** | **Roles and Responsibilities for Environmental and Social Management** |
| Federal Environmental Protection Authority/Regional Environmental Agencies  (Changed to Ministry of Environment and Forestry) | As the national entity for environmental management, EPA is responsible for:  Enforcing and ensuring compliance to the EIA proclamation which currently is being implemented through delegated authority provided to sector ministries  Reviewing EIAs and monitoring the implementation of EIA recommendations which is also in part being implemented through delegated authority provided to sector ministries  Regulating environmental compliance and developing legal instruments that ensure the protection of the environment  Ensuring that environmental concerns are mainstreamed into sector activities,  Coordinating, advising, assessing, monitoring and reporting on environment-related aspects and activities |
| Ministry of Urban Development | Plan and Implement investments in urban infrastructure to improve the quality of urban services and improve the quality of life by integrating environmental and social concerns, in planning, designing, implementation and monitoring |
| Ministry of Water and Energy/Regional Water Bureaus | Prevent and control pollution of water resources |
| Ministry of Labour and Social Affairs/Regional Labour Bureaus | Implement environmental and social management activities in their respective regions, in line with the mandates and roles and responsibilities of their respective Ministry. |

The current system of government in Ethiopia is organized into a federal structure, comprised of the federal government and nine regional states. Government administration of EIA in Ethiopia is shared between the federal government and regional states. The Environmental Protection Organs Establishment Proclamation (295/2002) established the institutions responsible for the regulation of EIA; these include the Federal Environmental Protection Authority, Regional Environmental Agencies and the Sector Environmental Units. Currently, a new structure is in effect, the *delegated* sector authorities which, through Federal EPA’s delegation, have been assigned the dual role of ensuring timely and effective implementation of sector specific EIAs as well as of reviewing EIA reports.

***Federal Environmental Protection Authority*** is the lead agency responsible for formulating policies, strategies, laws and standards to ensure social and economic development activities sustainably enhance human welfare and safety of the environment (Article 6, Proclamation 295/2002). The regulation of EIA is one of the key responsibilities entrusted to EPA. In this respect, the EPA is responsible for establishing a system for undertaking EIA in public and private sector projects. The Federal EPA is responsible for developing a directive that identifies categories of projects likely to generate adverse impacts and require a full EIA, and for issuing guidelines that direct preparation and evaluation of EIA reports (Proclamation 299/2002, Articles 5 and 8).

In addition, the Federal EPA is responsible for evaluating EIA reports of projects that need to be licensed and executed by the federal government and projects that are likely to generate inter-regional impacts. The Federal EPA is also responsible for monitoring, auditing and regulating implementation and performance of such projects. The Federal EPA holds primary responsibility for providing technical support on environmental protection and management to regional states and sector institutions.

***Regional environment bodies:*** 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 (Article 15). 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 inter-regional 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 (e.g., Bureau of Agriculture).

***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. 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 Environmental 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:*** The Federal Environment Protection Agency has delegated authority to sector institutions to ensure implementation of EIAs in their sector and to undertake EIA reviews. For instance, the Federal Ministry of Water and Energy is responsible for ensuring that an EIA is undertaken on water and energy projects and to review the EIA. This delegation has been communicated to sector ministries through an official letter sent by the Federal EPA.

## **Social Impact Assessment and Management System**

### Land Acquisition, Resettlement and Compensation

OP/BP 9.00 requires that land acquisition and loss of access to resources are managed in a manner that avoids or minimizes displacement and that affected people are compensated and assisted in improving or at least restoring their livelihoods and living standards. This section assesses the legal and regulatory framework for land acquisition and compensation in Ethiopia as it applies to the urban sector and, more specifically, as it applies to the menu of investments supported by the ULGD II.

In order to assess the adequacy of the social management system, relevant policies, laws, and regulations are summarized below as well as the roles and responsibilities of institutions involved in the resettlement and compensation processes in Ethiopia. The assessment of how these systems function in practice is included. And, a detailed gap analysis is presented in Section 6 summarizing inconsistencies between the system and the requirements of OP/BP 9.00. Under the PforR operation, the MoUD will handle land acquisition, resettlement and compensation based on the Ethiopian legal and regulatory framework.

### Policies, Laws, and Regulations for Resettlement and Compensation

All land in Ethiopia is a considered public property. The 1975 Proclamations of Public Ownership of Rural Land 31/1975 and Urban Land 47/1975 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 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 recognizes the right of farmers to land and right of pastoralists to free land for grazing and cultivation. The Constitution states 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 44 of the Constitution states the right of displaced persons to financial or alternative means of compensation including relocation with adequate state assistance.

The 1995 Constitution, Article 40(2), 40(4), 40(5) and 40(8), includes legal frameworks that protect citizen’s 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 or 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.

Based on the framework provided by the Constitution, two Proclamations were issued: 1) Expropriation of Land Holdings for Public Purposes and Payment of Compensation Proclamation and 2) Rural Land Use and Land Administration.

***Proclamation 455/2005 Expropriation of Land for Public Purposes and Payment of Compensation.*** The general condition for which land and property can be expropriated is for public purpose defined as use of land by the appropriate body with urban structure plan or development plan to ensure the interest of citizens to acquire direct or indirect benefits from the use of the land and to consolidate sustainable socio-economic development.

### Priority to land- to- land compensation

The Proclamation 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.

***Eligibility.*** Compensation should be paid to any land holder that 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.

According to Article 7(1) and (2), a landholder whose holding has been expropriated shall be entitled to compensation for her or his property situated on the land and for permanent improvements s/he has made to the land. The amount of compensation for property shall be determined on the basis of the replacement cost of the property. Thus, Proclamation 455/2005 determines that only legal landowners with crops, perennial crops or other property are eligible for compensation.

### 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. Immovable properties could be classified as urban and rural. In urban areas, this category of properties includes 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.

Urban land holders whose land holding 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.

On the basis of Proclamation 455/2005 Article 7(2) for expropriation of land holdings 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 based on data collected from local market assessments. Compensation is commensurate with loss of assets however 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.

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 or parastatal 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.

### Procedures for Expropriation

The law requires that the expropriation order has to be given prior to relocation. Such order shall not be less than 90 days before relocation; however, if there is no crop or perennial plant, farm land could be expropriated within 30 days of receipt of the expropriation order. The law regulates that compensation has to be paid before relocation.

### Grievance Redress

Complaints are addressed by a grievance committee established by the Woreda or city administration. The second level of grievance is the Woreda or municipal appellate court and the decision of the court will be final. According to the law, execution of an expropriation order will not be delayed due to complaint regarding compensation payments.

## **Proclamation 456/2005 Rural Land Administration and Land Use**

This regulates use and administration of rural land and recognizes farm, pastoral, semi-pastoral and communal land holdings. It outlines a grievance mechanism and dispute resolution system. The law requires that all land holdings be issued a certificate in the name of both wife and husband or the name of all joint holders and should be registered in a database.

The law provides for the obligation to pay compensation to landholders if the holder is displaced or to provide replacement land with compensation for lost assets. 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. The Proclamation also states that the holder of rural land who is evicted for purposes of public use shall be given compensation or shall be given substitute land.

Disputes arising from land holding rights are resolved amicably through agreement (an arbitration body to be elected by the parties to the dispute) or in accordance with rural land administration laws of the regional state. The Ministry of Agriculture and Rural Development will be responsible for implementation of this law while regional states are expected to pass region-specific laws with detailed provisions for implementation and appropriate institutional arrangements for application of the regional provisions.

*Labor and Social Affairs*

*Proclamation 377/2003 Labor* requires employers to provide a good working environment to workers in order to safeguard their health. Employers must ensure that the equipment used by employees is safe and provide proper working gear.

The *Occupational Health and Safety Guideline (2003)* was developed as a follow-up to the labor Proclamation and provides guidance on occupational health and safety requirements.

## **4.5. Nations, Nationalities and Peoples, Pastoralists, and National Minorities**

The Ethiopian Constitution recognizes the presence and rights of many ethnic groups, including historically marginalized vulnerable groups. These include Nations, Nationalities and Peoples, pastoralists, and national minorities.

Article 39 of the Ethiopian Constitution recognizes the rights of groups identified as “Nations, Nationalities and Peoples”. They 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, and who inhabit an identifiable, predominantly contiguous territory.” 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 Constitution recognizes the rights of these Nations, Nationalities and Peoples to: self-determination, including the right to secession; 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 Ethiopian Constitution also recognizes the rights of pastoralist groups (Articles 40 and 41). This includes the right to “free land for grazing and cultivation as well as the right not to be displaced from their own lands” and 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.” Pastoralist regions/areas recognized by the government are: Afar; Somali; Borena Zone and Fentele Wereda (Oromia); South Omo Zone, Bench-Maji Zone, and parts of Decha Wereda in Keffa Zone (SNNPR); and, Nuer Zone (Gambella). The pastoralists comprise approximately 12-15 million people that belong to 29 groups of Nations, Nationalities and Peoples.

The Government of Ethiopia 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.” These groups have less than 100,000 members and most live in the Developing Regional States (see next paragraph) and pastoralist areas.

Finally, Article 89 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 the emerging Regions, known as Developing Regional States (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.

ULGDP II aims to provide regionally tailored approaches that ensure distributional, gender balanced and culturally appropriate access to infrastructure service delivery, as well as technical support to some of the regions and cities to ensure coverage and provision of urban services is on par with the rest of the country. Given that the program is being implemented in urban areas, there are no Indigenous Peoples in the project areas. However, there are other vulnerable groups and the program will: improve capacity at city and regional level to improve identification of vulnerable groups; improve training and capacity building of vulnerable groups through extensive consultation and identification of benefits; and, make effective use of women’s groups to address demand side barriers for urban services.

## **Institutional Arrangements for managing Social Aspects**

The Ministry of Agriculture and Rural Development 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.

The Ministry of Urban Development and Construction is responsible for resettlement planning in Ethiopia. This responsibility was transferred from the Ministry of Federal Affairs (MFA) according to the Proclamation on Revitalization of Federal Bodies of 2006.

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. Following establishment of the Federal EPA, regional governments established the Environmental Protection, Land administration and Use Authority (EPLAU) vested with responsibility of the administering rural land. EPLAU is embedded in the Bureau of Agriculture and is responsible for providing technical and administrative support as well as carrying out a review and monitoring function for implementation of regulations related to land acquisition.

Kebele, Woreda and City administrations are key players in implementation of the land acquisition regulation 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.

The Ministry of Urban Development as Implementing Agency, 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. As such, the Ministry of Urban Development is the government agency will be responsible for paying compensation related to land acquisition as long as the Ministry directly finances construction of the urban infrastructure. Regional government will be responsible for urban infrastructure financed from regional budgets. The law requires that the implementing agency prepare 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 urban infrastructure, the Ministry of Urban Development will ensure proper consultation is conducted and grievance mechanisms established in accordance with the law. The Ministry will also ensure that assets are valued properly and compensation calculated according to legal requirements and paid in full and on time. The Ministry must also ensure that construction of urban infrastructures takes 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.

## **Grievance Mechanisms**

A number of regional states (most notably Amhara and Tigray) have begun the process of creating grievance procedures approximating international standards which provide grievance in those states with a forum to complain about governmental maladministration and seek redress for any harm done to the grievant. Amhara has grounded its grievance redress mechanism in 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 such as SNNPRS, Benishanghul Gumuz and Oromia, used the GRM from the two regional states as template for strengthening existing GRMs through introduction of new work processes through the Business Process Re-engineering (BPR) or enacting regulations which provide new GRMs strong legal underpinnings. *ANS Directive No. 7/2002* provides for the expeditious decision making system with regard to expropriation of urban land. It provides the composition of the jury members: a justice officer as chair person, 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.

CHAPTER 5: INSTITUTIONAL CAPACITY ASSESSMENT OF PARTICIPATING CITIES

## **Institutional Roles and Responsibilities Key Player** **for ULGDP Implementation**

The ULGDP II will follow existing institutional mechanisms and framework that is being used for implementation under first ULGD project. The following section describes the organizational responsibilities for ULGDP II implementation. Overall ULGD II management will be led by Ministry of Urban Development (MoUD) at the center and Regional Government for the regions and cities, including responsibilities to implement environment and social impact management, as defined in various regulations, laws, manuals and procedures relevant to the Urban sector.

A simple guideline will be prepared by MoUD to guide ULGs/Regions in carrying out and reporting back on this exercise which will aim to ensure that all project implementation capacity and resources required are identified and secured.

First ULGD Project Management Organizational Arrangements[[5]](#footnote-6)

**Ministry of Works and Urban Development**

**UDCBO**

**REGIONAL GOVERNMENT**

& Regional Urban Planning Institutes

**Urban Local Government Authorities:**

Adama, Adigrat, Arba Minch, Awassa, Axum, Bahir Dar, Bishoftu, Dessie, Dila, Dire Dawa, Gondar, Harar, Jimma, Kombolcha, Mekele, Shashemene, Shire Endasellassie and Sodo

Infrastructure Offices

## MUDHCO – Organizational Structure of Ministry

**Minister**

**Audit Department**

**State Minister (Construction Sector**)

**State Minister (Urban Development Sector)**

**Construction Industry Development & Regulatory Bureau**

**Housing Development Capacity Building Construction Bureau**

**Urban Plan, Beatification &Sanitation Bureau**

**Federal Integrated Urban Land Information Project Office**

**Land and Land Information Registration Agency**

**Urban Good Governance &Capacity Building Bureau**

**Federal Micro and Small Enterprises Agency**

**Urban Land Development&Management Bureau**

**Minister office& Mini-Cabinet Affairs Bureau**

**Agency for Government Houses**

**Housing Construction Enterprises**

**Policy and Program Bureau**

**Information Technology&Database Development Bureau**

**Support Services Coordinating Bureau**

**Capacity Building & Reform Management Bureau**

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### Federal Organizational Responsibilities

The implementation of ULGDPII will use existing government structures with MWUD having overall implementation responsibility in accordance with its federal mandate. No new organizational structures will be established at the Federal or Regional levels.

**Ministry of Urban Development, Housing and Construction**

At the federal level, the Ministry of Works and Urban Development (MWUD) in general, and its Urban Good Governance and Capacity Building Bureau (UGDCBB) in particular is responsible for the ULGDP II program activities. MWUD will have overall responsibility for the oversight, coordination, and monitoring and evaluation of project activities. It will ensure the overall quality and timeliness of project implementation, including compliance with all aspects of the ULGDP II Operational Manual. It would also be responsible for determining reallocations between regions based on assessments of performance. UDCBO will be responsible for:

1. Ensuring that the ULGS operate according to the operational manual,
2. Preparing annually for the Government and IDA review of ULGDP II performance,
3. Consolidating annual plans and budgets based on the pipeline of investment plans and budgets received from regions and cities,
4. Supervising and monitoring the activities of ULGS (including compliance with the operational manual and environmental safeguards frameworks), and reporting on a quarterly basis to oversight authorities and IDA,
5. Determining re-allocations between regions, AACG and DDCA,
6. Managing all international procurement for ULGDP, and
7. Proposing changes to the operational manual in consultation with regions and ULGs.

The MWUD will assign specific responsibility for day to day management of the Ministry’s responsibilities to the Urban Development Capacity Building Office (UDCBO). UDCBO will serve as the coordinating body across federal, regional and local agencies. If needed, additional staff may be recruited to complement or strengthen existing capacity. UDCBO will hire an Environmental and Social Development Specialist, whose responsibility will include supervising the overall implementation of environment and social mitigation measures, including support to such as the Environmental Council, the Environmental Protection Authority, BWUDs/RUPIs and ULGs.

### Federal & Regional Environmental Protection Authority (recently changed to Ministry of Environment and Forestry)

The Environmental Protection Authority (EPA), the main agency responsible for environmental management, was established in 1995 under Proclamation 9/1995, as an independent agency reporting to the Council of Ministers. The EPA is required to provide regional authorities with guidance, technical support, and capacity building; support the development of various guidelines, including procedures appropriate to local projects; undertake awareness creation in other federal agencies; and provide technical support to those agencies. Its key objectives are outlined in Box 1below.

**Role of EPA under ULGDP II**: The EPA will be responsible for ensuring that all ULG investment projects under the ULGDP program comply with national EIA regulations and the mitigation requirements outlined in the action plan. Following screening by the ULG responsible, where relevant, the Regional Environmental Protection Authorities (REPAs) as well as Zonal EPA authorized by REPA, reviews and approve project EIAs before issuing an environmental permit/ license where applicable. The federal EPA is mandated to undertake environmental audits where required to ensure that ULGs are complying with their Environmental Management Plans (EMPs) and their commitments to environmental management, mitigation and monitoring.

Box 1: Role of Federal and Regional EPAs in Ethiopia

The objective of the Environment Protection Authority is to formulate policies, strategies, laws and standards, which foster social and economic development in a manner that enhance the welfare of humans and the safety of the environment sustainable, and to spearhead in ensuring the effectiveness of the process of their implementation.

The Authority has the powers and duties to:

* Coordinate measures to ensure that the environmental objectives provided under the Constitution and the basic principles set out in the environmental Policy of Ethiopia are realized.
* Prepare, review and update, or as necessary, cause the preparation of environmental policies strategies and laws.
* Establish a system for environmental impact assessment of public and private projects, as well as social and economic development policies, strategies, laws, and programs.
* Where projects are subject to federal licensing execution or supervision or where they are likely to entail inter-regional impacts, review environmental impact study reports of such projects and notify its decision to the concerned licensing agency and, as may be appropriate, audit and regulate their implementation in accordance with the conditions set out during authorization.
* In accordance with the provisions of the relevant laws, enter any land, premise or any other place that falls under the federal jurisdiction, inspect anything and take samples as deemed necessary with a view to discharging its duty and ascertaining compliance with environmental protection requirements.
* Promote or assist in the formulation of environmental protection action plans and projects and solicit support for such action plans and projects.
* Prepare directives to implement environmental protection laws and, upon approval, ensure their implementation.
* Provide advice and support to regions regarding the management and protection of the environment.
* Delegate some of its powers and duties, as it may be deemed appropriate, to other agencies.

