International Fund for Agricultural Development (IFAD)

Rural Financial Intermediation Programme III RUFIP III)

Environmental and Social Management Framework (ESMF)
Final

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List of Acronyms

AEMFIs	Association of Ethiopian Microfinance Institutions
ANRs	Agricultural and Natural Resources
ARAP	Abbreviated Resettlement Action Plan
CSA	Central Statistics Authority
DBE	Development Bank of Ethiopia
EA	Environmental Assessment
EFCCC	Environment, Forest and Climate Change Commission
EFCMD	External Fund and Credit Management Directorate
EIA	Environmental Impact Assessment
EMP	Environmental Management Program
ENRM	Environmental and Natural Resources Management
EPA	Environmental Protection Authority
ESMF	Environmental and Social Management Framework
ESMP	Environmental and Social Management Plan
ESMS	Environmental and Social Management Systems
FCA	Federal Cooperative Agency
FDRE	The Federal Democratic Republic of Ethiopia
GHC	Grievance Hearing Committee
GRS	Grievance Redress Service
GTP	Growth and Transformation Plan
HIV/AIDS	Human immunodeficiency virus infection and acquired immunodeficiency syndrome
IFAD	International Food and Agricultural Development
IFC	International Finance Corporation
LOC	Line of Credit
Masl	Meters above sea level
NBE	National Bank of Ethiopia
NRFPSC	National Rural Finance Policy Steering Committee
PAPs	Project affected Peoples
PAS	Peasant Association
PCRs	Physical Cultural Resources
PCMU	Project Coordination and Management Unit
PMC	Project Management Committee
PPE	Personal Protective Equipment
RAP	Resettlement Action Plan
RPF	Resettlement Policy Framework
RUFIP	Rural Financial Intermediation Programmme
RUSACCOs	Rural Savings and Credit Cooperation
SEA	Sexual Exploitation and Abuse
SECAP	Social, Environmental and Climate Assessment Procedures
SNNPRS	Southern Nations, Nationalities and Peoples Regional State
TA	Technical Assistance
TB	Tuberculosis
ToR	Terms of Reference
WHO	World Health Organization

Executive Summary

The overall goal of Rural Finance Intermediation Programme (RUFIP) is to contribute to the reduction of poverty in Ethiopia by providing rural households with increased and sustainable access to a range of financial services and products. RUFIP is one of the largest programmes of IFAD in Eastern and Southern Africa with Approximate cost of US $ 88.73 million for the first phase of RUFIP programme and an estimated cost of US$ 249 million for RUFIP II. The initial RUFIP Programme was implemented from 2003 to 2010 and RUFIP II started in 2012, with a completion date of June, 30, 2019.

Overall, RUFIP II, together with RUFIP I has had significant positive results in improving access to financial services to a rural population. Both programmes have contributed significantly to the development of the Ethiopian rural micro-finance sector, especially in strengthening of MFIs and RuSACCOs and their unions to remarkably improving outreach of relevant financial products and services to rural households. So far RUFIP programmes contributed in improving outreaches to approximately 7.63 million rural households by providing financial services through MFIs and RUSACCOs. Of those that received financial service 45 % of them were females and 55% males. Only 3.3 million rural households were receiving such service at the beginning of the programme.

In designing RUFIP III, issues such as improving financial literacy, creating employment to the youth, making rural finance institutions more robust, contributing inclusive rural transformation, capacity building at different government institutional levels, and programme management will be given special consideration and opportunities to link or coordinate with other IFAD and other development partners' interventions will be explored.

IFAD has availed resources for the purpose of increasing the flow of finance to the rural poor with the aim to reduce poverty and improve the quality of life of the poor people in the rural part of the country. The Development Bank of Ethiopia together with MFIs and RUSACCOs in the regions are assigned to implement RUFIP III.

Project Objective

RUFIP III is expected to scale up achievements and lessons learned from the two previous RUFIP programmes in order to increase outreach and results in rural poverty reduction of the targeted rural households. The primary objective of RUFIP III is to promote effective delivery and efficient, demand-driven financial services responsive to the needs of the rural poor including smallholder farmers.

Objective of the ESMF

RUFIP III could have limited adverse environmental and social impacts and climate related risks on the surrounding environment. This impacts and risks necessitated the preparation of ESMF that meets the requirements of the national guidelines and safeguard policies of IFAD.

The general objective of the Environmental and Social Management Framework (ESMF) is to indicate processes and guiding principles for assessing potential environmental and social impacts and climate risks when implementing RUFIP III. ESMF provides a comprehensive framework for environmental and social impact screening, assessment, and monitoring, consultations with concerned stakeholder groups and capacity building measures.

Study Methodology

Relevant information/data useful for the preparation of ESMF has been obtained from both primary and secondary sources. The methodologies adopted for the preparation of this ESMF include literature review; consultations and focal group discussions with key institutions, stakeholders, and beneficiaries. An account of the existing biophysical and social environment conditions were assembled from secondary sources and from physical observation and discussion with stakeholders and project beneficiaries and this information has been used to analyze impact of RUFIP III. The outcomes of the consultations with stakeholders and beneficiaries are summarized discussed under consultation section of this report.

Project Description

RUFIP III is aimed to develop a vibrant rural financial sector by providing financial support to rural institutions such as DBE, MFIs and RUSACCOs. RUFIP III has the following four components. Component 1 is dealing with capacity building of institutions and customers. Similarly, component 2 is dealing with the improvement of institutions, regulation and supervision, component 3 in building RFIs to enhance their business and component 4 on project management. Each of the components has sub components and these sub components are described in the project description section of this report.

RUFIP III is a national sector-wide investment that has been carefully conceptualized and enhanced through subsequent stages of formulation and appraisal and it seeks synergy with the country's national development policy in general and poverty reduction strategies in particular as well as and with other donors' initiatives working on similar projects. The project is prepared in line with IFAD's comparative advantage that focuses on 'enabling poor rural people to access the assets, services and opportunities they need to overcome poverty'.
Besides providing support to the financial institutions and improving regulation and supervision part of the budget it will also be used to implement the following project activities.

- Enhancement of animal production such as animal breeding poultry and animal fattening;
- Traditional abattoir practices;
- Enhancement of food crop production using irrigation fertilizers and pesticides; and,
- Agro processing /value addition on animal and crop products such as meat, and milk, fruits and vegetables.

Relevant National Policy, Legal and Administration Framework

According to Environmental, legislation and guideline development projects should be assessed in order to ensure that project activities are as much as possible in harmony with the environment. Relevant national policies as well as legal and administration framework have been reviewed and included to the ESMF report of RUFIP III.

Social Environmental and Climate Assessment Procedure (SECAP) of IFAD

According to SECAP guideline of IFAD all projects entering the pipeline are subject to an environmental, social and climate risk screening, and are assigned a risk category for environment and social standards (A, B, C) and for climate vulnerability (high, moderate, low).

- **Category B projects** must have a SECAP review note, including a matrix of the Environmental and Social Management Plan (ESMP) at the design stage. The identified social and environmental risks and opportunities management measures must be reflected in the project design and the project design report. The ESMP matrix must be integrated into the project's implementation manual or developed as a stand-alone guidance document for the project management unit late in the design stage or early in implementation.

- **Category A projects** must have an Environmental and Social Impact Assessment (ESIA) at the design stage (or relevant stage of implementation). The draft and final ESIA reports and other relevant documents must be disclosed in a timely and accessible manner at the quality assurance stage (or other stages during project implementation).

- **For all projects with a "moderate" climate risk classification**, a basic climate risk analysis must be conducted during the project design stage and included in the SECAP review note. Adaptation and mitigation measures must be mainstreamed into the project design and project design report.

- **For all projects with "high" climate risk classification**, an in-depth climate risk analysis must be conducted during project design and adaptation, and risk-mitigation measures must be mainstreamed into the project design and project design report.

- **For all projects with a "moderate" climate risk classification**, a basic climate risk analysis must be conducted during the project design stage and included in the SECAP review note. Adaptation and mitigation measures must be mainstreamed into the project design and project design report.

- **For all projects with "high" climate risk classification**, an in-depth climate risk analysis must be conducted during project design and adaptation, and risk-mitigation measures must be mainstreamed into the project design and project design report.

- **All projects entering the pipeline** are subject to an environmental, social and climate risk screening, and are assigned a risk category for environment and social standards (A, B, C) and for climate vulnerability (high, moderate, low) These findings, along with subsequent analysis and assessments, must be reflected in the project's SECAP review note. Projects with environment and social category "C" and climate risk "low" do not require any further analysis.

In line with good practice, SECAP ensures early consultation with communities and stakeholders that must be maintained throughout the life of the project, especially in high-risk projects.

Environmental Setting

Ethiopia is a landlocked country situated between 30 N and 150 N latitudes and 330 E and 480 E longitudes with a land mass of 1.13 million km^2. It has a diverse topography ranging from 110 m below sea level in the Danakil depression in Afar Region to the Ras Dashen peak at 4,620 m high in the Simien highlands of North Gonder in Amhara Region.

Climate: The highlands generally have a temperate climate and cover about 50% of the total land area. The rest of the land is arid or semiarid. The highlands are the home of nearly 90% of Ethiopia's population that supports 75% of the national livestock herd; and, this account for 95% of the area under cultivation. More than 95% of agricultural production is based on dry-land farming and only 1.7% of the land classified as "arable land" is under permanent cultivation by the help of irrigation. Rainfall varies throughout the country, not only spatially but also temporally. Some areas of the south western highlands experience rainfall for most of the year (March to October), while rainfall in most of the rest of the country is during the main rainy season (Kiremt - July to September) and also during the short rains (Belg – March to May). Mean annual precipitation ranges from more than 2,200 mm in the south western highlands to less than 200 mm in the east and south east lowlands. Variation in temperature is mostly due to variation in elevation.

Population: Ethiopia is the second most populous country in Sub-Saharan Africa (SSA) with over 110 million people and a population growth rate of around 2.7% per year. Women account for about 48% of the population. Approximately 20% of households are headed by women. Almost 50% of the population is under 20 years of age. 85% of the population lives in rural area and solely they are dependent on subsistence agriculture.

Agriculture is the mainstay of the economy accounting for about 42% of GDP, employing 80% of the labor force, and contributing about 90% of export earnings. Smallholder farmers account for about 96% of total agricultural production. Agriculture is dominated by a rain-fed (95%) with low-input and low-output subsistence farming system. Low agricultural productivity can be attributed, *inter alia,* due to severe land degradation, poor farming practices, de-forestation causing severe erosion, population pressure (human and livestock), perceived insecurity of land tenure, and variable rainfall.

Agricultural landscapes are critical sources of ecosystem services required by people. Within a watershed, people living upstream and downstream are interdependent on resources such as water. In their efforts to secure their livelihoods, farmers may mine soils, leading to declined productivity, soil erosion, and increased greenhouse gases. The deteriorating resource base ultimately push farmers into poverty. Water continues to be a critical basic resource for improved productivity. Soils can contain water and are a main buffer against drought and floods and also climatic change through sequestration of atmospheric carbon. Soil and groundwater are natural reservoirs that hold more water than all existing or conceivable man-made reservoirs. Good husbandry of soil, water and crops (soil and water conservation measures), enhances agricultural productivity, increases groundwater recharge and base flows in streams.

Most of the country is increasingly affected by over-cultivation/over-grazing and improper conversion of forests, woodlands and rangelands to farmland, rapid urbanization, excessive exploitation of fuel wood resources and land degradation. Environmental issues in Ethiopia include deforestation, soil erosion, desertification, water shortage and degraded water quality, poaching, and domestic and industrial pollution. Water resources are under pressure from agricultural chemicals and urban and industrial wastes. Water-quality problems in lakes, including water hyacinth infestation in Lake Tana and lakes in the Rift Valley for example, have contributed to a substantial decline in fishing output and endangered fish species. Output from forestry also has declined because of resource degradation and over-exploitation. Overexploitation in the past three decades has reduced the country's timber resources by one-half. At present, only 2 per cent of the land remains forested, and an estimated 50 square kilometers of forest are lost each year. This loss of forest aggravates erosion, the silting of dams and flooding, and the loss of biodiversity.

Consultation with Stakeholders and Communities

The Team of experts assigned to prepare the project design report made field visit to SNNPR and Amhara Region and have carried out consultation and discussion with relevant stakeholders and beneficiaries. The field visit was conducted from 4 to 1o March 2019. In the course of the consultation process, objective of the project including likely positive and negative impacts and mitigation measures to minimize impacts been discussed with stakeholders and beneficiaries.

The study team made Consultation with the key stakeholders beneficiaries at the national, regional, and Woreda levels. Consultation was made with DBE, AEMFI and FCA at the federal level. At the regional level consultation was made with AEMFI, Amhara Regional Cooperative Agency, ACSI, RUSSACO of Soser RUSSACO Union, Reb RUSACCOS Union and with the project beneficiaries at Addis Zemen Town and with Soser RUSSACO Union at Dangla Town in Amhara region as well as with the SNNPR Cooperative Agency, SIDAMA CHALAL RUSSACO Union and SIDAMA MFI at the regional level.

During the consultation the issue that was repeatedly raised by the officials and beneficiaries in the two regions is lack of adequate finance to further expand and diversify the businesses and requested the team to allocate more funds in RUPIF III to meet their needs.

Project Impacts

Project impact will not arise from the subcomponents of the project itself but from the project activities funded by RUFIP III such as for example, livestock and agricultural production (small scale irrigation) dairy production and processing, livestock rearing and fattening and food crop production. Summary of Impacts and proposed mitigation measures are shown in table 1.

Table 1Summary of impacts and proposed mitigation measures

Impacts	Proposed Mitigation Measures
Socio-economic Impacts	
Health Impact due Malaria Intensification	▪ Avoid mosquito breeding sites by draining ponds and standing waters; ▪ Wear clothing such as long-sleeved shirts and pants when working outdoors; ▪ Spraying clothing with repellents containing permethrin; ▪ Use impregnated mosquito net during night;
Power shortage due to Establishment of small agro-processing plants.	▪ The local administration should plan in advance to get additional power that will adequately meet power demand of the agro processing plants and the communities.
Impacts due to misuse of Fertilizers and Pesticides.	▪ Provide Training to farmers on proper application and storage of agrochemicals.
Impact on air quality due to poultry, animal rearing and fattening.	▪ Clean animal wastes and remove feed remnants regularly; ▪ Remove dead animals and dispose them promptly; ▪ Avoid excess moisture in stacking sheds since excess moisture increases the amount of odor generated due to anaerobic decomposition.
Problem of over grazing to increase in animal population.	▪ Avoid grazing too early so that there will be enough grass in the dry season; ▪ Monitor rainfall pattern and growth of pasture.
Occupational health and safety and Child labour	▪ Make available and enhance proper use of Personal Protective Equipments (PPEs) by the project beneficiaries, contractors and laborers who are engaged in the construction, installation and operation and maintenance of the proposed project activities and regularly monitor at all phases of the project. ▪ Respect laws pertinent to child labor of the country.
Impact on Cultural Heritage	▪ Due attention should be given to the preservation of cultural heritage during screening of the project activities in consultation with relevant institutions;

Impacts	Proposed Mitigation Measures
	▪ In the case of chance finds, the contractors need to immediately inform the office responsible for cultural heritage.
Land Expropriation	▪ Prepare Resettlement Action Plan (RAP) and pay appropriate compensation to the project affected population.
Social Conflicts	▪ Encourage and consider the employment of local labor for semi-skilled and unskilled people including women and also ensure that criteria is set to give priority to poor family head households.
Impact due to lack of consultation with the community.	▪ Create awareness among the communities on the benefits, adverse effects and their roles to minimize impacts and sustainably manage project.
Impact on the biophysical environment	
Ground water pollution due to misuse of chemical fertilizers and Pesticides.	▪ Create awareness among the farmers on the health effects of these inputs when misuse occurs and encourage use of manure (organic fertilizer) and also apply integrated pesticide management to fight pests.
Soil Erosion due to expansion of agricultural activities to marginal land and steep slopes.	▪ Steep slopes or erodible soils can be alternatively used for forage production or grazing and steeply sloped lands under cultivation can be converted to perennial plantation to minimize soil erosion; ▪ Wooded areas with poor soils and steep slopes should be left in their natural state.
Loss of soil fertility.	▪ Provide training to farmers on how soil fertility can be maintained by changing cropping pattern, growing nitrogen-fixing crops and composting of crop residues.
Excessive exploitation of ground water due to irrigation activities	▪ Avoid over pumping of ground water beyond recharge-discharge balance of the catchment areas.
Shortage in animal fodder and overgrazing.	▪ Avoid grazing too early so that there will be enough grass in the dry season and monitor rainfall pattern and growth of pasture.
Deforestation due to expansion of agricultural land	▪ Sensitize and inform farmers on the benefits of conserving forest to maintain balance of the ecosystem.
Impact due to the lack of proper waste management of agricultural residues.	▪ Properly collect, transport and dispose such wastes on a site designated for this purpose.
Climate change induced impacts and shocks.	▪ Rehabilitation of degraded lands by introducing soil and water conservation techniques such as terracing, tree planting and others.
Impact on Biodiversity.	▪ Avoid cutting of indigenous trees and preserve tree species

Impacts	Proposed Mitigation Measures
	of biodiversity importance.
Cumulative impacts of the Project	▪ Mitigation of the impacts of individual businesses supported by RUFIP III and of other development activities that are currently operating in the project area.

Project implementation Arrangement

The environmental and social management process during implementation of RUFIP III starts with the project activity planning and demand creation process. This include identification of project activities based on beneficiaries' demands and subsequent technical support and advice received from MFIs to prepare their proposal and loan request application documents to be benefited from RUFIP III. Based on the type and scale of project activities selected by the beneficiaries, loan applications/proposals will be submitted to DBE for approval. The DBE and MFI with the support from regional and Woreda offices, if required will conduct desk appraisal on the proposal/request loan document, prior to commencing the loan eligibility and screening against the national environmental regulations and IFAD safeguard policies.

The screening process will be carried out against the pre-set criteria for eligibility of the project activities and environmental and social safeguards compliance by staffs/team of experts from DBE at national level and from MFI Branch offices at regional and Woreda level using the screening checklist (Refer annex 2.2). Once DBE and MFI have completed the initial screening process, the safeguards officers will verify the screening process. The loan request proposal and screening reports will be complied and send to the environmental offices for further review and approval.

DBE will also review the plan of activities and screening results from MFIs and provide decisions if any design modifications or additional safeguards instruments are required. If program activities of any significant environmental concerns are included, then the plan document will be directed to the attention of the DBE or MFIs. The final clearance and approval of the plan document will be referred to the respective institutions with all the enclosed environmental and social screening documents and final decision reports.

As stated above various institutions have responsibilities to manage and complete the overall process of environmental management and implementation of the ESMF. In this regard, DBE, Regional and Woreda bureaus and offices, Regional and Woreda Environmental offices, Woreda administrations, other relevant line ministries are major actors for the implementations of the proposed programme in an environmentally sustainable way. Duties and responsibilities of various institutions to implement the ESMF prepared for RUFIP III s have been discussed in detail the main body of this report.

One of the key elements in the framework is the importance of the development and implementation of cost effective and accessible grievance handling mechanism. Grievances from the beneficiaries will be actively managed and tracked to ensure that the right actions are taken in an appropriate and timely manner, with corrective actions being implemented and the complaints handled as early as possible to address specific concerns raised by the project-affected persons.

The ESMF also outlines that the successful implementation of the project activities will require dynamic and multi-disciplinary professionals. Therefore, regular short and tailor made training courses and workshops will be required to reinforce the capacity and skills of the direct implementers, stakeholders and beneficiaries during the entire project cycle. The existing capacity of the implementing institutions, particularly DBE, MFI, and sector ministries to implement the ESMF and other environmental and social safeguard instruments also require assistance to independently carry out screening and appraisal on the proposed project activities and supervise the implementation of the Environmental and Social Management Plan (ESMP) that are included in the ESMF.

Capacity building and technical assistance to all relevant implementing agents at the national, regional and Woreda levels is needed to fill the capacity gaps to implement RUFIP III. The capacity building needs to properly implement the ESMF of RUFIP III is discussed in chapter 12 in detail.

Disclosure of documentation

The IFAD policy on the disclosure of documents, approved in 2010, adopted the principle of "presumption of full disclosure" The sharing of draft and final ESIAs and other relevant documents with programme and project stakeholders and interested parties will be subject to the above-mentioned principle. As such, the documents will be disclosed, when available, in a timely manner prior to project appraisal at the quality assurance stage on IFAD's website and in an accessible place in the programme or project-affected area, in a form and language understandable to project-affected parties and other stakeholders, for the purposes of keeping them informed and obtaining their meaningful feedback. Comments on SECAP related disclosed documents can be submitted through the SECAP Help Desk email using: ecd_secap@ifad.org.

Grievance and redress mechanism

IFAD has established a complaints procedure to receive and facilitate resolution of concerns and complaints with respect to alleged non-compliance of its environmental and social policies and the mandatory aspects of its Social, Environmental and Climate Assessment Procedures in the context of IFAD-supported projects. The procedure allows affected complainants to have their concerns resolved in a fair and timely manner through an independent process. IFAD may be contacted by e-mail at SECAPcomplaints@ifad.org or via its website In addition, IFAD will require the borrower to provide an easily accessible grievance mechanism, process or procedure to facilitate resolution of concerns and grievances of project-affected parties arising in connection with the project (on a case-by-case basis for projects that pose special risks). Grievance redress will use existing formal and informal grievance mechanisms, strengthened or supplemented as needed with project-specific arrangements, and will be proportionate to the risks and impacts of the project. Although IFAD normally addresses risks primarily through its quality enhancement/quality assurance process and by means of project implementation support, it remains committed to: (i) working proactively with the affected parties to resolve complaints; (ii) ensuring that the complaints procedure and project-level grievance mechanism are easily accessible to affected persons, and (iii) maintaining records of all complaints and their resolutions.

ESMF Implementation budget

The budget earmarked to implement ESMF is about 540,000 US$. This includes training on various topics, annual review and end-program-evaluation of the impacts of the ESMF by a consultant. Apart from the allocation of money, integration and coordination of various actors both at federal, regional and Woreda levels has of paramount importance for the successful realization of the proposed project activities.

1. Introduction

1.1 Background

IFAD has been engaging the rural financial institutions that provide financial services to the poor and marginalized people through the Rural Financial Intermediation Programme (RUFIP) I and II since 2003. More than seven million people are estimated to have accessed savings and credit products as a result of these interventions. The poverty levels in Ethiopia declined from 38.7% in 2005 to 23.5% in 2016 as a result of RUFIP I and II and other similar interventions. Significant proportions of these people are emerging out of the poverty trap and have been able to do so with increased financial access to improve their livelihoods.

However, close to 35 million rural adults do not have access to loans from financial institutions. RUFIP III will seek to strengthen livelihoods of the poor, enabling them to attain higher income and assets that will improve their quality of life. RUFIP III will strive to capacitate about 12 million clients by managing risks through financial and non-financial measures, including savings, credit, insurance, peer support mechanisms and financial literacy. RUFIP III will ensure that fledgling Rural Savings and Credit Cooperatives (RUSACCOs) and their unions get merited attention and rise to their full potential and respond to members' needs. The building of Micro Finance Institutions (MFIs) and financial cooperatives in to sustainable institutions that their clients can rely on will be a core outcome that will be targeted. RUFIP III aims to address the constraints in availability of and access to financial services to poor households and marginalized areas.

The proposed RUFIP III is expected to contribute and scale up achievements and lessons learned from the two previous phases of the programme in order to increase outreach and results in rural poverty reduction among the targeted rural households. Design considerations will be given to such issues as improving financial literacy, youth unemployment, making rural finance institutions more robust, contribution to inclusive rural transformation, capacity requirements at different government institutional levels and programme management. Opportunities to link or coordinate with other IFAD and other development partners' interventions will also be explored.

1.2 Objective of the Proposed Programme

RUFIP III will seek to strengthen livelihoods of rural poor, enabling them to attain higher income and assets required to improve the quality of life. The proposed programme will strive to capacitate about 13.5 million clients[1] of RFIs (of which 6.5 million would be new entrants) in improving their livelihoods and managing risks through financial and non-financial measures, including savings, credit and insurance. RUFIP III will address the constraints in availability of and access to financial services to poor households and marginalized areas; adopt programmatic approach that builds on positive past experiences; introduce innovations, consolidate and scale up achievements and lessons learned so far. The overall goal of RUFIP III is improved livelihoods and reduced vulnerability and poverty through increased incomes and better ability to manage risks at household level. The objective of the programme is to increase access to a range of financial products and services to rural households through sustainable rural financial institutions.

[1]

RUFIP III will directly contribute to achievement of the **COSOP (2017-21)** Strategic Objective 1 (SO1), enhanced resilience and productivity of ecosystems and livelihoods through the provision of sustainable financial services and Strategic Objective 2 (SO2), improved market linkage and access to finance and technology, through its focus on rural and agricultural finance and the associated asset build up, income improvements and better and continuous market integration. It is also aligned with the **IFAD Strategic Framework (2016-2025)**. RUFIP III is aligned to IFAD mainstreaming priorities relating to youth, women and pastoralists and also contributes to developing partnerships with public and private sector entities. RUFIP III will support achievement of three Sustainable Development Goals (SDG).

RUFIP III will be achieved through a nationwide network of more than 11,000 RUSACCOs and their secondary structure (the Unions), and 38 MFIs that currently focus on rural communities. Improved access to finance will also be available to beneficiaries of other IFAD funded projects such as PASIDP and LLRP in order to enhance the overall impact of IFAD portfolio in Ethiopia. The programme will support eligible rural financial institutions (RFIs) to bridge their liquidity gaps through a credit fund; strengthen them through consolidation of the RUSACCO sector and to enhance their institutional capacity for delivery of financial services through capacity building activities; explore setting up a guarantee fund that would attract commercial banks and financial institutions to provide resources to RFIs, initiate marketing of rural client friendly insurance products through the RFIs, continue to support ongoing automation of RFI's MIS systems; and strengthen the regulatory and supervisory capacity of regulators, National Bank of Ethiopia (NBE) and the Federal Cooperative Agency (FCA).

The key **impacts** envisaged include reduced poverty and better ability to cope with vulnerability arising from shocks. The programme should lead to: (i) strong rural financial institutions that offer financial services to vulnerable people; (ii) Wider offer of services and products responsive to customer needs; iii) diversified and expanded business in RFIs; and, (iv) Effective Financial inclusion for marginalised people and regions.

RUFIP III is expected to scale up achievements and lessons learned from RUFIP I and II. It will reduce poverty levels through strengthening of livelihoods of the poor and reducing vulnerabilities by making the rural people resilient to shocks by increasing access to a range of financial products and services to rural households.

1.3 Objective of the ESMF

This environmental and social management framework (ESMF) defines the steps, processes and procedures for screening, scoping, assessment and monitoring to be undertaken during different phases of the programme. The framework is also designed to present a sample Environmental and Social Management Plan (ESMP), outlining the measures that will be taken to avoid the potential adverse environmental and social impacts, or if avoidance is not possible, to minimize/ mitigate them to acceptable levels. It contains measures and plans to enhance positive impacts, provisions for estimating the costs of such measures and identify the relevant institutions responsible for implementing and monitoring project impacts. In addition, it assesses capacity building needs to implement the ESMF.

Implementation of RUFIP III is expected to generate positive and negative environmental and social impacts on biophysical and social environment. To manage environmental and social issues and climate risks of the project, it is essential to prepare the pertinent environmental and social safeguards instruments, including this ESMF.

The ESMF will help to establish a mechanism to systematically identify, predict, evaluate, and manage beneficial and adverse environmental and social impacts of the project, designing enhancement measures for beneficial impacts, and recommend and implement mitigating measures for adverse impacts. The sites where specific project activities will be implemented are not yet clear at this stage and their impacts cannot be determined until planning begins in collaboration with beneficiaries at the grass root level.

The specific objectives of ESMF include the following:

- To develop/establish clear procedures and tools (including checklists, guidelines) for environmental and social impacts assessment, review, approval, implementation and monitoring of project activities to be financed under the Program interventions;
- To specify appropriate roles and responsibilities of various institutions/actors in different tiers, and outline reporting procedures and mechanisms for managing and monitoring environmental and social concerns related to the programme
- To prepare an ESMP which, among others, constitutes the specific likely negative impacts, mitigation measures along with indicators to be monitored, specific responsible institutions and the required budget;
- To determine the capacity building components (including training and technical assistance) for the successful realization of the provisions stated in the ESMF; and
- To indicate implementation strategies of the major issues outlined in the ESMF and ESMP.

1.4 Study Methodology

The ESMF has been prepared in accordance with applicable National policies and IFAD's Social, Environment and Climate Assessment Procedures (SECAP). The task has been conducted by using both primary and secondary sources. The methodologies adopted for the preparation of this ESMF include literature review; consultations and focal group discussions with key institutions, stakeholders and beneficiaries; and site visits. An account of the existing biophysical and social environment conditions were assembled and discussed under the baseline information section of this ESMF and used in the impact assessment of the proposed project activities.

Literature Review

Review on the existing baseline information and relevant literatures were undertaken that helps in obtaining further and deeper understanding of the proposed programme. A desk review of the national policies and legal framework and IFAD's SECAP was conducted. Among the documents that were reviewed were ESMF documents prepared for similar projects and final supervision report of RUFIP II 2018.

Review on the existing baseline information and relevant literature materials were undertaken that helps to obtain further and deeper understanding of the proposed programs. A desk review of the national policies and legal framework and IFAD environmental and social safeguards policies and procedures were also reviewed to get relevant information. Among the documents that were reviewed include Constitution of the Federal Democratic Republic of Ethiopia, Environmental Policy of

Ethiopia, Environmental Impact Assessment Proclamation (FDRE 2002), Environmental Pollution Control Proclamation (FDRE 2002), Proclamation to Provide for the Expropriation of Land Holdings for Public Purposes and Payment of Compensation (FDRE,2005), Ethiopia's Climate-Resilient Green Economy Strategy(FDRE,2011), Growth and Transformation Plan(National Planning Commission (December 2015), and the SCAP of IFAD.