### Bureaus of Works and Urban Development

the regional level, the Bureau of Works and Urban Development (BWUD) will be responsible for (i) coordinating project implementation, and providing technical assistance to cities in the preparation of capital investment plans, (ii) ensuring the overall quality and timeliness of project implementation for the ULGs within their respective jurisdiction, (iii) supporting and motivating cities to meet their access and performance criteria (themselves incentivized by inter-regional reallocations determined by the performance of their participating cities), (iv) facilitating the ULGs access to capacity building support mechanisms, (v) determining reallocations between cities based on assessments of city performance, (vi) reviewing and consolidating annual plans and budgets of ULGs within the region and (vi) ensuring that the ULGs follow the requirements of the operational manual.

### Urban Local Governments

The operational framework for planning and implementing ULGDP II activities will be through a consultative process with the appropriate stakeholders at the local government level. At an executive level, ULG Mayors will assign a ULGDP II Coordinator, who will report directly to the Mayor, to have overall responsibility for ULGDP II implementation, and will be of office head authority or higher. Within each ULG, Infrastructure Offices (IOs) will be responsible for implementation of the ULGDP II activities. Urban Local Governments will be the highest body that will oversee, coordinate and implement ULGDP II activities. Their responsibilities include:

1. Include in ULG CIPs, Annual Plans and budgets 10 % or 20% ULG contribution to ULGDPII Performance Grants received and provide contribution;
2. Manage the implementation of the ULGDP II and planning in advance for the sustainable operation and maintenance after program completion;
3. Undertake training on Operations Manual, Environment and Social Planning. Identify capacity building needs and inform BTIUD/MUDHCo of these needs.
4. Implement and follow procedures defined for integrating environment and social concerns in investment planning;
5. Assist communities in undertaking planning and implementation exercises, and mobilize needed local resources and monitor their use;
6. Organize joint reviews and evaluate the ULGDP II activities and results;
7. Consult and report regularly to the ULG City council regarding the progress of implementation;
8. Implementing actions to satisfy reforms/performance requirements;
9. Ensuring adequate staffing;

Under the first ULGD project, the MWUD has developed and implemented a number of processes for screening of environment and social risks, which will be continued for activities under the new ULGDP II. Some of these procedures include:

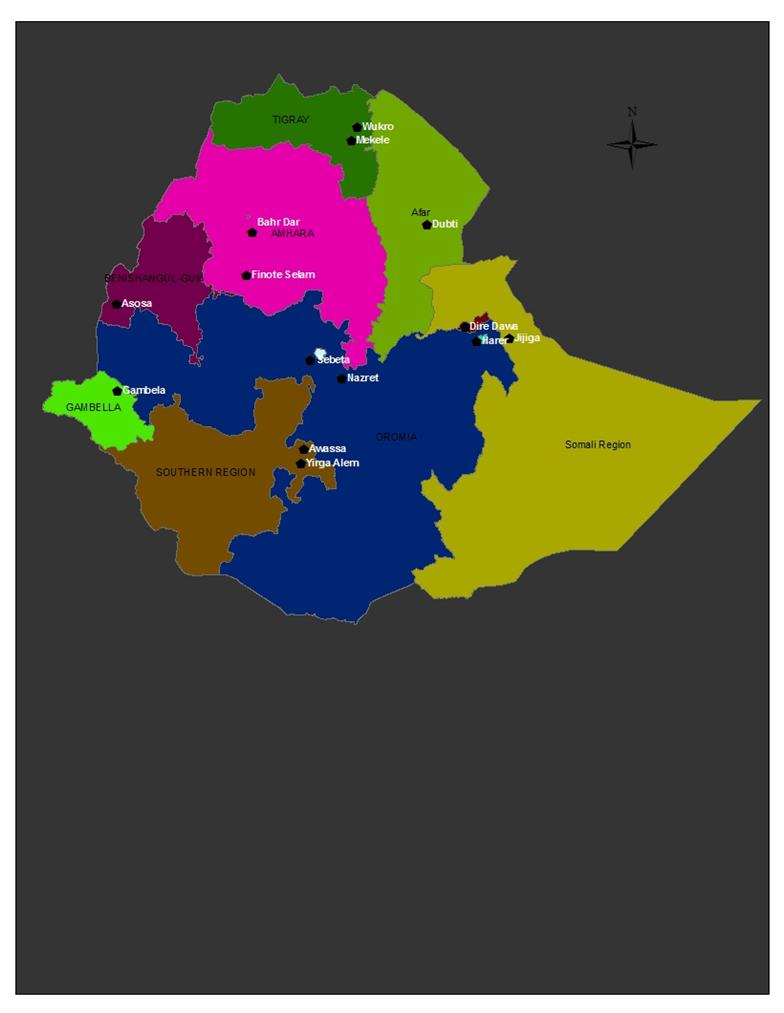
* 1. An environmental screening to identify the potential severity of environmental impacts including land acquisition, resettlement and cultural resources;
  2. Where required as a result of the environmental screening, development of: Full or partial Environmental Impact Assessments; Environmental Management Plans, full or abbreviated Resettlement Action Plan and Physical Cultural Resources Management Plans; and implementation of environmental mitigation measures.

The main responsibility for initiating and carrying out these activities is with ULGD Coordinator. The regional governments provide a review role, and provide political and administrative support for the implementation of the EIAs and RAPs, while the Regional EPA ensures that there is compliance with national legislation, and that information is gathered in one place for overall monitoring and progress reporting.

## **Assessment of current capacities and practices for environmental and social risk management at city level**

The ESSA team in consultation with the Ministry of Urban Development identified 12 representative cities/ULGs/Regional governments, as representative sample (out of 44 participating cities comprising of cities currently participating in first ULGD project and new cities added to ULGDP II) to assess the quality and efficacy of environment and social management system, particularly focusing on institutional capacity, structure, practices, procedures, mechanisms and effectiveness of implementation. Broadly the assessment indicates that there is a robust environmental and social management system, as it exists and designed. However, there is unevenness in implementation of environment and social risks mitigation measures, which can be traced to either lack of capacity or lack of technical knowledge for effective implementation.

Map 1: **Regions and Cities Visited**



The following section presents broadly a summary of field visit and assessment.

**2.1 Adama City**: Adama city participated under the existing ULGD project under implementation for the last 4 years, where they followed the Environment and Social Management Framework (ESMF) and RPF (Resettlement Policy Framework), which were developed as part of ULGD project to comply with the Bank’s 10 safeguards policies. As part of the safeguards requirement Adama city designated a focal person for environment and social management. The environmental and social management system includes undertaking, review and approval of ESIA reports for its sub-projects. Examples of projects for which ESIA, RAP and ARAP documents were produced include the 6.5km Gravel road and the cattle market development projects.

The city administration appears to be well aware of the environmental requirements and associated procedures, and has mainstreamed such requirements. Once the CIP projects passes through the planning, prioritization and approval process (which consists of conducting public consultation meetings starting at the lower *kebele level*), the environment focal person proceeds to screen the sub-projects for environmental and social risks by applying the screening formats in the ESMF. Currently all CIP sub-projects are screened for environmental and social risks. The environmental and social screening reports are reviewed in-house by the project appraisal committee of the Municipality before it is forwarded to the REPA for review and approval. The environmental and social screening reports used to be submitted to the Adama City Land and Environment Protection office (LEPO) earlier. However, in order to get it reviewed independently; these reports are forwarded to the Oromia regional EPA. The Regional EPA sends its experts to visit the sites for which the screening reports are submitted as part of the review process. Often the Adama City LEPO is delegated by the regional EPA to conduct the site visits on their behalf. After ensuring the correct categorization of the sub-projects the screening reports will be commented and approved by the LEPB. In parallel to this process the screening reports are also forwarded to the UDCBO office in MUDHCO for review and comment. Evidences collected during field assessment prove that several sub-projects were screened and approved by the LEPB after review.

Based on the outcomes of the environmental and social screening process, follow up actions are taken by the project coordination body and the environment focal person to prepare partial EIA, full EIA, ARAP or RAP as appropriate to the categorization level. The preparation of ESIAs and RAPs are usually outsourced to Consultants by the ULGD project coordination. The ESIA and RAP documents prepared by the consultant are forwarded to the Regional LEPB and the UDCBO office of the MUDHCO for review and comment. Finally the LEPB issues letter of approval for the ESIA and RAP after adjustments are made to the documents based on the comments forwarded.

In order to facilitate for implementation of the mitigation measures recommended, the EMP is handed over to the contractor as attachment to the contract. Internal environmental monitoring of the implementation of the EMP is carried out regularly by the environment focal person with a room for improvement. Usually Environmental Monitoring is conducted in response to environmental complaints emerging in relation to project implementation.

On the other hand, the Adama City Land and Environment Protection Office undertakes wider environmental monitoring to check the implementation of EMPs that were approved both by the Regional LEPB and itself. According to division head of the office, the environmental monitoring covers not only development projects in the private sector but also projects implemented by public offices such as the ULGDP project of the Municipality. The LEPO of Adama tends to focus more checking the practical implementation of EMPs of the ULGDP projects by conducting monitoring and inspection than getting involved in the review and approval process.

2.2 **Amhara Regional State**: It is one of the nine regions in Ethiopia. Four cities from Amhara region have participated in the ULGD project, including *Bahirdar, Gondar, Kombolcha and Dessie cities*. Additional four cities plan to participate in ULGDP II,including*Fenoteselam, Debremarkos, Debretabor, Debrebirhan, Motta and Woldia cities*. The Amhara National Regional State established “Bureau of Environment Protection Land Administration and Use’ (***BoEPLAU***) in 2000 E.C with a prime responsibility of implementing the Conservation Strategy of the region. The BoEPLAU has two main core processes at head office level. These are the environment core process and land administration and use core processes. The organizational structure of BoEPLAU is extended down to zone; woreda and kebelle levels of the region. It has environment protection and land administration offices at zone, woreda and kebele levels organized underthe REPA. In addition BoEPLAU has branch offices in four cities of the region (i.e. *Bahirdar, Gondar, Dessie, and Kombolcha*). The environment protection core process in BoEPLAU is a well-staffed department with environment professionals. It has about 18 professional staff out of which the EIA case team consists of seven staff.

In order to strengthen the capacity of its staff in the branch offices at zone and woreda level, BoEPLAU organizes and delivers environment training in collaboration with Bahirdar University. The Amhara national regional state has broadly adopted the Federal Proclamation on Environmental Impact Assessment. The Amhara region version of the proclamation is called ‘Environmental Impact Assessment Proclamation of Amhara National Regional State No. 181/2011’. In addition to the framework proclamation, BoEPLAU have prepared and published detailed guideline on EIA in 2012. BoEPLAU is also in the process of adopting the pollution control and solid waste management proclamations which are at draft level and under discussion.

The enforcement of requirement for environmental assessment is spearheaded by BoEPLAU and its branch offices at Zone and Woreda levels. Project proponents are required to present certificate approval from the BoEPLAU or its zonal or woreda branch offices by preparing EIA and getting it approved. The level of enforcement of the EIA requirement is growing from time to time. All big projects, even those that were implemented before the establishment of BoEPLAU are now checked for environmental compliance by submitting environmental audit reports. Representatives of the bureau agree that there is a better level of awareness on the decision-makers regarding environment protection in general and on the need to enforce the EIA requirement in particular. BoEPLAU has expressed its wish to be assisted under the PforR program to improve the quality of EIA, particularly with respect to baseline information on the project site, prediction of environmental impacts including direct and indirect impacts. The EIA guideline published in 2012 includes requirements with respect to cultural heritages and sensitive habitats, public participation, transboundary issues, and grievance redress.

The review and approval of EIA documents in the region is decentralized and is conducted at regional, zonal and woreda branch offices level. However, in practice, most project ESIAs are reviewed by the regional head office of BoEPLAU. The EIAs reviewed and approved at the regional, zonal and woreda levels are communicated to each other and to facilitate for follow up on EMP implementation. BoEPLAU often conducts environmental monitoring by using University laboratories such as the Wollo and Bahirdar universities to follow implementation of mitigation measures and also to provide advice and technical support. In addition BoEPLAU conducts environmental auditing biannually on project to ensure compliance. The development project to be audited is selected randomly and could be with or without approved ESIA. Environmental inspection is also conducted to enforce compliance with the regulations.

Some of the key Gaps and areas of assistance include shortage of sensitization; lack of environmental laboratory for improved environmental monitoring; lack of experience sharing with selected local and foreign cities for city mayors on environmental improvements; support to strengthen the environmental institutions at levels of the region; and support to improve public disclosure.

**2.3 Bahirdar**. Bahirdar is the capital city of the Amhara National Regional State, with a population of 220,344. The city administration consists of three satellite towns, nine urban and another nine rural kebeles. Bahirdar city is administered by a Mayor. The municipality has about 339 staffs out of which 24 are technical staff. Being the capital city of the Amhara regional state, the city also hosts the regional bureau for environment protection called BoEPLAU. Bahirdar is one of the four cities of Amhara Region that are participating in ULGDP project. Sites of historical and religious heritages are commonly found inside the Tana Lake and its small islands. But the presence of such sites in the mainland of Bahirdar is less common. The city has an environment officer who has a responsibility for performing the environmental and social management works in relation to ULGDP project. To further integrate environmental officer in the institutional structure of the four Metropolitan cities of the Amhara Regional State (i.e. Bahirdar, Gondar, Dessie and Kombolcha), the regional Bureau of Industry and Urban Development has endorsed a new structure that requires for placement of an environmental and social impact assessment officer under the housing and infrastructure development core processes of the cities. This new structure appears to further institutionalize the post of the environmental officer to help fulfill the environmental requirements for all the ULGDP and non-ULGDP/ CIP projects.

Bahirdar city administration appears to be well aware of the environmental requirements and associated procedures. As a start to the implementation of the procedures, public consultations and disclosure are conducted once a year early on during project planning phases with the community at grass roots level. Once the CIP projects passes through the planning, prioritization and approval process including public consultation meetings, the environment officer together with the ULGDP team proceeds to screen the sub-projects for environmental and social risks by applying the screening formats in the ESMF. The project screening is conducted after carrying out site visits. According to the explanations of experts in the ULGDP case team, the screening exercises for environmental and social risks are screened for all ULGDP sub-projects along with the CIPs. The environmental and social screening reports are forwarded to the BoEPLAUfor review and approval. As part of the review process environment officers from BoEPLAU conduct visits on the project sites to help them understand the situation at the ground. In parallel to this process the screening reports are also forwarded to the UDCBO office in MUDHCO for review and comment. Based on the submitted screening reports and site visits conducted, BoEPLAU decides on the approval of the screening reports and communicate its decisions to the City Service office in writing. Evidences collected during field assessment prove that several sub-projects were screened and approved by the BoEPLAU after review.

On social aspects, Bahirdar City Administration has been implementing the rules, regulations and procedures to mitigate social impacts related to land acquisition, resettlement and property loss that are triggered by implementation of new development projects. The Regional State has adopted and endorsed guideline no. 35/2000 which serves as the primary tool for handling and addressing resettlement and compensation issues in the whole region. The Federal proclamation no.455/2005 on “*Exploration of Land holdings for Public Purposes and Payment of Compensation*” and Council of Ministers, Regulation No. 135/2007, on the “Payment of Compensation for Property Situated on Landholdings Expropriated for Public Purposes” are the basis for the regional state guideline no.35/2000.

It is important to note that the aforementioned regional guideline and the federal regulations address resettlements and compensate only those PAPs who have legal entitlement for the land or property lost. The city administration provides: Cash compensation for lost properties; replacement land for urban land acquired; house rent for one year for displaced tenants from kebele owned tenants; and replacement land (105 m2) for eligible kebele house tenants. Evidences collected during field visit also confirms that farmers whose farmland had been acquired by the City administration for the purpose of developing an industrial zone in the suburbs of Bahirdar City specifically named Weramit Kebelle have been paid cash compensation for the crop value that will be harvested in 10 years from the land lost. On the other hand, guideline 35/2000 of the region has no binding provision by which it can handle and address social impacts on PAPs that do not have legal entitlements for the property or land they use before displacement takes place. Thus these types of PAPs are not generally treated for compensation or other redress measures by the city administration. However, based on the circumstances and the nature of the people affected, the city administration passes special decisions to rehabilitate such PAPs. For example, if members of the underserved groups called Woito are displaced by development projects, they are compensated by a special decision of the city administration even if they don’t have legal entitlement for their properties. The Woito people are one of the underserved groups who were the residing in the present Bahirdar city area and Lake Tana long time ago. It was reported during the interview that most often the grievances and complaints of PAPs were solved by the administrative hierarchy and the compliant hearing office without going further to litigations.

Some areas for assistance include: improving capacity through experience sharing; particularly on CIP projects such as sanitary landfill and abattoir, green area development including cumulative impact assessment, environmental monitoring, and management of conflicts.

2.4 **Mekelle City.** The city is in the Southern Zone of Tigray National Regional State at a distance of 783 km north of Addis Ababa. Mekelle is one of the fast growing cities in Ethiopia. Mekelle city is administered by a Mayor, who is assisted by a Vice Mayor. The city has two environment protection offices. The head office of the Regional Agency for Environment Protection Land Administration and Use (Tigray EPLAUA) is situated in Mekelle city. In addition, the city has an Environment Protection and land administration office at City level under the office of Urban Agriculture of the city administration. Existing practices show that the city administration and particularly the ULGDP team work closely with the Regional EPLAU Agency. The City level environment office in Mekelle is staffed with two environmental specialist, who are also responsible to enforce the environmental assessment requirements as stipulated in the Federal and Tigray region EIA proclamations.