Field visit

The RUFIP III design mission to which the ESMF consultant was a member was fielded to the project areas from 25 February till 15 March 2019. The mission met different organizations, stakeholders in Addis Ababa and have made field visit to Amhara and SNNPR regions. During the field visits the mission interacted with four MFIs, two cooperative unions and three RUSACCOs. In addition the mission held meetings with eight MFIs and had extensive discussions with Development Bank of Ethiopia (DBE), National Bank of Ethiopia (NBE), Federal Cooperatives Association (FCA), Association of Ethiopian Micro Finance Institutions (AEMFI) and the World Bank. The mission team members shared their preliminary findings in a meeting on 15 March 2019 with DBE and implementing partners of RUFIP II. The field mission enabled the study team to understand the environmental and social settings of the proposed project area and identify some of the existing conditions and gaps during the implementation of RUFIP I and II.

Stakeholder Consultations

A series of stakeholder consultations have been carried out with key resource persons, beneficiaries, institutions at the national, regional, and local levels. The discussions were facilitated by the programme coordinator of DBE. Discussions have also been made with officials and farmer beneficiaries of Hawassa Zuria Woreda of the SNNPR and Addis Zemen Woreda office of the Amhara region. The project beneficiaries that participated in the discussions were farmers who are and have been obtaining credit from RUFIP I and II.

The list of institutions consulted during the field work is provided in Annex 11. During consultations and focus group discussions, the major objectives of the project were explained by the study team and various issues including the likely positive and negative impacts and the respective mitigation measures have been raised and discussed by the stakeholders/beneficiaries.

Questionnaire was also distributed by AEMFI to the MFIs to gather information on climate related shocks in the proposed programme areas and four MFIs replied to the questionnaire. The MFIs in their response identified areas and trends in the rates of clients defaulting during the time of climate related shocks, measures taken by institutions to maintain the loan portfolio and specific requests made by the client during climate related shocks. Refer to Annex 12 for the details of their responses to the questions raised during the interview.

2. Project Description

2.1 Review of RUFIP II

During RUFIP II, the focus was on strengthening of MFIs, building and improving the rural financial cooperatives (RUSACCOs) and their unions, capacity building of staff of FCA, NBE and others. These capacity building and institution building interventions were accompanied a credit line for providing loan funds for Rural Financial Institutions, helping them to offer credit products to customers. RUFIP II is estimated to have successfully reached more than 8 million clients, mostly first time users of formal financial services. The studies carried out from time to time and the field mission interactions reveal that a significant proportion of the clients have come out of poverty and generate viable incomes. The study carried out by Peace Microfinance brought out that apart from livelihood improvement, there were significant social payoffs arising from RUFIP II. Two studies conducted on RUFIP II in 2017 indicated there is income and asset gains besides improving the quality of life of the project beneficiaries'. But there are some continuing challenges. The challenges that were raised during the consultation meetings with RUSSACOs, MFIs and the beneficiaries include gaps in funding projects activities, the absence of monitoring system and data base of IFAD projects, the need for co-financing to fill the gaps, means of handling drought and climate change shocks, means of filling the liquidity gap, availability of insurance to reduce shock during death, payment extension or exemptions during drought, loan loss provision, synergy with ongoing projects by different institutions, frequency of drought, promotion of certain financial products for diversifying business to improve livelihood and promoting saving as risk mitigation.

During the consultation meetings issues such as gaps in funding projects activities, the absence of monitoring system and data base of IFAD projects, the need of co-financing, synergy with ongoing projects by different institutions, means of filling the liquidity gap were raised by the RUSSACOs and MFIs whereas the availability of insurance to reduce shock during death, payment extension or exemptions during drought and loan loss provision was raised by the project beneficiaries. To fill the financial gaps it was proposed to create synergy and cooperation with other institutions such as the World Bank for co-financing some of the project activities relevant to their mandate. Despite the considerable gender disparity in financial institution outreach in the country, RUFIP II has enabled both women and men to participate in the programme and benefit from the incremental credit. Of the 5.7 million households that RUFIP II has supported in outreach, 45% are females and 55% males.

RUFIP II enhanced increase in climate resilience as it enables households to engage in adaptive interventions. Linkages have been developed between RUFIP II and other IFAD-funded initiatives promoting micro- insurance innovations, with the objective to increase resilience, strengthen capacity to manage risks and improve the livelihoods of poor rural households who depend on off-farm and on-farm income.

The support given to RUFIP II clients by Development Agents who have been trained in natural resource management contributed to the moderate improvement in the environment and the natural resources of the project target areas. RUFIP II clients who are mostly farmers are generally aware of natural resource management.

2.2 Description of RUFIP III

2.2.1 Project objectives, geographic area and target groups

RUFIP III will seek to strengthen livelihoods of rural poor, enabling them to attain higher income and assets required to improve the quality of life. The proposed programme will strive to capacitate about 13.5 million clients of RFIs (of which 6.5 million would be new entrants) in improving their livelihoods and managing risks through financial and non-financial measures, including savings, credit and insurance. RUFIP III will address the constraints in availability of and access to financial services to poor households and marginalized areas; adopt programmatic approach that builds on positive past experiences; introduce innovations, consolidate and scale up achievements and lessons learned so far. The overall goal of RUFIP III is improved livelihoods and reduced vulnerability and poverty through increased incomes and better ability to manage risks at household level. The objective of the programme is to increase access to a range of financial products and services to rural households through sustainable rural financial institutions.

RUFIP III will directly contribute to achievement of the **COSOP (2017-21)** Strategic Objective 1 (SO1), enhanced resilience and productivity of ecosystems and livelihoods through the provision of sustainable financial services and Strategic Objective 2 (SO2), improved market linkage and access to finance and technology, through its focus on rural and agricultural finance and the associated asset build up, income improvements and better and continuous market integration. It is also aligned with the **IFAD Strategic Framework (2016-2025)**. RUFIP III is aligned to IFAD mainstreaming priorities relating to youth, women and pastoralists and also contributes to developing partnerships with public and private sector entities. RUFIP III will support achievement of three (3) Sustainable Development Goals (SDG) as explained in Para 4.

RUFIP III will be achieved through a nationwide network of more than 11,000 RUSACCOs and their secondary structure (the Unions), and 38 MFIs that currently focus on rural communities. Improved access to finance will also be available to beneficiaries of other IFAD funded projects such as PASIDP and LLRP in order to enhance the overall impact of IFAD portfolio in Ethiopia. The programme will support eligible rural financial institutions (RFIs) to bridge their liquidity gaps through a credit fund; strengthen them through consolidation of the RUSACCO sector and to enhance their institutional capacity for delivery of financial services through capacity building activities; explore setting up a guarantee fund that would attract commercial banks and financial institutions to provide resources to RFIs, initiate marketing of rural client friendly insurance products through the RFIs, continue to support ongoing automation of RFI's MIS systems; and strengthen the regulatory and supervisory capacity of regulators, National Bank of Ethiopia (NBE) and the Federal Cooperative Agency (FCA).

The key impacts envisaged include reduced poverty and better ability to cope with vulnerability arising from shocks. The programme should lead to: (i) strong rural financial institutions that offer financial services to vulnerable people; (ii) Wider offer of services and products responsive to customer needs; iii) diversified and expanded business in RFIs; and, (iv) Effective Financial inclusion for marginalised people and regions.

In terms of **geographic coverage**, RUFIP III will continue to be a nationwide initiative with increased focus on marginalized areas (drought prone areas, pastoral areas and areas with low penetration of financial services) and achieve goals of GTPII and the national financial inclusion strategy.

The proposed **target group** consists of 13.5 million rural people (about 6.5 million would be new clients, 50% will be women and 10% youth) with financial services requirements for asset build up and productive utilization of loans for agricultural development and other rural enterprises, especially youth-led and women-led enterprises. People in marginalized areas would be served through savings, credit and insurance products. Beneficiaries of other IFAD supported investment projects – PASDIP II, PCDP III, and LLRP – will be targeted as well. RUFIP III also aims to facilitate access to finance by rural communities in programmes and projects financed by other development partners where technical capacities are being built among rural communities for improving livelihoods and enhancing economic performance.

RUFIP III **target groups can be classified** as very poor and poor (subsistence households, living below the poverty and food poverty line and being often food insecure and vulnerable), transitory poor (households producing a surplus for marketing, being food secure but at risk from economic or climate shocks) and better off (commercially oriented households with secure livelihoods is and able to cope with shocks). RUFIP III estimates to target about 3.25 Million clients from very poor and poor households 7 Million transitory poor households and 3.25 million better off clients. Thus, 75% of RUFIP direct benefits are expected to reach the poorest and most vulnerable groups and regions in Ethiopia.

Targeting and social inclusion strategy: While RUFIP II had a self- targeting approach driven by the RFIs, RUFIP III will apply a combination of self-targeting and direct targeting approach. While client enrolment decisions are left to the RFI, they will be capacitated and incentivised (through resources access criteria) to focus on the most vulnerable and marginalized groups. RFIs will be required to track and report coverage of clients of different categories as defined in the targeting strategy. Some of the capacity building interventions and line of credit (LOC) will be utilized for incentivizing RFIs to implement the programme's targeting strategy. A key requirement for RFIs will be the preparation of a strategy for meeting targeting priorities relating to poor segments, gender, youth and marginalized areas with the help of baseline data. This plan will be integrated in to the AWPB targets. Asdetailed in the PIM, the mobilization process will be conducted in close collaboration with Unions/FCA as well as MFIs. RUFIP III team and Region/Woreda Promotion agents will work together to bring about the inclusion of vulnerable households.

Targeting criteria: To ensure that project services will serve the intended households, the targeting and social inclusion strategy will prioritize drought prone areas where majority of poor are concentrated and where smallholder farmers are highly affected by climate shocks. These will be identified, among others, through the presence of safety net programmes (i.e. PSNP 4) where communities are supported to develop alternative income generating activities (IGA) and savings through RUSACCOs. In addition, the available statistics on poverty and malnutrition levels across Woredas and Kebeles will inform the geographic targeting and the selection of priority areas/communities.

Improving nutrition among food insecure households: The project recognizes that access to finance is a key element that can play an important role in alleviating malnutrition if it is accompanied by awareness creation. Limited nutrition knowledge among beneficiaries may prevent RUFIP III target groups to translate increased production and income as a result of access to finance into improved diets. The project will contribute to improved nutrition by promoting awareness at community level, through nutrition education and demonstrations, with special focus in areas where higher food vulnerability is registered due to negative environmental effects (i.e. drought).

The Gender Mainstreaming Strategy will consider scaling up of best practices which have been effective for women and youth inclusion and outreach, as well as promotion of suitable products for them. RUFIP I and II have demonstrated experiences on outreach of women and data disaggregation: they account cumulatively for 46% RUSACCO members, whose board of directors include 40% women representatives (exceeding the minimum required at 30%) and 44% of MFIs clients. RUFIP III will require implementing partners to reach a level of at least 50% women clients and in RuSACCO boards. The performance of RFIs' in gender coverage will be tracked.

The youth mainstreaming strategy recognizes the relevance to scale up successful interventions and results such as the UNCDF supported Youth Start (YS) programme. It constitutes a source of evidence-based achievements for increased growth rate of youth clients (up to 70%) and good practices and training modules to be taken up for replication regarding young men and women access to finance. RUFIP III will consider the existing surveys as well as methodologies/training modules developed with support of YS programme and Women's World Banking (WWB), to be adapted to the different regional contexts and trainings for MFIs/FCAs staff at all levels. This intervention is expected to expand finance education among youth, catalyse the growth of young clientele of RFIs and enhance investment in viable enterprises.

2.2.2 Components/outcomes and activities

Description of Components and Activities

RUFIP III is a national sector-wide investment that has been carefully conceptualized and enhanced through subsequent stages of formulation and appraisal and it seeks synergy and complementarities with the country's national development policy in general and poverty reduction strategies in particular as well as and with other donors' initiatives working on similar projects. The programme is prepared in line with IFAD's comparative advantage that focuses on 'enabling poor rural people to access the assets, services and opportunities they need to overcome poverty'

The proposed Programme will be implemented over a 6-year period and consist of four components: (i) Building capacity of institutions and clients; (ii) Improving regulation, supervision and institutional discipline (iii) Facilitating funds flow and diversification of RFI business, and (iv) Programme Management.

Component 1: Building capacity of institutions and clients

Component 1 focuses on building the capacity of RFIs (RUSACCOs and MFIs) and more importantly their clients. The objectives of this component are to enhance financial literacy among the rural population to enhance uptake of financial products and to strengthen the institutional capacity of RFIs to better serve the target groups. The anticipated outcome is an operationally sustainable network of MFIs and RUSSACOs to serve poor.

Training in financial literacy in more remote Woredas of the country is of critical importance. Client capacity to use financial products and services will be built up through structured courses, and delivered by the RFIs. Greater financial literacy, combined with wider institutional presence, will increase membership in RFIs, enhance uptake of financial products and services, strengthen client relationship and improve consumer protection. IFAD's experience with promoting financial literacy trainings of immediate use to low income rural people will be drawn upon from IFAD-supported SACCO development programmes in Uganda and other countries in the region. Client training will

also consider investment aspects, especially for youths to enhance their ability to invest in productive enterprises. The IFAD financed trainings will be embedded in the annual training calendars of MFIs and RUSACCOs and will utilize training materials developed under RUFIP II.

The technical and operational capacities of the RFIs would be strengthened through training and exposure to good practices/institutions. High level training courses would be carried out for senior management of RFIs with involvement of AEMFI and other competent service providers. Training of trainers from the RFIs would be carried out on key operational aspects which would then be used by RFIs to train mid and junior level staff. Training on supervisory and regulatory subjects specified by the regulators (NBE and FCA) would be provided from time to time to address emerging needs. RFIs will be supported for improved internal systems and processes, higher levels of information technology adoption, introduction new products, services and financial sector partnerships. Some of the IT adoption related work that commenced during RUFIP II (Enabling RFIs to acquire IT systems and customized software) would be continued and brought to a fruitful conclusion.

Component 2: Improving regulation, supervision and institutional discipline. This component will deal with regulatory capacities for ensuring best performance outputs from RFIs and improved client protection. The objective of this component is to strengthen the capacities of National Bank of Ethiopia and the FCA in their mandates to supervise and regulate MFIs and RUSSACCOs (and their Unions), respectively in a manner that improves client confidence in financial services and affords protection from risks and losses in use of RFIs' services. Regulatory and supervisory support under this component will directly enhance the operational sustainability of MFIs and RUSACCOs. With RUFIP support, NBE has implemented a number of measures to strengthen its supervision over MFIs, including capacity building of staff, development of policy framework, covering areas such as micro-insurance, and consolidation of MFI sector through mergers, acquisitions and liquidation, agent banking and leasing for rural areas. NBE will continue to be supported for policy development for RFIs, in aspects such as fit and proper criteria for diversification of business, governance, advanced risk management, customer protection and social performance practices. Need based support for improving MIS at NBE to enhance supervision rigor will continue.

FCA for RuSACCOs: The process of separating the legal, as well as regulatory and supervisory responsibilities between financial and non-financial cooperatives and setting up dedicated financial cooperatives regulation wing in FCA will be supported. A twinning arrangement as well as an IFAD-financed technical assistance has produced useful recommendations that will be the basis of a roadmap for orderly separation of these functions between financial and non-financial cooperatives. Supervision and regulation capacity of FCA will be developed further.

Component 3: Facilitating funds flow and diversification of business will support the RFIs in securing resources required to meet the credit demand. Apart from the line of credit from IFAD and EU, domestic funds from Government of Ethiopia, Development Bank of Ethiopia (DBE) and other commercial banks and financial institutions is envisaged. The objective of this component is to improve financial support mechanisms to meet the financial services requirement of IFAD target groups. The anticipated outcome is increased availability of lendable resources, capital and savings for MFIs and RUSSACOs benefitting from the line of credit. The proposed financial instruments consist of a **lending facility (Line of Credit -LOC)**, and non-lending credit enhancement mechanisms. RUFIP III would utilize a lending facility with a number of innovative features: (i) the lending ratio between the MFI and RUSACCO sector would be monitored regularly to equitably allocate resources between the RFIs; (ii) access to loan fund resources would be based on

performance and client targeting criteria so that different types of RFIs can avail of the LOC. (criteria proposed: such as size of the RFI, financial performance indicators, region/Woreda of operation, inclusion of target client base from among women, youth, etc.,) and (iii) coverage of clients from other partner projects. The criteria for availing funds from credit line will level the field for small and medium MFIs and prioritize the needs of pastoral and other underserved regions. RUSACCOs would have an adequate allocation of credit resources so that they can meet the needs of their members more effectively. Out of the LOC, an amount of $ 32.14 million would be utilized in financing MFIs and Unions in the PROSEAD catchment areas for undertaking AVCF activities. Out of the co-financing contribution of EIB, about $ 25 million would be utilised to develop and strengthen leasing portfolio for rural enterprises. The modalities of leasing will be worked out in detail before the start of the programme.

To attract interest of commercial banks and other financial institutions in funding of RFIs, a **guarantee fund** in collaboration with AGRA and other partner institutions is envisaged. The guarantee fund will make access to loan resources easy from commercial banks for small and medium MFIs, Cooperative Unions and also reduce the cost of borrowing. The guarantee fund would examine different alternatives for guaranteeing different instruments issued by RFIs and expand the range of possibilities.

In view of the multitude of different lines of credit currently in the market and also the need to put domestic support funds under a unified and professional management, stakeholders expressed the desire to IFAD for creating a more sustainable loan fund structure and use RUFIP III as an anchor and launch platform. To achieve this, RUFIP III will provide linkages and access to finance for clients of other development projects that need credit, savings or insurance products. The LOC will be used by RFIs for on-lending to clients of other projects for which linkage protocols will be in place.
In a bid to improve risk mitigation capacity of clients, initiatives on marketing of **rural insurance products** to the clients of RFIs will be taken. The MFIs and RUSACCO Unions would be linked to willing insurance companies to train their staff to market insurance products (life, health, crop, livestock, etc.) that are suitable to their clients. In collaboration with EU supported PROSEAD project, access to finance for farmers, primary cooperatives and Unions operating in the catchment areas of Agro Industrial Parks (AIP) promoted by the GoE will be supported.

Component 4: ***Programme Management****:* This component will support the management of the project implementation through Programme Steering Committee and Programme Coordination and Management Unit (PCMU) in DBE. The PCMU will be strengthened with appropriate expertise to address the technical needs of RUFIP III, such as expertise in social performance, customer protection and poverty tracking to fully reflect the focus of RUFIP III on poverty outcomes and also mainstreaming IFAD priorities. Based on experiences from RUFIP II's PCMU capacity on financial management, procurement, MIS and core banking system, as well as product development will be strengthened. The weaknesses in MIS and Monitoring and evaluation, information flow and quarterly reporting experienced during RUFIP II will also be addressed under RUFIP III, with appropriate training, staffing and systems. Given the two decades involvement in RUFIP by 2025, knowledge management will be a key part of programme management. The lessons would be documented in the form of cases, best practices and tools utilized and made available in public domain.

3. Relevant Policies, Legal and Administrative Framework

3.1 National Policy and Legal Frameworks

The effects of the proposed programme on the environment should be assessed in order to ensure that the programme is in harmony with the natural and socio-economic environment and also ensure sustainability of the resulting development. The following section provides a summary of IFAD's SECAP and the national policies, legislative frameworks, guidelines and standards relevant to the proposed programme.

3.1.1 The Constitution

The Constitution of the Federal Democratic Republic of Ethiopia was issued in August 1995 with several provisions, which provides basic and comprehensive principles and guidelines for environmental protection, and management in the country. The relevant articles and environmental provisions of the constitution among others are the following:

Article 35- Rights of Women

- The historical legacy of inequality and discrimination suffered by women in Ethiopia taken into account, women, in order to remedy this legacy, are entitled to affirmative measures. The purpose of such measures shall be to provide special attention to women so as to enable them to compete and participate on the basis of equality with men in political, social and economic life as well as in public and private institutions;
- Women have the right to full consultation in the formulation of national development policies, the designing and execution of projects, and particularly in the case of projects affecting the interests of women;
- Women have the right to acquire, administer, control, use and transfer property. In particular, they have equal rights with men with respect to use, transfer, administration and control of land. They shall also enjoy equal treatment in the inheritance of property; and,
- Women shall have a right to equality in employment, promotion, pay, and the transfer of pension entitlements.

Article 40- The Right to Property

- The right to ownership of rural and urban land, as well as of all natural resources, is exclusively vested to the State and in the peoples of Ethiopia. Land is a common property of the Nations, Nationalities and Peoples of Ethiopia and shall not be subject to sale or to other means of exchange.

Article 43- The Right to Development

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

Article 44- Environmental Rights

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

Article 90- Social Objectives

- To the extent the country's resources permit, policies shall aim to provide all Ethiopians access to public health and education, clean water, housing, food and social security; and,
- Education shall be provided in a manner that is free from any religious influence, political partisanship or cultural prejudices.

Article 92- Environmental Objectives

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

3.1.2 Relevant Policies

The following policies are relevant to RUFIP III since it will give policy guidance to prevent or mitigate environmental impacts of RUFIP III that may arise due to programme implementation.

(a) Environmental Policy of Ethiopia

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

The specific Policy objectives seek to, among others:

- Ensure that the benefits from the exploitation of non-renewable resources are extended as far into the future as can be managed, and minimize the negative impacts of their exploitation on the use and management of other natural resources and the environment;
- Incorporate the full economic, social and environmental costs and benefits of natural resource development into the planning, implementation and accounting processes by a comprehensive valuation of the environment and the services it provides, and by considering the social and environmental costs and benefits which cannot currently be measured in monetary terms;
- Prevent the pollution of land, air and water in the most cost-effective way so that the cost of effective preventive intervention would not exceed the benefits;
- Conserve, develop, sustainably manage and support Ethiopia's rich and diverse cultural heritage; and,
- Raise public awareness and promote understanding of the essential linkages between environment and development.

(b) Ethiopian Water Resources Management Policy

The overall goal of the Ethiopian Water Sector Policy is to enhance and promote all national efforts towards the efficient, equitable and optimum utilization of the available water resources of Ethiopia for

significant socio-economic development on sustainable basis. The objectives of Water Resources Policy are the following:

- Development of the water resources of the country for economic and social benefits of the people, on equitable and sustainable basis;
- Allocation and apportionment of water based on comprehensive and integrated plans and optimum allocation principles that incorporate efficiency of use, equity of access, and sustainability of the resource;
- Managing and combating drought as well as other associated slow on-set disasters through, inter-alia, efficient allocation, redistribution, transfer, storage and efficient use of water resources;
- Combating and regulating floods through sustainable mitigation, prevention, rehabilitation and other practical measures; and,
- Conserving, protecting and enhancing water resources and the overall aquatic environment on sustainable basis.

(c) National Health Policy

Ethiopia has a low level of health coverage even in comparison with other Sub-Saharan countries. This is largely related to low levels of income and widespread poverty, low levels of education, nutritional deficiencies, poor environmental conditions, and inadequate access to health services. The Government has therefore assigned a very high priority to significantly improve health care and, in 1998, issued a health policy.

(d) Land Tenure Policy

The Constitution of the Federal Democratic Republic of Ethiopia (FDRE) states that the right to ownership of rural and urban land, as well as all natural resources, is exclusively vested in the State and People of Ethiopia. Article 40 of the Constitution indicates that land is a common property of the Nations, Nationalities and the People of Ethiopia, and shall not be subjected to sale or to other means of transfer. The Land Tenure Policy of Ethiopia strongly supports the principle that project plans must include attractive and sustainable resettlement strategies to the people who are going to be displaced as a result of the development plan, and they have to be fully convinced, compensated and have been able to participate in all phases of the project implementation.

(e) National Biodiversity Policy

The National Biodiversity Policy (NBP) was established in 1998 based on a holistic ecosystem approach to conserve, develop and utilize the country's biodiversity resources. One of the objectives of the biodiversity policy is to integrate biodiversity conservation and development into Federal and Regional agricultural, health, industrial and overall national economic development strategies and plans.

(f) National Social Protection Policy of Ethiopia

The main objectives of Social Protection Policy of Ethiopia are the following:

- Protect poor and vulnerable individuals, households and communities from the adverse effects of shocks and destitution;
- Increase the scope of social insurance;
- Increase access to equitable and quality health, education and social welfare services to build human capital thus breaking the intergenerational transmission of poverty;

- Guarantee a minimum level of employment for the long term unemployed and under-employed;
- Enhance the social status and progressively realize the social and economic rights of the excluded and marginalized; and,
- Ensure the different levels of society are taking appropriate responsibility for the implementation of social protection policy.

(g) Energy Policy of Ethiopia

Ethiopia's energy policy document drafted in 1994 encourages the use of indigenous resources and renewable energy. The general objectives of the Energy policy are:

- To ensure a reliable supply of energy at the right time and at affordable prices, particularly to support the country's agricultural and industrial development strategies adopted by the government;
- To ensure and encourage a gradual shift from traditional energy sources use to modern energy sources;
- To stream-line and remove bottlenecks encountered in the development and utilization of energy resources and to give priority to the development of indigenous energy resources with a goal toward attaining self-sufficiency;
- To set general guidelines and strategies for the development and supply of energy resources;
- To increase energy utilization efficiency and reduce energy wastage; and,
- To ensure that the development and utilization of energy is benign to the environment.

Currently, this National Energy Policy is under review to identify the gaps between what is stated in the 1994 National energy policy and the existing status, as well as the anticipated energy resource development. The potential areas that are considered in updating the Ethiopia National Energy policy (1994) include: among others are current technological levels, bottlenecks in the energy development including cross cutting issue, etc.

3.1.3 Strategies

The following strategies are relevant in one way or another to RUFIP III since it will provide strategy to prevent or mitigate environmental impacts of RUFIP III that may arise due to programme implementation.

(a) Conservation Strategy of Ethiopia

The Conservation Strategy of Ethiopia, which was approved by the Council of Ministers, provided a strategic framework for integrating environmental planning into policies, programs and projects. With regard to development of alternative energy resources and their utilization, the relevant strategies include the following:

- Develop alternative energy sources (e.g. solar -power, wind, biogas, agricultural bio-fuel, liquid bio-fuel or small hydroelectric plants) for towns and villages remote from the national grid;
- Acquire, develop, test and disseminate appropriate and improved energy use technologies (e.g. improved stoves, charcoal kilns, -powered cookers and heaters); and,
- Demonstrate and support the use of other energy sources (e.g. geothermal, solar, etc.) in the various economic sectors where it is currently little used such as in transportation, irrigation, crop-drying, food processing, fish drying, and thermal heating.

(b) Ethiopia's Climate-resilient Green Economy Strategy

The Government of the Federal Democratic Republic of Ethiopia has initiated the Climate-Resilient Green Economy (CRGE) initiative to protect the country from the adverse effects of climate change

and to build a green economy that will help realise its ambition of reaching middle-income status before 2025.

Ethiopia's Green Economy Strategy is based on the following four pillars:

- Improving crop and livestock production practices for higher food security and farmer income while reducing emissions;
- Protecting and re-establishing forests for their economic and ecosystem services, including as carbon stocks;
- Expanding electricity generation from renewable sources of energy for domestic and regional markets; and,
- Leapfrogging to modern and energy-efficient technologies in transport, industrial sectors, and buildings.

(c) Growth and Transformation Plan (GTP) II

The GTP consists of qualitative and quantitative targets in the spheres of macro-economic performance, performance of economic and social sectors (including energy) and crosscutting sectors (including environment and climate change). The GTP aims at building a 'Green Economy' and implementing the existing environmental laws as part of the key strategic directions to be pursued during the plan period.

3.1.4 Proclamations, Regulations and Procedural Guidelines

(a) Environmental Impact Assessment Proclamation (Proclamation No. 299/2002)

This Proclamation (No 299/2002) aims primarily at making the EIA mandatory for categories of projects specified under a directive issued by the EPA. The law specifies the projects and activities that will require an environmental impact assessment (EIA). Environmental guidelines are among the tools for facilitating the consideration of environmental issues and principles of sustainable development and their inclusion in development proposals. To put this Proclamation into effect EPA, now restructured and named as Environment, Forest and Climate Change Commission, issued EIA guideline documents, which provide details of the EIA process and its requirements. According to this EIA guideline projects are categorized into three schedules:

Schedule 1: Projects which may have adverse and significant environmental impacts thus requiring a full Environmental Impact Assessment

Schedule 2: Projects whose type, scale or other relevant characteristics have potential to cause some significant environmental impacts but are not likely to warrant a full EIA study, and therefore an initial environmental examination is required (IEE).

Schedule 3: Projects which would have no impact and do not require an EIA

Institutions responsible to monitor and supervise proper implementation of the national environmental policies and regulations at the federal level are the Ministry of Environment, Forest and Climate Change of Ethiopian, now Environment, Forest and Climate Change Commission (EFCCC). This Ministry is established to monitor environmental concerns and the right of the citizens to live in healthy environment, devise environmental policy and coordinate their implementation. Offices and or Bureaus have also been established at the regional and Woreda levels to ensure environmental sustainability of projects such as that of RUFIP III.

The Ethiopian Government have already prepared framework for environment and climate including nationally determined contribution (NDCs), Nationally Appropriate Mitigation Actions (NAMAs), National Adoption Plans (NAPs), Strategies/Action Plans. Moreover it has ratified the UN

Convention on Biodiversity (CBD), UN Convention to Combat Desertification (UNCCD) and RAMSAR.

(b) Environmental Pollution Control Proclamation (Proclamation No. 300/2002)

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

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

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

(d) Proclamation to Provide for the Expropriation of Land Holdings for Public Purposes and Payment of Compensation (Proclamation No. 455/2005)

The major objectives/rationales for the formulation of this proclamation were the need of the government to use land for development works it carries out for public services; to provide land through redevelopment schemes for the construction of dwelling houses, infrastructure, investment and other services and supply of land for development works in rural areas and to define the basic principles that have to be taken into consideration in determining compensation to a person whose landholding has been expropriated. For the specific proposed project activities at hand, expropriation of land holdings for public purposes is not expected as the installation/construction is supposed to be conducted in one's premises.

(e) Water Resources Management Proclamation (197/2000)

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

(f) Proclamation on Research and Conservation of Cultural Heritage (No. 209/2000)

The Authority for Research and Conservation of Cultural Heritage (ARCCH) has been established by Proclamation No. 209/2000 as a government institution with a legal personality. The Proclamation has also provisions for management of cultural heritages in part two, exploration, discovery and study of Cultural Heritages in part three and miscellaneous provisions in part four.

Article 41 of the Proclamation deals on Fortuitous Discovery of Cultural Heritages and Sub-Article 1 states that, any person who discovers any Cultural Heritage in the course of an excavation connected to mining explorations, building works, road construction or other similar activities or in the course of any other fortuitous event, shall forthwith report to the Authority for Research and Conservation of Cultural Heritage (ARCCH), and shall protect and keep it intact, until the Authority takes delivery thereof. Sub-Article 2, on the other hand states that, the Authority shall, upon receipt of a report

submitted pursuant to Sub- Article (1) hereof, take all appropriate measures to examine, take delivery of and register the Cultural Heritage so discovered.

(g) Labor Proclamations

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

The Labor Law protects Children against Child Labor abuse. Under the provisions of the Revised Family Code (2000), a child or minor is defined as "a person of either sex who has not attained the full age of eighteen years". Proclamation No. 377/2003, Article 89 prohibited employment of less than 14 years. The proclamations states "It is prohibited to employ persons under 14 years of age". It is also prohibited to employ young workers which on account of its nature or due to the condition in which it is carried out, endangers the life or health of the young workers performing it. "Young worker" means a person who has attained the age of 14 but is not over the age of 18 years (Article 89 Sub-Article 3).

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

3.1.5 Administrative/Institutional Framework

(a) Environment, Forest and Climate Change Commission

As per proclamation 916/2015, The Ministry of Environment, Forest and Climate Change has been bestowed among others with the following powers and duties:

- Coordinate activities to ensure that the environmental objectives provided under the Constitution and the basic principles set out in the Environmental Policy of the Country are realized;
- Establish a system for evaluating and decision making, in accordance with the Environmental Impact Assessment Proclamation, the impacts of implementation of investment programs and projects on environment prior to approvals of their implementation by the concerned sectoral licensing organ or the concerned regional organ;
- Coordinate actions on soliciting the resources required for building a climate resilient green economy in all sectors and at all Regional levels; as well as provide capacity building support and advisory services; and,
- Establish an environmental information system that promotes efficiency in environmental data collection, management and use.

The Commission has the mandate of overseeing to ensure the basic environmental principles of the Constitution such as for example, the right to live in a clean environment is realized.

(b) The Ministry of Water, Irrigation and Electricity (MoWIE)

According to Proclamation no. 916/2015, the mandates of The Ministry of Water, Energy and Electricity include promoting the development of water resource and electricity and promoting the growth and expansion of the country's supply of electric energy. The Ministry has an Environment and Climate Change Directorate so as to manage issues related to environment and climate change of the sector.

(c) Regional Environmental Organs

At regional level there are environmental bureaus to implement environmental related issues including the preparation of directives within their respective regions. RUFIP III is proposed to be implemented in all the 9 regional states and the regional office responsible for environment is responsible for reviewing and approving ESIAs and ESMPs of this programme.

(d) Development Bank of Ethiopia (DBE)

The DBE's new organizational structure takes in to account the business nature of the Bank, which are intended to improve the service efficiency, effectiveness and create value for customers and stakeholders and is also expected to facilitate smooth execution of the five years strategic targets.

IFAD and DBE have a successful track record of partnership. DBE was selected for the RUFIP based on its track record of managing lines of credit and on its management commitment to the project.

Under the Vice President for Small and Medium Enterprises Financing, there is External Fund and Credit Management Directorate (EFCMD) having five teams. One of the teams has been fully engaged for financial matters of the Rural Financial Intermediation Program while monitoring and evaluation aspects of RUFIP have been undertaking along with other Projects in the EFCMD under the Monitoring and Evaluation Team. DBE has strengthened its Internal Audit process and Compliance and Risk Management Process and has a well-established risk management policy framework and internal audit function that will conduct an audit and review of the pertinent energy programs.

(e) Association of Ethiopian Microfinance Institutions (AEMFI)

The Association of Ethiopian Microfinance Institution (AEMFI) was registered under the Ministry of Justice of the Federal Democratic Republic if Ethiopia on June 28, 1999. The strategic goal of AEMFI includes, among others, creating institutional structure to serve as a national/industry forum and network for microfinance institutions (MFIs). The Association of Ethiopian Microfinance Institutions (AEMFI) was formed as a non-for-profit, non-governmental association of the Ethiopian microfinance institutions as defined by **Proclamation No**. 40/1996 under which microfinance institutions in Ethiopia are regulated by the National Bank of Ethiopia.

AEMFI has a well defined ownership and governance structure. The supreme decision making organ is the General Assembly of the member MFIs. The general assembly comprises of 58 member MFIs which represents two from each member MFIs on an equal basis. It has a board of directors which elected by the general assembly to serve for three years. The vision of AEMFI is to see reduced poverty level through efficient and sustainable delivery of financial services by member MFIs to the poor in Ethiopia.

AEMFI in conjunction with its members sets out to identify and promote "good practices" through a number of key programs and activities, these include:

- Training: to coordinate and ensure that appropriate technical and skill training is delivered to the board, management and all other personnel of the MFIs and also the clients of the MFIs.
- Performance Monitoring: In consultation with the National bank of Ethiopia (NBE), AEMFI seeks to monitor the financial performance of the MFIs and Produce periodic performance indicator.
- Advocacy: to liaise with federal and local governments, NGOs and other relevant organizations in the financial sector to promote the services of the microfinance industry in all appropriate media.
- Technical Assistance: to assist members with the provision of MFIs, marketing, financial management and preparation of business plans
- Research: To carry out, coordinate, publish and disseminate the results of the research projects that are relevant and related to the future success of the microfinance industry.
- Support is provided by AEMFI through training, technical support, research, and performance monitoring of (SACCOs/RUSSACOS)
- Networking: AEMFI, together with its members, seek to liaise with all organizations, networks (SEEP, AFMIN, INFAFI, MAIN and AFRACA) and individuals who share a common interest, in promoting and delivering financial services to the economically active poor.
- Exposure visit: To build and maintain a resources center providing a collection of books and reports, relevant to the microfinance industry, available to all interested individuals and groups.
- Fund raising: To seek out and identify potential donors and lenders who are interested in developing, building and enhancing the services of the microfinance industry and providing loan and equity funds.

(f) Microfinance Institutions

Microfinance institutions are institutions that provide suitable financial and other services using innovative methodologies and systems at low cost to meet the need of low-income sections of the Population and act as financial intermediaries.

The development of MFI in Ethiopia is a recent phenomenon and known by its fast-growing according to Ebisa Deribie, et al., (2013) and aggressive drive to achieve a large scale of geographic location in the country, a dominance of government-owned MFIs, an emphasis on rural households, promoting both credit and saving products, a strong focus on sustainability and in fact, it is Ethiopian owned and driven sector. After the Ethiopian government proclamation no. 40/1996 of MFI was issued, this paved the way for establishment of MFIs to provide financial service to the communities who suffered lack of financial service from the formal banks, various MFIs have legally been registered and started delivering service of microfinance like other countries and they can mobilize savings once they got registered and legally empowered to supervise the activities MFIs by the NBE (Wolday Amha, 2000). According to Getaneh (2005), in Ethiopia MFI spread across urban and rural areas to offer deposit, withdrawal and accept a draft to the public and to manage the microfinance business funds which are allowed by low. The Ethiopian deposit-taking MFIs provide different financial services such as; savings, micro-insurance, loan, remittance, and payment such as collecting taxes, pension payment, and another related service charge. Consequently, a progressive transition has

been seen in Ethiopian MFIs from microcredit to microfinance and finally to financial inclusion (Wolday and Anteneh, 2015).

The Ethiopian five-year growth and transformation plan (GTP) and the micro and small enterprise development agency (MSEDA) strategy has given more emphasis on the saving behavior of household and saving mobilization and this is why all MFIs in Ethiopia offer both compulsory and voluntary savings. The financial performance of this sector shown a remarkable achievements and the sector outreach is impressive, according to AEMFI's 2016 annual report, the Ethiopian MFIs has shown a remarkable progress in terms of outreach and performance, the sector outreach or the number of active borrowers is 3.9 million in which out of these borrowers 1.7 million were women .RUFIP III budget is expected to be channeled to the program beneficiaries though the RUSSACOs and MFIs and Federal Cooperative Agency (FCA) is responsible for cooperative promotion, institutional capacity building and human resource development, registration and supervision of societies organized at the national level.

(g) Cooperatives

Currently Cooperatives in Ethiopia are governed by the comprehensive and multi-sectoral cooperative Promotion Proclamation No. 147/1998. This Proclamation was based on internationally accepted cooperative principles. It laid the ground for the development of all kinds of cooperative societies at different levels, and is comprehensive in its coverage. According to this Proclamation, a minimum of ten individuals can form a cooperative society. Individuals are eligible for membership at age fourteen. A member is allowed to hold a maximum of 10 percent of the total paid up share capital of the society. The Proclamation stipulates that cooperative societies can borrow from members based on their bylaws and at rates not exceeding the prevailing interest rate of the commercial banks. Cooperative lending is restricted to members only. However, the law permits a cooperative to lend to another society. While lending, cooperatives are not restricted with regard to the interest rate they charge. Saving and Credit Cooperatives (SACCOs) in Ethiopia are semi-formal financial institutions in the sense that they are registered entities and subject to all general rules, but are not subject to the same prudential standards applicable to formal financial institutions. Unlike the commercial banks and MFls, savings and credit cooperatives are not subjected to the rigorous supervision and regulatory rule of the NBE. The Cooperative Proclamation allows SACCOs to operate as self-regulated entities with a few restrictions such as the allocation of profits and the maximum shareholding to a single member. Internal monitoring and controlling generally provides the checks and balances of the operation of the cooperatives.

The Government has set-up cooperative promotion bodies at Federal, Regional, City administrations, Zonal and Woreda (district) levels. At the Federal level, the Federal Cooperative Agency (FCA) is responsible, among others, for cooperative promotion, institutional capacity building and human resource development, and registration and supervision of societies organized at the national level. It is headed by a Director General assisted by a deputy. There are also Cooperative Promotion Bureaus/ Departments in each of the nine national regional states and in Addis Ababa and Dire Dawa city administrations. In addition, there are Woreda Cooperative Promotion Desks and in some regions zonal Cooperatives Promotion desks. Such an extensive structure is intended to ensure that cooperatives societies are widely promoted and properly supervised.

(h) RUSSACO/SACCOS

SACCOs seems to be the most successful types of cooperatives among the different types of cooperatives established in both urban and rural areas of Ethiopia for a number of reasons. SACCOs have many desirable properties than other types of cooperatives. Members participate continuously in the business activities of the cooperative and the amount of members' money continuously grow over time, hence, members develop strong ownership feelings on their cooperatives and they actively participate in any matters of the cooperative. The cooperatives provide credit services at zero default risk. The types of business activities are few, simple, predetermined and periodic. Hence, it puts small burden on management committee. In sum, RuSACCOs primarily improve the saving behaviour of members and also encourage them to enter into profitable business activities. Thus, it increases savings and enables them to increase their income which in turn increases the saving capacity and enable them to diversify and expand their business activities which further increase income and saving capacity and so on. It thus leads to an upward spiral saving-income growth.

3.2 IFAD Policies and Procedures

IFAD's Social, Environmental and Climate Assessment Procedures (SECAP) endeavor to ensure that the goal of enabling poor rural people to improve their food and nutrition security, increase their incomes and strengthen their resilience, particularly to climate change, is done in an environmentally and socially responsible manner. The procedures set the minimum standards for the assessment of social, environmental and climate change risks of IFAD funded projects to be applied throughout the project cycle. The procedures aim to: (i) Provide information and analysis that strengthen the social, environmental and climate change risk management dimensions of projects and programmes; (ii) maximize social, environmental and climate change adaptation benefits and avoid or minimize negative impacts; and (iii) increase the consistency, transparency and accountability in decision making concerning these dimensions...". SECAP provides a step-wise description of the processes to assess risk at each phase of the project or programme cycle.

IFAD Relevant Policies

The following IFAD policies are relevant to RUFIP III.

Rural Finance Policy

To foster financial inclusion for poor people in rural areas, IFAD's Rural Finance Policy requires compliance with the following six guiding principles in IFAD-financed rural finance interventions:

- Support access to a variety of financial services;
- Promote a wide range of financial institutions, models and delivery channels;
- Support demand driven and innovative approaches, including providing a full range of financial services to poor families who live in degraded areas, which may, for example, support natural resource management practices and alternative livelihoods that are less harmful to the ecosystem;
- Encourage, in collaboration with private sector partners, market-based approaches that strengthen rural financial markets, avoid distortions in the financial sector and leverage IFAD's resources;
- Develop and support long-term strategies focusing on sustainability and poverty outreach; and,
- Participate in policy dialogues that promote an enabling environment for rural finance.

Any deviation from these principles requires clear justification and approval by management;
As a financing institution, IFAD has no tolerance for Sexual Exploitation and Abuse (SEA) in its supported operations, requiring that precautionary and remedial measures to safeguard against SEA risks and remedy any occurrences be addressed.

Gender equality and women's empowerment Policy

The policy goal is to deepen the impact and strengthen the sustainability of IFAD- supported development initiatives. The purpose is to increase IFAD's impact on gender equality and strengthen women's empowerment in poor rural areas. This will be achieved through three strategic objectives:

- Strategic objective 1: Promote economic empowerment to enable rural women and men to have equal opportunity to participate in, and benefit from, profitable economic activities.
- Strategic objective 2: Enable women and men to have equal voice and influence in rural institutions and organizations.
- Strategic objective 3: Achieve a more equitable balance in workloads and in the sharing of economic and social benefits between women and men.

The *Policy on Gender Equality and Women's Empowerment* will be central to the attainment of the overarching goal of the *IFAD Strategic Framework 2011-2015*: enabling poor rural women and men to improve their food security and nutrition, raise their incomes and strengthen their resilience.

The policy will reinforce IFAD's position as a leader in promoting gender equality and women's empowerment in agricultural and rural development. It builds on IFAD's experience and achievements in field operations and in the broader policy arena in promoting gender equality and women's empowerment. The policy will provide IFAD with strategic guidance in systematizing, intensifying and scaling up its efforts to close gender gaps and improve the economic and social status of rural women in rapidly changing rural environments. The preparation of a gender policy was recommended by the 2010 corporate-level evaluation of IFAD's performance with regard to gender equality and women's empowerment.

Indigenous Peoples Policy

This Policy on Engagement with Indigenous Peoples aims to enhance IFAD's development effectiveness in its engagement with indigenous peoples' communities in rural areas. It sets out the principles of engagement IFAD will adhere to in its work with indigenous peoples, and the instruments, procedures and resources IFAD will deploy to implement them. The Policy is consistent with international standards, in particular the United Nations Development Group Guidelines on Indigenous Peoples' Issues, and with IFAD's mandate and Strategic Framework 2007-2010.

IFAD's Strategic Framework identifies indigenous peoples as an important target group because they face economic, social, political and cultural marginalization in the societies in which they live, resulting in extreme poverty and vulnerability for a disproportionate number of them. To reach them requires tailored approaches that respect their values and build upon their strengths. IFAD's targeted and participatory approach to grass-roots rural development and its experience in empowering poor people and communities give the Fund a comparative advantage in working with indigenous peoples, even in the most remote rural areas. In its engagement with indigenous peoples, IFAD will be guided by nine fundamental principles: (a) cultural heritage and identity as assets; (b) free, prior and informed consent;(c) community-driven development; (d) land, territories and resources; (e) indigenous peoples' knowledge; (f) environmental issues and climate change; (g) access to markets;

(h) empowerment; and (i) gender equality. IFAD will implement these principles in the formulation of country strategies, in policy dialogue and throughout the project cycle, and will update its operational guidelines accordingly. In addition, IFAD will strengthen the Indigenous Peoples Assistance Facility, will establish new learning and knowledge sharing instruments, and will further develop dialogue with indigenous peoples through the creation of an indigenous peoples' forum.

Environmental and Natural Resources Management (ENRM) Policy

The ENRM policy goal is to enable poor rural people to escape from and remain out of poverty through more-productive and resilient livelihoods and eco-systems. The purpose is to integrate the sustainable management of natural assets across the activities of IFAD and its partners. ENRM policy is build on and strengthens commitments made in other IFAD policies in particular, the Climate Change Strategy (2010), ESAP (2009), Policy on Improving Access to Land and Tenure Security (2008), Policy on Engagement with Indigenous Peoples (2009) and Rural Poverty Report 2011, which all acknowledge the key role natural assets play in the livelihoods of poor rural people. The present policy also owes much to learning from best-practice ENRM experiences at other major development institutions and organizations. This is complemented by literature reviews on food security and sustainable development and a range of regional consultations and comments received within IFAD and from partners.

The following are 10 ENRM core principles that provide basis for shaping IFAD's programmes and investments, and strengthening ENRM across IFAD Activities. The following are summary of the core principles:

- Scaled-up investment in multiple-benefit approaches for sustainable agricultural intensification;
- Recognition and greater awareness of the economic, social and cultural value of natural assets;
- 'Climate-smart' approaches to rural development;
- Greater attention to risk and resilience in order to manage environment- and natural-resource-related shocks;
- Engagement in value chains to drive green growth;
- Improved governance of natural assets for poor rural people by strengthening land tenure and community-led empowerment;
- Livelihood diversification to reduce vulnerability and build resilience for sustainable natural resource management;
- Equality and empowerment for women and indigenous peoples in managing natural resources;
- Increased access by poor rural communities to environment and climate finance; and,
- Environmental commitment through changing its own behavior.

Climate Change strategy

The goal of this strategy is to maximize IFAD's impact on rural poverty in a changing climate. This goal is further articulated in three statements of purpose: to support innovative approaches to helping smallholder producers – both women and men – build their resilience to climate change; to help smallholder farmers take advantage of available mitigation incentives and funding; and to inform a more coherent dialogue on climate change, rural development, agriculture and food security. The main strategy output is a more 'climate-smart' IFAD, where climate change – alongside other risks, opportunities and themes – is systematically integrated into core programmes, policies and activities:

- On operations, climate change can be –and in many cases already is – factored into IFAD's operating model. This means incorporating it into our toolkit for the early stages of country programme and project design and for implementation.
- On knowledge, innovation and advocacy, IFAD will: explore new arrangements for sourcing climate-related expertise, share ground-level experiences to ensure their application throughout IFAD-supported programmes, and continue our work to shape the global dialogue on climate change for smallholders.
- On resource mobilization, our primary focus is to make IFAD's expanding overall portfolio climate-smart. Increased supplementary climate funds will continue to be sought to deepen the integration of climate change into IFAD's core programmes and to cover the increased cost this implies.
- On internal organization, IFAD will make greater use of existing in-house skills and people, and will implement a new organizational structure that brings together and increases its staff capacity on climate and the environment. It will also continue to demonstrate the values of environmental awareness internally.

Land Policy

The IFAD Policy on Improving Access to Land and Tenure Security has been formulated to:
(a) Provide a conceptual framework for the relationship between land issues and rural poverty, acknowledging the complexity and dynamics of evolving rural realities; (b) identify the major implications of that relationship for IFAD's strategy and programme development and implementation; (c) articulate guiding principles for mainstreaming land issues in the Fund's main operational instruments and processes; and (d) provide the framework for the subsequent development of operational guidelines and decision tools. In this policy, land refers to farmland, wetlands, pastures and forests. Land tenure refers to rules and norms and institutions that govern how, when and where people access land or are excluded from such access.

Land tenure security refers to enforceable claims on land, with the level of enforcement ranging from national laws to local village rules, which again are supported by national regulatory frameworks. It refers to people's recognized ability to control and manage land – using it and disposing of its products as well as engaging in such transactions as the transferring or leasing of land.

Disclosure Policy

This policy will ensure stakeholder consultation, transparency and accountability through the life of programmes and projects. Engage in early and continuing meaningful consultation with the full range of stakeholders in formulation, implementation and monitoring of programmes and projects. Maintain transparency and accountability by disclosing draft and final environmental and social impact assessments and other relevant documents (at the quality assurance stage or key stages during project implementation) to stakeholders and by responding to their concerns and complaints in a timely manner.

The IFAD policy on the disclosure of documents, approved in 2010, adopted the principle of "presumption of full disclosure". The sharing of draft and final ESIAs and other relevant documents with programme and project stakeholders and interested parties will be subject to the above-mentioned principle. As such, the documents will be disclosed, when available, in a timely manner prior to project appraisal at the quality assurance stage (or other key stages during project implementation) on IFAD's website and in an accessible place in the programme- or project-affected area, in a form and language understandable to project-affected parties and other stakeholders, for the purposes of keeping them informed and obtaining their meaningful feedback. Comments on SECAP-

related disclosed documents can be submitted through the SECAP Help Desk email using: ecd_secap@ifad.org.

Guiding values and principles of SECAP

The values and principles in many of IFAD's policies, strategies and guidelines are relevant to SECAP are:

(i) Address the vulnerability and adaptation priorities of rural people: Examine the cause-effect relationship between rural poverty, environmental degradation, social impacts and climate change. Ensure the efficient use of natural resources, subject to their regenerative capacity. Promote approaches to (re)build social cohesion and good governance of natural resources. Respect and make use of endogenous knowledge and gender-sensitive technologies, drawing especially on the unique knowledge of women and indigenous peoples. [ENRM Policy, Indigenous People's Policy and Climate Change Strategy]

(ii) Promote the conservation, rehabilitation and sustainable use of natural resources and key ecosystems in an integrated manner: Ensure that IFAD operations do not lead to natural or cultural resource degradation, including clearing of tropical forests, unsustainable use of natural resources, the threat/loss of biodiversity and ecosystem services, or threats to resources of historical, religious or cultural significance. This applies especially to agricultural intensification activities and value chain development.

(iii)Minimize adverse social impacts and incorporate externalities. Avoid and mitigate any potential adverse impacts on health and safety, labour and working conditions, and well-being of workers and local communities. Avoid any potential diseconomies imposed by an IFAD-financed operation on the environment external to the project boundaries (contextual/unintended consequences). Where possible, address the affected areas through joint projects (which may constitute an entire command area or watershed) and partnerships to minimize social, economic and environmental impacts in the affected area and, where possible, to incorporate the externalities. [Targeting and ENRM Policy]

(iv) Implement participatory approaches, with special emphasis on the participation of and benefits to women, youth and site-specific targeted groups. Strengthen local institutions, including user groups, essential for promoting environmental sustainability and social cohesion. Promote appropriate incentive systems at all levels and maximize the opportunities for local grass-roots organizations and clients, with special emphasis on equal participation of women and youth in programme/project design and implementation, as well as in cost recovery and delivery systems. [Gender and Targeting Policies]

(v) Promote the development of indigenous peoples and other marginalized groups. Enhance their livelihoods: secure ownership/access to ancestral land and territories; strengthen their institutions; promote free, prior and informed consent and document and report outcomes of the consultations; and value indigenous knowledge systems. Apply the principles and procedures in the IFAD Engagement with Indigenous Peoples Policy.

(vi) Avoid involuntary resettlement wherever possible. While working on "doing good", IFAD will adhere to a "do no harm" principle at all times, so as to minimize potential adverse physical and economic impacts. Explore viable alternative project designs to address risks and to restore livelihoods to improve the standards of living of affected persons. The approach and level of measures taken will be proportional to the range of IFAD's operations. [Land Policy]

(vii) Promote sound agricultural and manufacturing processes. These include traditional, indigenous and climate-smart technologies, integrated pest management, and use of biological control. When the use of agrochemicals is necessary, ensure (through enhanced environmental awareness, farmer training, improved field extension services, etc.) that their application, storage and disposal is in line with international standards. Requires clients to apply international standards, including safe and healthy working conditions, and have in place and maintain sound environment and social management systems.

(viii) Promote SECAP compliance monitoring. Monitor the implementation of the environmental and social management plan and the effectiveness of stakeholder engagement by the borrower. Focus on projects identified as "high risk", or located in areas that are environmentally or socially sensitive, to ensure continued diligence in pursuing the project's development objectives. [ENRM Policy, Supervision and Project Completion Guidelines]

(ix) Ensure stakeholder consultation, transparency and accountability through the life of programmes and projects. Engage in early and continuing meaningful consultation with the full range of stakeholders in formulation, implementation and monitoring of programmes and projects. Maintain transparency and accountability by disclosing draft and final environmental and social impact assessments and other relevant documents (at the quality assurance stage or key stages during project implementation) to stakeholders and by responding to their concerns and complaints in a timely manner. [Disclosure Policy]

(x) Support borrowers in achieving good international practices by supporting the realization of United Nations principles expressed in the Universal Declaration of Human Rights and the toolkits for mainstreaming employment and decent work.

Refer SECAP Document published in 2017 for the details of SECAP Guiding Principles.

Mandatory elements of SECAP

All projects entering the pipeline are subject to an environmental, social and climate risk screening, and are assigned a risk category for environment and social standards (A, B, C) and for climate vulnerability (high, moderate, low). These findings, along with subsequent analysis and assessments, must be reflected in the project's SECAP review note. Projects with environment and social category "C" and climate risk "low" do not require any further analysis.

- All category B projects must have a SECAP review note, including a matrix of the Environmental and Social Management Plan (ESMP) at the design stage. The identified social and environmental risks and opportunities management measures must be reflected in the project design and the project design report. The ESMP matrix must be integrated into the project's implementation manual or developed as a stand-alone guidance document for the project management unit late in the design stage or early in implementation.

- All Category A projects must have an Environmental and Social Impact Assessment (ESIA) at the design stage (or relevant stage of implementation). The draft and final ESIA reports and other relevant documents must be disclosed in a timely and accessible manner at the quality assurance stage (or other stages during project implementation).

- For all projects with a "moderate" climate risk classification, a basic climate risk analysis must be conducted during the project design stage and included in the SECAP review note. Adaptation and mitigation measures must be mainstreamed into the project design and project design report.

- For all projects with "high" climate risk classification, an in-depth climate risk analysis must be conducted during project design and adaptation, and risk-mitigation measures must be mainstreamed into the project design and project design report.
- Depending on the scale and nature of the potential risks and impacts, different assessment tools and elements will apply irrespective of the environment and social category.
- Where necessary, a SECAP preparatory study can be undertaken during the development of RB-COSOPs or CSNs.
- When projects result in physical or economic displacement (affecting access and user rights to land and other resources), the borrower or grant recipient should obtain free, prior and informed consent (FPIC) from the affected people, document stakeholder engagement and consultation process, and prepare resettlement plans or frameworks. The documents must be disclosed in a timely and accessible manner at the quality assurance or relevant implementation stage.
- When impacting indigenous peoples, the borrower or the grant recipient must seek FPIC from the concerned communities, document the stakeholder engagement and consultation process, and prepare an Indigenous Peoples Plan.24 Whenever FPIC is not possible during project design, the FPIC implementation plan should specify how FPIC will be sought during early implementation. The FPIC plan and related documents must be disclosed in a timely and accessible manner at the quality assurance or relevant stage during implementation.
- Consultation with communities and stakeholders must be maintained throughout the project life cycle, especially in high-risk projects.
- When community health is significantly affected, a health impact assessment must be conducted and mitigation measures included in the project design.
- When there is a significant increase in the use of agrochemicals, a pesticide management or mitigation plan is required.
- For all Category A projects and some category B projects, a project-level grievance redress mechanism must be established or existing formal and informal systems strengthened.
- Some category B activities may require specific analysis to be undertaken or an Environmental and Social Management Framework (ESMF) to be developed.
- Relevant environmental and social clauses or covenants must be included in the financing agreements for projects requiring ESIAs, technical studies, FPICs, ESMPs and frameworks during project implementation.
- For some category A projects, an ex post ESIA may be required at the completion stage.

In line with good practice, SECAP ensures early consultation with communities and stakeholders that must be maintained throughout the life of the project, especially in high-risk projects.

This edition includes additional guidance material to further assist in project design and implementation. These include terms of reference and a set of guidance statements. For RB-COSOP/CSN designs, Country Programme Management Teams may choose to conduct a SECAP

preparatory study to provide a better understanding of the environmental, social and climate change risks that might potentially affect the proposed IFAD programme.

The procedures are the product of a broad consultation process that has involved staff from IFAD and selected resource persons from multilateral and bilateral development agencies. The implementation of SECAP, since January 2015, and consultations with partners have played an important role in updating these procedures and in order to align them with those of other multilateral financial institutions and country priorities and to ensure their consistency with IFAD's quality enhancement and quality assurance processes. Continuous communication and collaboration with borrower countries, partners and IFAD staff in the Programme Management Department, as well as systematic monitoring and assessment of the effectiveness of the procedures, are essential to successful implementation and improvement. It is expected that this approach will continuously result in further updating these procedures to enhance quality-at-entry in IFAD operations.

Relevant SECAP Guidance Statements

Rural Finance (Guidance statement 12) Developing inclusive rural financial systems and fostering innovations to increase the access of poor people in rural areas to a wide range of financial services and sound financial institutions is central to IFAD's mandate and key to agricultural and rural livelihoods development. IFAD concentrates on rural microfinance, which refers to the provision of financial services to people with low incomes in rural areas for both on- and off-farm activities.

IFAD-financed operations in rural finance focus on developing inclusive financial systems, working with and building capacity of its partners at each level of the sector (see paragraph 7) to build the sustainability of institutions and models and increase outreach to remote rural areas and marginalized poor people. Examples of this type of support are outlined in IFAD's Rural Finance Policy and can include promotion of financial literacy training and capacity-building support to FSPs; support to savings-based approaches; development of second-tier institutions such as industry associations and apexes; and promotion of an enabling policy, legal, regulatory and supervisory environment. Rural finance programmes, projects and components could have the objective of strengthening the financial sector overall and/or improving financial services targeted towards another sector, such as value chain development related to a specific agricultural commodity.