Mekelle is one of the four cities of Tigray Region that participated in ULGDP-I program. During the interview conducted with the vice mayor and General Manager of the city, it was stated that the city is looking to combine the environmentalists found in three different core processes/offices/ and re-establish its environment office under the bureau of Urban Agriculture. The efforts are on to strengthen and institutionalize the environmental and social system. Some of the key challenges in the existing capacity of the ULGDP team include high turnover of staff and shortage of man-power. Mekelle city administration appears to be well aware of the environmental requirements and associated procedures. Reportedly, public consultations and disclosure are conducted early on during project planning phases with the community at kebele and subcity levels. Site assessment is conducted on the selected and prioritized projects by the ULGDP team for potential environmental and social impacts before the list of projects is forwarded to the mayor for approval. Once the CIP projects passes through the approval process including public consultation meetings, the environment officer together with the ULGDP team proceeds to screen the sub-projects for environmental and social risks by applying the screening formats in the ESMF. The project screening is conducted after carrying out site assessments. According to the explanations of the ULGDP coordinator, the screening exercises for environmental and social risks are limited to ULGDP projects.

The preparation of ESIAs and RAPs are usually outsourced by the ULGDP team to external environmental and social consultants. The ESIA and RAP documents prepared by the consultant are forwarded to EPLAUA and the UDCBO office of the MUDHCO for review and comment. Finally the Regional EPLAUA issues Environmental Clearance Certificate to express its authorization and approval of the ESIA/RAP after adjustments are made to the documents based on the comments forwarded. Environmental monitoring is often conducted by the ULGDP environment focal person and sometimes jointly with EPLAUA environment officers. In addition the city administration project supervision committee and other city officials headed by the vice mayor conduct regular supervision and monitoring of the progresses of project implementation including environmental aspects. Independent inspection is also conducted occasionally by the environmental officers of the regional EPLAUA.

On social aspects, Mekelle City Administration has been implementing the rules, regulations and procedures that are stipulated by the Tigray National Regional State and the Federal Government to mitigate social impacts related to land acquisition, resettlement and property loss that are caused by development projects. The compensation estimation committee is usually formed by the sub-city administration where the resettlement issue has occurred. It is mainly tasked to undertake inventory of the properties to be demolished and to conduct its valuation based on the rules of the regulations. Usually the construction and transport office sets the unit rate for estimating the value of buildings based on current prices. In practice urban householders who are resettled during the master plan implementation are compensated in cash for property lost and by providing replacement land for building their house. The master plan of Mekelle City is being implemented by preparing Local Development Plans (LDP).

The regulations and guidelines of both the Federal and Tigray Regional state do not have a provision by which resettled PAPs having no legal entitlement for the property or land lost can be compensated. In line with the regulations the Mekelle city administration does not have any binding procedures or guidelines to handle the issue of PAPs without legal entitlements to properties lost. However, there are specific guidelines on regularization which helps the city administration to clear the backlog of resettlement issues without legal entitlement. However, practically speaking, there are no squatter settlements in the city. Thus the issue of PAPs without legal entitlements is less likely to occur during the implementation of development projects in Mekelle.

Some areas for assistance and improvement include: improving on Environment and Social Management; need for training and capacity building to overcome high turnover of staff; need for capacity building and technical support in sanitation, abattoir, water treatment, EIA, Cumulative Impact assessment and Environmental monitoring; experience sharing between cities; financial and advisory support to strengthen the environmental and social management systems at city level; technical support on recycling of solid waste collected at city level.

**2.5 Oromia Region:** Oromia Regional state is one of the largest states found in Ethiopia. Four cities from Oromia region has been participating in the ULGDP-I program. These include Adama, Bishoftu, Shashemene and Jimma cities. Another five cities plan to participate in ULGDP – II program including Sebeta, Ambo, and Nekemte.

The Oromia Regional state has established a “Land and Environment Protection Bureau” (LEPB) that has prime responsibility for ensuring sustainable development in the region. The LEPB has its branch offices in the administrative zones; woreda’s and in twelve selected cities of the region. The twelve cities where LEPB has branch offices consist of Adama, Sebeta, Burayu, Gelan, Asela, Jimma, Legetafo, Sululta, Dukem, Bishoftu, Shashemene and Nekemte. The Oromia regional state has adopted the Federal Proclamation on Environmental Impact Assessment and on pollution control, called ‘Oromia National Regional state Environmental Impact Assessment Proclamation No. 176/2012’ and ‘Oromia National Regional state Environmental Pollution Control Proclamation No.177/2012’. In addition to the framework proclamations, the LEPB is preparing detailed regulations on EIA and pollution control which are currently drafted and being discussed in house. Clearly the region has an environmental and social management system that requires for conducting EIAs for development projects. The enforcement of this requirement for environmental assessment is spearheaded by LEPB and its branch offices at Zonal, City and Woreda levels.

In practice, the environmental procedures followed to implement and administer the Oromia EIA proclamation in the region starts from a screening exercise which is usually done with the help of the LEPB staff. The experts of the LEPB or LEPO provide a kind of pre-consultancy support to the project proponent by screening the specific proposed project. When project proponents approach the LEPB and LEPO offices, the office experts advise them on the category into which the proposed project belongs and further indicate them on the type of EIA (full or partial or none) required to be submitted. Screening of the projects is carried out by comparing it against a category list as provided in the guidelines. The guideline lists the type of projects categorized in category A, B and C. The practical procedures in Oromia region also emphasize that EIA documents that do not contain public participation is generally not accepted and approved. All EIAs to be submitted for approval has to clearly show that public consultation has been held during the assessment process and the minute of discussion is officially signed and attached together with photograph evidences in the EIA document. During the EIA study process, project proponents are also required to consider site and project alternatives based on land use plan, technology, environmental sensitivity as well as the no project option. These considerations on project alternatives are formally required to be present in the EIA document to be submitted for review and approval.

Some of the areas requiring assistance include: need for raising awareness on environmental protection; need for training on environmental management; logistical support such as Desk top and laptop computers, digital cameras, video recorders, vehicles etc; and training on environmental auditing, EIA and laboratory skills.

**2.6 Sebeta town**. Sebata town is in South-West Shoa zone of Oromia Regional State at a distance of 24kms from Addis Ababa. The town has population estimated around 56,131. As it is the case with all urban local governments, the town is administered by a Mayor, supported by institutional structure consisting of sectoral departments that run state functions at city level. Municipal functions are separately handled by a City Manager. The town municipality has about seven departments under it (i.e. known as Core-processes). The Core processes under the municipality deals with urban infrastructure development, urban land development and management, sanitation and greening, housing administration, social data provision service, and industrial development. Being grade -1 town, as classified by the Oromia region, the town has an Environment Protection Office. Formerly both the environment protection and urban land development and management departments were functioning as one department office being accountable to the City Manager. The Environment office at city level plays a regulatory role in parallel to that of the regional EPA. However, some of the staff members in the municipality, particularly those under the infrastructure development core process, has participated in environmental trainings offered by MUDHCO and have limited understanding of the environmental processes and procedures.

The practice of undertaking environmental screening for CIP projects of the town is generally absent. This is due to low level of awareness on the environmental assessment requirements and absence of capacity to exercise it on the one hand, and the low level of enforcement by the competent environment authorities on the other. The environmental procedures and particularly the ESMF and RPF procedures are not familiar to the municipal staff of the town. However, following the participation in the aforementioned environmental training, the town has taken the initiative to commission the preparation of EIA for one of its CIP projects; namely the Sanitary landfill site it planned to build. Efforts are made by the Environment office of Sebeta town to undertake environmental monitoring on some pollution hot spots in the area. Such hot spot monitoring are usually targeted on effluent releases from industrial establishments and stone crushers found in the area. The municipality also receives and addresses public complaints in relation to environmental pollution and sanitation. For example, the action to close and relocate the former open dump site which was present inside the town was taken in response to the public complaint submitted to it. The key challenges faced by the Environment office of Sebeta to undertake environmental monitoring includes shortage of vehicle, laboratory equipments, digital cameras, and other office IT facilities.

Sebeta town administration has been implementing the rules, regulations and procedures that are stipulated by the Federal and Regional Governments to mitigate social impacts in related to land acquisition, resettlement and property loss that are caused by development projects. The regulations address and pay compensation only for those PAPs who has legal entitlement for the land or property lost. For example, those PAPs displaced to prepare site for the cross-country railway project were compensated by cash compensation for the property lost and providing replacement land to build their houses. Similarly, based on the socio-economic assessment it conducted on the PAPs to be relocated to clear site for Sebeta Municipal Building Project, the town administration has provided condominium houses to mitigate the impacts on the displaced people.

The town administration carries community consultation with PAPs to discuss the mitigation modalities and reach consensus on it prior to implementation. Valuation of properties is conducted by the relevant department of the town administration. For example valuation of lost properties related to crops, fruit/non-fruit trees and other agricultural products are made by the Agriculture department of the town administration. Property valuation related to buildings and other fixed assets is made by the land administration and management department of the town administration. The valuations made are checked and endorsed by a committee and forwarded to the mayor for final approval.

Areas for assistance and strengthening include – need for technical expertise assistance in the areas of landfill development and cobblestone production and construction; training on EIA, environmental management planning, processes and procedures, project planning, design and implementation.

2.7 **Tigray National Regional state**. It is one of the nine regions found in Ethiopia. Four cities from Tigray region has been participating in the ULGDproject. These include *Mekelle, Axum, Shire and Adigrat cities*. Another four cities plan to participate in ULGDP II program include *Wukro, Humera, Maichew, and Alamata Cities*. Tigray National Regional State like other regions has established “Environment Protection Land Administration and Use Agency” (EPLAUA). The EPLAUA has two main core processes at head office level. These are the environment protection core process and land administration and use core processes. The organizational structure of EPLAUA is extended down to zone and woreda levels of the region. It has environment protection and land administration offices in three zones and thirty four woreda levels organized under the offices of agriculture and rural development. The environment protection core process in EPLAUA has about three case teams, working on ecosystems and biodiversity, capacity building and awareness building, as well as the EIA and pollution control case teams. The department is adequately staffed department with environment professionals and the EIA and pollution control case team alone is staffed with 6 professional.

In parallel to the Federal Systems, the environmental and social management systems in the region are defined by the framework proclamations on EIA and Pollution control. The Tigray national regional state has adopted the Federal Proclamation on Environmental Impact Assessment and Pollution Control after it customized it to the regional realities. Moreover, the Federal proclamation on solid waste management and disposal is also adopted by the regional state. In addition to the framework proclamation, EPLAUA have prepared draft regulations on EIA and pollution control which will provide more detail rules and guidelines to implement the framework proclamations. The level of enforcement of the EIA requirement is improving over time. The region is giving significant priority to training, awareness raising, and improving EIA enforcement capacity. In practice EIA reports that do not have signed minutes of public consultation meetings and other supporting photo or video evidences are not generally accepted and approved by the Agency. All EIAs to be submitted for approval has to clearly show that public consultation has been held during the assessment process and the minute of discussion is officially signed and attached together with photograph evidences in the EIA document. EPLAUA often conducts environmental monitoring on polluting industries by using third party laboratories. There is room for improvement in strengthening inspection to assess the quality of implementation of mitigation measures and also in providing advice and technical support.

**2.8 Wukro city**. Wukro is part of Tigray National Regional State at a distance of 40 Kms north from the regional capital, Mekelle. Wukro has an estimated population of 30,208. Wukro has a Mayor who is accountable to the City Council composed of elected representatives. The City service office has seven core processes that deal with Urban land management and development, Urban planning and implementation, Trade and industry development, Sanitation and beautification, Investment promotion, Small and micro enterprises agency, and Support services. The City service office has about 46 current employees. The total number of technical staff available in the City service office is about 14 employees. The city of Wukro has already finalized the recruitment of an environment officer and has started conducting environmental and social risk screenings on the CIP projects. The Regional EPLAUA (the regional Environment agency) has a branch office for land administration and environmental protection at woreda level under the bureau of agriculture and rural development.

Wukro is one of the four new cities of Tigray Region that are going to start participating in the upcoming ULGDP-II project. It appears that the city have started to practice the environmental and social management processes and procedures that are required to fulfill the requirements. The screening of CIP projects for environmental and social risks is commenced and several screening reports are prepared. The screening is done by a team that includes the environmental and social management officer as well as infrastructure and planning core process experts. Wukro and its surrounding is rich in sites of historical, religious and archeological heritages that are recognized and registered by the Federal as well as Regional culture and tourism bureaus. According to the explanation of the city officials, about 80% of the historical churches and monasteries of Tigray region are found in this area. Most notably the recently found archeological site in “Adi Akawuh” which is about 1km away from the city is an important site with building remains used for religious purpose that dates back to the 4th Century and before. Thus, development activities that will take place in the city and its surrounding need to protect the heritages and work cautiously not to cause unintended damage to the heritages.

Wukro City Administration has been following the rules, regulations and procedures that are stipulated by the Tigray National Regional State to mitigate the limited social impacts occurring in relation to land acquisition, resettlement and property loss that are triggered by implementation of development projects. The Tigray National Regional State has adopted and endorsed regulation no. 01/2000 which serves as the primary tool for handling and addressing resettlement and compensation issues in the whole region including Wukro. The Federal proclamation no.455/2005 on “Exploration of Land holdings for Public Purposes and Payment of Compensation” and Council of Ministers, Regulation No. 135/2007, on the “Payment of Compensation for Property Situated on Landholdings Expropriated for Public Purposes” are the basis for the regional state guideline no. 01/2000. It is important to note that the aforementioned regional guideline and the federal regulations address resettlements and compensate only those PAPs who have legal entitlement for the land or property lost.

Many areas were identified where the city needs assistance under the ULGDP II program. These include need for training and awareness building for effective implementation of environmental and social management processes; facilities for solid waste management such as waste bins, skip trucks and sanitary landfill for disposal; liquid waste treatment facility in the city; need for skills and equipment for measuring noise, vibration etc.

**2.9 Fenoteselam city**. The city is in Amhara National Regional State, about 176 Kms south from the regional capital, Bahirdar. Fenoteselam has recently been selected to serve as the zonal capital for West Gojjam zone and it has already started assuming its responsibility as zonal capital. The city has a population of 52,960 of which about 49.4% are male and 30.6% female. The urban settlements of the city accounts for about 81.9%, whereas the rural settlements account for 18.1% of the population. Fenoteselam is one of the six new cities of Amhara Region that will participate in the upcoming ULGDPII. The city is preparing to recruit an Environmental Officer. Clearly, the city lacks experiences in implementing environment and social requirements consistent with the bank’s policy. The city has not started environmental and social screening for its development projects. It was noted that the environmental and social management requirements, procedures and processes are followed less stringently in the city. However, Fenoteselam City Administration has been implementing the rules, regulations and procedures that are stipulated by the Amhara National Regional State to mitigate social impacts related to land acquisition, resettlement and property loss that are triggered by implementation of new development projects. In order to strengthen its capacity for environmental and social management system, Fenoteselam City Administration has identified many areas of assistance. These include - training and awareness for technical staff in investment areas such as landfill, abattoir, cobblestone; water treatment; sanitation etc; need for training on EIA, EMP, Cumulative Impact assessment; Environmental monitoring, public consultation, conflict resolution etc

CHAPTER 6: SYSTEMS ANALYSIS AGAINST CORE PRINCIPLES

* 1. **Introduction**

This section provides an analysis of the environmental and social effects of the ULGD II Program and the institutional context, benchmarked against the six Core Principles outlined in OP/BP 9.00. The section analyzes: the **relevance** of the system for the program elements, or where it functions effectively and efficiently and is consistent with OP/BP 9.00; **Inconsistencies and gaps** between the principles espoused in OP/BP 9.00 and capacity constraints, for the system as it is written in the applicable laws and regulations, and operational performance in managing environment and social risks and impacts; and **Actions** to strengthen the existing system.

* 1. **Management of environmental impacts in urban program**

The analysis noted that direct environmental and social impacts in urban projects implemented by ULGs have been adequately managed overall. Supervision reports from related projects and field visits confirmed impacts have been modest and measures are taken to mitigate potential impacts. From perspective of policy and legal provisions and operational guidance, Ethiopia’s environmental system meets PforR core principle and attributes. However, the ESSA notes that operational effectiveness of implementation of environmental plans in various cities implementing urban projects is uneven. In general the environment and social performance is better in the cities under the first ULGD project compared to cities those were not included in the project. Area where gaps remains between the Ethiopian system and international practices include: (i) The screening process does not explicitly take into account: Land acquisition and resettlement, restricted access to resources, and underserved groups; (ii) Analysis of alternatives is required in the project brief and in the full ESIA for projects requiring one; (iii) While the screening and ESIA process do cover cumulative impacts, there is no explicit requirement to analyze induced impacts. The important aspects are summarized below.

***2.1 Environmental Screening and EIA***. All urban sub projects are subject to desk environmental screening, to decide if a proposed project requires a limited EIA (IEE), a comprehensive EIA or no environmental assessment is needed. Although operational guidelines require screening at an early stage (such as during project identification/ prioritization and during pre-feasibility) are in practice, most of the environmental screening is done at later stages. There is a difference between the Bank and Ethiopian threshold for “significant” negative impacts. For the Bank, “significant” refers to projects with adverse impacts that are sensitive, diverse, or unprecedented, and where impacts may affect an area broader than the site of physical works. The EIA screening requirements have been categorized in three lists: Schedule 1 projects are those in the inclusion list which are perceived to have potentially significant environmental effects on the environment and mandatorily required to prepare full Environmental Impact Study (EIS) report; Schedule 2 projects are considered to be less complex development projects having environmental impacts that are not wide spread and relatively easy to mitigate. All scheduled 2 projects are required to prepare a preliminary environmental impact assessment or initial environmental examination (IEE) report; and Schedule 3 forms the exclusion list and projects listed under it are considered not to have significant environmental effects individually or collectively. It is expected that an environmental improvement program is included in the development projects and no EIS or IEE is required. In general those projects not requiring a full ESIA are subject to less requirements and much less oversight – there are no requirements that these projects are audited, that the public is involved nor that documents are disclosed. This is especially relevant in an environment where capacity for oversight at the local level is low.