Any programmes or projects initiated by IFAD which support FSPs through the provision of a line of credit that are classified as category A or implementing credit operations specified in category B should meet IFAD's social environmental and climate standards and requirements, including information disclosure and consultation. For subprojects classified as category A, the borrower will submit an Environmental and Social Impact Assessment (ESIA), resettlement plan and/or an Indigenous Peoples Plan to IFAD for clearance before the subproject approval. The following measures should be carried out before establishing a relationship with an FSP:

FSPs should have in place or establish an appropriate environmental and social management system (ESMS) commensurate with the nature, scale and risks of the FSP's current and likely future loan portfolio to be maintained as part of the FSP's overall management system, recognizing that the type and operations of FSPs vary considerably and in some cases may pose minimal social, environmental and climate risks. An ESMS in a formal FSP should aim to incorporate the following elements: (i) environmental and social policies; (ii) loan screening, categorization and review procedure; (iii) organizational structure and staffing, including skills and competencies in environmental and social areas; (iv) training guidance; and (v) monitoring and reporting.

The government through its programme management unit and IFAD will assess the adequacy of the FSP's capacity to manage environment and social impacts and risks related to its loan portfolio. If the FSP is capable, the ESMS will be agreed upon between IFAD/government and the FSP on a case-by-case basis in line with what is appropriate and feasible in terms of: (i) the scope of application within FSP's loan portfolio; (ii) the average loan size; (iii) intended loan use; (iv) the nature of standards required by the activities financed by the loan; (v) the FSP's environmental and social due diligence procedures; (vi) FSP disclosure and reporting guidance; and (vii) the guidance of the monitoring activities put in place by the programme or project (e.g. the use of performance-based agreements). Where there are gaps in the FSP's capacity that needs to be addressed, the government through its programme management unit, IFAD and the FSP will establish a time-bound plan.

Biodiversity (Guidance statement 1)

The Convention on Biological Diversity recognizes that biodiversity is about more than plants, animals and micro-organisms and their ecosystems – it is about people and our need for food security, medicines, fresh air and water, shelter, and a clean and healthy environment in which to live.1 Biodiversity is essential for the maintenance of ecosystem services, such as the provision of water and food and other services that are important to both the ecosystems themselves and human life. Conservation of biodiversity aims to maintain global biological resources and their related services to meet the needs of humanity today while ensuring availability for future generations – a fundamental criterion of sustainable development. Natural resource management that tries to preserve biodiversity focuses on enhancing the sustainable use of these resources and managing protected areas. Losing biodiversity at the genetic, species or ecosystem level means losing opportunities for coping with future challenges (e.g. related to climate change, energy, food security).

Mitigation aims to eliminate or reduce the negative impacts of a project on biodiversity. Measures for protecting biodiversity must ensure that local populations are not adversely affected by project activities and that they benefit from environmental opportunities. As a guide, mitigation activities should follow the following order of preference:

- Complete avoidance of adverse impact. If a project was initially classified as category A because of its impact on a sensitive biodiversity site, an alternative solution may be found to maintain the project. For example, a project that may need the significant clearance of forest resources may be located in areas where significant depletion has already occurred.
- Reduction of impacts on biodiversity where unavoidable. For most IFAD projects, it may be necessary to carry on with a project even with its known effects on biodiversity. In such cases, it will be necessary to undertake further environmental and/or climate risk assessments to further understand the risks and access the viability of available mitigation options.
- Restoration of habitats to their original state. This is a case whereby a project attempts to return a biologically depleted land form into its original state. While it may not always be an economically feasible option – restoring converted wetlands to their original form, for example – in some situations (such as assisted forest regeneration) it may not only be potentially successful, but also cost-effective.
- Relocation of affected species. In extreme cases where a project continues in spite of its adverse effects, one option may be to relocate the species. This is an uncommon option and requires detailed studies to understand the potential impacts of such an intervention at both the original and proposed site. IFAD will not be undertaking this option for its projects.
- Compensation for any unavoidable damage. This refers to a case whereby a project is allowed to continue in spite of its negative effects to biodiversity. The project, however, compensates for its negative effects on biodiversity by supporting mitigation or restoration of similar biodiversity-rich

habitats located elsewhere. IFAD should never use this as a stand-alone solution, but may consider it on a very limited scale, such as when other mitigation options have been exhausted.

Agro-chemical (Guidance statement 2)

Increased food production is one of IFAD's central objectives; the use of agrochemicals (mainly fertilizers and pesticides) may be necessary to achieve higher yields per unit area. However, the environmental and social (including health) concerns raised by such use of agrochemicals must be carefully considered. These concerns include undesirable soil and water contamination, acidification of soils, human health risks, pest resistance, damage to non-target organisms and secondary pest problems. For example, the use of nitrogen fertilizers on a farm has an environmental impact because crops recover only about half of the nitrogen supplied in global crop production, with the rest ending up in water resources and causing eutrophication (Eickhout, Bouwman and van Zeijts, 2006). The use of agrochemicals may also result in unacceptable toxic residues on agricultural products and unnecessary financial burdens because of over application.

Agrochemicals are among the most important secondary sources of greenhouse gas (GHG) emissions in the agriculture sector. A large share – often more than half – of the energy used in farming is for the production of synthetic fertilizers, particularly nitrogen fertilizers (which produce 3.3–6.6 kg of carbon equivalent per kilogram produced, transported and stored) and pesticides (Rundgren, 2011).

The following paragraphs outline activities for the prevention or mitigation of inappropriate or excessive agrochemical application. The recommended activities and any additional site-specific measures should be incorporated in the Environmental and Social Management Plan (ESMP) for the programme or project. In operations where large-scale pesticide use is proposed, such as for suppression of locust infestations, or is likely to occur because of agricultural development, a stand-alone pest management plan may be appropriate.

Fertilizer management:

- Ensure that dressings do not exceed recommended doses;
- Reduce leaching through appropriate choice of fertilizer to suit soil conditions, split applications and fertilizer placement;
- Reduce run-off through incorporation of fertilizer into soil, timing of applications to avoid erosive rains, and soil and water conservation measures;
- Limit nitrate use in sensitive watersheds serving urban areas;
- Select non-ammonium sources of nitrogen such as urea;
- Carry out liming (usually to pH 5.5 for tropical crops);
- Explore the potential for increasing production without the use of chemical fertilizers, especially using indigenous technologies, including organic fertilizers, and supporting integrated soil fertility systems;
- Promote community education on improving indigenous practices to maximize production, avoiding chemical fertilizers in favour of local options that are available on farm;
- Support crop management practices that increase the nutrients available to crops, including by: (i) using more organic and less inorganic fertilizer;3 (ii) increasing the efficiency of fertilizer use through appropriate fertilizer selection, timing and split applications; (iii)

increasing nutrient recycling using crop residues and livestock grazing after crop4 harvest (mixed farming); use of nitrogen fixing trees, where feasible (agro forestry); and (iv) improving rotations (e.g. inclusion of legumes, multicropping);

- Monitor receiving water courses and soil for fertility to avoid over application of agrochemicals.

Pesticide management:

The project should be explicit about the pesticides it proposes, including those that farmers are expected to use when credit for input purchases is made available. For projects that entail significant pesticide use or have the potential to result in increased pesticide use, a pesticide management plan is prepared, either as a stand-alone document or as part of the Environmental and Social Impact Assessment (ESIA) or ESMP. The most important criteria for assessing the environmental impact of a pesticide are its toxicity level and the degree of biodegradability. Consideration should also be given to residue-level guidance for countries that intend to export crops. Unregistered, restricted-use or experimental-use pesticides should be avoided, unless their use in the project has been reviewed and approved by the Food and Agriculture Organization (FAO) of the United Nations, World Health Organization (WHO) Joint Meeting on Pesticide Residues.

- Pesticides in WHO Class la and Class lb5 should generally be avoided;

- For general use, the formulated product should be at a low enough concentration to be in at most a WHO Class II. Low-toxicity formulations should be favoured: from least toxic to most toxic, the options are granule, dust, wettable powder, flowable, emulsifiable concentrate, ultra-low volume and fumigant.

- Low-concentration granulars, seed dressings, bait formulations and pheromone traps generally present the least hazard to users and are especially suitable for small-scale farmers unfamiliar with pesticide use; they cause minimal environmental contamination and minimal adverse effects on non-target organisms.

- Aircraft application should be avoided whenever possible, and used only when speed in covering large areas is essential, such as in the emergency control of migratory pests.

- Safe application equipment and servicing facilities should be promoted, along with correct calibration of equipment. Training should be provided for personnel and farmers applying the pesticides.

- Protective clothing, including masks, gloves and boots, should be provided or promoted, especially for pesticides that are absorbed through the skin. However, improper use of protective clothing may be even more hazardous than doing without protection: unless it is washed, protective clothing can become saturated with pesticides – such as in the lining of boots and gloves – and can greatly increase pesticide absorption.

- Training is crucial to the safety, use and cost-effectiveness of pesticides, and is recommended for inclusion in any project that increases the availability or accessibility of pesticides. A range of actors will require education: users, operators, extension officers, retailers, health workers treating cases of poisoning, and legislators in pesticides law.

- Application guidelines for pesticide use should be made clear to the borrowing country, and a legal document should be drawn up providing assurance that the guidelines will be followed. All the pesticides used in the project should be properly labelled, and all labels and application guidelines should be provided in the local language.

- Monitor water courses, soil and community health on a regular basis to ensure that pesticide concentrations are within legal environmental and health limits.

Water (agricultural and domestic use (Guidance statement 7)

Many poor rural people face severe constraints in their access to adequate quantities of good quality water for domestic and agricultural uses. Clean water supplies and sanitation remain major problems in many parts of the world, with 11 per cent of the global population lacking access to safe drinking water. Worldwide, about 780 million people do not have access to an improved water supply (UNICEF-WHO, 2012). This water scarcity is amplified by increasing levels of pollution. Climate change is exacerbating water scarcity in some regions, while other regions will have increased or even excess water flows. Events such as droughts and floods are also expected to increase in both frequency and intensity in some locations. With an increasing number of countries facing severe water shortages, agriculture's efficient use of water to reduce poverty and hunger is a significant issue, which can be addressed by putting in place systems and investments for managing water resources equitably. These activities need to be grounded in: (i) improved governance through community empowerment; (ii) coordinated watershed- or landscape-based approaches; and (iii) sustainable use of water resources.

The potential negative impacts of water investments affect several environmental and social aspects and include soil degradation, water quality, public health, effects on flora and fauna and disruption of ecosystem services, particularly when introduced on a large scale. In the near future, accelerating changes in the global climate will cause major alterations in the patterns of the water cycle and the geographical distribution of water, with significant effects on agricultural activities (UNEP, 2008). For poor countries with limited capacity to respond to hydrologic variability, climate change will make the achievement of water security even more difficult and costly. Extreme variability of precipitation is expected to put 2.8 billion people at risk of water shortages (World Bank Water and Climate Change website).

Climatic change will have significant consequences on water supply, water systems, infrastructure and agriculture. For example, sea level rise could lead to salinization of water supplies from coastal aquifers; irrigation demand might increase because of decreased rainfall and increased evapo-transpiration, placing additional pressure on irrigation systems; and soil erosion from increased rainfall intensity could affect watershed sustainability and lead to sedimentation in reservoirs (World Bank, 2009), with impacts on the operation of facilities. In addition, the water supply for human communities will become uncertain – particularly water accessibility – with increased levels of water stress worldwide exacerbating existing conflicts over water use (UNEP, 2008).

Unless adequately addressed in all development stages, climate change could undermine IFAD's investments and reduce the long-term sustainability of results. IFAD should therefore aim to reduce the vulnerability of water management and infrastructure to current climate variability while also considering the long-term effects of climate.

IFAD projects dealing with irrigation should include a comprehensive Environmental and Social Management Plan with all the measures deemed feasible and necessary to reduce significant adverse environmental, health and social impacts. Most measures can be incorporated in the project design phase. Once remedial measures have been identified, they should be clearly spelled out in contract documents. Tenders should specify the environmental mitigation measures in detail, and include them as work items. Bidders should be asked for detailed descriptions and cost estimates of proposed remedial works. The active involvement of rural communities, and the use of a multisectoral approach that considers many issues – gender, social, health, and new concerns such as energy sources and climate change – in both the planning and implementation stages will contribute to: (i) prevention of potentially harmful design choices; (ii) optimum use of locally available materials; (iii) sustainability of service by involving a critical mass of users, operators and suppliers; and (iv) incorporation of locally adapted environmental measures.

Rural Roads (Guidance statement 10)

IFAD's Strategic Framework 2015-2025 recognizes that weak and imperfect markets continue to be a disincentive to increased agricultural production and productivity by the rural poor. It further recognizes that inadequate rural infrastructure – particularly farm-to-market roads, storage facilities and marketplaces – is a very large part of the problem. IFAD, therefore, seeks to redress the situation by making an investment in productive rural infrastructure, including roads, as one of its key areas of thematic focus. That said, IFAD is unlikely to finance stand-alone rural road projects; it is instead more likely to finance rural roads as part of wider development programmes or simply as components of discrete agricultural development projects.

This guidance statement is intended to help stakeholders, including country programme managers and Country Project Management Teams, to appreciate and avoid or mitigate the environmental risks associated with rural road development and to enhance prospects for environmental sustainability.

IFAD is committed to effective and environmentally sound design, construction (and/or rehabilitation), operation and maintenance of rural roads to the highest possible standards of safety for those involved in construction and those subsequently using the road, whether by motor vehicles, intermediate means of transport (IMTs) or by foot. Best practices include the following mitigation measures:

- Participatory and/or consultative design of road sites using local knowledge –consult local users to establish which tracks (or alignments) offer the best connections to travel safely (flooding, rock fall, animals), as well as whose lands are affected by those alignments. The same applies to borrow pits and construction materials. Consult early to increase local participation and ownership.
- Align for minimum adverse impact –when the project involves the construction of a new road or the realignment of an existing road, consider all alternatives and select the alignment that would result in the least direct and indirect negative impacts, taking account of soils, climate, geology, topography, hydrology, ecology, significant historic or cultural sites, settlement patterns, existing land use and other socio-economic factors.
- Seek free, prior and informed consent (guidance statement 13) –wherever physical resettlement and economic displacement cannot be avoided.

- Assessment of technology choice –design to optimize the use of locally available human and material resources, including local enterprises, contractors, artisans and materials, for ease of maintenance and enhance the prospects for sustainability.
- Design for road safety –consider and accommodate all prospective users, including pedestrians and IMTs; do not exceed the national standard design speed for rural roads and provide speed bumps (with accompanying warning signs) in highly populated areas such as villages, schools, markets and other centres.
- Traffic safety measures –install road signs to indicate speed restrictions, hazards (such as drifts), junctions and the like.
- Installation of drainage works and river crossings –avoid interruption of subsoil and surface drainage patterns, especially in areas of cuttings or embankments and on agricultural land; put adequate works in place to minimize changes in surface flows and stabilize cuttings with structures (walls, gabions, trees and so on); and provide special drainage requirements, such as "upslope catch water" or cut-off drains, where necessary.
- Simplify drainage measures –simplify the design of drainage measures (and enhance road safety by reducing road speed) by specifying well sign-posted drifts or "Irish" bridges rather than culverts and bridges, wherever possible.
- Incorporate erosion control measures –carry out earth-moving during dry periods; protect vulnerable soil surfaces with mulch; protect drainage channels with berms, straw or fabric barriers to break flows; and establish vegetative cover as early as possible.
- Crossing points –include animal crossing points (on busy roads or in cuttings/embankments).
- Choice and restoration of borrow pits –locate borrow pits carefully and specify restoration and drainage (where desired) as a contractual requirement.
- Provision for construction operations –specify contractual directives, including watercourse buffer zones (distance allowed should depend upon soil type and vegetation cover), for: prudently dealing with surplus materials, particularly in mountainous, erosion-prone areas; collecting and recycling lubricants; avoiding spills; siting of construction camps; applying water or dust control chemicals to prevent water source contamination.
- Disease control –assess disease vector ecology; fill or drain works areas to avoid creating vector habitats; establish "quarantine check points" at strategic locations along the road to minimize the spread of animal and plant diseases; organize HIV/AIDS sensitization activities and support community-based responses and institutions that may have emerged at works or construction camps.

Community Health (Guidance statement 14)

Agricultural sector has undergone immense changes owing to an improved understanding of the health and safety risks associated with agriculture, as well as the use of improved technology and personal protective equipment (PPE) but not in many parts of Ethiopia. There are still many areas in Ethiopia. Where there is a lack of knowledge about how farmers are affected by their exposures to the variety of health risks that they are confronted with every day. There is little medical surveillance in this sector, resulting in a lack of credible research data and evidence. Workers in the agricultural

sector are at greater risk of traumatic death and disabling injury. Risks of acute pesticide poisoning and long-term effects of pesticide exposure, such as lymphoid malignant neoplasms, are present in a variety of settings where crops are grown. Respiratory disorders develop from the inhalation of grain dust, other types of organic dusts, and work in animal confinement facilities. Hearing loss is an important problem in settings where machinery is in use. Skin cancers caused by sun exposure are a serious problem, and irritant and allergic dermatoses occur from exposures to plants and farm chemicals. Zoonotic infections can cause life-threatening illness, and heat and cold stress occur from exposure to the elements.

A health impact resulting from an IFAD-funded project, plan or programme is a measurable change on the health status of an individual, group or population, which may be attributable to the direct or indirect effects of an agricultural development. The impacts may be intended or unintended and may not become apparent for many years after prolonged exposure or due to long-term latency in the human body.

The main health impacts related to agricultural sub-projects and mitigation measures proposed to minimize the likely impacts are depicted in table 2.

Table 2 Main health impacts related to agricultural sub-projects and mitigation measures

Impacts	**Proposed Mitigation Measures**
Waterborne diseases, e.g. diarrhea, dysentery, cholera, typhoid, giardia	▪ Avoid the use of untreated sewage effluent as a source of irrigation water; ▪ Monitor and analyze potential irrigation water source(s) for microbiological contaminants and pathogens; ▪ Identify sources of potential pollution, e.g. livestock drinking spots, laundry washing areas, community bathing areas, long drop toilets.
Exposure to chemicals and antibiotics	▪ Consider safer alternatives.
Exposure to pesticides	▪ Consider safer alternatives.
Traffic accidents and injuries	▪ Design road with a hard shoulder at least 2 m wide. ▪ Install speed reduction devices before villages, busy intersections, bus stops, schools, clinics, etc; ▪ Install road safety signs; ▪ Appoint a subcontractor to carry out road safety and awareness campaigns; ▪ Advise livestock owners about the dangers of allowing cattle to graze on road verges and make alternative arrangements.
Communicable diseases, e.g. HIV/AIDS, Sexually Transmitted Infections (STIs), Tuberculosis (TB), hepatitis, etc.	▪ Employ local labour as much as possible; ▪ Avoid overcrowding in accommodation facilities; ▪ Provide adequate ablution facilities at the construction camp and at work sites; ▪ Allow time off for regular health screening and testing; ▪ Provide education and training with workers and local communities about communicable diseases and

Impacts	Proposed Mitigation Measures
	effective prevention.
Waterborne diseases	▪ Use of personal protective equipments (PPEs); ▪ Provision of adequate ablution facilities and field toilets; ▪ Education and awareness training of workers; ▪ Ongoing water quality monitoring; ▪ Health surveillance.
Vector-borne diseases, respiratory illnesses (inorganic dust)	▪ Use of PPE and insect repellents; ▪ Dust suppression; ▪ Minimize amount of clearance.
Traumatic injuries	▪ Driver and equipment operator education and awareness programmes; ▪ Speed control and enforcement; ▪ Road safety awareness campaigns for the local communities; ▪ Erection of barriers and signage around all construction sites; ▪ Provide alternative routes for pedestrians, cyclists and non-construction traffic.
Heat stroke, skin cancer, hypothermia	▪ Provide appropriate PPEs; ▪ Provide adequate shelter for resting; ▪ Provide sufficient quantities of potable water.
Respiratory illnesses from organic dusts, endotoxins, moulds, bacteria, etc. and musculoskeletal disorders	▪ Use of PPEs; ▪ Education and training on occupational health and safety issues.
Disorders from exposure to chemicals and antibiotics; dermatoses	▪ Use of PPEs; ▪ Safe storage, handling and disposal of chemical containers; ▪ Provide education and training on the safe use of agricultural chemicals.
Respiratory illnesses from sugar cane burning; bagassosis	▪ Use PPEs.
Traumatic injury	▪ Driver training; ▪ Speed enforcement and control.

Process for implementation of SECAP

Any assessments required during programme and project design are primarily the responsibility of the borrower country, as is the case for programme and project preparation in general and any further assessment deemed necessary during the implementation phase. The assessments will be proportionate to the risks and potential impacts of the programme or project. In addition, the borrower shall ensure adherence to the environmental and social covenants of the financing agreement and is responsible for the implementation and monitoring of the ESMP at the implementation stage. For category A projects, the environmental and social assessments will be carried out by independent experts. IFAD will support the process to ensure that both IFAD and borrower requirements are met, and in ways which recognize and enhance borrower capacity.

Environmental and Social Category

According to SECAP, three categories (A, B, C) are defined based on the likely significance of environmental and social concerns in relation to criteria shown below.

Category A: The programme and project may have significant adverse environmental and/or social implications that: (i) are sensitive, irreversible or unprecedented; (ii) affect an area broader than the sites or facilities subject to physical interventions; and (iii) are not readily remedied by preventive actions or mitigation measures.

Category B: The programme and project may have some adverse environmental and/or social impacts on human populations or environmentally significant areas, but the impacts: (i) are less adverse than those for category A; (ii) are site specific and few are irreversible in nature; and (iii) can be readily remedied by appropriate preventive actions and/or mitigation measures. While no formal ESIA is required for category B programmes and projects, in many cases further environmental analysis could be undertaken, or in some cases an ESMF is developed during project preparation or implementation. Category B projects require an ESMP, which is incorporated in the SECAP review note in the form of a matrix, showing the output from the environmental and social analysis.

Category C: The programme and project will have negligible or no environmental or social implications – no further environmental and social analysis is required. Projects in category C generally do not require additional environmental analysis because the activities have positive environmental impacts, or negligible or minimally adverse environmental impacts:

All projects entering the pipeline are subject to an environmental, social and climate risk screening, and are assigned a risk category for environment and social standards (A, B, C) and for climate vulnerability (high, moderate, low).

Given that the financial support anticipated through RUFIP III is minimal (micro-finance), serious health and social challenges will not emerge from the programme activities per se. However, with the increased production and operation of businesses supported under RUFIP III may have some environmental and social impact on human populations or environmentally significant areas and these can be readily remedied by appropriate preventive actions and/or mitigation measures and may require specific impact analysis to be undertaken or an ESMF to be developed. RUFIP III therefore falls under category B.

RUFIP III is not likely to be vulnerable to climate risks and thus voluntary measures could be incorporated into the detailed design and implementation phases based on the SECAP project assessment recommendations. These projects generally focus on investments which do not have a direct physical or geographical interface with climate hazards, such as the development of a microfinance institution. **C**limate vulnerability of RUFIP III is therefore minimal and the risk due to climate change is low.

Disclosure of documentation related to the SECAP process

The IFAD policy on the disclosure of documents, approved in 2010, adopted the principle of "presumption of full disclosure". The sharing of draft and final ESIAs and other relevant documents32 with programme and project stakeholders and interested parties will be subject to the above-mentioned principle. As such, the documents will be disclosed, when available, in a timely manner prior to project appraisal at the quality assurance stage (or other key stages during project implementation) on IFAD's website and in an accessible place in the programme- or project-affected area, in a form and language understandable to project-affected parties and other stakeholders, for the purposes of keeping them informed and obtaining their meaningful feedback.

IFAD's Grievance and Redress Mechanism (GRM)

IFAD has established a complaints procedure to receive and facilitate resolution of concerns and complaints with respect to alleged non-compliance of its environmental and social policies and the mandatory aspects of its SECAP in the context of IFAD-supported projects. The procedure allows affected complainants to have their concerns resolved in a fair and timely manner through an independent process. IFAD may be contacted by e-mail at SECAPcomplaints@ifad.org or via its website. In addition, IFAD will require the borrower to provide an easily accessible grievance mechanism, process or procedure to facilitate resolution of concerns and grievances of project-affected parties arising in connection with the project (on a case-by-case basis for projects that pose special risks). Grievance redress will use existing formal and informal grievance mechanisms, strengthened or supplemented as needed with project-specific arrangements, and will be proportionate to the risks and impacts of the project. Although IFAD normally addresses risks primarily through its internal reviews and quality assurance process and by means of project implementation support, it remains committed to: (i) working proactively with the affected parties to resolve complaints; (ii) ensuring that the complaints procedure and project-level grievance mechanism are easily accessible to affected persons, culturally appropriate, responsive and operates effectively; and (iii) maintaining records of all complaints and their resolutions.

3.3 Comparison of SECAP and National Policies

There are gaps between Ethiopian laws and regulations and the SECAP in the requirements for resettlement. These gaps relate to the general principles for resettlement, eligibility criteria, the notification period for expropriation and resettlement, and the procedures required throughout the resettlement process.

In the SECAP compensation must be completed prior to the start of the project, there are no similar timetables set out in Ethiopian laws or regulations. Additionally, there is no provision for relocation assistance, transitional support, or the provision of civic infrastructure under Ethiopian law. Additionally, Ethiopian law does not make any specific accommodation for squatter settlers or illegal settlers, other than recognition of some use-rights, such as when settlers can claim rights to the land. Whereas SECAP requires even illegal settlers be consulted regarding project implementation and resettlement.

Contrary to SECAP safeguard policies, Ethiopian law makes no specific accommodations for potentially vulnerable groups such as women, children, the elderly, ethnic minorities, indigenous people, the landless, and those living under the poverty line. These groups are at highest risk to experience negative effects due to resettlement, and should receive special consideration during the preparation of a resettlement policy framework to assure that they can maintain at least the same standard of living after displacement takes place. It is also important to note here that the safeguard document requirements and instruments such as ESMF, Strategic Environmental Assessment and FPIC by IFAD are not recognized instruments by EFCCC. In this circumstance, IFAD safeguard requirement will prevail.

4. Environmental and Social Setting

4.1 General Setting

Ethiopia is a landlocked country situated between 30 N and 150 N latitudes and 330 E and 480 E longitudes with a land area of 1.13 million km2. It has a diverse topography ranging from 110 m below sea level in the Danakil depression in Afar Region to the Ras Dashen peak at 4,620 m high in the Simien highlands of North Gonder in Amhara Region. Ethiopia is bordered by Sudan, South Sudan, Eriteria, Djibouti, Somalia and Kenya.

Population: Ethiopia is the second most populous country in Sub-Saharan Africa (SSA) with over 80 million people and a population growth rate of around 2.7% p.a. Women account for about 48% of the population. Approximately 20% of households are headed by women. Almost 50% of the population is under 20 years of age. 85% of the population lives in rural area being solely dependent on subsistence agriculture.

Climate: Ethiopia's topography is characterized by large regional differences; it is considered an arid country, but precipitation trends exhibit high annual variability. Ethiopia has three rainy seasons: June–September (*kiremt*), October–January (*bega*), and February–May (*belg*). *Kiremt* rains account for 50–80 percent of the annual rainfall totals, and most severe droughts usually result from failure of the *kiremt*. The lowlands in the southeast and northeast are tropical, with average temperatures of 25°–30°C, while the central highlands are cooler, with average temperatures of 15°–20°C. Lowlands are vulnerable to rising temperatures and prolonged droughts, while highlands are prone to intense and irregular rainfall.)

Ethiopia, home to 110 million people, is one of the world's most drought-prone countries. The country faces numerous development challenges that exacerbate its vulnerability to climate change, including high levels of food insecurity and ongoing conflicts over natural resources. Chronic food insecurity affects 10 percent of the population, even in years with sufficient rains. Roughly two-thirds of the population earns less than $2 per day and access to basic services is limited. Rain fed agriculture contributes nearly half of national GDP and is the mainstay of livelihoods for 85 percent of the population. These rural livelihood systems – crop cultivation, pastoralism and agro-pastoralism – are highly sensitive to climate. Food insecurity patterns are linked to seasonal rainfall patterns, with hunger trends declining significantly after the rainy seasons. Climate variability already negatively impacts livelihoods and this is likely to continue. Drought is the single most destructive climate-related natural hazard in Ethiopia. Estimates suggest climate change may reduce Ethiopia's GDP up to 10 percent by 2045, primarily through impacts on agricultural productivity. These changes also hamper economic activity and aggravate existing social and economic problems.

Land Use: The highlands generally have a temperate climate and cover about 50% of the total land area. The rest of the land is arid or semiarid. The highlands are the home of nearly 90% of Ethiopia's population; they support 75% of the national livestock herd; and, they account for 95% of the area under cultivation. More than 95% of agricultural production is based on dry-land farming and only 1.7% of the land defined as "arable land under permanent cultivation" is irrigated. Rainfall varies throughout the country, not only spatially but also temporally. Some areas of the south western highlands experience rainfall for most of the year (March to October), while rainfall in most of the rest of the country falls in the main rainy season (Kiremt - July to September) and also in the short rains (Belg – March to May). Mean annual precipitation ranges from more than 2,200 mm in the south western highlands to less than 200 mm in the east and south east lowlands. Variation in temperature is

driven mostly by elevation. Because of Ethiopia's location near the equator and its elevation, seasonal changes in day length and incoming solar radiation are minimal and consequently have little impact on average temperatures.

Of Ethiopia's total land area it is that l5 percent is under cultivation and 5l percent is pastureland. It is also estimated that over 60 percent of the cultivated area was cropland. Forestland, most of it in the south-western part of the country, accounted for 4 percent of the total land area according to the government. These figures varied from those provided by the World Bank, which estimated that cropland, pastureland, and forestland accounted for l3, 4l, and 25 percent, respectively, of the total land mass.

There are two predominant soil types in the highlands. The first, found in areas with relatively good drainage, consists of red-to-reddish-brown clayey loams that hold moisture and are well endowed with needed minerals, with the exception of phosphorus. These types of soils are found in much of Ilubabor, Kefa, and Gamo Gofa. The second type consists of brownish-to-gray and black soils with high clay content. These soils are found in both the northern and the southern highlands in areas with poor drainage. They are sticky when wet, hard when dry, and difficult to work. But with proper drainage and conditioning, these soils have excellent agricultural potential.

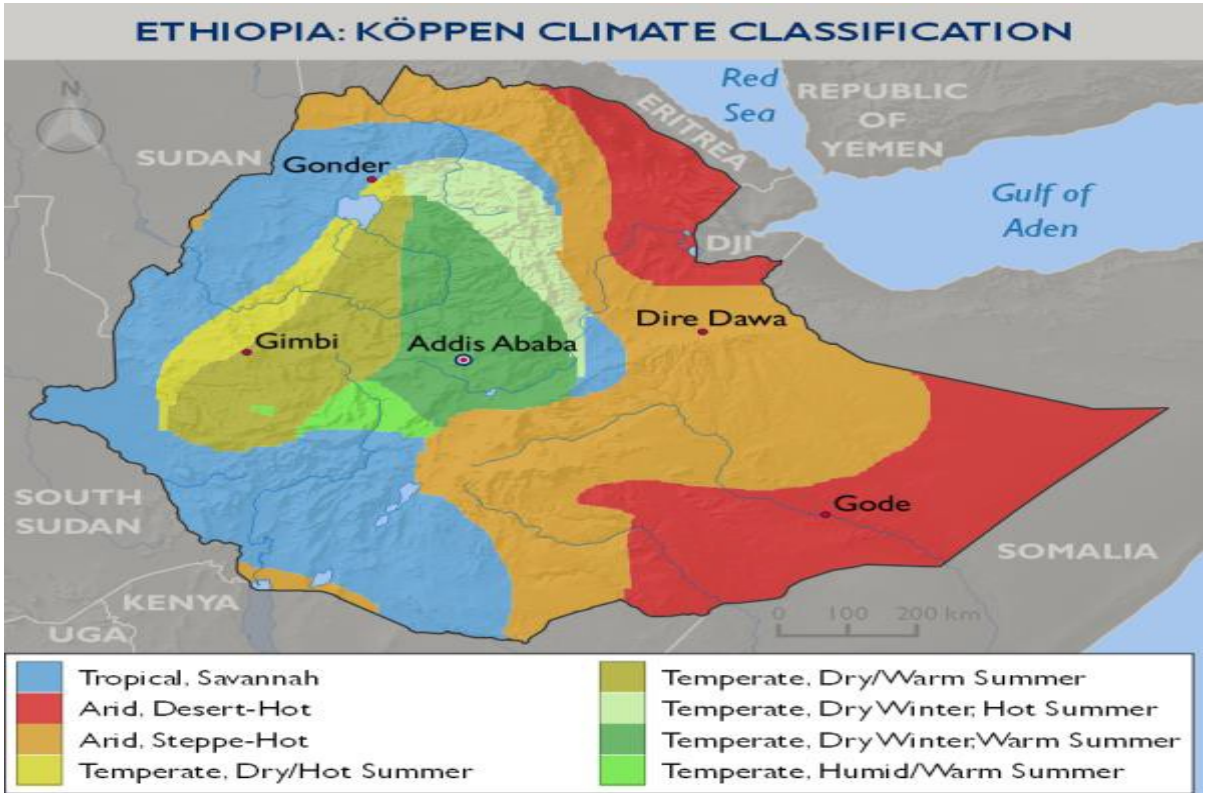
Sandy desert soils cover much of the arid lowlands in the northeast and in the Ogaden area of south-eastern Ethiopia. Because of low rainfall, these soils have limited agricultural potential, except in some areas where rainfall is sufficient for the growth of natural forage at certain times of the year. These areas are used by pastoralists who move back and forth in the area following the availability of pasture for their animals.

The plains and low foothills west of the highlands have sandy and gray-to-black clay soils. Where the topography permits, they are suitable for farming. The soils of the Great Rift Valley often are conducive to agriculture if water is available for irrigation. The Awash River basin supports many large-scale commercial farms and several irrigated small farms.

Soil erosion has been one of the country's major problems. Over the centuries, deforestation, overgrazing, and practices such as cultivation of slopes not suited to agriculture have eroded the soil, a situation that worsened considerably during the 1970s and 1980s, especially in Tigray and parts of Gonder and Welo. In addition, the rugged topography of the highlands, the brief but extremely heavy rainfalls that characterize many areas, and centuries-old farming practices that do not include conservation measures have accelerated soil erosion in much of Ethiopia's highland areas. In the dry lowlands, persistent winds also contribute to soil erosion.

Most agricultural producers are subsistence farmers with small holdings, often broken into several plots. Most of these farmers lived in the Ethiopian Highlands, mainly at elevations of 1,500 to 3,000 meters. There are two predominant soil types in the highlands. The first, found in areas with relatively good drainage, consists of red-to-reddish-brown clayey loams that hold moisture and are well endowed with needed minerals, with the exception of phosphorus. These types of soils are found in much of the Southern Nations, Nationalities, and People's Region (SNNPR). The second type consists of brownish-to-gray and black soils with high clay content. These soils are found in both the northern and the southern highlands in areas with poor drainage. They are sticky when wet, hard when dry, and difficult to work. But with proper drainage and conditioning, these soils have excellent agricultural

potential. According to the Central Statistical Agency (CSA), in 2008 the average Ethiopian farmer holds 1.2 hectares of land, with 55.13% of them holding less than 1.0 hectare.



Agriculture: is the mainstay of the economy accounting for about 42% of GDP, employing 80% of the labour force, and contributing about 90% of export earnings. Smallholder farmers account for about 96% of total agricultural production. Agriculture is dominated by a rain-fed (95%), low-input low-output subsistence farming system. Low agricultural productivity can be attributed, *inter alia,* to severe land degradation, poor farming practices, de-forestation causing severe erosion, population pressure (human and livestock), perceived insecurity of land tenure, and variable rainfall.

Agricultural landscapes are critical sources of ecosystem services required by people. Within a watershed, people living upstream and downstream are interdependent on resources such as water. In their efforts to secure their livelihoods, farmers may mine soils, leading to declined productivity, soil erosion, and increased greenhouse gases. The deteriorating resource base ultimately push farmers into poverty. Water continues to be a critical basic resource for improved productivity. Soils can contain water and are a main buffer against drought and floods and also climatic change through sequestration of atmospheric carbon. Soil and groundwater are natural, free reservoirs that hold orders of magnitude more water than all existing or conceivable man-made reservoirs. Good husbandry of soil, water and crops (soil and water conservation measures), enhances agricultural productivity, increases groundwater recharge and base flows in streams.

Crop agriculture is dominated by small-scale subsistence farmers who remain heavily dependent on rain (only 1 percent of cultivated land is irrigated), employ low-intensive technologies and lack access to services. This leaves the sector highly vulnerable to changing rainfall and other climate patterns. Limited water storage capacity further increases vulnerability to climate risks. Many farmers grow slow-maturing, high-yield “long cycle” crops that depend on two rainy seasons to reach harvest and are thus highly vulnerable to changes in seasonal rainfall. Most plots are less than 0.5 hectares and are

insufficient to sustain household food security, much less generate adequate income, limiting household capacity to invest in improved farming practices that could increase climate resilience. Recurring drought and increasing desertification resulting from land use pressures have resulted in significant losses of arable land and rendered the country increasingly dependent on food aid. Crop productivity may increase in the short term due to warmer temperatures, but continued high temperatures will result in heat stress and crop failure. By one estimate, Ethiopia will forgo more than 6 percent of each year's agricultural output if the current decline in average annual rainfall levels continues in the medium term.

The population in the lowland peripheries (below 1,500 meters) is nomadic, engaged mainly in the rearing of livestock. Sandy desert soils cover much of the arid lowlands in the northeast and in the Ogaden of southeastern Ethiopia. Because of low rainfall, these soils have limited agricultural potential, except in some areas where rainfall is sufficient for the growth of natural forage at certain times of the year. These areas are used by pastoralists who move back and forth in the area following the availability of pasture for their animals.

Livestock: Livestock production plays an important role in Ethiopia's economy. Estimates for 1987 indicated that livestock production contributed one-third of agriculture's share of GDP, or nearly 15 percent of total GDP. In the 2006/2007 EFY hides, skins and leather products made up 7.5% of the total export value; live animals accounted for 3.1% of the total value of exports during the same period.

Although varying from region to region, the role of livestock in the Ethiopian economy was greater than the figures suggest. Almost the entire rural population was involved in some way with animal husbandry, whose role included the provision of draft power, food, cash, transportation, fuel, and, especially in pastoral areas, social prestige. In the highlands, oxen provided draft power in crop production. In pastoral areas, livestock formed the basis of the economy.

Ethiopia's estimated livestock population is often said to be the largest in Africa. It is estimated to number over 150 million in 2007/2008. Excluding the Afar and Somali Regions, there were approximately 47.5 million cattle, 26.1 million sheep, 21.7 million goats, 2.1 million horses and mules, 5.6 million donkeys, 1 million camels, and 39.6 million poultry. For the later two Regions, estimated numbers vary greatly between conventional and aerial censuses, but total less than 15% of the non-nomadic Regions. Though the raising of livestock always has been largely a subsistence activity, intensive, factory farm facilities are gaining in popularity.

Ethiopia has great potential for increased livestock production, both for local use and for export. However, expansion was constrained by inadequate nutrition, disease, a lack of support services such as extension services, insufficient data with which to plan improved services, and inadequate information on how to improve animal breeding, marketing, and processing. The high concentration of animals in the highlands, together with the fact that cattle are often kept for status, reduces the economic potential of Ethiopian livestock.

Cattle in Ethiopia are almost entirely of the zebu type and are poor sources of milk and meat. However, these cattle do relatively well under the traditional production system. About 70 percent of the cattle in 1987 were in the highlands, and the remaining 30 percent were kept by nomadic pastoralists in the lowland areas. Meat and milk yields are low and losses high, especially among calves and young stock. Contagious diseases and parasitic infections are major causes of death,

factors that are exacerbated by malnutrition and starvation. Recurring drought takes a heavy toll on the animal population, although it is difficult to determine the extent of losses. Practically all animals are range-fed. During the rainy seasons, water and grass are generally plentiful, but with the onset of the dry season, forage is generally insufficient to keep animals nourished and able to resist disease.

Most of Ethiopia's estimated 48 million sheep and goats are raised by small farmers who used them as a major source of meat and cash income. About three-quarters of the total sheep flock is in the highlands, whereas lowland pastoralists maintain about three-quarters of the goat herd. Both animals have high sales value in urban centers, particularly during holidays such as Easter and New Year's Day.

Most of the estimated 7.5 million equines (horses, mules, and donkeys) are used to transport produce and other agricultural goods. Camels also play a key role as pack animals in areas below 1,500 meters in elevation. Additionally, camels provide pastoralists in those areas with milk and meat.[21]

Poultry farming is widely practiced in Ethiopia; almost every farmstead keeps some poultry for consumption and for cash sale. The highest concentration of poultry is in Shewa, in central Wollo, and in northwestern Tigray. Individual poultry farms supply eggs and meat to urban dwellers. By 1990 the state had begun to develop large poultry farms, mostly around Addis Ababa, to supply hotels and government institutions. Multinational agribusinesses supply these industrial poultry farms with high yielding breeds, such as Rhode Island Reds and White Leghorns.

The fact that the country achieved Millennium Development Goal (MDG) 4, reducing the child mortality and the decline of HIV/AIDS mortality has helped life expectancy to increase to 65.2 years in 2015 from 46.6 years in 1990. The Under 5 mortality rate and Infant mortality rate dropped from 203 and 122 in 1990 to 61.3 and 41.4 in 2015. The ministry of health has achieved this through the Health Extension Program by using a special implementation platform called Women Development Army.

Access to basic Services

Education: Prior to 1974, Ethiopia had an estimated illiteracy rate well above 90% and compared poorly with the rest of Africa in the provision of schools and universities. After the Ethiopian Revolution, emphasis was placed on increasing literacy in rural areas. Practical subjects were stressed, as was the teaching of socialism. By 2015, the literacy rate had increased to 49.1%. Recently, there has been massive expansion throughout the educational system. Access to primary is limited to urban locations and they are mostly owned by the private sector and Faith Based organizations. Primary school education consists of two cycles from grades 1 to 4 and grades 5 to 8. Secondary schools have two cycles from grades 9 to 10 and grades 11 to 12. Primary schools have over 90% of 7 year olds enrolled although only about half complete the two cycles. This situation varies from one region to the other and it is even worst in agro-pastoral locations, such as Somali and Afar regions, as well as in the growing regions such as Gambella and Benshangul Gumz. A much smaller proportion of children attend secondary school and even fewer attend the second cycle. School attendance is lowest in rural areas due to lack of provision and alternative occupations. The school curriculum in later years covers more subjects at a higher level than curricula in most other countries. Low pay and undervaluation of teachers contributes to poor quality teaching. This is exacerbated by large class sizes and poor resources resulting on poor performance on national assessments. There is evidence of corruption including forgery of certificates. Many primary schools have introduced mother-tongue teaching but

there have been difficulties where small minority languages are concerned. English medium instruction remains a problem throughout the later years of education. Girls' access to education has been improved but early marriage decreases their attendance. Girls' educational attainment is adversely affected by gender stereotypes, violence, lack of sanitary facilities and the consequences of sexual activity. Jimma University is addressing some problems women experience in higher education. TVETs have introduced competence based assessments although many lack adequate resources. Teacher training has been up-graded. All higher education has been expanding but this has not been accompanied by sufficient expansion in staffing and resources. There have been difficulties in introducing BPR with poorly paid university staff supplementing their incomes where possible. Universities need to match training to market demands. All colleges and universities suffer from the same disadvantages as schools. Library facilities are poor, classes are large and there is lack of equipment.

Ethiopia has made enormous strides in education provision over the last decade. Primary school enrolment increased from 2.871 million in 1990-91 to 9.537 million in 2003-2004, a more than three-fold increase. At the secondary education level, enrolment increased from 453 985 in 1990-91 to 780 205 in 2003-04, a 70% increase. Higher education has increased from 31 000 students before 2000 to 172 522 in 2003/2004, a five-fold increase. Despite the tremendous increase in primary enrolments over the past decade, Ethiopia nevertheless faces serious and increasing challenges. Due to the high rate of population growth, it may in fact have to more than double its present enrolments to achieve primary education for all. The largest percentage of out-of-school children is in the rural areas. A comparison of rural and urban enrolment in 2003/2004 indicates that 68.9% of primary enrolment was in rural areas and 31.1% in urban areas. However over 80% of Ethiopia's population lives in rural areas. And even for those who manage to get into school, only 72% of rural children make it to Grade 3, and 25% up to Grade 8. The gender gap in Ethiopia is also significant, at about 18 and 12 percentage points difference for primary and first cycle secondary schooling. At higher education levels there is as much as a 50 percentage points difference in the enrolment of women as compared to men. In order to achieve gender parity, specific steps that favor girls' admission to teacher training institutes, colleges and universities have been taken in the last seven years.

Health: Inaccessibility, water shortages, and infestations of disease-causing insects, mainly mosquitoes, prevented the use of large parcels of potentially productive land. In Ethiopia's lowlands, for example, the presence of malaria kept farmers from settling in many areas.

Ethiopia is the second most populous country in sub-Saharan Africa, with a population of over 94.1 million people. As of the end of 2003, the United Nations (UN) reported that 4.4% of adults were infected with human immunodeficiency virus/acquired immune deficiency syndrome (HIV/AIDS); other estimates of the rate of infection ranged from a low of 7% to a high of 18%. Whatever the actual rate, the prevalence of HIV/AIDS contributed to falling life expectancy since the early 1990s. According to the Ministry of Health, one-third of current young adult deaths are HIV/AIDS-related. Malnutrition is widespread, especially among children, as is food insecurity. Because of growing population pressure on agricultural and pastoral land, soil degradation, and severe droughts that have occurred each decade since the 1970s, per capita food production is declining. According to the UN and the World Bank, Ethiopia in 2005 suffered from a structural food deficit such that even in the most productive years, at least 5 million Ethiopians require food relief.

The health service sector at Woreda level is expected to provide basic health services to mothers and children. In addition, a Woreda health center makes provision of basic health services that help to

prevent communicable diseases, provide basic medications and provide basic health package services. A Woreda administration has a role to monitor the basic health services delivered to citizens in the locality.

The most common problems in health services are unavailability of health professionals, shortage of basic drugs and health services, unavailability of sufficient and quality health equipment and facilities. Implementing partners through involving the community and with appropriate application of social Accountability tools can increase citizens' knowledge of the government's policies regarding the government basic health service planning, budgeting and delivery.

The under-five mortality rate has declined from 166/1000 live births in 1996-2000 to 123/1000 live births in 2001-2005. It is projected to decline further to 85/1000 live births in 2009/10. The trends in infant mortality and under-five mortality rates for Ethiopia between 1986 and 2010. Although current levels are still high, the trends are quite encouraging. According to estimates from the Ethiopian Demographic and Health Surveys (2000 and 2005), the infant mortality rate declined from 97 per 1000 live births during the period 1996-2000 to 77 in 2001-2005 and it is projected to decline to 45 by the year 2009/10. About 90% of the under-five mortality is attributable to pneumonia, neonatal causes (pre-maturity, asphyxia and sepsis), malaria, diarrhea and measles. On the other hand, malnutrition and currently Human immunodeficiency virus infection and acquired immunodeficiency syndrome (HIV/AIDS) are the major underlying causes.

In terms of disease burden, major causes of death are infectious diseases (TB, respiratory illnesses, malaria, gastro-intestinal infections, meningitis and HIV/AIDS) and leishmaniasis). Nutritional disorders rank among the top problems affecting the population in general and children and mothers in particular. Malaria is the major cause of morbidity and mortality in the country with an estimated 4 to 5 million cases and with proportional mortality rates of 13 to 35% and case fatality rates of 15 to 17% in health facilities every year. The HIV/AIDS epidemic has taken off rapidly over the last two decades and prevalence was estimated at 4.4% of the adult population is 2003. At present, the epidemic is considered stabilized in urban areas with a slight increase in rural areas. The ICPD+15 country report by Ethiopia indicates that the number of persons who received HIV/AIDS counseling and testing rose from 448 241 in 2005 to 2.3 million in 2007; the number of HIV/AIDS patients receiving ART services increased from 900 to 122 243; and the number of those who received services in the prevention of mother to child transmission increased from 2 208 in 2005 to 12 000 in 2007. The major factors that fuel the spread of the HIV/AIDS include: poverty, low level of literacy, stigma and discrimination, gender disparities and the existence of commercial sex, population movement including rural-urban migration, and harmful traditional practices. HIV/AIDS in turn exacerbates the poverty situation, thereby creating the vicious circle of aggravating the vulnerability of individuals and communities. The estimated burden of tuberculosis amounts to 196/100 000 for 2003, and its proliferation is largely attributed to the chronic high rates of malnutrition (worsened by frequent severe droughts), overcrowding, physical stress, emotional anxiety and the high prevalence of HIV/AIDS.

The most recent national estimate shows that over 1 million people were living with HIV/AIDS in Ethiopia in 2008, and HIV/AIDS prevalence is estimated at 2.2% (7.7% urban and 0.9% in rural). Women and children constitute the group most affected by the epidemic. About 59% of people living with HIV/AIDS in the country are female, 68,136 children under age 15 years are living with the virus, 79,183 pregnant women are HIV/AIDS positive and 14, 093 HIV/AIDS positive births are expected to occur from positive pregnant mothers. In 2008, there were an estimated 5, 459, 139 orphans; 886,820 of these children were orphaned due to HIV/AIDS.

Although some progress has been recorded in the health indicators in the country in general, major reproductive health indicators reveal a state of extremely poor health status. The average maternal mortality ratio for the period 1994-2000 was 871 deaths per 100,000 live births, which declined to 673 by 2005 (EDHS, 2000, 2005). Skilled attendance at birth is at a low rate of about 8%, and only 5% of babies born are delivered in health facilities. Only 10 % of mothers receive post-natal care. About 25,000 women die every year due to complications related to delivery, and 500,000 are left with complications, including obstetric fistula. It is estimated that abortions account for about 50 percent of total gynecological and obstetric admissions in the country.
Excess to basic services

Water supply and sanitation: Typical problems of the water and sanitation service in any Woreda of the country as assessed in ESAP1 are inadequate budget allocation for the sector, poor accessibility, availability and quality of water supply and inadequate maintenance of the water supply, etc. In some cases, despite there is somehow sufficient infrastructure for the water supply, there is a poor management system of the water supply due to limited communication between the service providers and service users.

Rural Road: In most Woredas of the country, inaccessibility, poor quality and poor maintenance of rural roads are common problems, in which social accountability initiatives can play a role for improvement. The CSOs through working together with the respective Woreda officials, can mobilize the community, while Woreda administrations provide baseline data to the regional government on accessibility, service level and demand of the rural roads service sector in the locality.

4.2 Environmental and Social Setting Specific to the Regions

The baseline environmental and social conditions are described hereunder on the basis of the fact that the locations of the project are distributed in the whole country. Therefore, the approach followed in this case is that, since these locations could be anywhere, it is better to describe the environmental situations of the Regions that totally form the bulk of the country. That is, the environmental and social descriptions do not refer to specific project sites. The country is composed of nine regional states. Description of the bio-physical environment and social baseline situations of these regions are described below.

4.2.1 Afar National Regional State

(a) Bio–Physical Environment

Afar region lies in the arid and semi-arid climatic zone within the Great Rift Valley of East Africa with irregular drainage systems and depressions. It lies in the geographic location between $8^0$49’ and $14^0$30’ N latitude and $39^0$34’ to $42^0$28’east longitude. The land area of Afar Region is about 94,817 km^2, and is divided into five Zones with 32 Weredas and 401 Kebele administrative structures.

Topography

The topography of the Afar region varies from hilly escarpment in the western and southern edges with an altitude of 1,000 – 1,500 masl to low plain land areas in the north east and south east. The altitude of the lowlands fall between 0 and 1,000 masl, while there are some areas below sea level. Over 95% of the Afar Region lies in the altitude range below 1,000 masl. About 8% of the total land area lies below sea level. This region is also known for its lowest altitudinal location (depression) in

the world, having depths as low as 114 meters below sea level in the Danakil depression in the northern part of the region.

Climate

The region is one of the areas having high temperature and low rainfall. Temperature in the region ranges from a mean maximum temperature of 42.5^{o}C in the area of Doubti Woreda and mean minimum temperature of 17.8^{o}C in the high altitude zone at Gewane. The area has moisture index of less than 0.25 and receives mean annual rainfall of 200 mm.

Severe dry season occurs in May and June at regional level. This season has the hottest temperature. The main rainy season occurs between July and September, while short rain stays between March and April. Rainfall ranges from 500 mm on the western edges of the regional state to 200 mm in the lava plains to the eastern part of the region.

Geology and Soils

According to geological map of Ethiopia (1996), the geological formation of the area includes:

- Afar series; mildly alkaline basalt with subordinate alkaline and pre-alkaline silicics (rhyolitic dome and flows and ignimbrites).
- Basalt flows, spatter cones and hyaloclastites, (a) Transitional type between alkaline and tholeitic. (b) Alkaline olivine basalt.
- Undifferentiated alluvial, lacustrine and beach sediments.
- Alkali granite and syenite.
- Rhyohitic Volcanic centres, obsidian pitchstone, pumice ignimbrite, tuff subordinate truchaytic flows (alkaline and pre-alkaline composition), and
- Alluvial and lacustrine deposits: Sand silt clay diatomite, limestone and beach sand.

The major soils of the region in general include:

- Fluvisols /12.57 %/, which are fertile and easy to work with (this soil type is found along the river courses);
- Leptosols /20.60 %/ (found along plateau margins and steeper slops) that have rocky characteristics;
- Eutric Regosols /18.88 %/ (found on gentle /undulating/ rolling, moderate to high relief hills),
- Eutric Cambisols and Vertic Cambisols /8.06 %/; and,
- Solonchaks /18.72 %/ which are typical soils that develop in arid climatic conditions and most plants cannot grow on them.

The soils of the region have limited fertility value. The fertile soils of the region include fluvisols found adjacent to major stream courses.

Vegetation Cover and Wildlife

The vegetation cover of Afar in general is sparse and the area is prone to desertification. Over 70% of the land area in Afar region is bare land. The main vegetation types in the region include the following:

- Juniperous olea forest rising to less than 7m in height;
- Riparian Woodlands/ forest, species constituting varieties of acacia trees;

- Shrub land; predominantly acacia species and prosopis; and,
- Bush land; the dominant species include acacia and balanites species.

Wildlife resources of the region are rich. Wildlife of the area is those that are most adaptive creatures to the arid and semi-arid lands of the region.

Land use / Land cover

As of 1999, the major portion of the land in the region is bare land (70.09% of the Region's area) followed by shrub land (13.68% of the Region's area).

Water Resources

There are number of rivers in the region including: Awash, Mille, Kessem, Kebena, Awura, Gulina, Dawie, Borkena, Telalk, Woama, Alaa and other streams. The other major water sources of the region are Lakes. There are twelve relatively large lakes and five ponds in the region. Two of the largest lakes are Afdera Lake and Abe Lake which are found in zone 1 and 2 of the Region. The smaller ones include Lake Asahle, Lake Dalol, and Lake Gemeri. Groundwater is also the major source for potable water supply in the region.

(b) Socio-economic Environment

Population, Religion and Ethnic Group

As per the estimations made by the CSA, for the year 2016 (July), the total population was estimated to be 1,769,002 with a male population of 969,001 and female population of 800,001. In the same period, the rural population the urban population was estimated to be comprised 81.5% and 18.5% respectively. The population density is 21.6 persons/square kilometre on an average. The major ethnic groups of the regional state include Afar, Amhara, Tigray and others. The dominant occupation in the Region is pastoralism. Over 90% of the population is pastoralist community. Afar Region is one of the pastoral areas in Ethiopia, where extensive herding is practiced.

Cultural Heritage and Tourism

Afar region is rich in cultural assets. The archaeological findings from the Region have revealed that it is one of the cradles of mankind. The hominid relic of the world renown, "Lucy", was found in Hadar area of the Region. This site is considered as an attraction area for scientific research to decipher or figure out man's origin. The research sites such as Hadar and the middle Awash, that consist fossil and handicraft remains of human ancestors, are attractive destinations for tourists all over the world.

There are potential for tourist attraction in the area, including paleo anthropologic and wildlife resources as well as the Afar traditional way of life. Ertele and the Afar depression are sites of scientific research both of natural science as well as human civilization.

The Yangu Dirasa National park, the Awash National Park hosts number of wildlife species for tourism and biodiversity conservation.

The economic benefits from such tourism also termed as 'paleotourism' has not yet developed. But it could be known that eleven new sites have been identified to be considered for research and eventually for 'paleotourism'.

4.2.2 Tigray National Regional State

(a) Bio-Physical Environment

Topography

Topography of Tigray Region is mainly the extension of the central highland and associated western lowlands and is divided into two major blocs; the eastern bloc comprises of highlands while the western bloc is predominantly lowland. Altitudes range from 500 meters up to 3,900 meters above sea level. It is situated between $12^0$15' N and $14^0$57' N latitude and between $36^0$59' E and 40^0 E longitudes with an estimated area of 53,638 km^2.

Climate

Tigray Region falls within 6 ecological zones (desert, Kola, Woina Dega, Dega and Wurch). Part of the Tigray regional state, that is, the eastern and southern zones, where Mekele is situated receive peak rain in April and August, whereas the western and central part receive single maximum rainfall between June/July to August/September and for the north western part, the wet period runs from April/ May to October/November. The mean annual rainfall for the region ranges from 600 mm in the north-eastern part to 1,600 mm in the western part of Welkait Wereda. Temperature ranges between 16^0 C and 20^0 C in the eastern and central highland part while in the lowlands of the western zones it is 38^0C to 40^0C.

Geology and Soil Type

The geology of Tigray comprises low-grade Metamorphic, Paleozoic and Mesozoic rocks. Tertiary volcanic, quaternary deposit and acidic to basic/ ultra basic intrusions are also some of geological feature of the region.

Major soil types of the region identified in a study conducted in 1976 is quoted by the Bureau of Planning and Economic Development (Report of 1998) as: orthic Acrisels, chromic and Eutric cambisols, Humic cambisols, Vertic cambisols and Vertic luvisols, Eurthic fluvisols, dystric nitosols, Eutric Nitosols, Euric rogosols, Haplic Xerosols, Cambic Arenosols, and chromic Andisols.

Water Resources

There are three major river basins and a valley in the Tigray Region: Tekeze basin, Mereb basin, Afar basin and Angereb valley. Some of the surface water sources comprise Tekeze River, Sure River, Mai Tell River and Mai Hitsatsa River. Groundwater source is abundant and is the major water supply source in the area.

Vegetation and Wildlife

Due to human interference and early settlements in this part of the country, the major vegetation has been destroyed. Accordingly, the vegetation cover of the region is divided into forest, woodland savannah and grassland regions.

The plant species include Acacia trees mixed with savannah, juniperus trees mixed with savannah, and mixed deciduous woodland. The vegetation cover of the north-western zone of the region comprises of grass land, scattered bush and scrub covered and dense forest covered land. There are protected forest areas in Tahitay Adiabo and Atsgede Tsimbela Weredas of western zone. This

includes Maikohni forest area, Adi Tsetser, Adi Ascere areas and Enda Tanki protected site. The region has varied wildlife species including hyena, tiger, monkey and fox.

(b) Socio- Economic Environment

Population, Ethnicity and Religious Groups

According to the population estimates of the CSA, for July 2016, the total population of Tigray was 5,151,998 out of which 2,539,997 were estimated to be male while the remaining 2,612,001 were female. In terms of this estimate, 74.2% were rural inhabitants while the balance, i.e. 25.8% was urban inhabitants.The density in Tigray Region in this time was 116 persons /square kilometre. There are a number of ethnic groups that inhabit the Region. Tigraway being the major ethnic group, there are also Kunama, Saho, Agew, Argoba and others in smaller proportions.

Cultural and Historical Heritage

Tigray has rich cultural and historical resources and high potential for the tourism industry. In Tigray Region, the colossal obelisks, rock-hewn churches, ruined temples, palaces, mosques, church paintings, stone inscription and manuscripts are some of the ancient Ethiopian properties that have tourist attraction values. The Axum Obelisks, the rock-hewn churches are the major tourist attractions of the Region.