The enforcement of this requirement for environmental assessment is spearheaded by EPA and its branch offices at Zone and Woreda levels. The level of enforcement of the EIA requirement has been uneven, which is improving with growing awareness in cities, particularly that involving large scale construction with larger environment and social footprints. The practice of checking environmental compliance by using an environmental audit approach is growing.

***2.2 Alternatives Analysis and avoidance of natural habitat and cultural sites***. Only projects subject to an IEE or an EIA would have discussion on alternatives. The scope of alternative analysis is, however, limited commonly to design alternative and ‘no project’ alternative. The site alternatives are rarely covered. In almost all urban projects, site/ premise of physical cultural significance is avoided due to social and cultural sensitivity. During standard public works operations, if archaeological physical cultural resources are encountered during excavations, construction is halted and relevant authorities are notified. A review of first ULGD project cities indicates that there had been no instances of PCR chance-finds encountered. This is not surprising, since Program activities do not typically involve major excavation. In addition, Program activities are not permitted to involve land-use changes.

***2.3 Assessment of impacts and identification of mitigation measures***. The IEE or EIA of large urban projects, such as roads or sanitary landfills, in general, identify generic potential impacts from the project activities. Identification of impacts is focused mainly on the direct impacts; indirect impacts are rarely covered. Induced, cumulative and trans-boundary impacts are not covered. The mitigations measures recommended by the IEE or EIA are commonly generic, lacking site specification plans/details for implementation. Also the EAs are weak in identifying measures to avoid or minimize the impacts. However for the projects under the first ULGD project, EA are prepared during feasibility stage and Site-specific Environmental Management Plans are prepared.

***2.4 Implementation of mitigation measures***. Implementation of the mitigation measures is the responsibility of the project proponent and the contractor. The environmental mitigation cost is generally calculated on a lump sum basis – specific mitigation costs for various activities/ items are rarely included in the contract bid document. The lack of specific mitigation detail/plan and lack of specific cost item in the bid document is an area that needs strengthening. Field observation of some of the selected ongoing urban projects, carried out as part of this assessment, reveals uneven environmental management and mitigation during construction. Examples of poor management practices include improper management of borrow and stone quarry, haphazard disposal of construction and camp wastes, limited use of protective gears; as well as inadequate workers health and safety.

***2.5 Environmental Monitoring, Disclosure***. Environmental monitoring is the responsibility of the implementing agencies, which is an area for further improvement. Under the first ULGD project, more cities have started monitoring and reporting against the EMP, as bi-annual environment audit of the ESMF and RPF implementation, necessitated evidence at sub project level. The lessons from first ULGD project cities indicate that information disclosure and consultation were done more regularly compared to non ULGD Project cities. Overall, the analysis found that, while impacts do tend to be managed, a systematic process is inconsistent at the local level. While there is a national legal and regulatory framework for environmental management, most ULGs except those in ULGD Project have not been required to have a definitive role in the ESIA process, mostly relegate to being consulted as a stakeholder in the process but not having a technical role in planning, assessment and oversight.

* 1. **Management of social impacts in urban program**

Especially in denser urban areas, the risk of land acquisition and impacts on formal and informal livelihoods from civil works projects, even those that are small scale and on public land, are likely. Based on the experience under the first ULGD project, actual relocation has been minimal. Most impacts have been related to structures (both formal and informal – especially in roads projects), crops, grave relocation, and informal vendors. Loss of access to natural resources is a low risk, with this being an urban project. Project with large-scale displacement are ineligible for finance with– no projects displacing more than 200 people will financed. Most urban projects in Ethiopia follow the requirements and procedures of the country legal policy framework for land acquisition, which are legally binding and enforced. Under the first ULGD project, the ESMF includes requirements to be followed during project planning and implementation, supplementing gaps between the national laws and the Bank policy requirements, such as assistance for those without titles and compensation at replacement cost without depreciation. Key issues in regard and their performance are described and summarized below:

The program was reviewed to determine if Indigenous Peoples were present in the project areas. Given that it is focused on urban areas, the ULGD project did not encounter, nor is expected to encounter, groups that could be characterized as Indigenous Peoples per the core principle 5, described in the environment and social guidance under OP9.0. The needs and concerns of vulnerable people in inherent in the design of the program by requiring an inclusive development of Capital Investment Plan at ULG level, which will be reviewed for performance results through an Annual Performance Assessment (APA) before disbursing money to the ULGs.

### Assessment of impacts of land taking, including on those without titles

Land laws in Ethiopia do not give direct land ownership rights to citizens. With the issuance of Proclamations 31/1975 and 47/1975, ownership of land is vested in the State and Ethiopian citizens have usufruct rights over land. Article 40 (3) of the Constitution recognizes land as a common property of the Nations, Nationalities and Peoples of Ethiopia, and prohibits sale or any other form of exchange of land. Article 40 (5) stipulates ‘Ethiopian pastoralist have a right to free land for grazing and cultivation as well as a right not to be displaced from their own lands’. Articles 40(4) and 40(5) of the Constitution provide for free land without payment for farmers and pastoralists. Furthermore, Proclamation 89/1997 confirms the constitutional principle that holding rights on land can be assigned to peasants and nomads, and that these are to be secured from eviction and displacement. In connection with land acquisition and property rights, Constitution Article 40(8) empowers government to expropriate private property for public purposes subject to payment in advance of compensation commensurate to the value of the property.

As presented in Section 5, the power to expropriate landholdings belongs to a woreda (rural local government) or urban administration for a development project (Proclamation 455/2005, Article 3). The implementing agency is required to provide written notification, with details of timing and compensation, which cannot be less than 90 days from expropriation (Proclamation 455/2004, Article 4). Land valuations are done at the woreda and urban administration levels. These local government units establish valuation committees to value private property (Proclamation 455/2005). The landholder is entitled compensation for property on the basis of replacement value. Permanent improvements to the land, equal to the value of capital and labor expended (Proclamation 455/2005, Article 7) are specified as a valid basis for determining replacement value. It is also required that the cost of removal, transportation and construction be paid as compensation for a relocated property. Compensation will also be based on current cost, cost of demolishing, lifting, and reinstalling. The valuation formula is provided by Proclamation 455/2005, Article 7. In addition to compensation, according to Proclamation 455/2005, Article 7, displacement compensation shall be paid equivalent to ten times the average annual income s/he secured during the five years preceding expropriation of the land (Proclamation 455/2005, Article 8(3)). Compensation will be in an amount sufficient to reinstate displaced citizens to their economic position prior to displacement. The relevant regional administration is required to give another piece of land to any citizen who has lost her or his land in favor of a public project (Proclamation 455/2005). Those with informal or undocumented rights, and those without titles or use right (e.g. squatters, encroachers) are eligible for specific assistance. Such assistance recognizes “typical claim to use rights or even ownership” after occupation of unused or unprotected lands has been established. Informal usufruct rights are likely to have structures or land improvements eligible for compensation, as stated in Proclamation 455/2005. Such principles are well aligned with the guidelines of OP/BP 9.00 and Core Principle 4, in terms of ensuring compensation is sufficient to replace assets and meet transitional expenses.

### Compensation at replacement cost and assistance to restore livelihoods, including those without titles

Ethiopian law has clear procedures for landholders and generally extends eligibility for compensation to recognized or customary land users or occupiers lacking full title, but does not recognize tenants, squatters or encroachers as being entitled to assistance or any allowances for transportation, disturbances, etc. The requirement for compensation for land at market price is implicit in the local procedure for evaluation of losses. Restoration of livelihoods for those affected is not mandated as an objective in the local laws but the spirit is reflected in several relevant policies and is clearly stated in the ESMF. In the ULDGP cities, these issues were followed up through project planning and implementation process. The ESSA indicate that cities tend to have established guidelines and systems for valuation and compensation. Cities also conduct initial screening to determine the extent of land acquisition and its impact on citizens. However, the quality of the screening varies across cities mainly due to capacity constraints. Specifically, due to budget constraints, and the fact that valuations are not done by independent valuators, the impact of projects on land and private assets tends to be underestimated in terms of valuation and compensation payments delayed. Compensation for lost assets is based on replacement cost. However, such replacement costs are based on costs that are not independently assessed or determined and these may not reflect current market prices. The ESSA review found that, partly as a result of this, grievances over compensation amounts are common. With respect to land registration and certification processes, the data reviewed confirm that this is an ongoing process in most regions but has not begun in others. This fact makes verification of property challenging. Consultation with Project Affected Peoples (PAPs) is not conducted systematically and grievance handling mechanisms are often inadequate and delayed.

### Grievance redress

The formal system for grievance is the legal system with courts which is open to all citizens regardless of what grievances or sectors. At operational level, grievances are reported and resolved with local city managers and project offices. There is no formal recording requirement or a fixed timeframe for resolution. Considering the limited impacts and small scale of investments, this informal system seems to be sufficient. In connection with dispute resolution and grievance mechanisms, if misunderstandings and disputes arise between the principal parties involved in the resettlement and compensation processes, the preferred means of settling disputes is through arbitration (Proclamation 455/2005). The number and composition of the arbitration tribunal may be determined by the concerned parties. A complaint related to the amount of compensation shall be submitted to the regular court having jurisdiction (Proclamation 455/2005 Article 11(1)) if the administrative body for handling disputes has not yet been established. Appeals for dispute resolution may be referred to the High Court (Regulation 51/2007). Similarly, if the land holder is not satisfied with the decision of the compensation grievance review committee, the case may be referred to the High Court (Regulation 51/2007). The ESMF recognized and addressed this policy gap, which was implemented in all ULGD project cities.

* 1. **Key Areas for System Strengthening**

### Institutional capacity strengthening

With 44 (18+26) ULGs of varied size included under ULGDP II some of which have experience under the first Bank funded ULGD project while others are new to the program, their capacities widely vary. Some have well-functioning committees for environmental and social management that work as a team and coordinate with other departments at city level involved with project, as well as promote overall sustainability in their communities. Others have low levels of staff that may be lacking in technical expertise and coordination systems to manage impacts and contribute to general development planning in their cities. Most ULGs under first ULGD project do have some staff involved in environmental and social management. Despite the presence of staff responsible for environment and social management, overall capacity for preparation of ESIA and implementation of EMP tends to be low. This gap is further exacerbated by high staff turnover in LGs, which results in a loss of institutional memory where staff have undergone training in ESIA.

While Environment and Social management specialists at city/regional level are tasked with EMP implementation, the analysis confirmed that most specialists are not trained nor adequately qualified to handle tasks such as the ESIA process. In most cases, given the lack of a budget resource the responsibilities tend to be added on rather than having dedicated staff. An additional constraint is that many new ULGs targeted by the new ULGDP II have not implemented the environment and social management procedures, such that there is little precedence nor track record to determine the efficacy of application of the system in practice.

### Need for improved Coordination with regional government and ULGs

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| 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 environmental and social impact assessments at the program level*.* * 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 trans-boundary 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 grievance redress measures. | | | |
| Applicability: Fully applicable   * Like the first ULGD project, the ULG II program is likely to continue catalyzing investments in urban infrastructure in small and medium size towns. These investments are likely to have physical footprint with a varying degree of environmental impacts, requiring mitigation. * Certain type of urban investment, such as roads, water supply and solid waste management could potentially have adverse environmental impacts due to raw materials management; land acquisition; management of labor camps; occupation health and safety for workers, as well as air and water pollution due to construction activities. * Undertaking and Environmental Assessment and implementing an Environmental Management Plan will be key to mitigate adverse environment and social impacts. | | |
| Current System   * EIA system provides a comprehensive framework for environmental and social impact assessment broadly consistent with the core principles outlined in OP9.0. Federal and regional EPAs are quite active to ensure compliance with EIA regulations * Existence of comprehensive standards and guidelines for construction management * National legislation on environmental screening and regulatory oversight exist * The current ULGD project has helped to develop capacity at ULG level for EIA and EMP preparation * Overall, improved urban planning and development of urban infrastructure has reduced environmental and social risks. * EIA capacity training for ULGs is likely to be continued under the ULGDP II | **Areas for strengthening and mitigation**   * The existing system provides limited guidance on screening for potential environmental impacts and risks – this is deemed a minor risk as it is possible to mitigate through the Program Action Plan * The EA regulation is less explicit about cumulative, trans-boundary and induced impacts – given the likely this is deemed a moderate risk given the small size and scope of the ULGDP II * The quality of implementation of EMP is poor due to lack of capacity within the implementing agencies – this represents a moderate to significant risk as without appropriate implementation capacity it is highly unlikely that the ULGs particularly the smaller cities will properly manage environment mitigation measures. This risk will be addressed through training and capacity building support that is planned under the ULGDPII. * Poor compliance with local environmental regulations and good practices in waste management such as segregation and pre-treatment – this represents a significant risk and should be addressed through the Program Action Plan * In adequacy of sanitary land fill sites leads to poor disposal of municipal waste – this represents a substantial risk to the local population, but it can be easily mitigated through application of the existing medical waste management guidelines under the current regulation * Shortage of environment and social development specialists in ULGs, especially in the 26 new ULGs requiring special attention | |
| Risks to the Program:   * Not strengthening institutional capacity particularly in new ULGDP cities and inability to enforce the current environmental regulations in Ethiopia in a timely fashion 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 in each city. These risks should be mitigated through a combination of improved compliance with national legislation and existing guidelines; use of guidance outlined in ESMF as under the existing ULG project; and implementation of specific actions included in the ULGDP II - PforR Program Action Plan, as well as dedicated Bank implementation support. | | |
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| 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 physical cultural resources resulting from program. | | *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 or program activities. * Takes into account potential adverse effects on physical cultural property and, as warranted, provides adequate measures to avoid, minimize, or mitigate such effects. | | |
| Applicability: Limited   * Activities funded through the ULGDP II will likely generate limited impact on natural habitats and physical and cultural resources since civil works at city levels are limited in number; confined to a geographical location; and expected to have a smaller physical footprint, as most cities thus will be able to use a preventive approach in siting the proposed infrastructures avoiding adverse impacts on natural habitats and any chance finds. * Construction of infrastructures such as location of solid waste disposal facilities and cobblestone road construction could pose some risk to natural habitats and physical cultural resources if not sited appropriately and if chance finds procedures are not embedded in general construction contracts and supervised appropriately | |
| Current System:   * National proclamation and EIA procedure guidelines are consistent with the principle of environmental protection * Screening criteria for projects in national parks and areas containing endangered flora and fauna are established. * Limited capacity to review EIAs (EPA) and manage natural habitats due to resource constraints, enforcement issues, inadequate public consultations/ participation, lack of equipment, training and incentives * No documented national system strengths regarding treatment of physical cultural resources. * No documented guidelines or standards for chance finds procedures in the urban sector | **Areas for strengthening and mitigation**   * Need to improve capacity to manage natural habitats, which requires strengthening with additional financial and human resource at city level; regional level and federal level. * Need for improved documentation of public consultations and participation, before finalizing the design * Need to follow screening procedures screened at federal level to establish if the proposed investment activities under the ULGDP II at city level is located within a recognized cultural heritage or a world heritage site * Strengthen the screening procedures to include a check list to assess whether a subproject has the potential for disturbing a known cultural or religious site |
| Risks:   * Inability to apply practical and operationally feasible early screening practices for known physical cultural resources and chance finds in the urban sector 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 city, regional and federal governments adopts simplified screening procedures for known physical cultural resources and develops and applies internationally recognized chance finds procedures in the early screening practices for site selection of proposed infrastructure at city level to be financed through the ULGD II program. | |

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| Core Principle 3: Public and Worker Safety | |
| |  | | --- | | *OP 9.00:* 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. | | *BP 9.00:*   * 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. * Promotes use of recognized good practice in the production, management, storage, transport, and disposal of hazardous materials generated through program construction or operations; and 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. * 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. | | |
| Applicability: Overarching   * Rehabilitation, construction and operation of various city level infrastructures are prone to expose the general public, as well as construction workers to risks such as dust, air pollution, noise, water pollution, solid waste and toxic or hazardous materials at sites during civil works. | |
| Current System:   * There are national robust proclamations and guidelines addressing public and worker safety in Ethiopia. These cover a range of important aspects including environmental pollution control; labor laws; occupational health safety regulations; and standards for workplace environmental emissions and discharges * The national EIA system does not comprehensively encompass aspects of public and worker safety * Construction sites demonstrates an inadequate implementation of labor laws including public health and safety * There is general lack of awareness on public health and safety issues, particularly in relation to exposure to hazardous chemicals; workplace safety aspects in hazard prone areas etc * Implementation and enforcement of existing health and safety requirements at construction sites is considered inadequate, primarily due to insufficient capacity of labor and environment department at city and regional level. | **Areas for strengthening and mitigation**   * Improve implementation capacity of regulatory agencies to improve standards of labor safety during construction, operation, and maintenance of physical infrastructure at city level * Incorporate health and safety consideration into site selection as well as during construction practices of proposed construction activities * Develop capacity to avoid hazard prone in each city * Incorporate the identified gaps on public and worker safety measures in all civil works contracts during construction works at city level * The ULGDP II Program’s readiness assessments allow the MUDHCO to monitor compliance with all recommended public and worker safety measures already embedded in the Program’s design |
| Risks:   * Inability to ensure public and worker safety can result in avoidable accidents and fatalities leading to loss of productive days and life. However, given the limited scope of investment activities at city level, these risks are deemed to be moderate to significant. Some types of investments, such as waste management and cobble stone roads etc. require better attention to implementation of occupation health and safety issues during construction. Such risks could be mitigated through inclusion of appropriate requirements in civil works contracts. All such measures will require to be monitored by implementing agencies at the city, regional and central government level. | |