4.2.3 Amhara National Regional State

(a) Bio - Physical Environment

Topography and Climate

The Amhara National Regional State has diverse topographic features, with rugged mountains, extensive plateau and scattered plain separated by deeply cut gorges, steep slopes and cliffs. The elevation varies from 600 masl at Matera up to 4,620 masl at Raps Dashed.

The Amhara National Regional State is located between 9^0 N and 13^0 45' North latitude and 36^0 to $40^0$30' East longitude. It is bounded by Tigray in the north, Oromia in the south, Benishangul Gumuz in the west and Afar region in the east. The Regional State has a land area of about 161,828 km^2 (15% of the land area of Ethiopia).

Climate

The climatic condition of the Region is divided into temperate (Dega), subtropical (Woina Dega) and arid (Kola) agro-climatic zones. Mean annual rainfall of the Region varies from 700 mm to over 2,000 mm and the temperature range is between 10^0 C and 26^0 C. There are two rainy seasons, while short rain occurs during March, May, and April, heavy rain is during June, July and August.

Geology and Soils

The Precambrian rocks, Cenozoic rocks and Mesozoic rocks cover most part of the Amhara Region. The soil of the region includes: Arthic Acrisds, cambisols, Rendizinas, phaeozems, Lithisols, Aluvisds, and vertislols. Soil erosion is the major environmental degradation problem in the Region due to lack of vegetation cover and rugged topography. Soils in the Region are highly eroded as compared to other parts of the country. According to a study conducted in 1984 E.C, the quantity of soil loss in Amhara Region was estimated at 1.1 billion tons per year. This accounts for 58% of the total annual soil loss of the country in general during the time.

Water Resources

There is an abundant water resource in the Region. The major water resource basins in the region are the Abay River /Blue Nile/, Tekeze River and Awash River basins. There are also several lakes like Lake Tana, Lake Zengena and Haik. Ground water resource is abundant and it is the major water supply source in the region.

Vegetation and Wildlife

The natural forest in the Region is heavily depleted and degraded by intensive human interference, mainly for agricultural purpose and for energy (firewood) production. Currently less than 10% of the total estimated forest area is considered to be natural forest in the Region. The rest are scattered wood lots (planted by individual farmers on different land use types) and plantation forests (those that have been planted for different purposes).

Indigenous tree/shrub in the area include: olea, africana, Juniperous procera, podocarpus falcatus, Acacia species, hygenia abyssinica, ximenia american and Ficus though some of these are diminishing in the area due to human activities.

Wildlife availability among other factors depends on the extent of vegetation cover of a given area. Parks of the Siemen Mountains are preserved for the most endangered species, such as Walia Ibex, Siemen Fox, Gelada Baboons and different species of birds, most of which are endemic to Ethiopia. Endangered bird species in the region include: Harwood, Francolin and Ostrich.

The Siemen Mountain National Park and protected areas of main bird sanctuaries like, Lake Tana, Ankober -Debre Sina mountain, Awi Zone, Choke Mountain, Fogera, Guasa/ in Menze/, Jama and Jara valley, Middle Abay valley, Gofa Forest are found in the region.

Land Use/ Land Cover

As of 2002, the Region is largely covered by grazing land, which is followed by cultivable land having 30% and 28.2% respectively of all the area coverage of the region during the time.

(b) Socio-economic Environment

Population, Ethnic and Religious Group

As per the population estimates of the CSA, in July 2016 the Region's total population was estimated to be 20,769,985, which constituted 10,401,995 males and 10,367,990 females. In the same estimation, the rural population was estimated to be 83.2% whereas the urban population constituted 16.8%. The population density of the region during this period was 119.8 persons/ square kilometre.

Socio-Cultural and Historical Heritage

The Amhara Region is rich in cultural and historical heritages. Very old Monasteries, rock-hewn churches, palaces and castles are found in the region. The Lalibella Rock-hewn Churches, the Gondar Castle that are registered as International Cultural Heritage sites are found in this Region. There are several monasteries in Lake Tana Islands, which is also the origin of Blue Nile (Abay) River. The Blue Nile Falls is found just few kilometres downstream of the Regional Capital, Bahir Dar, which is a tourist attraction site.

4.2.4 Oromia National Regional State

(a) Bio- Physical Environment

Topography and area

The Oromia National Regional State is located in the central part of the country and extends from south-east, bordering with Kenya in the south part and up to the Sudan border in the western part. It has an area of 353,690 km^2 (32 % of the country). Oromia National Regional State lies between 3^0 40' N and 10^0 35' N latitude and 34^0 05' E and $43^0$11' E longitude.

The topographic features of the Region have been characterized by immense geographical diversity consisting of high rugged contoured mountains dissected by the great African Rift Valley. The high mountains include Tulu Dimtu in Bale (4,307 masl), Kecha (4,245 masl), Ankolo (4,300 masl) in Arsi, Gara Mulat in East Hararge (3,492 masl) and Bada Roge in Shewa (3,350 masl).

The Regional State has topographic features of mountainous and rolling terrain in the north-western and north-eastern parts, valleys and gorges in the central and eastern, flat and plain land in the south and south-eastern part. Altitude in the Region varies from 500 masl in the south eastern part to 4,300 masl in the central and north western parts.

Climate

The east and southern parts are dominated by arid climate while the central and north western parts are more of temperate climate. The lowlands (500 - 1,500 masl) experience mean annual temperature of 20^0 C – 25^0C, areas of altitude 1,500 - 2,300 masl have mean annual temperature of 15^0 C – 20^0 C, while the highland areas (2,300 - 3,300 masl) have mean annual temperature range of 10^0 C – 15^0 C. Mean annual rainfall ranges between 200 mm in the south east to 2,000 mm in the north western part of the Region.

Geology, Physiographic Divisions and Seismicity

The major part of Oromia falls in the Great Rift Valley of East Africa and is tectonically unstable. It appears to be a zone of volcanic and seismic activities. There are six physiographic sub-regions in Oromia: the Rift lakes plain, the transitional scrap slopes, the young lava plain, zone of ancient crystalline rocks, the central lava highlands and massifs and zone of Mesozoic sedimentary rocks. The geology of the region consists of: Rocks of the Precambrian era, Rocks of the Paleozoic era, Rocks of the Mesozoic era, and Rocks of the Cenozoic era.

Soil

The major soil types of the area constitute Luvisols, Andosols and Fluvisols commonly found in the plain lands of river banks and lake shores. Andosols are formed from volcanic ash parent material. They are light, loose, porous and have high drain capacity and easily eroded by rain or wind action. Andosols have limited agricultural value. Luvisols on the other hand are good for agriculture.

Water Resource of the Region

There is an abundant water resource including surface and ground sources. Oromia possess three major drainage systems or river basins: Rivers that drain to the Blue Nile (Abay) and the Mediterranean Sea, Rivers that drain to the Indian Ocean and the Rift Valley Closed drainage system. Major rivers in the country like Blue Nile (Abay), Jemma, Muger, Guder and Anger Didessa, Awash,

Gibe, Wabe Shebele, Dawa, Genale, Weyb, Dabuss, traverse the Oromia Region. Most of the rift valley lakes in Ethiopia, like Lake Langano, Zeway, Abiyata, and Shalla are found in Oromia. The wetland ecosystem of these water bodies has significant environmental and socioeconomic values.

Vegetation Cover and Wildlife

Oromia region possesses most of flora and fauna types found in Africa, and several endemic species. There are about 12 million ha of woodland and bush land covering 32% of the Region. There is also 70 percent of the national forest priority areas located in Oromia: the Munesa (1,385 ha), Tiro Boter Becho (8,500 ha), Menagesha Suba (9,000 ha) are set aside as Nature Reserves.

The region has dense forest cover in the central, south western and western areas, while southern and south-eastern areas are covered mainly by sparse vegetation, bushes and scrubs. The vegetation types are varied including Coniferous forest, broad leaved forest, woodland and savannah, grassland, riverine forests and wetland vegetation.

There are parks and protected sites in the region, including Awash National park (partly) Abijatta–Shala National Park, Bale Mountain National Parks, Yabelo mountains, Controlled hunting zone of Borena, wildlife Reserves (Sanctuaries) of Babile, Senkele, and Yabelo. There are also Game Reserves in Arsi, Bale and Borena with over 20 Main Bird Sanctuaries. Those parks and protected areas host variety of wildlife and important bird species Wide varieties of wild animals exist in the Region. They include, Mountain nyala, the Giant molerat, Ethiopian Wolf, Minilik's Bushbuck, Bohor reed buck, Grey duiker, Oribi, Klipspringer, Grant's Gazelle, Greater Kudu, Lesser kudu, Swayen's hartebeest, Gerenuk, Burchell's Zebra, Warthog, Giant forest hog, Bush pig, Colobus, Monkey, Anubis baboon, Spotted hyena, Serval cat, Lion, Leopard, Golden jackal and African Hunting dogs.

(b) Socio-economic Environment

Population, Ethnic and Religious Group

For the year July 2016, the CSA estimated the total population of Oromia Region as 34,575,008 that comprised of 17,345,004 male and 17,230,004 female. In this estimation, the urban population and the rural population constituted 85.2% and 14.8% respectively. Ethnic group residing in the region is also varied, the majority being Oromo, followed by Amhara, and several other ethnic groups. The density of the population is 106.8 persons / square kilometre.

Archaeological and Cultural Heritages

The Sof Oumar Cave, the Aba Jiffar palace, etc are found in the Oromia National Regional State as sites of cultural heritage. The Sof-Omar caves in central Bale, with their galleries of polished white cone and chamber of columns are the incredible natural phenomena of great interest and beauty. The palace of Aba Jifar in Jimma is another historical attraction.

In general, Oromia National Regional State is rich in tourist attraction resources that could be categorized in to the following major categories:

- Natural forests with wide range of wild plant species;
- Wild animals and birds of various species including endemics;
- Several rivers with their multiple spectacular waterfalls;
- Rift valley lakes and highland crater lakes;
- Magnificent landscape scenery (mountain chains, river gorges);

- Diversified local cultures with their distinct ethnography, art, traditional practices;
- Historical heritages; and,
- Natural wonders of unique forms.

4.2.5 Benishangul Gumuz National Regional State

(a) Bio-Physical Environmental Conditions

Topography

The Region is stretched along the western escarpment of Ethiopia between Gambela Region in the south, the Sudan to the west and Amhara and Oromia Regions to the northeast and east. Benishangul-Gumuz National Regional State has an altitude ranging from 600 masl up to 2,000 masl and has topography dominated by river valleys which join the Abay River before it enters the Sudan.

The areas around Wonbera are characterized by rugged mountain ranges like Gassangassa mountain range, Bedessa & Kushaya Mountains. The road route traverses flat terrain from the Guba side while the segment from the Wonbera side has rolling terrain & hilly topographic feature.

Climate

The climatic condition of the area is varied, like most part of the country. It has climatic condition of 85% Kola (Hot climate), 10% Woina Dega (Semi –Temperate) and 8% has Dega (Temperate) climatic conditions. The annual rainfall in Metekel zone of the Region ranges from 600 mm to 1,450 mm. The rainy season stays from April/May up to October/November. The dry period is between February and April. Annual temperature of Metekel zone ranges between 18^0C and 40^0C.

Geology and Soils

The geological formation of the area is characterized by Tulu Dimtu Groups and Tonalities. Meta Basalt, Meta Andesine, green schist, phyllite, Meta conglomerate, quartzite and Marble, precious materials like Gold are also available in the area.

The regional soil is fertile and has high agricultural potential with favourable agro-climatic conditions. It is estimated that 911,876 ha of land in the region has potential for agricultural development, out of which only 233,200 ha could be cultivated.

Water Resources

The region has high water resource potential. Abay/Blue Nile, Didessa and Beles Rivers are among the major water sources in the region. There are over 32 perennial rivers in the Metekel Zone, most of which have potential for irrigation.

Vegetation and Wildlife

Benishangul-Gumuz National Regional State is endowed with a variety of natural resources. Over 50% of the land is covered with natural forest, which also has commercial value. The woodlands in the Region are the Doqma woodland, the Sudanian woodland, palms and bamboo and riverine forest.

Benishangul-Gumuz region lies in the Abay and Baro drainage basin and is one of the few areas that still have significant part of its landmass covered by natural vegetation. It is estimated that 55% of the land is covered by Bamboo, broad-leaved deciduous woodlands, acacia & cacao woodlands. Riverine forests are predominantly found along the river courses. Some of the tree species found in the area are endemic ones for Ethiopia.

The Region has varied wild life species. Wild animals including Elephant, Giraffe, Rhinoceros, Hippopotamus, Buffalo, Roan antelope and Hartebeest, Lion, Tiger, Patas monkey and Anubis baboon are found in the region. Estimates indicate the availability of about 40 species of larger mammals and estimated bird species of 500-550. Game Reserve and main bird Sanctuary of Dabus is found in the Region.

Land use/Land cover of the Region

As of 2002, Woodland and scrublands have the two largest shares of land use with 49% and 28% respectively.

(b) Socio-economic Environment

Population, Ethnic and Religious Group

The number of population estimated for July 2016 by the CSA was 1,033,999 i.e. 524,000 male and 509,999 female. As per this estimation, the rural population constituted 79.2% while the remaining 20.8% was estimated to be urban population. The density of the population in the Region is 18.5 persons/square kilometre. There are a number of ethnic groups that inhabit the Benishangul Gumuz Region. The major ethnic groups are Berta (26.7%), Gumuz (23.4%), Shinasha (6.9%), Amhara (22.2%), Mao (0.8%) and Oromo (12.8%). The major religious groups are Orthodox Christianity (34.8%), Traditional Religion (13.1%), Protestants (5.9%) and Islam (44%).

4.2.6 Gambela National Regional State

(a) Bio-physical Environment

Topography

The Gambela National Regional State is situated in the south-western part of Ethiopia at 7^0 N - 8^0 17' North latitude and 33 ^{0} E - 32 ^{0} 2' East longitudes. The altitude of Gambela lies between 300 and 2,500 masl.

Climate

Gambela is subdivided into three agro ecological zones: Woina Dega, Kola and desert agro – ecological Zones.

In general, the Region has warm temperature ranging from 27^0C to 33^0C. However, temperature as high as 45^0C occurred in March and as low as 10^0C in January had been recorded.

The average annual rainfall varies according to the different altitudes. Areas of 400 - 500 masl of the western part receive 900 mm - 1500 mm, while areas over 2,000 masl (eastern part) have average rainfall ranging from 1,900 to 2,100 mm.

Geology and Soils

The Gambela Region falls within the Baro-Akobo River Basin which consists primarily of basement crystalline with eastern upland covering tertiary lava in some places and Quaternary sediments in the lowlands to the west.

Mineral resources of the area include gold, tungsten, granite, crude oil and construction material. The area is dominantly covered by alluvial and lacustrine deposits: silt, sand, clay, diatomite, limestone, Enticho sandstone, Glacials, Gura and Filo formations and sand stones.

The soils of the region are divided into two major classifications as upland soils and fluvisols (along the river course). The soil fertility is very high and not been exploited much.

Vegetation and Wildlife

Gambela Region is endowed with vast natural resources. The main habitats of Gambela Region are forests, woodlands, swamps and rivers. Out of the total area 25% of the land is covered with forest. Savannah, tropical forests and seasonally flooded grass plains also inhabit the area. The eastern part of the region is covered with natural high forest. Woodlands, bush lands and Savannah woodlands inhabit the central plain lands of the region with altitudes below 600 masl.

The dominant tree species include: Acacia, Cambretum species, Terminalia coxifera, Sonogisus reiccarpa, Kegelio africanas, and Albizia cordiaria. From grass species; Beckeropsis uniseta and Hyparrhenia rufa are some to mention. Abobo-Gog natural forest is one of the 58 most important natural forests classified as National Forest Priority areas by the Ethiopian forestry action plan (as reported in the Baro - Akobo master plan study). There are also four other sites in the region that are identified as natural forest areas.

The Gambela National park, Mago National park and three controlled hunting areas: Jikawo, Akobo and Teyu sites are found in the region. The Gambela national park is the largest park in the country and accounts for 20% of the land area of the region. The remaining controlled hunting areas of Jikawo and Teyu also occupy similar sizes of land area.

Those areas are habitat for over 300 bird species of which 100 are migratory and over 60 mammals. The major wildlife species conserved in the lowland plain are; Roan antelope, White-ear kob, Nile lechwe, Topi, Elephant, lion, Leopard, hippopotamus, Warthog, Giraffe, Defas, Water buck, Buffalo, Pig, Civet, Lelwel Hartebeest, etc. Reptiles such as Tortoise, fish (Nile perch) and Crocodile are found in the Region.

Nile lechwe and the White eared kob are unique to that area. They are also trans-boundary that migrates between Ethiopia and South Sudan.

Land Use and Land Cover

The major settlement area is the riverbanks for both urban and rural communities. Due to this situation, the population is frequently affected by flood calamities. As of 2000, the two major land uses were open wood land and disturbed forest with a percentage share of 41% and 20.87% respectively.

Wetlands and Water Resources

Gambela Region is the wettest and best watered area in the country. There are five major rivers, namely, Baro, Akobo, Itang, Gillo and Alwero Rivers that are also trans-boundary. There are also several lakes and ponds in the Region such as, lakes Tata, Wagan and Nitang which are cut-off lakes,

so called because they have been formed when bends, branches and arms of the main river have been cut-off by sediments or changes in the direction of the main river channels.

These water sources feed the Gambela flood plain, which is the largest low laying wetland in the Baro - Akobo River Basin. Both migratory and residential birds inhabit the wetland and are one of the tourist attraction sites in the area.

The flood plain of the two rivers, Gillo and Akobo form important wetland ecosystems. Wetlands support a wide range of biotical, hydrological, and physical processes which result in ecosystem function and the provision of valuable goods and services.

(b) Population and Ethnic Group

According to the population estimates made by the CSA, as of July 2016, the Region's total population was estimated to be 422,002 having 220,000 males and 202,002 females. The rural population as per this estimated constituted 66.8% and the urban population constituted 33.2%. Linguistically the population comprises mainly of Omotic, Cushitic and Nilo-Saharan, although Semetic origin also exists. The major ethnic groups are Agnuaq, Nuere, Megengir, Coma and Oppo. The population density of the region in 2011 was about 12.4 per square kilometre.

4.2.7 Somali National Regional State

(a) Bio-physical Environment

Topography

The Somali National Regional State is located between 4^0 and 11^0 North latitude and between 40^0 and 48^0 East longitude in the eastern part of Ethiopia, which lies to the southeast of the Great African Rift Valley. The region has entirely flat terrain except some hills with gentle slopes around Jigjiga and Togo Wuchale, and along major river courses. The altitude ranges between 500 to 1,600 masl. The major land area of the region falls below 900 masl.

Climate

The rain in the Region has been generally low, unreliable and unevenly distributed. When rain occurs it is torrential and is of high intensity. The annual rainfall is between 200 mm and 530 mm for the Region as a whole. The mean annual rainfall is 425 mm. The annual potential evapo-transpiration ranges from 1,800 mm in the lowlands to 800 mm in the highlands.

The major part (60% to 80%) falls within hot and arid climate. Temperature ranges between 20^0 C and 45^0 C. The region is characterized by strong wind circulation, which can cause and aggravate soil erosion and water moisture losses. The mean annual wind speed varies between 1.8 miles/ sec in highlands and 3.6 miles/sec in the lowlands.

Geology and Soil Type

The geology of the Region is dominated by alternating limestone, shale, anhydrite, dolomites and marl. The land surface is sandy and often coated with reddish soil and calcareous crust typical of desert area. Minerals like edible salt, gold and natural gas also occur in the region.

The dominant soil types of the region are Yermsol, Xerosols, Regosols, and solonchakes. Minor parts have fluvisols and Vertisols, Cambisols and Luvisols. Soil erosion has been a serious problem in the region and is caused by the action of wind and water.

Water Resources

The region is divided into four basins: the eastern Ogaden basin, the Wabe Shebele basin, the Genale Dawa basin and part of the Awash River basin. The area receives a bi-modal rain fall: March - May and September - November. Most of the streams in the region are ephemeral and are characterized by short duration and high intensity of flood. However, perennial rivers like Wabe Shebele, Weyb, Genale and Dawa are also available in the region.

Vegetation and Wildlife

Endemic flora species in the Somali region represent 25% of the flora in Ethiopia, of which 18% are unique to the region. Among the largest plant families are graminacea, leguminacea, and euphorbicea. The main climax vegetation classes in the region are: acacia based woodlands, acacia comiphora bush lands, evergreen scrubland and riparian forest.

There are also a number of mammals, birds, reptiles, amphibians, fishes and invertebrates uniquely adapted to the arid and semi-arid conditions. Wildlife animals include lion, hyena, leopard, fox, hunting dogs, crocodiles and various types of snakes. Hunted wild animals include Bicids, Balango, Goodir, Dabatag, Zebra, Baboon, Hippopotamus, Ostrich, Monkey and Elephant. There are also a number of birds such as, degodi lark, little winged dove, Somali short billed crombec, Jubaland weaver, little brown bustard and white winged collared dove.

Land use / Land cover

Grassland and scrubland are the two types of land use with land coverage of 56.8% and 22.2% of the Region's total area. Most of Somali Region is arid and semi but unlike Afar Somali region have many rivers (Wabeshebele, Genale and Weybe Rivers) partly harnessed for irrigation to sustainably produce food crops to pastoral and agro-pastoral communities of the region.

(b) Population and Ethnic Group

The total population estimates of the Region conducted by the CSA for the year July 2016 was 5,598,002 i.e. 3,023,000 males and 2,575,002 females respectively. The rural population of the Region in the same year constituted about 85.5% while the urban population comprised about 14.5%. The Somali Regional State is divided into nine administrative zones, 53 Weredas and 67 urban centres. Majority of the population are pastoralists and the social organization of the Somalis is based on clanship. The region is sparsely populated with an average density of 12 persons per km^2.

Somali and Issa are the majority ethnic group, while Oromo, Amhara and Gurage are also found in the urban areas.

The settlement pattern of the Somalis is characterized as group and temporary. In areas suitable for agriculture, Somalis settle permanently. The seasonal availability of water and pasture as well as the rapid exhaustion of the pasture owing to overgrazing often causes mobility of the pastoralist population.

Societal Aspects

The social organization of the Somali society has a pyramidal structure formed by lineage segmentation levels. The segment levels are known as: Reer, Jilib, Qabil and clan families or group. Each lineage segment constitutes a separate social and political unit having definite members with a territory under it (SNRS, conservation strategy, 1999, cited in EEPCo**,** 2011).

The Somali are predominantly pastoralists and their settlement pattern and their life style is influenced by the same mode of occupation. They are mobile in settlement, which is mainly guided by the need of their cattle herds. As a result, a densely populated area at one season can be easily deserted at other times. The Somali have divided themselves into two major lineages of Sab and Somali. The former constitutes hunters, gatherers, and agriculturists.

Among the pastoralists, mostly wealth is not held by individuals but by families. Water and pasture is commonly owned. Agriculture plots are held by families. Craft heritages produced by the low cast Sab are generally made for own use, few are sold to tourists. Since the Somali nomadic pastoralists have been isolated from the central highlands, there has been much lesser degree of acculturation. Moreover, there is lower degree of economic integration, transportation and communication.

Division of labour among the Somali is based on gender differentiation. Women are exclusively responsible for job like building nomadic huts, preparing food, collecting firewood, fetching water, milking cows and small ruminants etc. While males are culturally assigned to perform out – door tasks like herding, watering, farming and mediating.

Livestock is the major economic earning for the Somali population. The rural population earns 40% of their income from livestock, 26% from crop production, 14.4% from trade and 7.4% from gifts availed from others (IPS, July 2000, cited in EEPCo**,** 2011).

4.2.8 Southern Nations, Nationalities and Peoples Regional State (SNNPR)

(a) Bio-physical Environment

Topography

The Southern Nations, Nationalities and Peoples' Region lies on surface area of 117,500 km^2. The Regional State is located between 4^0 25'and 8^0 20' North latitude and 34^0 20' - 38^0 50' East longitude. Altitude ranges from 400 masl in the southern part up to 4,200 masl in the northern part of the regional state. The physiographic feature of the region is divided in to highlands in the north and rift valley and lowland in the south.

Climate

The region's climatic conditions vary from place to place. It has semi-desert climate in the southern extreme of the Kenya border, tropical climate in the northern highlands, and warm temperate in the mountainous areas of north Omo zone. The mean annual temperature and mean annual rainfall are 24^oC and 600mm respectively, in the semi desert climatic zone, the warm temperate climatic zone of North Omo has mean annual temperature of less than 18^0C and mean annual rainfall of 2,500 mm.

Soils Type

The soils of the region constitute:

- Luvisols and phaeozens that cover most of the zones of the region;
- There are also Lithosols, Arenosols and Regosols, fluvisols, Andosols, Vertisols and Cambisols; and,
- Soil fertility is high in the region and is suitable for cereals, root crops, coffee and vegetables.

Vegetation and Wild life

The Region is characterized by dense natural forest and rich wildlife resources. The forest resource is mainly situated in Kafa and Bench Maji Zones and in the southern part of the Region. The most common groups of vegetation include broad leaved deciduous woodland, evergreen scrubs, dry evergreen Montana forest and grasslands, acacia – *commiphora* woodland.

There are several National Parks in the Region. They include Nech Sar, Mago and Omo National Parks, Tama wildlife reserve and Chew Bahir wildlife reserve and all the rest of the southern parts are designated as controlled hunting areas except a small section between Akobo and Omo in which the wildlife ranges from birds to big mammals.

The wildlife of the region include: Giraffe, Common eland, Buffalo, Elephant, Greater kudu, Lesser kudu, Burchell's zebra, Grant's Gazelle, Guenther's Dikdik, Crocodile, Hippopotamus, Swayne's Hartebeest, Orbi, Bohor Reedbuck, Genet, African Hunting dog, Black backed jackal, Colobus monkey, Oryx, Lion, Gerenuk and Ostrich.

Water Resources

There are abundant water resources both from surface and sub surface sources. Surface water resource of the Region include rivers like Omo River, Dincha, Gojeb, Segen Gibe River, Bilate River, Awash River, While Rift valley lakes like Hawassa Lake, Chamo Lake and Abaya Lake are also found in the region.

(b) Socio-economic Environment

Population and Ethnic Groups

As per the population estimates of the CSA made for the Region for July 2016, the total population was estimated to be 18,719,008 with 9,278,004 male and 9,441,004 female. The percentage of population lived in rural areas in the same year was 83.9% whereas the remaining 16.1% lived in urban areas. The population density in the Region is 159.1 persons per square kilometre.

The region is known for its diverse ethnic composition. There are about 45 ethnic groups residing in the Region, constituting over 50% of the total ethnic groups of Ethiopia.

Most of the populations living in the rural areas of the Region are mainly dependent on agriculture and pastoralist economy, while trade and other businesses are the principal practices in the urban areas.

Cultural and Historical Heritage

There are cultural heritage sites like the Tiya monuments and the Omo valley archaeological site.

5. Consultation with Stakeholders and Communities

During the preparation of this ESMF, the study team carried out consultation with stakeholders, project beneficiaries, officials and experts from relevant line Ministries, the RUSSACOs and MFIs. The consultation was aimed to gather their views and expectations from the proposed project.

Specific objectives of the consultations include the following:

- To share fully the information about the proposed project, its component and its activities;
- To obtain information about the needs and priorities of the communities, as well as information about their reactions to the proposed project activities;
- To inform communities about various options on relocation and rehabilitation;
- To obtain cooperation and participation of communities in activities required to be undertaken for resettlement planning and implementation;
- To ensure transparency in all activities related to land acquisition, compensation payment, resettlement and rehabilitation;
- To obtain qualitative as well as quantitative information on viable income generation and livelihood interventions to which PAPs could be engaged in order to restore their income and livelihood in a self-sustaining manner; and,
- To inform local authorities of all the potential impacts, agreed on a cut-off-date, solicit their views on the project and discuss their share of responsibility for the smooth functioning of the overall project operations.

As part of conducting the ESMF of RUFIP III consultation process is mandatory and essential. In this respect, officials and experts in Hawassa Zuria Woreda from SNNPRS and Adis Zemen Woreda in the Amhara Region had been consulted from 3 to 9 March 2019. Discussion had also been made in the same period with officials and experts with micro finance institutions at head office, and branches in Bahir Dar and Hawassa towns. Site visits and discussions were held with beneficiaries in Addis Zemen and Hawassa Zuria.

The various meetings that were held with stakeholders and project beneficiaries provided prevailing project implementation challenges, capacity needs, potential impacts of the proposed project and the respective recommendations for anticipated impact management.

The mission met different organizations and stakeholders in Addis Ababa and has made field visits to Amhara and SNNPR regions. During the field visits the mission interacted with four MFIs, two cooperative unions and three RUSACCOs. Consultation was made with DBE, AEMFI and FCA at the federal level and WB. At the regional level consultation was made with AEMFI, Amhara Regional Cooperative Agency, ACSI, RuSACCO of Soser RuSACCO Union, Reb RuSACCO Union and with the project beneficiaries at Addis Zemen and Soser RuSACCO Union at Dangla in Amhara region and with SNNPR Regional Cooperative Agency, Sidama Chalal RuSACCO Union and Sidama MFI of SNNPR at the regional level. The mission shared its preliminary findings in a meeting on 15 March 2019 with DBE and implementing partner of RUFIP II.

During the consultation gaps in funding projects activities the absence of monitoring system and data base of IFAD projects, the need for co-financing to fill the gaps, how to handle drought and climate

change shocks, how to fill the liquidity gap, availability of insurance to reduce shock during death, payment extension or exemptions during drought, loan loss provision , synergy with ongoing projects by different institutions, frequency of drought, promotion of certain financial products for diversifying business to improve livelihood , promoting saving as risk mitigation was also raised and discussed.

Consultation Feedback from RUFIP II Beneficiaries

During RUFIP II, the focus was on strengthening of MFIs, building and improving the rural financial cooperatives (RUSACCOs) and their unions, capacity building of staff of FCA, NBE and others. The studies carried out from time to time and the field mission interactions reveal that a significant proportion of the clients have come out of poverty and generate viable incomes. The study revealed that from livelihood improvement, there were significant social payoffs arising from RUFIP II. Two studies conducted on RUFIP II in 2017 indicated there is income and asset gains besides improving the quality of life of the project beneficiaries'. Despite the considerable gender disparity in financial institution outreach in the country, RUFIP II has enabled both women and men to participate in the programme and benefit from the incremental credit. Of the 5.7 million households that RUFIP II has supported in outreach, 45% are females and 55% males.

RUFIP II enhanced increase in climate resilience as it enables households to engage in adaptive interventions. Linkages have been developed between RUFIP II and other IFAD-funded initiatives promoting micro- insurance innovations, with the objective to increase resilience, strengthen capacity to manage risks and improve the livelihoods of poor rural households who depend on off-farm and on-farm income.

Beneficiaries of RUFIP II during the consultative meetings are supportive of the previous programme since it has provided the communities with a number of benefits by enhancing household incomes and strengthening of self-reliance. The RUFIP II beneficiaries during the meeting pointed out the contribution of the programme towards improvement of their social well-being and they requested to the team of consultants to continue providing similar financial assistance through RUFIP III, but this time with additional budget to help the diversify their business.

The support given to RUFIP II clients by Development Agents who have been trained in natural resource management contributed to the moderate improvement in the environment and the natural resources of the project target areas. RUFIP II clients who are mostly farmers are generally aware of natural resource management.

But there were also some continuing challenges when implementing RUFIP II. The challenges include gaps in funding projects activities, the absence of monitoring system and data base of IFAD projects, the need for co-financing to fill the gaps, means of handling drought and climate change shocks, means of filling the liquidity gap, availability of insurance to reduce shock during death, payment extension or exemptions during drought, loan loss provision., synergy with ongoing projects by different institutions, frequency of drought, promotion of certain financial products for diversifying business to improve livelihood and promoting saving as risk mitigation.

During the RUFIP III consultation meetings issues such as gaps in funding projects activities, the absence of monitoring system and data base of IFAD projects, the need of co-financing, synergy with ongoing projects by different institutions, means of filling the liquidity gap were raised by the RUSSACOs and MFIs whereas the availability of insurance to reduce shock during death, payment extension or exemptions during drought and loan loss provision was raised by the project beneficiaries. To fill the financial gaps it was proposed to create synergy and cooperation with other institutions such as the World Bank for co-financing some of the project activities relevant to their mandate.

6. Environmental and Social Impacts and Mitigation Measures

RUFIP III is country wide project and end line investments from beneficiaries are expected to have impact on the natural resources in one way or another. Project activities financed by RUFIP III resources in the form of investments by MFI and RUSSACO clients such as food crop production, livestock rearing and agro-process/value addition on some agricultural products will have impacts on the surrounding natural resources. Impacts may include ground water pollution and soil contamination due to excessive use of fertilizers and pesticides, soil erosion due to farming of steep slope/ marginal land, lowering of ground water levels due to excessive water use for irrigation, contamination of food and water bodies due to improper use/storage of agro chemicals, breeding ground for insect vectors due to lack of proper drainage, shortage in animal fodder due to over grazing, over grazing due to increase in animal population, deforestation due to expansion of agricultural land, pollution of surface and ground water and release of pungent smell due to release of animal wastes, power shortage due to additional energy demand for agro processing and health risks due to improper use of agro-chemicals.

To minimize such environmental and social concerns Initial Environmental Examination (IEE) will be conducted to assess the nature and magnitude of impacts on the natural resources. Depending on the results of the assessment the national EIA and SECAP Guidelines project activities will be classified as category A, B or C and full ESIA study for category A and partial EIA for category B will have to be conducted . There is no need to conduct EIA study for category C project activities. Based on the outcome of the EIA studies various mitigation measures will be proposed to minimize impacts. The EIA study reports will have to be approved by the regional office responsible for environment.

Ethiopia is strongly affected by climate change. A more sustainable management of natural resources is therefore crucial for the country's ability to face the challenges of the future. Climate change impacts include more frequent and longer drought periods, and flooding due to erratic rainfall. This poses great challenges for agricultural production, particularly in dry-land areas such as Afar and Somali States. Other parts of the country are also vulnerable and affected by the more unpredictable climate. Degradation of lands weakens access to water and reduces soil quality. Deforestation is also taking place at an accelerating pace.

Beneficiary farmers targeted through RUFIP III lack knowledge of how to adapt agricultural production to more varied climatic circumstances. They also have little access to new and locally adapted seeds.

Government of Ethiopia has planned a climate-resilient green economy as a development strategy. This development direction promotes environmental protection, reducing fossil fuel consumption which releases greenhouse gases into the atmosphere.

To minimize impact due to climate change the Ethiopian Government gives high priority to education in climate-robust agricultural methods. This involves use of new and more varied plants and supporting farmers rebuild degraded lands by means of soil protection systems such as terracing, tree planting and the development of various systems that conserve water resources.

The following section elaborates positive and negative impacts associated with RUFIP III project activities.

6.1 Positive impacts

It is anticipated that the activities supported by this project will deliver significant social benefits, provided that they are planned in an inclusive manner, and are designed to ensure a distribution of benefits to vulnerable groups. Social benefits cannot be guaranteed, and there is a requirement to ensure that project activities are planned and operated in a manner which maximizes benefits. In this regard, although the project aims to provide support to the rural poor, it should also take cognizance of other vulnerable groups, such as the elderly, disabled, youth and children, and ensure their participation in ongoing consultation.

The RUFIP III will have short-term positive socioeconomic impacts as it will provide employment to skilled and unskilled workers, employed by the micro-credit recipient entrepreneurs. In the long term, the success of these businesses can further improve the overall employment situation. Specific socio-economic benefits include:

- Demand for skilled and unskilled labor;
- Increase in income for local communities; and
- Indirect employment opportunities through the provision of required services to the entrepreneurs

In the context of the programme, entrepreneurs are to obtain finance for implementing the business plans that they have developed in the priority sectors of the Growth and Transformation Plan (GTP), namely agri-business sectors. In the short-term, this provides these entrepreneurs that received financial credit opportunities for realizing/implementing their business.

6.2 Negative Impacts

The exclusion list should be the first step to avoid negative impacts of RUFIP III. In RUFIP III, sub-projects with the following activities will be automatically excluded from the programme:

- Project Activities with the potential for significant conversion or degradation of natural habitats without appropriate mitigation of anticipated impacts emitting pollutants to water, air and land and degrading forests, any project situated within green area designated by each municipality;
- Any project or activity that will be implemented in disputed land;
- Any project that would result in the displacement of people or requires resettlement;
- Any project that is not consistent with the project description at time of project negotiations, unless subsequently agreed to with the PCMU at DBE, along with the development of an appropriate level of environmental and social management capacity;
- Any project or activity involving the procurement of pesticides not allowable under IFAD guidelines;
- Any project or activity that does not meet the legal requirement of the country, including gazetted environment, health and safety legal requirements;
- Any project or activity that is not compliant with the international convention that Ethiopia has ratified;

- Any project or activity, where children under 18 years of age are employed;
- Project activities that will block the access to water points and grazing etc. used by others;
- Project activities that will cause encroachment to, and adversely affect, important natural habitats (e.g., wildlife reserves; parks or sanctuaries; protected areas; natural habitat areas, forests and forest reserves, wetlands, national parks or game reserve; any other ecologically/environmentally sensitive areas);
- Project activities that will impact on physical cultural resources (archaeological sites; religious monuments or structures; natural sites with cultural values; cemeteries; graveyards; graves; and other sites of significance);
- Project activities that will be located in protected areas and ecologically sensitive sites;
- Project activities that would disadvantage to community members ;
- Project activities that will contravene international and regional conventions on environmental and social issues;
- Project activities that will contravene international conventions such as child labor and forced labor; and,
- Project activities that cause large-scale physical disturbance of the site or the surroundings.

As described in the eligibility criteria under annex 1, RUFIP III funded activities will not be eligible for funding if displacement and resettlement is involved. Hence, this has not been considered as an adverse social impact of the project. Moreover, it may not be economically viable to resettle project affected persons (PAPs), given that the financial support anticipated through RUFIP III is minimal (micro-finance) and serious health and social challenges will not emerge from the project activities. However, in line with, for instance, the increased production and operation of businesses supported under RUFIP III, the following social and health impacts are anticipated. RUFIP II funded project activities such as agricultural activities for food crop production (modernization of farming), livestock rearing and agro-process will continue to receive credit from RUFIP III. These project activities are expected to impose the following adverse impacts on the biophysical and socio-economic environment.

(a) Impact on the Socio-economic Environment

Health impacts due to poor storage and use of agro-chemicals

Agro chemicals such as fertilizers and pesticides will be used by farmers to enhance their agricultural production. If these agro chemicals are not properly used, stored and/or disposed of farmers will be at risk of chemical exposure, and moreover these agrochemicals may contaminate food and water bodies and adversely affect public health if consumed. To minimize such adverse health effects training should be given to farmers to properly store and use the agro-chemicals. The following safety procedures should be maintained to minimize impacts of agro-chemicals:

- Translate the manufacturer's instructions into local language and follow instruction for proper storage;
- Keep chemicals in their original containers and do not pour into smaller bottles;
- Do not remove labels from containers;
- Do not store liquid chemicals above solids;
- Store animal feeds, seeds and fertilizers separately from other chemicals; and,
- Safe use of agrichemicals.

Suggestions for the safe use of chemicals include:

- Ensure anyone using agricultural chemicals is suitably trained to use both the chemical and any equipment required for application;
- Use chemical decanting kits to reduce the risk of spills and splashes while mixing chemicals;
- Only mix the quantity of chemical required for the task at hand;
- Make sure the decanting and mixing area is well ventilated. If this is not possible, ensure that recommended personal protective equipment (PPE) is worn for enclosed environments;
- Follow the manufacturer's instructions on the label;
- Always wear recommended protective clothing such as chemical-resistant gloves, overalls, goggles and appropriate facemasks or a respirator; and,
- Triple rinse equipment after chemical application and dispose of the rinse water appropriately.

Intensification of malaria

Increased prevalence of consequent health implications (both for employees and the surrounding community) may be associated to some businesses supported by RUFP III. For example, malaria could be intensified in the small scale irrigation schemes due to the formation stagnant water, site suitable for the breeding of mosquitoes. The following measures should be taken to control malaria intensification:

- Avoid mosquito breeding sites by draining ponds and standing waters;
- Wear clothing such as long-sleeved shirts and pants when working outdoors;
- Spraying clothing with repellents;
- Use of impregnated mosquito nets during night; and,
- Sensitization of farmers and communities that may be exposed to stagnant water.

Power shortage due to establishment of small agro-processing plants

Establishment of agro–processing plants will demand additional energy and may create power shortage in the community. The local administration should plan in advance to avail additional power that will adequately address power demand of the proposed agro-processing plants in order not to compromise power supply to the communities. The use of solar energy and inverters during power shortage should also be encouraged to minimize power shortage impact.

Impact on air quality

Any leakage, bad odors, from poultry, animal rearing and fattening could contribute a potential impact on the Air Quality of the area. These operations may pollute the air resulting in increases in bronchial and eye disorders. Pungent smell from agro processing, animal fattening, slaughter houses and from poultry is expected to be released to the surrounding communalities. The following measures should be taken to prevent odor and bad smell from these sources. The following measures should be taken to minimize the air quality impacts:

- Remove manure from the building as often as possible;
- Remove spoiled feed regularly;
- Remove dead animals and dispose promptly; and,

- Avoid excess moisture in stacking sheds since excess moisture increases the amount of odor generated due to anaerobic decomposition.

Occupational health and safety and child labour

Occupational health and safety issues will arise during the programme implementation periods. This may result from improper use and lack of availability of the required Personal Protective Equipment (PPE). Availability and proper use of PPE by the programme beneficiaries, contractors, laborers who are engaged in the construction, installation and operation and maintenance shall be regularly monitored and ESMF should provide guideline for the officers or teams at regional level to ensure availability and proper use of the PPE.

Investment being made by beneficiaries of RUFIP III may use child labor due to lack of awareness on the Child Labour Proclamation and the negative impact of child labor. RUFIP III end beneficiaries of the investment should respect the national Proclamation No. 377/2003 which states that children under age of 14 will not be employed and young workers (14 to 18 years) shall not perform work that is likely to jeopardize their health or safety.

Impact on cultural heritage

End line investments that will be made using resources from RUFIP III accessed through MFIs and RuSSACCOs should not affect any cultural heritage. During implementation period, it is important to ensure that proposed investments do not have an effect on a place or building having aesthetic, anthropological, archaeological, architectural, cultural, historical or social significance or special value for present and future generations. In order to minimize or avoid such impacts, all necessary measures should be considered at the planning phase and due attention should be paid to cultural heritages sites during screening of the programme activities and close consultation should be made with relevant institutions when encountered with chance finds at the time of implementation of the proposed investment. The relevant screening checklist is depicted in annex. 2

Social conflicts due to water use

Conflict may arise between farmers upstream and downstream due to water use for irrigation or domestic purposes. It will be important to maintain an environmental flow that will not adversely affect the ecological balance and downstream water use for irrigation and domestic purposes. The site of the proposed investment and the ecology downstream is not known and it will be very difficult at this stage to specify minimum environmental flow, though a rule of thumb of 10% to 20% of the mean annual flow can be assumed.

Impact on project implementation due to lack of consultation with the community

Although the proposed sub project activities are integrated with the individual beneficiaries, it is essential to consult stakeholders including all the community members that reside within the sub project area from the outset. This improves the level of relevant stakeholder participation and ultimately would enhance the sense of ownership of the sub-project by the locals in general and beneficiaries in particular. It is quite evident that usually poor participation in preparation and implementation of projects would result in unsustainability of projects. It is therefore of paramount

importance to create awareness among the communities on the benefits, negative impacts and their expected roles in advance to minimize impacts and sustainably manage project activities.

Impact on the Biophysical Environment

Pollution due to increased use of fertilizers and pesticides

Increase in yields of staple food-crops, commercial crops such as cotton, sugar and soya, fruits and vegetables will probably need an increased use of fertilizers and pesticides. Unsafe use of fertilizers and pesticides leads to the pollution of soils, rivers, streams, shallow aquifers and ground. In this context, the programme will synergize with other IFAD projects in Ethiopia in irrigation, food crops, horticulture, dairy, natural resources management for them to not only provide starter kits to the farmers but will train them in the proper application and storage of agrochemicals. To minimize such impacts of these inputs farmers should receive these inputs after creating awareness of the effects of these inputs on ground water and the resulting public health consequences. It is also important to encourage farmers to use manure (organic fertilizer) and apply integrated Pesticide management to fight agricultural pests.

Air Quality

Air quality may be reduced as a result of emissions from agro -processing. Clean technology should be used to minimize emission from the agro-processing plants.

Soil erosion due to expansion of farm land

Activities like excavation and digging works during agricultural expansion will involve clearing of existing vegetation within the homestead, which may contribute to the loss of plant cover to a certain degree and this will result in a disturbance of topsoil and cause of micro level erosion. Similarly, farmers may expand their farm land to steep slopes and marginal lands. Areas that are at high risk for erosion due to steep slopes or erodible soils can be alternatively used for forage production or grazing and steeply sloped lands under cultivation can be converted to perennial plantation to minimize soil erosion. Wooded areas with poor soils and steep slopes should be left in their natural state to minimize soil erosion.

Loss of soil Fertility

The increase in the demand of staple food production could lead to overuse of arable land which becomes susceptible to loss of soil fertility. Farmers should receive training on how soil fertility can be maintained by changing cropping patterns, growing nitrogen-fixing crops and composting of crop residues to minimize loss of soil fertility.

Ground water depletion

Farmers benefitting from RUFIP III resources may buy water pumps to irrigate their land and produce crops, fruits and vegetables. Excessive pumping of ground water for irrigation may cause ground water depletion and drying out of boreholes that are in use by the nearby community. Ground water depletion and its impact can be avoided/ minimized by keeping recharge –discharge balance of the catchment areas. In places where such impacts expected to occur the hydro-geologists of the Regional

Water Resource Bureau will have to assist in conducting recharge-discharge balance study of the catchment and based on the outcome of the study communities/farmers should be advised on the management and use of ground water in a sustainable manner.

Shortage in animal fodder and overgrazing due to increase in animal population

Animal rearing and fattening will increase the number of animals and may result in shortage of animal fodder and overgrazing. Increase in the animal population will increase the likelihood of reaching the limits of the carrying capacity of the grazing land.

To minimize adverse impacts the following measures can be taken:

- Control number of animals so that it will not exceed the carrying capacity of the grazing land;
- Avoid grazing too early so that there will be enough grass in the dry season; and,
- Monitor rainfall patterns and growth of pasture.

Deforestation due to expansion of agricultural land

The availability of funds through RUFIP III may encourage farmers to expand their agricultural land to the nearby forest areas. Smallholder farmers will be tempted to grow crops on steep slopes and riverbanks or encroach to the nearby forest reserves Farmers should be sensitized and be informed of the benefits of conserving forest in terms of maintaining the balance of the ecosystem.

Loss of vegetation cover

Activities like excavation and digging works particularly for project activities during agricultural expansion will involve clearing and depletion of existing vegetation within the homestead, which may contribute for loss of plant cover at a certain degree and disturbance of topsoil and cause of micro level erosion. In order to minimize loss of vegetation cover the implementing bodies and beneficiaries shall avoid cutting of big trees especially indigenous trees.

Impact due to the lack of proper waste treatment and disposal facilities

Indiscriminate disposal of solid and liquid wastes including animal dung and expired pesticides will adversely affect the health and safety of the workers and the local community. Moreover processing of goods may have high pollution intensity due to the obsolete technology used in their small-scale operations and/or lack of end-of-pipe pollution control systems. Project activities in the leather and textile sectors can have substantive environmental implications (pollution), due to the nature of the processing activities, which utilize dyes and other hazardous chemicals as inputs. Waste from slaughter houses include both solid (carcass, bones, hooves, rumen, intestine contents, dung etc.) and liquid waste (blood, urine, internal fluids including water used for washing) which are difficult to break down in normal waste treatment systems.

Depending on the types of processing and character of waste generated, appropriate waste management strategies need to be developed and implemented.

Climate change induced impacts

The decomposition of chemical compounds in landfills and the burning of synthetic materials may release greenhouse gases. These greenhouse gases trap heat in the atmosphere, warming it and thus

promoting climate change. The following measures should be taken to minimize risk due to climate change. The following measures should be taken to minimize impact due to climate change.

To minimize impact due to climate change the Ethiopian Government gives high priority to education in climate-robust agricultural methods. This involves use of new and more varied plants and supporting farmers to rehabilitate degraded lands by means of various soil and water conservation techniques.

Impact on biodiversity

Some investment of the end line beneficiaries generally will not have any adverse impacts on terrestrial and/or aquatic biodiversity. However, there may be a case where big trees that obstruct farming activities and trees and other vegetation cover could be found within and around the farms. Under such circumstances vegetation clearance to a certain extent will sometimes be required and this may adversely affect the biodiversity of the area to some degree. It is essential to preserve tree species of biodiversity importance to minimize impacts.

Cumulative impacts of the project

The business operations supported through RUFIP III may not have serious adverse environmental impacts. However, several projects in combination, or in combination with other government or private sector activities, could also have a larger, more significant cumulative impact. These impacts may be a result of the disposal of non-hazardous and hazardous wastes and chemicals, which may not be significant when considered individually, but significant when considered collectively.

Minimizing cumulative impacts requires introducing mitigation of the impacts of individual businesses supported by RUFIP III and of other development activities that are currently operating in the project area.

7. Environmental and Social Management and Monitoring Plan

A draft ESMP for RUFIP III is intended to ensure efficient environmental and social management of its activities. An ESMP translates recommended mitigation and monitoring measures into specific actions that will be implemented by different actors. The ESMP identifies key project activities and their associated impacts, when impacts are likely to occur (project phase), mitigation measures to minimize impacts, responsible institutions to implement the proposed measures, and costs of implementation. The ESMP will need to be adjusted to the terms and conditions specified in any project funded activities. This ESMP will then form the basis to manage impacts of project activities during project construction and operation.

At this stage the type and scope of the project funded activities are not clearly defined. The type of impacts and proposed mitigation measures are therefore generic and will be difficult to estimate cost of implementation the mitigation measures monitoring at this stage.

Table 3 presents an indicative environmental and social management and monitoring plan that can be used as a guidance to prepare ESMP of specific project activities under RUFIP III.

Table 3 Generic project impacts, proposed mitigation measures and institutions responsible for implementation and Monitoring

Sector	Potential Impacts	Proposed Mitigation Measures	Responsible Institutions	
			For Implementation	For Monitoring
Socio-economic Impact	Health impact due malaria intensification	▪ Avoid mosquito breeding sites by draining ponds and standing waters; ▪ Wear clothing such as for example, long-sleeved shirts and pants when working outdoors; ▪ Spraying clothing with mosquito repellents; ▪ Use impregnated mosquito nets during the nights.	Farmers/ Beneficiaries	Woreda Health Bureau
	Power shortage due to Establishment of small agro-processing plants	▪ Plan in advance to get additional power that will adequately meet power demand of the agro processing plants and the communities.	Local administration	MFIs/RUSACCOS
	Impacts due to misuse of Fertilizers and Pesticides.	▪ Provide training to farmers on proper application and storage of agrochemicals	Woreda Agricultural Office	MFIs/RUSACCOS
	Impact on air quality due to poultry, animal rearing and fattening	▪ Clean animal wastes and remove feed remnants regularly; ▪ Remove dead animals and dispose them promptly; ▪ Avoid excess moisture in stacking sheds since excess moisture increases the amount of odor generated due to anaerobic decomposition;	Farmers/ Beneficiaries	Office responsible for environment at the Woreda level

Sector	Potential Impacts	Proposed Mitigation Measures	Responsible Institutions	
			For Implementation	**For Monitoring**
Socio-economic Impact	Problem of over grazing due to increase in animal population	▪ Avoid grazing too early so that there will be enough grass in the dry season; ▪ Monitor rainfall pattern and growth of pasture.	Farmers / Beneficiaries	Consultant
	Occupational health and safety and Child labour	▪ Availability and proper use of PPEs by the project beneficiaries, contractors, laborers who are engaged in the construction, installation and operation and maintenance of the proposed programme activities shall be in place; ▪ The availability and use of PPEs should be regularly monitored by the local and regional health officers that have the mandate to carry out this task; ▪ The Project Coordination Unit will make random checks on samples of investments to ensure proper implementation of the occupational health and safety and issues associated with Child labour abuse; ▪ National labor law and IFAD Child Labor Abuse (CLA) should be respected.	Farmers / Beneficiaries	Woreda Health Bureau/ Kebele/ Project Coordination UNIT
	Impact on Cultural Heritage	▪ Delineate cultural heritage sites and make maximum care during construction; ▪ In the case of chance finds the contractor has to immediately contact the office responsible for cultural heritage for	Farmers / Beneficiaries	Woreda Tourism Office

Sector	Potential Impacts	Proposed Mitigation Measures	Responsible Institutions	
			For Implementation	**For Monitoring**
		guidance.		
	Social Conflicts due to water use and grazing land	▪ Maintain minimum flow downstream when pumping water for irrigation; ▪ Use customary laws to resolve conflict over grazing land.	Farmers/ Beneficiaries/communities	Woreda/ Kebele Administrations
Socio-economic Impact	Impact on project implementation due to Lack of Consultation with the Community	▪ Create awareness among the communities on the benefits, adverse effects and their roles to minimize impacts and sustainably manage project.		
Impact on Bio-physical Environment	Ground water pollution due to misuse of chemical fertilizers and Pesticides.	▪ Create awareness among the farmer health effects of these inputs when misuse, encourage to use manure (organic fertilizer), apply integrated Pesticide management to fight pests.	Woreda Agricultural Offices/ Health Offices	Woreda Environment Offices
	Soil Erosion due to expansion of agricultural activities to marginal land and steep slopes.	▪ Steep slopes or erodible soils can be alternatively used for forage production or grazing and steeply sloped lands under cultivation can be converted to perennial plantation to minimize soil erosion; ▪ Wooded areas with poor soils and steep slopes should be left in their natural state.	Farmers/ Beneficiaries/	Woreda Agricultural Office/ Environment Offices
	Loss of soil fertility	▪ Provide training to farmers on how soil fertility can be maintained by changing cropping pattern, growing nitrogen-fixing crops and composting of crop residues	Woreda Agriculture Offices	Woreda Agriculture Offices

Sector	Potential Impacts	Proposed Mitigation Measures	Responsible Institutions	
			For Implementation	**For Monitoring**
	Excessive exploitation of ground water due to irrigation activities.	▪ Avoid over pumping of ground water beyond recharge- discharge balance of the catchment areas.	Farmers/ Beneficiaries /Woreda Agricultural Offices	Woreda Environment Offices
	Shortage in animal fodder and overgrazing due to increase in animal population.	▪ Avoid grazing too early so that there will be enough grass in the dry season and monitor rainfall pattern and growth of pasture ▪ Control animal population so that it will not exceed the carrying capacity of the grazing land	Farmers/ Beneficiaries	Woreda Agriculture Offices
	Deforestation due to expansion of agricultural land.	▪ Sensitize and inform farmers about the benefits of conserving forest to maintain balance of the ecosystem; ▪ Avoid construction on or near natural habitats.	LLRP/Contractors	Consultant/ offices responsible for environment
	Impact due to the lack of proper waste management of agricultural residues	▪ Properly collect, transport and dispose such wastes on a site designated for this purpose.	Farmers/ Beneficiaries	Woreda Environment Offices
	Climate change Induced Impacts and Shocks	▪ Rehabilitation of degraded lands by Introducing soil and water conservation techniques such as such as terracing, tree planting and the development of various techniques to minimize impact due to	Farmers/ Beneficiaries	Woreda Environment Offices

Sector	Potential Impacts	Proposed Mitigation Measures	Responsible Institutions	
			For Implementation	**For Monitoring**
Impact on Bio-physical Environment		climate change.		
	Impact on biodiversity	Avoid cutting of indigenous trees and preserve tree species of biodiversity importance	Farmers/ beneficiaries	Woreda Environment Offices
	Cumulative impacts of the project	Mitigation of the impacts of individual businesses of RUFIP III and of the other development activities that are currently operating in the project area.	Other project owners and RUFIP III beneficiaries	Woreda Environment Offices

Note: *It will be premature to indicate cost of mitigation measures and environmental monitoring since the nature and sites of specific project activities the sub-projects are not clearly known at this stage.*

8. Institutional Arrangements

This section of the ESMF describes the process for ensuring that environmental and social concerns are adequately addressed through the institutional arrangements and procedures used by the programme for managing the identification, preparation, approval and implementation of sub-project or investment activities. This section sets out the reporting systems and schedules for ESMF implementation adherence to the programme implementation period.

In order to comply with various technical and performance standards, the proposed programme activities to be supported under RUFIP III shall comply with this ESMF. The implementation, monitoring and reporting arrangements for the ESMF have been worked out within the overall institutional structure for implementation of the proposed programme. The implementation schedule for the ESMF takes into account all activities related to the proposed measures (enhancement and mitigation), the monitoring program, consultations, and institutional arrangements.

The different actors expected to be the major players during implementation of the proposed program are the following:

- Development Bank of Ethiopia (DBE);
- Regional/ Woreda level Environmental offices;
- Micro Financial Institutions;
- Woreda Administrations;
- Woreda Agricultural Offices;
- Peasant Associations;
- The Community; and,
- Local NGOs.

Integration and coordination of the different parties and timely follow-up is of paramount importance for the materialization of the program. The respective roles and responsibilities of the above institutions are discussed below.

(a) Development Bank of Ethiopia (DBE)

Supporting units and committees include Project Management Committee (PMC), PCMU and National Rural Finance Policy Steering Committee (NRFPSC) have already been established under DBE to implement RUFIP I and II. The PCMU have already two safeguard experts. Given the geographical coverage of the RUFIP III programme the two experts may not be enough to coordinate and supervise programme activities and DBE may be required to recruit two more safeguard experts from its own recurrent budget to discharge its responsibility.

Project Coordination and Management Support shall be provided to the PCMU, including the provision of PCMU staff, technical assistance, office equipment, associated software and vehicles; and study tours and training programs for PCMU staff. The PCMU is under the direct supervision of DBE and fully charged with the responsibility of coordination and management of the programme. The PMC and NRFPSC, composed of the major national program partners, are advisory bodies. The former advises or supports the PCMU in discharging its responsibility diligently and the latter deals with rural finance policy matters and has a role in policy dialogue triggered through the RUFIP.
AEMFI, NBE, FCA and RCPB are umbrella institutions supporting the development and regulation and supervision of MFI's and RUSACCOs and unions.

IFAD is the financing institution; while MoF on behalf the Ethiopian Government will sign the loan to for the proposed programme. DBE's primary responsibility is management of the equity and credit funds and coordination and facilitation of the institutional development component.
The PCMU will also work with MFIs and Regional level officials and deliver the following:

- Safeguards awareness training;
- Explain Checklist section based on the SECAP;
- Confirm that enterprise activity designs and specifications contain environmental and social safeguards checks and considerations;
- Confirm that plans include mitigation actions where needed and monitoring responsibilities are recognized; and,
- Organize/facilitate on-the-job training in safeguards monitoring, inspection and information analysis.

The PCMU will be trained by national or international consultant and the MFIs will be trained by PCMU staff that received training by the consultant.

(b) Regional/ Woreda level Environmental offices

After thorough screening of the national level applications/proposals, DBE will require to submit the safeguards screening results, their recommendations and reports to **Regional/ Woreda level Environmental offices** for further review, clearance and approval of the screening reports.

The regional or Woreda level environmental offices will review the screening results and recommendations in the screening report, review the proposed mitigation measures, and will further provide feedbacks on the specific issues of screening. The reviewing process at this level may not necessarily need a full scale ESIA and may decide, if an ESMP is required.

After review of the screening result, the application might require a field appraisal mission to the location where project activity will be implemented in order to obtain additional or more detailed information. Moreover, if the desk appraisal and screening indicates that the proposed project activities have environmental and/or social concerns that are not adequately addressed in the current documentation, or if the application does not meet certain criteria, the regional or Woreda Environmental offices will require a field appraisal before the project activity application can be considered.