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| 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 prior to taking of land or restricting access; * Provides supplemental livelihood improvement or restoration measures if taking of land causes loss of income-generating opportunity (e.g., loss of crop production or employment); and * Restores or replaces public infrastructure and community services that may be adversely affected. | | |
| Applicability: Overarching   * The ULGDP II proposes construction of cobble stone roads; waste management facilities etc. The scale of activities is expected to be confined to existing right of way and available land with the city governments. However limited, the risk of land acquisition and displacement of people cannot be ruled out in some cases. The potential loss of access to natural resources will be limited. The city and regional governments are known to applying appropriate early screening and siting practices to avoid the need for land acquisition, displacement and loss of access to resources. * However, it is important to note that the risk of land acquisition and displacement is likely to be slightly higher, rated moderate, in urban areas in some cities where population density is high. It will be lower in pastoral and agro-pastoral areas, where land is relatively abundant and population density is low. Therefore a risk rating of moderate to significant is appropriate in this instance for land acquisition. | |
| Current System:   * The federal government and most regional states and cities have established laws and guidelines that clearly stipulate the process of land acquisition, resettlement and compensation processes * Land is owned by the State and citizens are given usufruct rights over the land * 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. The amount of compensation for property is determined on the basis of replacement cost * Urban land holders whose land holding has been expropriated are 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 * There is an availability of dispute resolution and grievance mechanisms through compensation review committees, arbitration tribunal as well through the court system * Most cities have established guidelines and systems for valuation and compensation. * However, there is lack of standardized procedures for land acquisition across regions, including for laws on avoiding or minimizing land acquisition * The legal framework only recognizes legal titles and quasi-legal titles (such as customary rights over land and communal land), and does not cater to citizens with no legal rights. Citizens without legal rights to land receive “special assistance”, but not formal compensation for loss of land * Independent valuation is not the norm and replacement costs do not consider location of the site * Compensation is focused on replacement of land and assets, not restoration of livelihoods. The legal framework does not explicitly state that livelihoods should be restored to previous levels or improved. * There are no specific provisions for transitional assistance * Land can be expropriated before relocation sites are ready. Forced eviction is possible after expiry of the notice period * Excessive work load and capacity limitations of committees of experts assigned by local authorities (kebeles) for valuation of assets lead to delays * Inability of city administrators to use the services of independent valuators due to budget constraints lead to weak application of existing acquisition and compensation systems * Consultations with PAPs are not conducted systematically and grievance handling mechanisms can be slow to resolve disputes * Lack of proper documentation of the consultation procedures | **Areas for strengthening and mitigation:**   * Developing standard procedures that could be followed for land acquisition across all the regions and cities that are supported under the ULGDP II program * The procedures need to be developed for unlikely cases where there would be need to assist people with no legal rights. This could be drawn from the experience of existing ULGD project, which uses an ESMF provides an entitlement framework for compensating and assisting all categories of project affected people. * The existing procedure to be strengthened to include restoration of livelihoods of project affected people. This could be done by coordinating with other schemes of the government at the city level, which focuses on income restoration * The capacity of city government should be improved to plan, undertake and document the process of land acquisition, particularly to improve consultation; independent valuation of assets; and grievance redress * Establishment of appropriate and transparent mechanisms for consultation and documentation in regions that operate under a communal land system will mitigate the risk of faulty land acquisition and resettlement practices. * In the few instances where land acquisition, resettlement or loss of access to resources is necessary, the MoUD should ensure that PAPs receive compensation and are properly resettled before the land is expropriated and ensure that people without legal rights to land are compensated for lost assets and provided with resettlement assistance. |
| Risks:   * Inability to rehabilitate and adequately compensate affected people while acquiring land for the construction works at city level will adversely affect livelihoods and living standards of displaced people. However, given the limited scope of investment activities at city level, these risks are deemed to be moderate to significant. Some investments, such as cobble stone roads etc. require better planning to ensure if relevant, that all affected people, particularly those who may lose their income and livelihood are adequately consulted and compensated prior to displacement. Such risks could be mitigated through definition of appropriate and consistent procedures that should be at all locations at the city, regional and central government level. | |

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| Core Principle 5: Indigenous Peoples and Vulnerable Groups | |
| |  | | --- | | *OP 9.00:* Due consideration is given to cultural appropriateness of, and equitable access to, program benefits giving special attention to rights and interests of Indigenous Peoples and to the needs or concerns of vulnerable groups. | | *BP 9.00:*   * Undertakes 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. * 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. * Gives attention to groups vulnerable to hardship or disadvantage, including as relevant the poor, the disabled, women and children, the elderly, or marginalized ethnic groups. If necessary, special measures are taken to promote equitable access to program benefits. | | |
| Applicability: Overarching  ULGDP II aims to provide regionally tailored approaches that ensure distributional, gender balanced and culturally appropriate access to infrastructure service delivery, as well as technical support to these regions and cities to ensure coverage and provision of urban services is on par with the rest of the country. Given that the program is being implemented in urban areas, there are no Indigenous Peoples in the project areas. However, there are other vulnerable groups. | |
| Current System:   * The Ethiopian Constitution recognizes the presence of many ethnic groups, including historically disadvantaged and vulnerable groups, as well as the rights to their identity, culture, language, customary livelihoods, socioeconomic equity and justice. These groups include various nations, nationalities and peoples, pastoralists, and national minorities. * Devolution of decision making powers to regional and city government for managing and coordinating the urban services in their area * Challenge in extending urban services for street dwellers and poor residents who do not have a permanent address * On the supply side, limited capacity to plan and effectively implement programs. Lack of availability of capital and human resources for urban service provision still remain a challenge in the four regions requiring special attention * On the demand side, pervasive and deep-rooted socio-cultural beliefs and attitudes and gender inequalities result in ineffective utilization of urban services by poor and vulnerable groups | **Areas for strengthening and mitigation:**   * Improve capacity at city and regional level to improve identification of vulnerable groups * Improve training and capacity building of vulnerable groups through extensive consultation so that the benefit of Urban sector project could be enhanced for them * Effective use of women’s groups, panel discussions and community conversations targeting special groups such as women, traditional leaders and other vulnerable groups to address demand side barriers for urban services |
| Risks:   * Inability to improve inclusion of poor, vulnerable and tribal groups in delivery of urban services will adversely affect vulnerable populations especially women and children. However, given the design that considers inclusive development of Capital Investment Plan (CIP) considering concerns of vulnerable groups, as a minimum access condition for ULGs, as well as limited likelihood of presence of tribal groups in the city area, these risks are deemed to be low to moderate. Such risks will be mitigated through appropriate level of consultation with underserved and vulnerable communities as part of CIP exercise at city level to get their broad support. | |

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| Core Principle 6: Social Conflict | |
| |  | | --- | | *OP 9.00:* Avoid exacerbating social conflict, especially in fragile states, post-conflict areas, or areas subject to territorial disputes. | | *BP 9.00:*  Considers conflict risks, including distributional equity and cultural sensitivities. | | |
| Applicability: Not Applicable   * The proposed program will not exacerbate social conflict nor will it operate in a fragile state context, a post-conflict area or in areas subject territorial disputes. * The program is designed to yield significant social benefits to all citizens and to improve distributional equity of urban services | |
| Current System:   * Strengths listed with respect distributional equity under Core Principle 5 will apply. | **Areas for strengthening and mitigation**:   * Gaps listed with respect to distributional equity under Core Principle 5 will apply. |
| Risks:   * Given the limited likelihood of presence of conflict, significant distributional inequity and cultural sensitivities in the program areas, these risks are deemed to be low. | |

CHAPTER 7: MEASURES TO STRENGTHEN SYSTEM PERFORMANCE

## **Introduction**

The Urban Local Government Strengthening Program for Results’ (ULGDP II) ESSA Analysis presented above identifies clear gaps and opportunities in Ethiopia’s environmental and social management system with respect to effectively addressing the environmental and social risks associated with the Program in order to identify gaps in the system per the Program for Results Core Principles and to propose measures in order to strengthen the system. This section translates these gaps and opportunities into a viable strategy to strengthen environmental and social management capacity and performance at the national and local level.

The analysis identified three main areas for action in order to ensure that the Program interventions are aligned with the Core Principles of OP/BP 9.00:

* ***Defining an Environmental and Social Management System at city level:*** Under ULGDP II, ULGs must demonstrate that they have established a functional system for environmental and Social Management System (i.e. based on experience of using ESMF and RPF), as a minimum condition to access the grant. After the first year, ULGs will be required to demonstrate that all projects are screened for impacts and have mitigation measures, and that all projects have environmental approvals from the national authorities prior to initiating works, for example. One of the primary issues impacting performance is the lack of a clear framework for environmental and social management at the ULG level. This will, for example, include an Environmental and Social Management System adopted at city level, which will outline specific roles and responsibilities for environmental and social risk screening, due diligence and regulatory requirements, consultation and coordination with other local and regional agencies, technical tools for implementation and monitoring, staffing and capacity building plan etc.;
* ***Technical Guidance and Capacity Building:*** It is clear thatULGs can benefit significantly from sector specific technical guidelines that integrates environmental and social requirements for sectors such as road building, waste management, slaughter houses, water supply etc. MUDHCo is developing these guidelines to be shared with the ULGs. Participating ULGs have learnt from implementation of an Environmental and Social Management Framework (ESMF) developed under the existing ULGDP, particularly institutional procedures that would require strengthening through a robust capacity building plan to assist ULGs in implementing requirements outlined under the adopted Environment and Social Management System (ESMS); and
* ***Addressing Resource Constraints:*** This area includes measures to overcome constraints with respect to human and budgetary resources, through the Program incentive structure, as well as capacity building and training. A capacity building and training program will be key to ensure that staff within ULGs to understand their roles, have the capacity to fulfill them, and clearly understand how they will be evaluated through the Annual Performance Assessment.

## **Recommendations**

The ESSA indicates that the Ethiopian country system applicable to the management of environmental and social impacts for the urban sector, specifically the ULGDP II, is robust in its legal provisions but quite uneven in its implementation practices across various cities/ULGs and regions. This lack of balance is reflected in (a) a relatively advanced policy framework and a weak capacity to implement; and (b) unevenness in environment and social management performance in its implementation of the Bank financed verses domestically financed operations. These have led to generally weak inadequate performance in its implementation of its environmental and social policies. The ULGDP II is addressing environmental and social challenges and gaps by integrating into the overall Program a “Minimum Access Condition”, and set of “Disbursement Linked Indicators (DLIs)”. These include:

1. **Prior-agreement and advance planning for E&S risk screening**. Each Program local government will sign a Participatory Performance Agreement (PPA) with MUDHCO to show commitment by all parties to work under a common set of rules. This includes a process for ULG to produce an approved Capital Investment Plan (CIP); Annual Plan; and Budget. This will allow timely environment and social risk-screening and monitoring before endorsing environmentally and socially sensitive investments.
2. **Institutional capacity and system**. In order to ensure that there is minimum capacity to handle the entire project implementation process at ULGs, key positions, including environment and social development specialists will be in place at MUDHCo, regions and ULGs. Under ULGDP II, ULGs will be expected to demonstrate that they have established a functional system for environmental and social management (ESMS) and environmental and social focal person (s) as a minimum condition to access Program funds. This will ensure that there is a mechanism and capacity to screen environmental and social risks of the CIP prior to implementation. The city level ESMS (to be adopted for new 26 cities) will include procedures for due diligence; institutional procedures for grievance management and environmental, managing resettlement/land-take processes and environmental social mitigation and monitoring plan.
3. **Grievance and redress system**. In order to receive, review and address complaints related to environmental degradation of the surrounding: environmental health impacts on people; loss of livelihood, income or assets, a GRM committee will be established with members who are independent from the government and also represent interest of potentially affected people.
4. **Pre-requisite for environmentally and socially sensitive investments**. Investments in sanitary landfills could cause significant environmental and social concerns if not planned, screened or managed properly. Experience from existing ULGD project which financed few landfill sites in selected cities indicate that a preventive approach in planning landfill has allowed to significantly minimize the environmental and social risks. These preventive approaches follow the guideline and procedures for planning solid waste management, including for final disposal of solid waste using scientifically designed landfills. The guideline include requirements for identification of location which is away from habitation; has a geology that causes least environmental harm to the ground water and soil of the area; requires the landfill to have a high density polyethylene liner to prevent any leaching of polluting overflow into ground water; requires leachate collection and treatment system; requires monitoring of ground water and surface water during the operation of landfill. While the Ethiopian environmental regulations requires an environmental and social impact assessment is undertaken for each site in consultation with the neighboring community, including appropriate review and clearance by the Regional EPA, under the ULGD program to further minimizing environmental and social risks for any investments in landfill sites, regardless of size, the ULGs will demonstrate a sound and efficient system of waste segregation, recycling, collection, transportation, and treatment before they proceed with the project. All such screening of risks will be part of the ESMS that form a part of Minimum Access Condition, and on which specific training will be provided to each ULG by a team of national and international experts. The screening procedures and implementation of environmental management planning for each site and city will be verified through an independent assessment to be undertaken annually by the regional EPA, and verified through another assessment before disbursement.
5. **Evidence of implementation**. As one of the indicators of DLI on Institutional Capacity, the ULGs will be required to generate evidence (for independent verification) that all capital projects in previous FY were screened against the set of environment and social criteria in the planning stage, including preparation and approval by relevant authority of environmental management plans and resettlement action plans.
6. **Incentive to ULGs for being environmental responsible and socially inclusive**. Against DLI 6, Regional Government will be able to access grant by demonstrating a functioning Environment and Social Management for all ULGs under their jurisdiction.

The following action plan is proposed based on the assessment of the Ethiopian country system to improve management of environmental and social impacts and to strengthen the capacity of the Ethiopian country system. The recommendations and action on environment and social management form a part of overall Program Action Plan.

***Summary of the Program Action Plan for Environment and Social Risk Management, within the Ministry of Urban Development.***

| **Issue/risk description** | **Action/Completion** | **Time Frame** | **Responsi-ble Party** | **Instru-ment** |
| --- | --- | --- | --- | --- |
| ***Cross Cutting/General*** | | | | |
| ***Federal level – MUDHCo and MoFED*** | | | | |
| 44 ULGs are fully aware of the Program minimum conditions and performance measures | Produce the Performance Assessment Manual, as part of the Program Operation Manual and share with 44 ULGs | Prior to the launch of first APA. | MUDHCo |  |
| Program in national budget | Program proclaimed at the federal and other levels as required | June 2014 | MUDHCo and MoFED |  |
| Sufficient capacity in MUDHCo Program unit to manage ULGDP II | Current staffing gaps at MUDHCo are filled and additional staff engaged to ensure the scale up of the technical and geographic scope of the Program | Program effectiveness | MUDHCo | Covenant |
| Coordination between MUDHCo and MoFED to ensure seamless flow of funds | Establish the Program coordination committee for ULGDP with representatives for MUDHCo, MoFED, and other entities as required. | Program effectiveness | MUDHCo | Covenant |
| Independent annual assessment undertaken on a timely basis | The annual assessment is procured to an independent private firm.  In the first two full assessments, the independent procurement audit will be conducted as part of APA. To this end, the terms of reference of these APAs will be modified to reflect the IPA scope. | (a) For the allocations in FY2014/15: By March 2014 (completion in May) (b) For following years procured by July/August 31 each year and APA completed in November (with incorporation of the results from the audit in January) prior to the FY for which funding is affected. | MUDHCo | DLI |
| Capacity limitation with the FEACC & REACC to conduct investigations on F&C suspected cases | (i) Provide the FEACC and REACCs staff training on public procurement and contracts management ;  (ii) The FEACC and REACCs use specialized experts to review and investigate F&C suspicious procurement and contract issues in order to produce high quality assessment., iii) provide training on complaint handling mechanisms( and reporting for staff of REACCs and Ethics units in the ULGs | Within the first year of the program effectiveness | MUDHCo and regional BUDs | DLI |
|  |  |  |  |  |
| Quality assurance of APA results and monitoring of Program progress | Establish Program technical sub-committee comprising key technical staff of MUDHCo and MoFED. | Program effectiveness | MUDHCo | Covenant |
| Robust supply of capacity building for ULGs | * Procure and ensure implementation of standard urban local government management training program from the Ethiopia Civil Service University and other designated centers of excellence for urban development and management. * Form and deploy to the field mobile capacity building teams. | Program implementation | MUDHCo | DLI |
| Capacity building of regional governments is planned properly | * Develop capacity building plans for second generation four emerging regional governments. * Facilitate and support first generation regional government capacity building efforts. | Program implementation | MUDHCo | DLI |
| Absence of awareness and inconsistency of municipal service delivery standards and measurement | * Develop guideline for setting service delivery standards, and citizen charters. * Develop guideline for job creation and measurement | During the first year program implementation | MUDHCo | DLI |
| ***Regional Governments (regional government)*** | | | | |
| Legal foundation underpinning the participation of regional governments in the Program. | Enter into a Program Participation Agreement with the federal government, committing to the Program’s rules and regulations, including the necessary financial contribution to the Program’s performance based grants for ULGs. | Program effectiveness | MUDHCo and regional govern-ments | Covenant |
| Sufficient capacity at regional governments to support Program ULGs | Fill staffing gaps in core positions such as procurement, M&E and engineering and planning support | Program implementation | Regional govern-ments | Program Partici-pation Agree-ment |
| Regional Offices of Auditor General execute their audit responsibilities towards ULGs | Ensure that the offices of the regional auditor general are supported and that agreements are made to cover all the enrolled cities on an annual basis by January 7 of each year, and to deal urgently with any backlogs in audits | Program implementation | Regional govern-ments | DLI |
| ***ULGs*** | | | | |
| Legal foundation underpinning the participation of regional governments in the Program. | Enter into a Program Participation Agreement with the federal and regional government, committing to the Program’s rules and regulations, including the necessary financial contribution to the Program’s performance-based grants | Program effectiveness | MUDHCo, Regional govern-ments, and ULGs | Covenant |
| Sufficient capacity at ULGs to implement Program | ULGs keep the following key positions in place following positions under the coordination of the City manager: revenue focal person, procurement focal person, environmental and social sustainability focal person M&E focal person, PFM focal person and civil engineer linked with the functioning IA unit. | Program implementation | ULGs | DLI |
| **Fiduciary** | | | | |
| ***Federal Government*** | | | | |
| Procurement and contracts audit | * Procurement audit, which is required by Ethiopian law, will be part of the APA in the first two years of the Program. In the meantime, the capacity at Regional Public Procurement Agencies (RPPA) will be built by MoFED and respective BOFEDs. During implementation, the capacity of RPPAs will be regularly assessed by Federal PPA, those RPPAs which are assessed to have sufficient capacity will start executing the procurement audits.   . | Annually | MUDHCo | DLI |
| MUDHCo guidance to ULGs on procurement | MUDHCo will:   * Require ULGs to justify to the BoFEDs the use of government owned enterprises where private sector suppliers exist in advance of contracting; * Require ULGs to exclude award to Bank debarred firms through providing regular information * Provide guidance to ULGs on policies on support to MSEs and the level of preferences that would be acceptable across board to ensure uniformity and minimize abuse (this guidance will be part of the Performance and Participatory agreement and in the Operational Manual). | Program effectiveness | MUDHCo | Covenant |
| Contracts management capacity enhancement | (i) The MUDHCo & Bank support the cities with provision of contract management and administration training;  (ii) A consultant will be recruited (in the mobile team) by the project to prepare a contract administration manual to the participating cities and provide the necessary training on it (the Contract administration manual will be based on the Government’s own systems) ; | Items (i and ii) from the 1st year of program implementation. | MUDHCo & Bank | Covenant |
| MUDHCo has sufficient budgetary resources to undertake Program activities | Sufficient budget is provided for all MUDHCo Program activities related to annual assessment, capacity building and procurement audits, and budgeted amounts are released from MoFED on a timely basis to MUDHCo throughout the Program. | Program implementation | MUDHCo and MoFED | Covenant |
| ***Regional Governments*** | | | | |
| Regional Public Procurement and Asset Management Agencies (RPPAMAs) monitor and enforce the regional procurement legal requirements | Regional public procurement agencies:   * Organize training for ULGs on the use and implementation of the procurement laws, directives, manuals, standard bidding documents; * Monitor the consistency of procurement practices across ULGs and enforce the implementation of the procurement regulations including instituting an independent complaints review committee * Conduct business outreach and sensitize the business community the existence of complaint redressing mechanism. * , From the third assessment of ULGs (September –Nov 2015), the RPPAMAs will start conducting Independent Procurement Audit (IPA) & deliver audit report with management corrective actions on the findings will be shared with the Bank for further technical supports | By program effectiveness  During Program implementation  By program effectiveness  Starting the third assessment of the ULGs ( Sept – Nov 2015)r | Regional governments (RPPAMAs) | DLI |
| Consultations with ULGs on tax/tariff levels and ceilings | Region revenue authorities consult with ULGs, on tariffs/taxes proclamations in order to provide conducive opportunities for ULGs to enhance revenues. | Program implementation | Regional govern-ments | DLI |
| Procurement and contracts management capacity building of ULGs | * BoFED will undertake audit capacity building of the regional PPAs. * The mobile support team will provide hands on support on this. | During the initial two years of the program implementation | Regional govern-ments | DLI |
| ***Urban Local Governments*** | | | | |
| Audit | Internal audit of funds conducted by ULG internal auditors | Program implementation | ULGs | DLI |
| **Safeguards** | | | | |
| Adverse environment and social impacts resulting from poor planning during construction at city level: This may result from failure to adequately identify and mitigate adverse environmental impacts of the works leading to environmental damage, including loss of natural habitats and known or unknown physical cultural resources. Risk of increased environmental pollution and occupational health impacts. | Screening for Environment and Social Risks of all proposed investments at city level:   * Incorporate environmental impact and risk criteria in the site selection screening forms for all city level investment in physical works through the ULGDP II window. Ensure that the screening is explicit in addressing natural habitats and physical cultural resources considerations in order to avoid siting of infrastructures in areas that would cause significant adverse impacts. * Appropriate mitigation measures to address induced impacts should also be identified during the site screening process for all new construction activities proposed through the ULGDP II. | Prior to final selection of a site for construction. | MUDHCo, regions, and ULGs tasked with carrying out the site screening exercise for site selection of all construction activities at city level. | DLI |
| Lack of capacity for environmental and social management: Capacity gaps may lead to a weak planning, implementation and monitoring of environmental and social management plan at city, regional and federal levels. | * Develop an Environment and Social Development Unit with trained environment and social development specialists to service and coordinate with Regions and ULGs: * This will include working with the REPAs on capacity building programs * Working closely with the Department of Labor to improve implementation of occupational health and safety issues | Program implementation | MUDHCo and regional gover-nments | Partly supported by DLI |
| Risks of loss of income and livelihood for project affected people due to inadequate Land acquisition, resettlement and compensation | * Improve capacity to document consultations and participatory approaches where communal land is used or vulnerable person is involved. * Provide systematic training on environment and social management procedures as outlined in the environmental and social management framework and the resettlement policy framework of existing ULG project to all participating ULGs and Regions * Provide for Grievance Redress Mechanism * Undertake annual review of performance of implementation of environmental and social management planning | Program implementation - prior to validating civil works contracts | MUDHCo, regional govern-ments, and ULGs | Partly supported by DLI |

The table below forms an action plan for environmental and social management, which is embedded in the overall Program Action. The actions above are embedded in both the Annual Performance Assessment that will be administered to each ULGA, as well as an assessment of MUDHCO’s performance. The results of the Annual Performance Assessment are then tied to the Program’s Disbursement Linked Indicators, which determine the allocation of the Program Funds to each ULGA.

**Proposed ESSA Actions for Inclusion in the Program Action Plan**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **S.L** | **Risk** | **Action** | **Responsibility** | **Timeframe** | **Indicator** |
| 1 | **Adverse environment and social impacts resulting from poor planning during construction** at city level: This may result from failure to adequately identify and mitigate adverse environmental impacts of the works leading to environmental damage, including loss of natural habitats and known or unknown physical cultural resources. Risk of increased environmental pollution and occupational health impacts. | **Screening for Environment and Social Risks of all proposed investments at city level:**   * Incorporate environmental impact and risk criteria in the site selection screening forms for all city level investment in physical works through the ULGDP II window. Ensure that the screening is explicit in addressing natural habitats and physical cultural resources considerations in order to avoid sitting of infrastructures in areas that would cause significant adverse impacts. * Appropriate mitigation measures to address induced impacts should also be identified during the site screening process for all new construction activities proposed through the ULGDP II. | MUDHCO, Regions and ULGs tasked with carrying out the site screening exercise for site selection of all construction activities at city level. | Prior to final selection of a site for construction. | Early site screening forms reflect good practice in, avoiding adverse impacts on natural habitats and physical cultural resources. |
| 2 | **Lack of capacity for environmental and social management**: Capacity gaps may lead to a weak planning, implementation and monitoring of environmental and social management plan at city, regional and federal levels. | Develop and Environment and Social Development Unit with trained environment and social development specialists to service and coordinate with Regions and ULGs :   * This will include working with the regional EPA on capacity building programs * Working closely with the Department of Labor to improve implementation of occupational health and safety issues | MUDHCO/Regional Government | Ongoing | Improved Due diligence and mainstreaming of sustainability concerns in planning. |
| 3. | **Risks of loss of income and livelihood for project affected people** due to inadequate Land acquisition, resettlement and compensation | Improve capacity to document consultations and participatory approaches where communal land is used or vulnerable person is involved.   * Provide systematic training on environment and social management procedures as outlined in the ESMF and RPF of existing ULG project to all participating ULGs and Regions * Provide for Grievance Redress Mechanism * Undertake annual review of performance of implementation of environmental and social management planning | MUDHCO, Regions and ULGs | Ongoing  Prior to validating civil works contracts | Record of communal land acquired; consultation; and, compensation for assets, land and/or livelihoods. |

# Annex 1: Legal Framework for Environmental Management in Ethiopia

| **Proclamation/Policy** | **Scope and Application** | **Responsible Entity** |
| --- | --- | --- |
| Environmental Policy  of Ethiopia | It indicates priority to be given to waste collection services and safe disposal; development of guidelines for waste disposal and on techniques to enable the cost-effective implementation of defined standards of control; establishment of system for monitoring compliance with environmental pollution control standards and regulations and for the handling and storage of hazardous waste disposal; and promotion of waste minimization strategies. It also affirms that employers who deploy workers without training and personal protection equipment should be held legally liable. Moreover, it ensures the need to keep an up-to-date register of toxic, hazardous and radioactive | Federal EPA |
| Solid Waste Management  Proclamation no. 513/2007 | It is applicable mainly to non-hazardous solid waste, such as glass containers and tin cans, plastic bags, food related solid waste and other general waste. It stipulates that any legal and/or natural person should get a permit from concerned bodies of an urban administration to engage in the collection, transport, use or disposal of solid waste. | FEPA |
| The Bamako Convention Ratification Proclamation no. 355/2003 | Parties to the Convention are obligated to take appropriate legal, administrative and other measures within the area under their jurisdiction to prohibit the import of all hazardous waste into Africa from non-contracting parties and provide detailed procedures for the control of trans-boundary movements and management of hazardous waste within Africa. | FEPA |
| Environmental Pollution Control Proclamation no. 300/2002 | It is applicable to non-hazardous waste and all forms of hazardous waste streams. It requires that the generation, keeping, storage, transportation, treatment or disposal of any hazardous waste must be with a permit from the FEPA or the relevant Regional State Environmental Agencies. Moreover, it emphasizes that any natural and/or legal person who is involved in the collection, recycling, transportation, treatment or disposal of any hazardous waste should take appropriate precautions to prevent any damage to the environment or to human health or well-being. | FEPA |
| Environmental Protection Organs Establishment  Proclamation no. 295/2002 | The proclamation requires sector agencies to establish their environmental units so that their activities are in harmony with pertinent environmental protection requirements. | FEPA |
| Environmental Impact Assessment Proclamation  no. 299/2002 | It declares that no project shall commence without an environmental impact assessment if it is required, as stated in directives. This therefore, includes the construction of HCFs. It also states that any natural/legal person who violates the provisions of this proclamation shall be regarded as having committed an offence and shall be liable in accordance with the FDRE Criminal Code. | FEPA |
| Stockholm Convention on Persistent Organic  Pollutants Ratification  Proclamation No. 279/2002 | It defines the control of the release of persistent organic pollutants (e.g. dioxins/furans) from unintentional sources such as medical waste incinerators. The convention encourages parties to promote the application of available, feasible and practical measures to achieve a realistic and meaningful level of release reductions including dioxins/furans from medical waste incinerators through the adoption of best available options and environmental practices including the use of low-waste technology; the use of less hazardous substances; the promotion of recovery and recycling of waste; good housekeeping and preventive maintenance programs; improvements in waste management with the aim of stopping open and other uncontrolled burning of waste including the burning of landfill sites. Moreover, when sites for construction of new waste disposal facilities are sought, considerations are to be given to alternatives such as activities to minimize the generation of medical waste, including resource recovery, reuse, recycling, and waste separation and promoting the use of products that generate less waste | FEPA |
| Basel Convention on the Control of Trans-Boundary Movements of Hazardous  Waste and their Disposal Ratification Proclamation no.  192/2000 | The Convention obliges parties to ensure that the generation of hazardous waste and other waste be reduced to a minimum, taking into account social, technological and economic factors and to ensure the availability of adequate disposal facilities, for the environmentally sound management of hazardous waste and other waste materials that shall be located, to the extent possible, within it. In addition, it emphasizes that any natural/legal persons involved in the management of hazardous waste or other waste to take all the necessary steps to prevent pollution due to hazardous waste and other waste. It also contains provisions for co-operation among parties in the development and implementation of environmentally sound low-waste technologies and the improvement of existing technologies with a view of eliminating the generation of hazardous and other waste materials. | FEPA |
| Labor Proclamation no. 377/2003 and International  Labor Convention  Ratification no. 152/1999 | Both specify that employers have the responsibility to take the necessary measures to safeguard adequately the health and safety of their workers by complying with occupational safety and health standards; by providing the necessary on job instructions; notifying the associated hazards on the task; and informing their workers of the necessary precautions to be taken to avoid accident or injury to health. In addition, both require employers to provide workers with appropriate personal protective equipment. | MOLSA |
| The Technical Guideline on the Environmentally Sound Management of Biomedical  and Healthcare Wastes | Defines HCW, explains risks arising from HCW and recommends applicable waste treatment and disposal technologies, reuse and recycling of waste, labeling and packaging of waste for off-site transport and training for staff. It also defines responsibilities for HCF managers. | FEPA |
| The Criminal Code of the Federal Democratic Republic of Ethiopia Proclamation no. 414/2004 | The new Criminal Code of Ethiopia contains a list of penalties for offences against laws promulgated to protect public health and control of pollution including the spreading of human diseases by negligence; unintentional contamination of water; discharge of pollutants into the environment by breaching relevant laws; failure to manage hazardous waste in accordance with relevant laws; and implementation of a project without conducting a full EIA as required by the law. | MoJ |

# Annex 2: Environmental Impact Assessment Process in Ethiopia

***Environmental Impact Assessment Process***

Proclamation 299/2002 states that an EIA is a mandatory requirement for implementation of any project likely to generate adverse environmental impacts. Project developers seeking a permit follow the EIA process as outlined in the Proclamation, the steps for which are outlined below. These steps, which are stipulated in the EIA Procedural Guideline (2003), largely follow the standards for environmental management procedures and processes under OP/BP 9.00.

***Screening***: As per the EIA Procedural Guideline (2003), the screening process enables the Competent Authority to decide on the:

* Need for and level of assessment required
* Level of government responsible for the project (Federal or Regional)
* Necessary permits or approval processes required (e.g. rezoning)
* Merit-based acceptability of the consultant to assist the proponent
* Public participation process
* Total life-cycle of the project

The proponent is required to submit a screening report to the Authority, based on which a decision will be made as to whether an EIA is required and the type of EIA required (full, partial/preliminary).

***Scope of an EIA***

The EIA Procedural Guideline (2003) indicates that a detailed plan of study for the scoping exercise should be prepared. This plan of study is important in ensuring that where public consultation is required, the relevant parties are identified.

The plan of study for EIA should contain the following:

* Description of the environmental issues identified during scoping that may require further assessment
* Description of baseline information of Bio-physical and socio-economic environment of the project site
* Description of feasible alternatives identified during scoping that may be further investigated
* Indication of additional information required to determine the potential impacts of the proposed activity on the environment
* Description of the proposed method of identifying these impacts
* Description of the proposed method of assessing the significance of these impacts

After the approval of the Competent Authority, an EIA is then conducted in accordance with the findings of the scoping exercise. Taking into account the baseline study which includes the social, economic, physical, ecological, socio-cultural, and institutional environment in the project area, an EIA is undertaken which identifies and predicts impacts and evaluates their significance.

*Consideration of Strategic, Technical and Site Alternatives*

The EIA must include the contents listed in Part III of the EIA proclamation and the EIA Procedural Guideline (2003), including the following elements of OP/BP 9.00:

* Consideration of **Project alternatives** including the project site, design and technologies and reasons for preferring the proposed site. Note that the ‘without project’ alternative is also explicitly stated in this guideline.
* Consideration of **Cumulative Impacts** which should be assessed along with overall environmental and social impacts in the EIA.
* Consideration of **Trans-regional impacts**

***Impact Mitigation Measures***

Part III of the EIA proclamation explicitly states that ‘an environmental impact study report shall contain a description of measures proposed to eliminate, minimize, or mitigate negative impacts.

***Monitoring and Reporting***

Part IV of the EIA Proclamation states that:

* The Authority or the relevant regional environmental agency shall monitor implementation of an authorized project in order to evaluate compliance with all commitments made by and obligations imposed on the proponent during authorization
* When the proponent fails to implement the authorized project in compliance with commitments entered into or obligations imposed upon him/her, the Authority or the relevant regional environmental agency may order him/her to undertake specified rectification measures
* Any other authorizing or licensing agency shall, in tandem with the Authority's decision to suspend or cancel any authorization to implement a project, suspend or cancel the license it may have issued in favour of the project

***Consultation and Disclosure***

Part V of the EIA proclamation stipulates that the Authority or the relevant regional environmental agency shall:

* Make any environmental impact study report accessible to the public
* Ensure that comments made by the public and communities likely to be affected by implementation of a project are incorporated into the environmental impact study report as well as in its evaluation

***Grievances***

There is a procedure for grievance in the EIA proclamation, which states:

* Any person dissatisfied with the authorization or monitoring or any decision of the Authority or the relevant regional environmental agency regarding the project may submit a grievance notice to the head of the Authority or the relevant regional environmental agency.
* The decision of the head of the Authority or relevant regional environmental agency shall be issued within 30 days following the receipt of the grievance.

# Annex 3: Environmental and Social Risk Management under existing ULGD project

Table1 - Urban Roads & Drainage: Quality of Management of Environmental and Social Risks

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Type of Activity** | **Potential Risks** | **General Performance of ULGs during Implementation** | **Quality of Implementation**  **(Unsatisfactory/Moderate/Satisfactory or Highly Satisfactory)** | **Residual Risks**  **Low/Moderate/High** |
| **Construction** | Negative social and economic effects on local people and communities, such as:   * Unplanned commercial development * Demand for local public infrastructure and services increases beyond existing capacities * Disruption of traditional lifestyles * Induced population movements and natural resource exploitation activities, due to improved access (e.g. conversion of forest to pasture, or of sustainable land use to unsustainable, short-cycle cropping; illegal or unsustainable hunting) | * There has been limited consultation with the affected communities * The project provided funds to strengthen local public infrastructure and services (e.g. health clinics, markets, schools) * The project successfully avoided creating congested and unsafe road conditions at intersections, and in towns | Satisfactory to Highly Satisfactory | Low |
| Displacement of housing or farms or involuntary resettlement | * The project purchased most of the replacement land and resettled affected people * The project authorities at city level provided monetary compensation | Satisfactory | Moderate |
| Loss of natural areas, important habitats, biodiversity | The regional EPAs have been active and have been able to generally avoid within urban areas infringing on critical habitats or areas with significant biodiversity (e.g. wetlands) | Satisfactory | Low |
| Damage valuable historic, religious, cultural, and archaeological resources | Regional government and ULGs are generally able to avoid areas of cultural, historical, or religious significance. The chance find procedures have been in existence but never used. | Highly satisfactory | Low |
|  | Social disruption during construction (e.g. enhanced transmission of STDs and TB) | Community participation in construction planning and management has been limited  ULGs have used local labor in most cases generating employment | Satisfactory to highly satisfactory | Low |
| Creation of stagnant water in construction borrow pits and quarries, and on road sides, that breed disease carriers | No assessment was undertaken of ecological impact during construction, therefore no evidence of occurrence of disease due to stagnant water  The drainage in the construction area and road side are poor, including maintenance | Moderately satisfactory | Low to moderate |
| Impact of road noise on surrounding habitation | The project does not show indication of buffer planation between road and surrounding habitation thereby exposition community higher noise levels during construction | Moderately satisfactory | Low to moderate |
| Dust | The ULGs stabilized the road surface with gravel and other rocky surfacing materials thereby reducing exposure to dust | Moderate to highly satisfactory | Low |
|  | Contamination of surface water and generate trash due to lack of solid waste management | Temporary sanitation was provided during construction and construction waste was collected and disposed off-site | Moderately satisfactory | Moderate |
|  | Increased soil erosion leading to sediment in runoff and, possibly, gully formation from:   * Construction activities such as grading, excavations, and borrowing/quarrying * Inadequate design of culverts and drainage controls | The cobble stone work controlled the potentially flooding risks by using the natural drains;  However, occupational health and safety at location of borrow pits and quarry sites are found to be unsatisfactory. | Moderately satisfactory | Moderate |
| **Post-Construction and Operation** | Landslides, slumps and slips | ULGs have done a reasonably good job in avoiding areas of soil, slope or geological instability and unstable river crossing sites  More work is needed to stabilize slopes by planting vegetation and installing drainage ditches to divert water away from road | Satisfactory | Low |
| Accidents and safety risks | Speed bumps and traffic signs have been provided | Satisfactory | Low |
|  | Quarry used for construction may become a health hazard | ULG need to agree with local community to agree on alternate use of borrow pits such as water collection pits for cattle, irrigation | Moderately satisfactory | Moderate |
| Impact of road noise and dust on village due to traffic movement | ULGs need to still plant buffer tree strips at several places | Moderately satisfactory | Moderate |

1. Water Supply and Sanitation: Quality of Management of Environmental and Social Risks

|  |  |  |  |
| --- | --- | --- | --- |
| **Potential Risks** | **General Performance of ULGs during Implementation** | **Quality of Implementation**  **(Unsatisfactory/Moderate/Satisfactory or Highly Satisfactory)** | **Residual Risk**  **Low/Moderate/High** |
| Illness or disease related to poor source water quality or from contaminants entering water supply system | ULGs carry out regular testing of water as part of the project  The involvement of community in planning is weak  The planning, design, and maintenance of supply, sanitation, and wastewater works is appropriate to local needs, as there has been no evidence of illness or water borne disease | Moderately satisfactory | Moderate |
| Contaminated soils from disposal of inadequately decomposed wastewaters | ULGs generally dispose the contaminated soil at off site location | Moderately satisfactory | Moderate |
| Contamination of ground and surface water source supply | ULGs are able to locate water source well away from latrines, septic systems, traditional defecating areas, and animal pens  However, surface water sources from adequately protected contamination from runoff from nearby agricultural areas or garbage and vegetative debris  There has not been evidence of breakout of any major disease or illness | Moderately satisfactory | Moderate |

1. Waste Management: Quality of Management of Environmental and Social Risks

|  |  |  |  |
| --- | --- | --- | --- |
| **Potential Risks** | **General Performance of ULGs during Implementation** | **Quality of Implementation**  **(Unsatisfactory/Moderate/Satisfactory or Highly Satisfactory)** | **Residual Risk**  **Low/Moderate/High** |
| Changed land uses due to location of waste landfill site | There are few investments in this area but generally the involvement of community in deciding location of location of landfill sites and access routes has been weak. Many ULGs have selected areas that are far away from the city or habitation but would need to discuss operational aspects with potentially affected communities | Low to moderately satisfactory | Moderate to high |
| Disruption or destruction of sites of cultural, religious or historical importance | ULGs have generally been able to avoid any sites of cultural, religious or historical importance near waste management sites, using informal consultation with communities | Moderately satisfactory | Moderate |
| Human settlements and land uses near landfill and composting sites | ULGs have been generally careful in selecting sites that are located away from human settlement. However, consultation with community will be required before finalizing route to transport solid waste. | Moderately satisfactory | Moderate |
| Wind­blown garbage, dust, odor and smoke | The practice to spread and compact incoming refuse, and cover with soil, daily has been weak in most cases. | Moderately satisfactory | Moderate government |
| Creation of stagnant water sources causing risks of disease | Proper designs for drainage have avoided any water stagnation or vector borne disease near the landfill sites | Moderate to highly satisfactory | Low |
| Contamination of surface and groundwater with landfill runoff and leachate | The water resources have been protected by locating landfills in area that are relatively impermeable, and have a high capability for containing chemical contaminants (e.g. clays). Also the bottom of the landfill is above the water table and away and down gradient from surface waters, and groundwater recharge areas sources. All new landfills use a landfill liner (e.g. clay, synthetic) and have a collection system for surface runoff and have installed test wells at landfill perimeter to monitor water quality during operations for early identification and mitigation of emerging adverse effects | Moderate to highly satisfactory | Low |

# Annex 4: Summary of Public Consultation (held at Ethiopian Management Institute campus in Bishoftu on December 4, 2013) to share ESSA findings and recommendation under ULGDP II

**Summary**

1. A public consultation meeting was organized by the Bank team in partnership with MUDHCO to discuss with various stake holders the key findings and proposed recommendations. The public consultation meeting was attended by more than 100 stakeholders from various participating cities from 9 regions, which actively participated and contributed to the consultation objectives.
2. Presentations were made by the Bank team on program details; ESSA process, findings and recommendations, supported by MUDHCO own assessment of ESSA process and lessons from existing ULGD project.
3. Key points raised by participants pertained to - design of the program; process required for access funding; areas to improve environmental and social management at ULGs and regional EPA level; issues pertaining to dealing with encroachers and squatters; issues of EIA screening and scoping requirements; challenges in implementation monitoring and reporting; environment and social management capacity of REPA and ULGs; lack of capacity in new participating ULGs; issues in dealing deal with vulnerable population.
4. The meeting participants provided broad support to the program, including ESSA's key findings and approach towards capacity building, going forward. The meeting endorsed the recommended approach taken to integrate the environment and social sustainability requirements into the program Disbursement Linked Indicators (DLIs); and focus on incentives for improved performance with respect to environment and social management at ULG level, regions and MUDHCO.
5. The Bank team, agreed to consider comments received during public consultation meeting, while revising the ESSA, as well as, any additional written comments received until December 20, 2013. A revised ESSA has been re-disclosed through MUDHCO website and Banks' Info shop on **January 10, 2014.**

**Minutes of the Public Consultation Meeting**

# A stakeholder’s consultation workshop was held in December 4, 2013 in the Ethiopian Management Institute found in Bishoftu town. The intention of the consultation workshop was to further improve the draft ESSA report by incorporating the salient comments and views that will be forwarded by the stakeholders. The workshop participants were drawn from both the eighteen ULGDP I cities and the 26 newly joining cities, regional EPAs, and MUDHC. More than eighty two representatives composed of city managers, ULGDP environmental and social focal persons/experts, ULGDP project coordinators and EIA experts from the Regional EPAs were attending the half day workshop representing the major stakeholders. This minute outlines the deliberations of the half day workshop and presents it in the order it happened. The comments and outputs of the plenary discussions are also captured to help facilitate its incorporation in the appropriate sections of the documents.

# Introductory Session

The first half of the morning session was dedicated for the opening ceremony of the workshop. The opening ceremony commenced with a brief welcome speech made by Mr. Chukuwudi H. Okafor from the World Bank Country Office. The agenda for the workshop was introduced to participants by Mr. Sanjay Srivastava from the World Bank Head Office. Following that an opening speech for the workshop was delivered by Ato Bereket Belayhun on behalf of Ato Yahya Aman of MUDHC to mark its official opening.

Ato Bereket Belayhun, who is the national ULGDP project coordinator in UGCBB, outlined in his speech the socio-economic benefits attained as a result of the implementation of ULGDP I in the participating cities. He also noted that the various infrastructures that have been developed by ULGDP I program were instrumental in motivating local economic development in the participating cities. He finally invited the workshop participants to give special consideration to the consultation on the draft ESSA report and make their valuable contributions during their deliberations in the workshop.

# Presentations

Following the conclusion of the official opening ceremony, deliberations of the consultation workshop continued with presentations during the second half of the morning sessions. The key presentation conducted in this session was mainly the findings and recommendations of the draft ESSA report. Before this presentation, however, two other presentations on the overall program overview of the ULGDP and lessons from ULGDP I was delivered as prelude to the draft ESSA presentation. The presentations are briefly summarized as below.

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### **3.1 Program Overview of the ULGDP**

A brief presentation on the overall program overview of the ULGDP was delivered by Ato Abebaw Alemayehu, a Task Team Leader for ULGDP from the World Bank. The main purpose of his presentation was to introduce the participants with ULGDP I and ULGDP II programs (Phase I and Phase II). The presentation outlined the important milestones and associated timelines leading to the commencement of the ULGDP II program in Ethiopia. These include the pre-appraisal, appraisal and program launch stages and the various activities being done under each of these stages.

The presenter also explained to the participants the differences between the current ULGDP I and the upcoming P for R financing mechanism to be implemented during ULGDP II program. In addition he also explained the difference of P for R financing from the other types of lending windows such as the Policy investment lending and Specific Investment lending. He stated that the P for R financing follows existing government systems in the area of safeguards, procurement and financial management. It was also indicated that initially under the P for R financing; cities will become eligible for disbursement upon meeting the minimum conditions. After that disbursements to cities will be based on results achieved. Thus he stressed on the need to fill the key staffing positions of the ULGs to strengthen their capacity to deliver results under the P for R program. Moreover, the presenter also discussed the type of capacity building support envisaged by the ULGDP II program for the ULGs. He also mentioned that the scope of the ULGDP program will be expanded from the 18 cities covered in ULGDP I to 44 cities in ULGDP II.

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### **3.2 Lessons from ULGDP I program**

The presentation on Lessons from ULGDP I implementation was delivered jointly by Ato Getachew Simegn and W/ro Yalemzewd Simachew who are the national environmental and social safeguard specialists of the UGCBB. The main purpose of their presentations was to share the good experiences and the challenges encountered during ULGDP I in the area of ESMF and RPF implementations and to learn from it in order to improve the implementation of ULGDP II program.

The first part of the presentation on lessons from ULGDP I was titled “Cities environmental and social management plan: Good and Weak practices”. In this presentation, it was stated that cities participating in ULGDP I were endeavoring to follow and implement the steps and procedures outlined in the ESMF. Sub-projects were screened and categorized into schedule 1, 2 and 3 by the participating cities and were followed up by preparing full and partial ESIAs. These ESIA documents were submitted for review and approval to their respective regional EPAs. The presenter also outlined some of the common mistakes observed during the ESMF implementation by the participating cities. These include inadequate consultation and disclosure, undermining environmental impacts of cobblestone roads, poor EIA ToR preparation and weak monitoring and follow up.

The second part of the presentation was titled ‘Social safeguard implementation practice of ULGDP I’ and it was delivered by Mrs. Yalemzewed Simachew. In her presentation, Mrs. Yalemzewd outlined the main achievements, the challenges faced and the measures taken in the process of ULGDP I implementation. Among the achievements made by the cities, she indicated that the level of awareness on safeguard issues has improved through time and that has lead the cities to make all efforts to ensure compliance with it. She showed that in the year 2011/2012 alone cities have prepared 95 ARAP reports and another 47ARAP reports were prepared in 2012/2013. Even though there are some improvements in the way informal settlers are handled during resettlement, she emphasized that the issue remains to continue as a challenge for the social safeguard implementation.

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### **3.3 Key findings and recommendations of ESSA**

The key presentation highlighting findings and recommendations from ESSA was led and delivered by Sanjay Srivastava, Lead Environmental Specialist of the World Bank. The title of his presentation was ‘Key findings and recommendations of the ESSA’. The presentation introduced the participants with the broad range of issues that were addressed in the draft ESSA report. The presentation started by briefly explaining the ULGDP II program. The presenter stated that ULGDP II is a continuation of ULGDP I program and its development objectives remain to be focused on enhancing the institutional performance of the participating ULGs in developing and sustaining urban infrastructure and services. It was noted that ULGDP II is a five year program (2014/15 – 2018/19) with a total program budget of US 465.8 million. The stated program budget is intended to be utilized for main expenditure items such as performance based grants for infrastructure investments, capacity building and program administration. The capacity building grant (CBG) component of the program budget is planned to be used for strengthening key areas of weaknesses identified such as environmental and social management, monitoring and reporting.

The presenter indicated that as in ULGDP I, the Bank will remain committed to environmental and social sustainability and the avoidance of adverse effects under ULGDP II. The environmental assessments will be guided by the core principles consistent with investment lending but with greater procedural flexibility. Under the P for R program, the Bank will mainly focus on strengthening the institutional capacity to manage risks rather than on individual transactions or investments.

The presentation continued to introduce the workshop participants with the core principles and methodologies applied to prepare the ESSA and then outlined the key observations and findings. Accordingly, the ESSA observed that Ethiopia has adequate legal framework including robust environment and social regulations in-built in the system. However, it was also observed that the implementation of the existing provisions of the environment and social regulations is highly uneven across various cities and regions. Lack of standard procedures for risk screening and implementation of mitigation measures among ULGs, lack of coordination among various agencies, and lack of human and technical capacities were observed to be among the contributing factors for the uneven implementation of the environment and social systems defined by the regulations.

The presenter further indicated that the ESSA have also identified the key areas of strengthening based on the observed gaps in the environment and social systems of the ULGs. These include defining the environmental and social management system at LG levels by adopting the ESMF as an instrument, providing technical guidance and implementation capacity by supplementing the existing Ethiopian system for EIA with instruments such as Operational Manual, and addressing resource constraints with respect to human and budgetary resources. Accordingly, it was explained that the ESSA have made recommendations on three critical areas. These are the need to strengthen environment and social management capacity within the MUDHC; Regions and ULGs, the need to improve effectiveness of implementation through capacity building, and the need to improve the implementation approach.

The presentation continued to explain the implementation arrangements for managing the environmental and social risks under the ULGDP II program. It was stated that prior-agreement and advanced planning with MUDHC and an approved CIP will allow timely risk evaluation and monitoring before endorsing environmentally and socially sensitive investments. Minimum environmental and social management capacity will also be ensured through key position at LGs as an indicator to demonstrate a functional ESMS. LGs will be required to generate evidence of implementation (for independent verification by regions) that all capital projects in previous FY were screened against the set of environment and social criteria in the planning stage including preparation and approval of environmental management plans and resettlement action plans by relevant authority. As part of the regular capacity building on environment and social management MUDHC will recruit E&S specialists to be placed in all regions, as well as constitute mobile team to help the new LGs with capacity building on technical and management aspects.

It was also explained during the presentation that implementation support from the Bank will shift from compliance to helping resolve issues and it will focus on monitoring of program performance, providing technical support for systems improvement and monitoring the implementation of any agreed actions for system implementation.

The presenter finally stated that as a means of verification, annual environmental and social audits initiated by regional government will be conducted in all LGs. The audits will review risk screening procedures, mitigation planning and implementation effectiveness, monitoring, reporting and disclosure at each LGs.

# Plenary discussion

The final session of the workshop was dedicated for a plenary discussion. Participants of the workshop were reflecting on several issues which are summarized as below.

Some participants from the newly joining cities expressed their concern on their capacity to compete with the cities that were participating in ULGDP I. It was stated that P for R is a program that provide funds for beneficiary LGs based on their performance and delivery of results. Taking into account the experiences gained during ULGDP I by the previously participating cities, how can the new cities joining ULGDP II compete with ULGDP I cities? The participants further emphasized that there should be strong capacity building support for the new cities and additional support should be made on the leadership and experts of the new cities to share experiences from the ULGDP I. The participants stressed on the importance of learning from the other cities and it needs to be facilitated.

In a response to the concerns raised in the preceding paragraph, representatives of the World Bank acknowledged that the concern of the new cities joining ULGDP II are valid and they agreed on the importance of sharing experiences with the ULGDP I cities. Moreover, the World Bank representatives indicated that in order to encourage the participation of the new cities in ULGDP II and to allow them to build their capacity the following measures will be applied specifically for the new cities.

* New cities will access the ULGDP II program based on the fulfillment of minimum conditions and they will not be assessed for performance for the first year.
* Cities faced with adverse audit report will be given a waiver for the first year. Adverse audit report for year 1 will not be considered for new cities.
* Technical assistance will be given to the new cities.

On the other side the workshop participants raised issues related to capacity constraints of the regional EPAs and those found at zonal, woreda and city levels. In this regard the participants from Harari and Gambella regions expressed their concern regarding the prevalent gaps in capacity of the respective regional EPAs in terms of logistics and training which hinder them from implementing the EIA procedures properly. Similarly, other participants expressed that city level environment protection offices do not have necessary logistics and human resources with proper qualification and experience, and wondered how the cities would cope up with the task?. The participants emphasized the need to carry out capacity building at the regional level and on the lower level offices. Participants also reflected on the logistical challenges faced in mobilizing the consultants recruited to assist in capacity building of the newly participating cities in ULGDP II. They specifically stated that there is shortage of transport vehicles in the regions to mobilize the consultants recruited to conduct capacity building activities in the newly joining cities. In summary, the participants requested for explanations about the practical plans of the ULGDP II program that will be implemented to strengthen the regional EPAs and those found at zonal, woreda and city levels.

In a response to the questions raised, the World Bank representatives explained that the ULGDP II program have planned to support the regional EPAs in specified capacity building areas to strengthen the implementation of the environmental and social management system in place. The capacity building support to be provided to the regional EPAs will be targeted on developing and strengthening the capacity within them that will facilitate for the implementation of the environmental and social requirements of the ULGDP II program and will not target on all activities being done by the regional EPAs. For this purpose the ULGDP II program have earmarked an estimated 30 million USD under the Capacity building grant for the 9 regions over five years which will be used for key areas of weaknesses such as social and environmental management. Thus regional EPAs and those found at lower levels will be availed with funds which they can use to strengthen their capacity and fill in the gaps they have. In line with the responses given, some participants suggested that in order to effectively strengthen the regional EPAs, they should be directly linked to cash disbursement so that they can make use of it effectively to fill the capacity gap they have.

On the other hand, the workshop participants also reflected on the roles of the environment protection offices found at different levels (regional, zonal, woreda and city level) in facilitating the implementation of the P for R program. In some regions, a participant commented, the authority to review and approve the screening and ESIA reports is given to the Regional EPA. However, in practice the review and approval was being conducted by the experts in Zonal, woreda or city level environment protection offices. Thus, he asked, should the review and approval be conducted by the Woreda and City level offices? If yes, how will the capacity and competence of the experts in these offices can be built? Other participants also commented on the delay problems associated with the screening and ESIA reports review and approval by the regional EPAs, which hinder the ULGs from delivering timely results in ESMF implementation. On the other hand participants from Amhara regional state shared their regional experiences in improving the delay problem by decentralizing the EIA review and approval process to the zonal, woreda and city level environment protection offices. This has helped to distribute the work load at regional head office level and contributed to avoid the delays in review and approval.

In a response given to some of the queries and concerns raised above by the workshop participants, the World Bank representatives explained that the main roles expected to be achieved by the regional EPAs are to conduct due diligence on the ESMF and RPF procedures and requirements. The P for R program seeks to ensure that the following key steps are observed and implemented throughout the program.

These are:

* Screening of sub-projects for environmental and social risks
* Preparation of ESMP, RAP or ARAP as necessary based on the Category of the sub-projects and approval competent authority.
* Implementing the ESMP and RAP and conducting monitoring

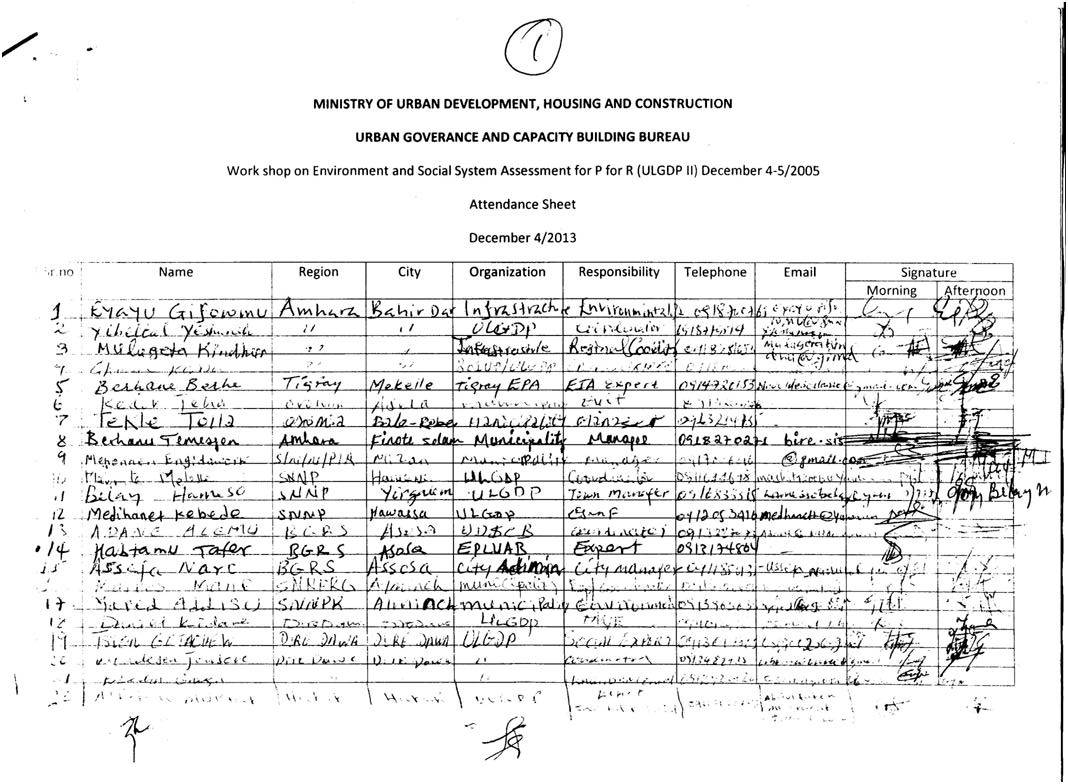
It was also emphasized by the World Bank representatives that the screening should be conducted on all sub-projects to be implemented by the ULGs irrespective of CIP or non-CIP (government funded) differentiations. However, the review and approval process for the screening and EIA reports can be conducted at any level based on the internal arrangements of the respective regional EPAs. The city level EPA can review or it can refer it to the zonal office based on the division of responsibilities between them, but there is a need to ensure that there exists adequate capacity in the city and zonal level offices that can accomplish the task. Representatives of the World Bank also explained that the effectiveness and timely delivery of the environmental and social systems of the regions will be linked with an incentive system. Incentives will be attached with timely completion of the review, approval and monitoring process to create pressures through the incentive systems and not through penalties.

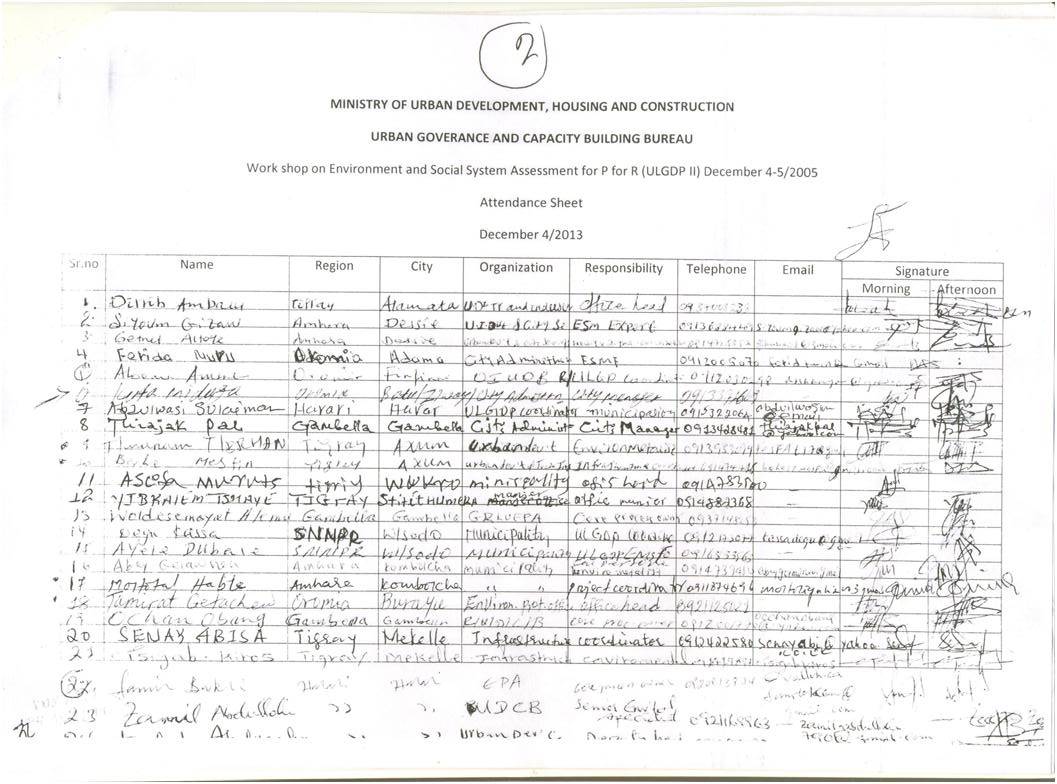
The workshop participants also expressed their views and opinions on the importance of building the awareness of higher level officials and developing human capital in general for better implementation of the P for R program. One of the participants stated that in order to implement the P for R program very well, higher officials should get awareness on the specific implementation strategies of the program and reach on a consensus. The participant continued his opinion by stating that if regions run the program activities in different ways its sustainability will be lost. Thus identical staff building approach should be forced to regional officials. Another participant also shared the later comment by stating that, in order to ensure consistency and evenness of deploying environmental staff in all the ULGs, there is a need to emphasize on the leadership. Thus the World Bank, MUDHC and the Regional states should give greater consideration for developing the human capital and staffing in the ULGs by raising the awareness of the higher officials and leadership. The participants also emphasized on the importance of conducting experience sharing activities to learn the best practices carried and see how it can be applied in the newly joining cities into ULGDP II.

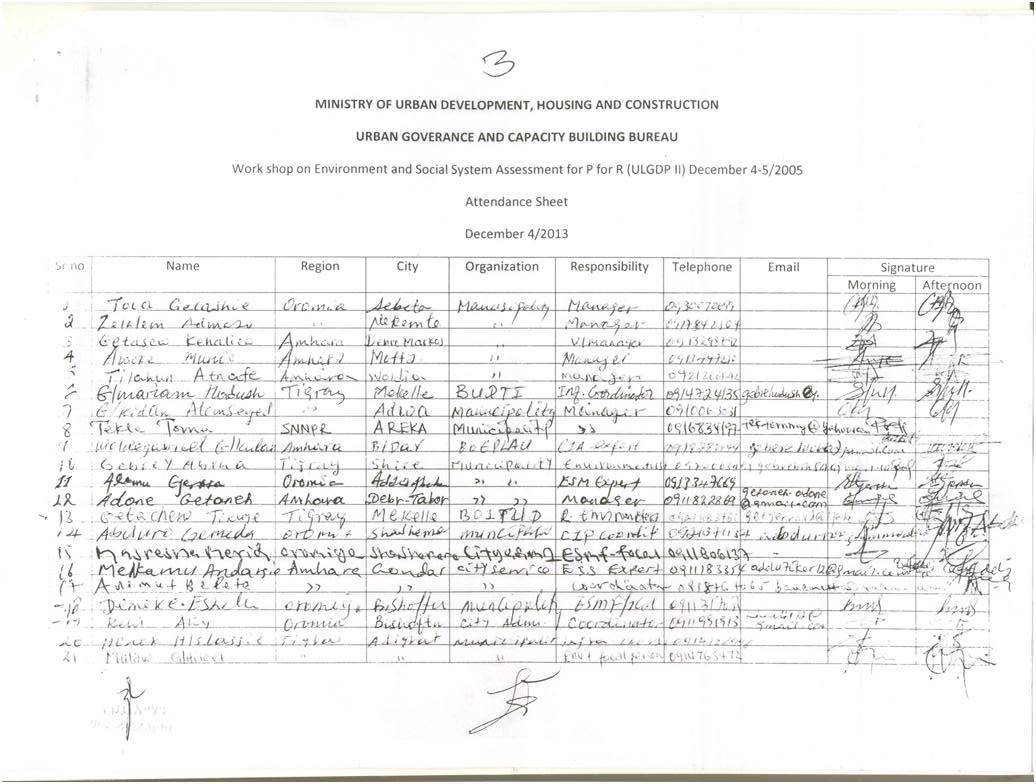
# Conclusion

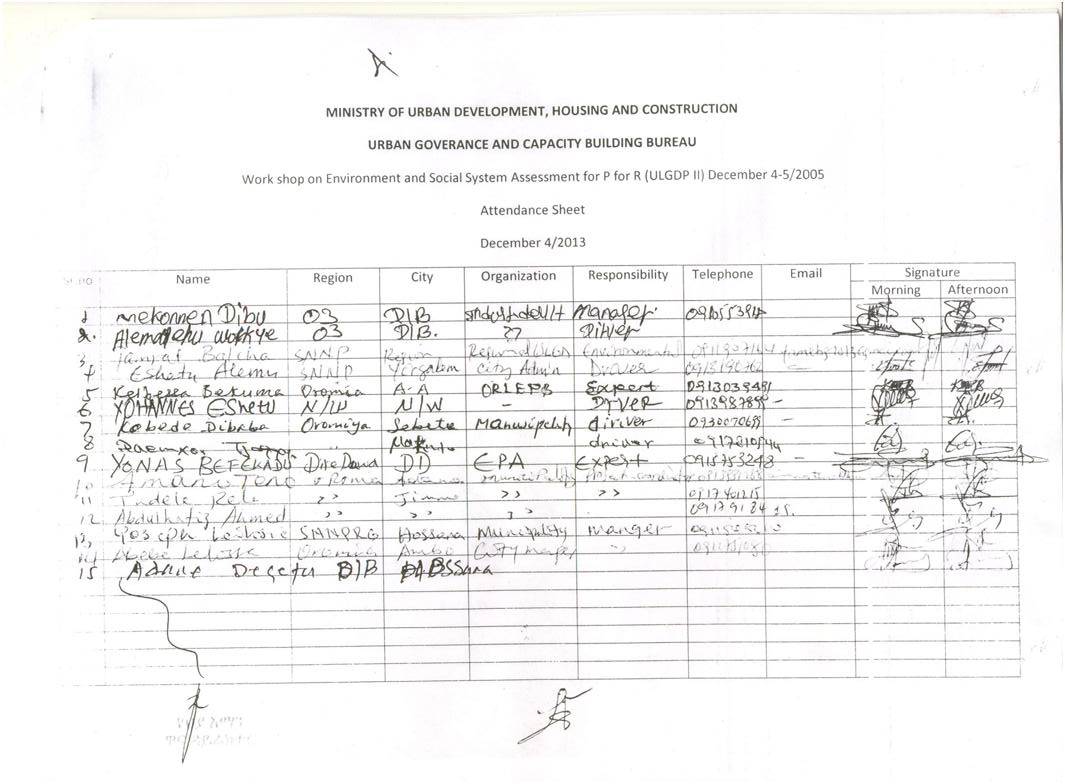
The workshop concluded that the recommendations made in the ESSA report are relevant and practical to strengthen the Environment and Social Management System at city, regional and federal level, and will be sufficient to minimize the risks. The participants provided broad consensus on the project scope and proposed design including various interventions for capacity building and monitoring and verification, without any objection. The deliberations of the consultation workshop ended at around 1PM in the afternoon after thanking all the participants and stake holders.

# Annex: List of Workshop Participants









1. As each regional government in Ethiopia is authorized to issue city proclamations as they see fit, there is no formal common definition of what constitutes a city. Therefore, the words “city” and “ULGs” are used interchangeably throughout this document. [↑](#footnote-ref-2)
2. Based on review of the ULGDP EFY 2005 Annual Report. A total of 929 projects were active in this FY 2012/13 (EFY 2005). [↑](#footnote-ref-3)
3. It should be noted that ULGs will have to comply with the MCs to get access to the allocations from DLIs II and III as well, as this is a basic safeguard for handling of larger discretionary funds. For the CB grants, there will be a few specific minimum conditions, i.e. that there is a CB plan in place, and that there is accountability for previous allocations. [↑](#footnote-ref-4)
4. The ULGDPII program activities like its predecessor project will include a substantial component, in each implementing ULG, of labor intensive construction works such as cobblestone roads, open drains, etc. [↑](#footnote-ref-5)
5. Participating Urban Local Governments will establish “Infrastructure Offices” not specifically for ULGDP implementation but as part of a wider, parallel government program to strengthen ULG organizational focus and capacity for integrated infrastructure planning and management. ULGs may, where necessary, offer higher and more attractive salaries to attract suitably qualified staff for ULGDP II implementation. [↑](#footnote-ref-6)