(c)Woreda Administration Office

- Follow-up and assist the micro finance institutions on the repayment;
- Establish a task force/steering committee at Woreda level;
- Organize meetings and chair the Woreda task force/steering committee for meetings related to the implementation of the programs, credit disbursement and repayment; and,
- In cases of land expropriation, facilitate the process of valuation and compensation committee meetings and payment of compensation.

(d) Woreda Agricultural and Natural Resources (ANR) Offices

- Support the selection of eligible farmers, who among others adopt improved agricultural practices and have a capacity to repay the loan in collaboration with other actors;
- Provide capacity building on climate resilient agricultural practices and natural resources management based on the profile of beneficiaries and intended purposes of the loans; and,
- Support by providing guidance and technical assistance to farmers and beneficiaries on compost preparation and other good agricultural practices including soil and water conservation measures.

The ANR officer will report to the Regional Agricultural and Natural Resource and to the RUSSACOs and MFIs.

(e) Micro Financial Institutions

- Assign focal person (s) at head office, branch office and sub-branch offices;
- Short list and make available staff members who are working in selected Woredas for training;
- In collaboration with other parties appraise application of beneficiaries on the basis of the guidelines set;
- Approve and disburse loans for beneficiaries ;
- Provide training and awareness raising campaigns through various forms of media and other means;
- In coordination with other relevant federal and regional bureaus, provide overall technical support/assistance in the implementation of this ESMF for the proposed investment activities;
- Provide loans to potential users;
- Maintain profiles of loan beneficiaries;
- Ensure that the loans are utilized for the intended purpose;
- Strictly follow-up the loans disbursed according to repayment schedule and agreement;
- Undertake monitoring and evaluation on the overall progress of repayment, likely problems, and other related issues and report to DBE on a monthly basis; and
- Program monitoring/reporting.

The microfinance institutions (MFIs) will report to DBE.

(f) Peasants' Associations in the Proposed project Areas

- Mobilize the society to take part in the program at Iddir meetings, religious ceremonies and other festivities;
- Undertake registration of likely beneficiaries (potential users) so as to avail credit to them in collaboration with other actors;
- Involve in the assessment of the eligibility of the beneficiaries; and,
- Report issues that are relevant to the program.

The Peasants' Associations will report to the RUSSACOs and MFIs.

(g) Users/Beneficiaries

- Contribute certain percentage of the overall construction/installation as set by the relevant government bodies;
- Utilize the loan for the intended purpose;
- Repay the loan on the basis of the agreed repayment schedule; and,

- Liable to be penalized as per agreed agreements.

(h) NGOs

NGOs that have been in one way or another involved in similar project activities can participate for enhancing the sustainability of the Programme so long as they respect the rules and regulations at federal and regional levels and the social and cultural aspects at the local level.

9. ESMF Implementation, Monitoring and Reporting

9.1 Exclusion List of IFAD

Prior to the formal screening process IFC exclusion list that has been indicated in annex 1 will be used to identify RUFIP III project activities that are eligible for IFAD financing. The next step will be to utilize an environmental and social screening checklist (Annex 2) to identify sub-project/ investment activities eligible for funding under RUFIP III. The application package that is to be submitted to MFIs should contain the environmental and social screening checklist. The DBE specialist under the PCMU, will be responsible to review the checklist submitted by the loan applicants and accordingly advise on the subsequent actions (automatic approval, approval pending a plan for mitigation, or non- approval) to be undertaken by MFIs. The MFIs, with the support of the specialist will also make spot checks to verify on the ground that potentially approved activities on paper are in reality in compliance with the EHS stipulated legal requirements.

Attention needs to be paid to the use of sound eligibility criteria that meets the SECAP Guidelines of IFAD in selecting and monitoring the financial intermediaries to ensure their financial and operational quality. In this regard, one of the important requirements is to ensure the project activities are in line with the legal requirements of the country.

This ESMF specifies (i) criteria which help avoid activities that might give rise to unacceptable or unmanageable environmental impacts, and (ii) procedures for screening that there will be no significant impacts and for identifying those that may require EIA. In case an EIA is required, potential beneficiaries are responsible to undertake such a study and get clearance from the local government authority at the region level. In such cases, the agent in the cooperatives to which resources of RUFIP III is channeled is responsible for identifying activities requiring EIA following an initial screening process, while the competent environmental authorities at the regional administration level are responsible for advising on the required level of EIA study and for ensuring that it is conducted to an acceptable standard.

Moreover, taking into account SECAP of IFAD, listing of ineligible projects is indicated in Annex 1.

This negative list encompasses projects with any of the attributes listed below:

- Project Activities with the potential for significant conversion or degradation of natural habitats without appropriate mitigation of anticipated impacts;
- Emitting pollutants to water, air and land and degrading forests;
- Any project situated within green area designated by each municipality;
- Any project or activity that will be implemented in disputed land;
- Any project that would result in the displacement of people or requires resettlement;
- Any project with the potential for significant damages to cultural property;
- Any project that is not consistent with the project description at time of project negotiations, unless subsequently agreed to with the PCMU at DBE, along with the development of an appropriate level of environmental and social management capacity;
- Any project or activity involving the procurement of pesticides not allowable under IFAD guidelines;
- Any project or activity that does not meet the legal requirement of the country, including gazetted environment, health and safety legal requirements;

- Any project or activity that is not compliant with the international convention that Ethiopia has ratified; and,
- Any project or activity, where children under 18 years of age are employed.

9.2 ESMF Approval and Implementation Process

The ESMF process starts with the project activity. This includes identification of project activities based on beneficiaries' demands and subsequent technical support and advice received from MFIs to prepare their proposal and loan request application documents. Based on the type and scale of selected project activities by the beneficiaries, loan applications/proposals will be submitted to DBE for approval. The DBE and MFI with the support from regional and Woreda offices, if required, will conduct desk appraisal of the proposed project activities prior to commencing the loan eligibility and environmental and social safeguards screening.

The screening process will be carried out against the pre-set criteria for eligibility of the project activities and environmental and social safeguards compliance by staff/team of experts from DBE at national level and by MFI Branch offices at regional and Woreda level using the screening checklist under annex 2. The proposed project activity plan or loan request proposal, screening reports, and recommendations will be complied and send to environmental offices for further review and approval.

DBE will review the plan of activities, screening results and recommendations from MFIs and provide decisions of approval or pass recommendations, if any design modifications or additional safeguards instruments are required. If program activities of any significant environmental concerns are included, then the plan document will be directed to the attention of the DBE or MFIs. The final clearance and approval of the plan document will be referred to the respective institutions (DBE or MFIs) with all the enclosed environmental and social screening documents and final decision reports.

As stated above various institutions have responsibilities to manage and complete the overall process of environmental management and implementation of this ESMF. In this regard, DBE, Regional and Woreda bureaus and offices, Regional and Woreda Environmental offices, Woreda administrations, other relevant line ministries are major actors for the implementation of any proposed sub-projects/investments in an environmentally sustainable way.

The ESMF also outlines that the successful implementation of the programme activities will require dynamic and multi-disciplinary professionals. Therefore, regular short and tailor made training courses and workshops will be required to reinforce the capacity and skills of the direct implementers, stakeholders and beneficiaries during the entire programme period. The existing capacities of the implementing institutions, DBE, MFIs, Line and Sector Ministries to implement the ESMF and other environmental and social safeguard instruments are relatively low.

The program has to provide for capacity building and technical support to all relevant implementing agents from National, Regional and Woreda levels. Thus, to capacitate and fill the gaps due to the prevailing low capacity of DBE, MFI and other institutions to implement this ESMF the development and implementation of capacity development and training plan is inevitable. The required capacity development, training and monitoring activity plan are stated under this ESMF, including the required

budget over the six years (from 2019 to 2024) of project implementation period. Thus, for successful implementation of the ESMF, earmarked budget of an estimated amount of 540,000 US$ will be required in the whole project period. This includes training on various topics, annual review and end-program-evaluation of the impacts of the ESMF by a consultant. Apart from the allocation of money, integration and coordination of various actors both at federal, regional and Woreda levels has of paramount importance for the successful realization of the RUFIP III funded activities. Timely monitoring, evaluation and follow-up need also be considered in an integrated manner in collaboration with the various role players. The following steps should be followed to implement the ESMF.

Step one: planning and preparation of the project activities

During planning and preparation of the project activities, the Implementing Partners (IPs) are required to ensure that environmental and social impacts of the project activities owned by each rural household and other beneficiaries are of small scale and that could be mitigated and minimized through implementations of best practice methods. Anticipated impacts and the respective mitigation measures under environmental impact and mitigation measures pointed out earlier will be used by IPs to obtain an overview of potential environmental and social impacts that could be generated due to the implementation of the project activities.

Given that the numerous beneficiaries' applications are likely to be submitted for funding, the screening and assessment of environmental and social impacts is most effectively applied simultaneously with the screening for loan eligibility by DBE or MFI branch offices. If the environmental and social impacts assessment is required, project activity will thus not be finally approved until an environmental and social safeguards impact assessment has been approved.

Based on the beneficiaries' demand on the type of project activities, applications /proposals for loan request will be submitted to DBE/MFIs.

Step Two: Desk appraisal

Prior to going to the sites, a desk appraisal of the proposed project activity will be carried out to confirm that all applications contain the required information pertinent to loan eligibility and for identification of environmental and social safeguards issues. Depending on the type of project activity loan request application level, desk appraisal will be conducted by the DBE /MFIs branch offices, to ensure that all pertinent environmental issues are identified.

Step Three: loan eligibility and safeguards screening

Screening for environmental and social eligibility will be done at the time when the beneficiaries submit the completed screening form to DBE or RUSSACOs/MFIs. The beneficiaries will be assisted by the Woreda administration when completing the screening form. The DBE or MFIs branch offices will undertake screening of loan eligibility and environmental and social eligibility of project activities to ascertain that the likely social and/or environmental impacts are identified. This screening will be carried out by using the Environmental and Social Screening Form (Refer annex 2).

Completion of this screening form will facilitate the identification of potential environmental and social impacts, determination of their significance, assignment of the appropriate environmental category, proposal of appropriate environmental mitigation measures, and conduct any further

environmental assessment work, if necessary. Suitably qualified experts from DBE /MFIs will conduct the screening process and if none are available, training will be provided.

The assignment of the appropriate environmental category to a particular project activity will be based on the information provided in the environmental and social screening forms (see annex 2) and on the SECAP provisions. Consistent with this operational policy, the activities of the proposed project activities may be categorized as "Category B" or Category A. Category "A" project activities will not be eligible to receive finance from RUFIP III budget.

Given the scale of the project, some of the activities may be categorized as "Category C" if the environmental and social screening results indicate that such activities will have limited or no environmental and social impacts. Therefore, apart from screening, they do not require environmental safeguards instrument preparation. Thus, if the screening form has only "No" entries, the proposed activity will not require further environmental assessment work, and the technical team of experts will recommend approval of this proposal and implementation can proceed immediately in line with IFAD Environmental Assessment Category "C".

Step Four: Submission of screening report to Regional/ Woreda level Environmental offices

After thorough screening of the national level applications/proposals, DBE will require to submit the safeguards screening results, their recommendations and reports to **Regional/ Woreda level Environmental offices** for further review, clearance and approval of the screening reports.

Step Five: Review of screening report and appraisal by Environmental offices

The regional or Woreda level environmental offices will review the screening results and recommendations in the screening report, review the proposed mitigation measures, and will further provide feedbacks on the specific issues of screening. The reviewing process at this level may not necessarily need a full scale ESIA and may decide, if an ESMP is required.

After review of the screening result, the application might require a field appraisal mission to the location where project activity will be implemented in order to obtain additional or more detailed information. Moreover, if the desk appraisal and screening indicates that the proposed project activities have environmental and/or social concerns that are not adequately addressed in the current documentation, or if the application does not meet certain criteria, the regional or Woreda Environmental offices will require a field appraisal before the project activity application can be considered.

Table 4 Sample Criteria for Requiring a Field Appraisal

Criteria	Field Appraisal
1. Land must be acquired to implement project activities, an individual or community's access to land or available resources is restricted or lost, or an individual or family is displaced	Determines the number of affected/displaced people and level of impact on restrict access to any available resources, as per the criteria stated under Resettlement Policy Framework (RPF).
2. Project activities may-affect a protected area or a natural habitat.	Determines if the project activities will adequately avoid adverse effects on the protected area or natural habitat, as provided for in the ESMF.
3. Project activities may have an impact on ecologically sensitive ecosystems (e.g. of impact on wetlands)	A field appraisal determines the scale and level of impact. The application may need to be revised to describe how the project will avoid or minimize adverse impacts to ecologically sensitive areas. This may require a distinct ESMP as outlined in this ESMF.
4. Project activities may involve, or result in: • Diversion or use of surface waters; • Production of effluent waste;	A field appraisal determines the scale and potential adverse effects, and may include an ESMP as outlined in Chapter seven of the ESMF.

Depending on the field appraisal mission, the appraisal might reconsider the need for development of an ESMP for the project activities. DBE/MFIs are responsible for ensuring that the required ESMP is conducted as per the SECAP. The ESMP can be conducted by a team of experts from the DBE/MFI including the environmental safeguards specialist (to be recruited by the project) or by a consultant as deemed necessary. *It should be noted that any project activities that would be rated as category 'A' will not be financed by IFAD.*

DBE, MFIs, regional or local level relevant institutions will supervise further the environmental and social safeguards implementation work, which may be included in the preparation of ESMP, RAP/ Abbreviated Resettlement Action Plan (ARAP), as the situation may require. Once all the requisite documentation has been compiled, the DBE/MFI will make recommendations to Woreda level environmental offices for final clearance and approval.

Steps six and seven: Approval of project activities by regional or Woreda level Environmental offices

As stated in the previous step four, the completed screening form along with any additional planning reports and overall project activity application is forwarded to the Woreda /Regional environmental offices. The first step in the approval process is to determine if all the relevant information has been provided, and is adequate. The Regional environmental offices at local level or regional level will check if the beneficiaries and screening team have thoroughly considered all environmental and social issues with regards to the identification of potential adverse effects arising from the project activities as well as mitigating measures to adequately address negative impacts.

The Project activity may not be eligible for funding, if they have potentially a negative impact on physical cultural resources, require land acquisition, or significant impacts on natural habitats, forests and other. Lists of project activities that may not be funded by the project are described in annex 1.

Although RUFIP III has no activities, which affect cultural resources in case of any events of the potential of chance find of physical cultural resources, the contract and any activities for construction or installation have to include reference to procedures to follow as per the issues mentioned in annex 5.

The screening of the project activity might result in a request for development of specific ESMP. Regional or Woreda level Environmental offices will review (the ESMP) and make decision by approving the project activity (*with or without conditions relating to implementation*); recommending to re-design (*with required and/or recommended amendments*); or rejecting the project activity (*with comments as to what is required to submit as an acceptable report*). As part of the appraisal, the corresponding ESMP has to be made publicly available.

IFAD Policy on Disclosure of Information requires that ESMPs are made available for public review. In this regard, it is only when ESMPs is made publicly available that the project activities will be reviewed.

Step Eight: Submission of approval decision report to DBE or MFIs / Regional or Woreda level Environmental offices

ESIA/ESMP review should be done in the given period (shortest possible time) to avoid delays in project activity implementation. The result of the review and final approval will submit to DBE/MFIs as soon as completed. The Review report to DBE or MFIs should include but not limited to:

- The decision on each project activity whether an ESMP is required or not;
- If an ESMP is required, the recommended scope of the ESMP clearly indicating the aspects to be seriously addressed, the skills required and duration of the ESMP;
- If an ESMP is not required, include guidance on special needs such as technical guidelines on any of the project activities; and
- Approval without conditions for those project activities with no potential adverse impacts.

(***Note***: *The final ESMP documents will be disclosed at DBE/MFI website. The local level disclosure of the final ESMP will be carried out using appropriate language and culturally sensitive manner.)*

Step Nine: Documentation

DBE or MFIs after receiving the decision report from Regional /Woreda level environmental offices, will compile the documentation comprising the decisions on loan eligibility and environmental and social safeguards screening for further processing of loan effectiveness.

Step ten: effectiveness of project activities

Once the documentation is finalized, DBE/MFI will communicate the loan beneficiaries to notify the effectiveness of the project implementation and loan award with all requirements during project implementations.

Step Eleven: Implementation

DBE/MFI will inform appropriate implementing institutions/beneficiaries to commence the implementation of various project activities, as per their proposal and notify the beneficiaries to act on the decisions and requirements provided by the regional or Woreda level Environmental offices, together with approval reports.

Step Twelve: Supervision and Monitoring

The DBE and MFIs will carry out supervision and monitoring, in consultation with and support from IFAD.

Step Thirteen: Annual auditing

As stated in the ESMF, the annual auditing and End-of-Project evaluation is the responsibility of DBE/MFI. The assignment will be annual auditing and end-of project evaluation by independent consultants or team of experts from Regional/Woreda Environmental offices.

Step Fourteen: End -of-Program Evaluation

End-of-Programme evaluation is the responsibility of DBE/MFI. The assignment will be evaluation by independent consultants or team of experts from Regional/Woreda Environmental offices.

9.3 Monitoring and reporting

Monitoring is a continuing process throughout the life of the proposed sub- projects and investments under RUFIP III from installation and construction phase up to operation and decommissioning phase. Its purpose is to establish benchmarks so that the nature and magnitude of anticipated environmental and social impacts can be continually assessed ensuring the achievement of ESMF objectives. Monitoring of ESMF could be continuous during project implementations or periodic review as annual monitoring/auditing to determine and guarantee the effectiveness of ESMF measures and procedures.

The objectives of monitoring are:

- To alert project implementers by providing timely information about the success or otherwise of the environmental management process outlined in this ESMF in such a manner that changes can be made as required to ensure continuous improvement of environmental and social management process; and,
- To make a final evaluation in order to determine whether the mitigation measures incorporated in the technical designs and the ESMPs have been successful in such a way that the pre-project environmental and social condition has been restored, improved upon or is worse than before and to determine what further mitigation measures may be required.

The ESMF implementation indicators to be monitored during project implementation include the following:

- Number of field appraisals undertaken;
- Number of ESMPs developed;
- Number of written warnings of violations of ESMPs issued to Private Sector Enterprises, Microfinance institutions, project contractors and/or the beneficiaries in case of non-compliances;
- Number of recommendations from IFAD , annual review and monitoring that have been implemented by the beginning of the following year;
- Number of chance find procedures for physical cultural resources invoked, if applicable;
- Number of staff at all levels trained in the implementation of this ESMF; and,
- Number of staff at federal, regional and Woreda levels attending training course in ESMF, RAP/RPF, ESMP, ESIA, and other safeguards instruments.

The ESMF training component is monitored through indicators of number of safeguard specialists MFI's staff at Regional and Woreda level beneficiaries and community members etc. trained and the topics covered.

Follow up on previous recommendations is monitored through the number of recommendations from the annual review that have been implemented. The indicators are deliberately very simple. Despite their simplicity, the integration of these indicators provides a guarantee that the ESMF will be implemented in full during the project implementation period.

The Monitoring and Evaluation Team of RUFIP III Coordination Directorate of the DBE will report to the DBE who will lead and oversee the implementation of any corrective measures that are required. Monitoring and evaluation is necessary to ensure that (i) the ESMF process is being implemented appropriately, and (ii) the mitigation measures are being identified and implemented. This will enable to identify various issues that necessitate amendments in the ESMF so as to improve its effectiveness.

Annual Audit

Annual Audit: an independently commissioned environmental and social audit/monitoring will be carried out on an annual basis as required. Annual Audit of the ESMF implementation will be undertaken by external consultants. The reviews amongst other things will assess the performance of the project against the procedures described in this document, the need for future training, and the environmental and social impacts of the proposed project activities. Guidelines for annual reviews are included in annex 7.

The **Annual Audit** also provides a strong incentive for DBE to ensure that the ESMF will be implemented, and the project ESMPs will be developed and implemented. An Annual Audit Report will include a summary of the environmental performance of the program, based on the ESMPs and measures indicated in the ESMF; presentation of compliance and progress in the implementation of the ESMPs; and a synopsis of the environmental monitoring results from individual project monitoring measures (as set out in the ESMPs), at local level.

The main tasks of the audit study will be, but not limited to:

- Consideration of the description of the project;
- Indicate the objective, scope and criteria of the audit;
- Verify the level of compliance by the proponent with the conditions of the environmental management plan;
- Evaluate the proponent's knowledge and awareness of and responsibility for the application of relevant legislation;
- Review existing project documentation related to all project facilities and designs;
- Examine monitoring programs, parameters and procedures in place for control and corrective actions in case of emergencies;
- Examine records of incidents and accidents and the likelihood of future occurrence of the incidents and accidents;
- Inspect areas where Proposed project equipment and materials are stored and disposed of and give a record of all significant environmental risks associated with such activities;
- Examine and seek views on health and safety issues from the project staffs, the local and other potentially affected communities; and,
- Prepare a list of health, safety and environmental concerns of past and on-going activities.

The suggested annual report template for the proposed project is depicted in annex 8. An annual monitoring and evaluation report must be submitted to DBE.

End-of-project evaluation

Based on the comprehensive annual reviews, an end-of-project evaluation will take place, going into more details with some of the issues raised in the annual reviews and the impact of the capacity development activities. The evaluation will be performed as per the OECD/DAC criteria of relevance, effectiveness, efficiency, impact, and sustainability.

The PCMU, through the specialist designated within the DBE Directorate will be responsible for monitoring applications and approval to ensure that the checklist has been duly filled in and verified by the MFIs, RUSSACOs and the programme beneficiaries. Spot checks by the MFIs and USSACOs will allow the PCMU to verify that the mitigation procedures are being applied as described in the Screening Checklist.

At the Mid Term of the project, RUFIP III will undertake a comprehensive audit and prepare a report on its environmental and social performance. This audit report will be the basis for establishing compliance and for improving performance in this regard. It will also be an important input for the monitoring and evaluation of RUFIP III supported project activities.

To monitor the progress of the implementation of the measures that have been identified in this ESMF, annual reviews will be carried out as outlined in annex 7. The principal output of the annual reviews is and to summarizes the results, and provides practical recommendations. Distinct sections should address ESMF performance and cumulative impacts. Annexes should provide the detailed results of the fieldwork, and summarize the number of approved projects by the respective national and regional teams and their characteristics according to the annual report format indicated in the annex. Copies of the annual review report should be delivered to the PCMU, to each Local, Regional and National Government office responsible for appraisal, approval and implementation of projects, and to IFAD. To ensure early detection of critical environmental and social conditions and to provide

information on the mitigation progress and results, reporting deadlines have been specified in the implementation schedule.

Environmental and social monitoring needs to be carried out during the construction as well as operation and maintenance of the proposed project activities to ensure that mitigation measures are implemented, have the intended result, and that remedial measures are undertaken, if mitigation measures are inadequate or the impacts have been underestimated within the environmental and social assessment (ESA).

At Regional level, the safeguard expert assigned by the regional environment office will be responsible for monitoring and reporting on the status of ESMF implementation throughout the project duration. S/He will supervise and review environmental and social safeguard documents and issues such as environmental audit reports during implementation. He will specifically monitor the following aspects:

- The environmental and social assessment processes (screening; ESMP preparation);
- The monitoring of the implementation of the mitigation measures;
- Monitoring of environmental and social issues and the supervision of the contractor civil works during the construction process;
- Monitoring of environmental and social issues during operations and maintenance of the proposed project activities after construction using the environmental indicators shown in the ESMF; and
- Submission of monitoring reports.

The communities through their representatives will receive both compliance monitoring. This will be done throughout the project cycle namely:

- During the planning phase, the communities will participate in the identification of social and environmental indicators for monitoring the mitigating measures;
- During construction phase, monitoring the execution of works with respect to environmental and social aspects such as for example, verify the compliances of the contractors with their obligations;
- During operation and maintenance phase, the overall environmental and social impact monitoring to alert any emerging environmental and social hazards in conjunction with the ongoing Proposed project activities.

When peoples and communities are affected during the implementation of the proposed project activities, they should be included in the monitoring and evaluation exercise.

The monitoring plan has the two components:

Monitoring of the compliance and effectiveness of the ESMF and application of the recommended standards;

Impact monitoring, i.e., measuring the socio-economic impacts of the project interventions.

Biannual review workshops will be conducted at Federal and regional levels with the objectives to:

- Assess project performance in complying with ESMF procedures, learn lessons, and improve future performance; and
- Assess the occurrence of, and potential for, cumulative impacts due to the proposed sub-projects and other development activities in the project area.

The participants of the ESMF review workshop are project implementing agencies whose project activities have environmental and social concerns and are responsible for the ESMF implementation at all levels. Regional workshop will be organized by regional environment office. Biannual review workshop will be organized towards the end of the year. Besides, IFAD, as deemed necessary, will periodically conduct reviews of the implementation of the ESMF.

Information disclosure

The DBE will make copies of the ESMF available in selected public places (possibly at National and Regional relevant government offices) for information and comments. The Proposed project activities will be announced through different forms of media. The announcement will include a brief description of the programme, references to where and when the ESMF can be viewed, duration of the display period, and contact information for comments.

For meaningful consultations between the DBE and possible project affected groups, beneficiaries and local NGOs on all Category B projects, DBE shall provide a relevant material in a timely manner prior to consultation and in a form and language that are understandable and accessible to the groups being consulted.

Public Disclosure Plan

Following the public consultation, all comments and briefs will be analyzed by DBE. The report will be published and made available to the concerned community groups and to interested bodies upon request.

In line with this, the ESMF will be available at the relevant institutions at all levels and be publicly disclosed both in country and at the IFAD's website. The DBE will make copies of the ESMF available in selected public places in English and working language of the country in compliance with the IFAD's *Public Consultation and Disclosure Policy*. It is proposed that the locations of copies are announced through pubic relation sections of relevant sector line Ministries, radio announcement in addition to press releases, as applicable.

Any ESMPs and other safeguards instruments that will be prepared for the proposed project activities under the programme will also needed to be disclosed to the public. Copies of the ESMPs should be made available to communities and interested parties in accessible locations through local government authorities, (e.g. Woreda offices). Copies of the ESMPs should also be provided to the implementing agencies and submitted to the PCMU. This will ensure record keeping of all activities implemented under the ESMF and ensure that third party audits, if required, have adequate information when undertaking annual environmental and social audits.

Disclosure of documentation related to the SECAP process

The IFAD policy on the disclosure of documents, approved in 2010, adopted the principle of "presumption of full disclosure" The sharing of draft and final ESIAs and other relevant documents with programme and project stakeholders and interested parties will be subject to the above-mentioned principle. As such, the documents will be disclosed, when available, in a timely manner prior to project appraisal at the quality assurance stage on IFAD's Website and in an accessible place in the programme or project-affected area, in a form and language understandable to project-affected parties and other stakeholders, for the purposes of keeping them informed and obtaining their meaningful feedback.

10. Capacity Building and Technical Assistance

Effective implementation of the ESMF will require technical capacity of implementing institutions. Project activities implementing bodies need to understand inherent social and environmental issues and values and should be able to identify the indicators to properly address environmental issues related to this project. Preliminary capacity need assessment will have to be conducted to identify strengthening needs on social and environmental evaluation, screening, mitigation and monitoring during the implementation of the ESMF. The suggestions on training and capacity development requirements under this section are based on recent observations, and consultations during the field visits for the preparation of ESMF.

This chapter deals with capacity building needs of institutions that will support implementation of the ESMF. It states the detail training and capacity development requirement for DBE, and other regional and Woreda level implementing parties such as MFIs that will be directly or indirectly engage in the implementation of RUFIP III. This capacity development and training will support DBE and other institutions to develop their skills to sufficiently screen, monitor, evaluate and assess the environmental impact of the proposed project activities.

The two environmental and social safeguard specialists at DBE are currently monitoring implementation of environmental and social screening and mitigation measures of RUFIP II and other related projects. However, there is a need to hire additional safeguard specialists to properly monitor implementation of the proposed ESMF of RUFIP III to meet following objectives:

- Ensure the MFIs and RUSACCOS have the capacity to assist communities and beneficiaries in preparing their proposals, and to appraise, approve and supervise implementation of project activities;
- Representatives and leaders of community members and farmer groups, Beneficiaries, Institutions and associations at local levels to prioritize their needs, and to identify, prepare, implement and manage the environmental and social aspects of project activities; and,
- Assist Local MFIs, and extension agents by providing technical support (including basic ESMP, ESMF, RPF, and RAP) to communities and farmers in implementing their project activities in an environmental friendly and socially acceptable manner.

At the national level, the training activities in environmental and social impact assessment will include environmental project screening and implementation of ESMF and this training can be conducted by the Environment, Forest and Climate Change Commission (EFCCC) or private consultants with the support of the DBE.

As most of the project activities are expected to be small-scale and have limited impacts that can be easily mitigated (Category “B”) and it is anticipated that the DBE safeguard specialists will be able to provide the required technical assistance on environmental and social safeguards management to Woreda experts that have environment background. The Woreda experts on the other hand will provide training and awareness to Kebele focal persons. In case environmental assessments are beyond the capacity of the Woreda experts and Kebele focal persons, they will request assistance from the regional /Woreda environmental offices to undertake the training.

Capacity Assessment

In many institutions they have assigned staff that that does not have the required qualification to oversee issues related to environmental management. In other cases, environment personnel are present but their level of training and technical capacity on environmental principles and tools of management is not sufficient. Training will therefore need to be provided at the federal government, local authorities, micro- finance institutions, and grassroots stakeholders that will in one way or another be involved in the implementation of the ESMF. In order to strengthen the capacity of DBE and to ensure sound implementation of ESMF and the consequent project activities environmental and social safeguard instruments, DBE may need to recruit two additional environmental and social safeguard specialists.

The implementation of the proposed project activities is expected to fulfill the safeguard policies requirements stipulated in this ESMF. However, the Woredas and in some case the regions have no capacity to supervise and implement these policies. The staff assigned to implement the proposed project activities at the kebele level should therefore receive training on social and environmental impact assessment in order to properly implement the safeguard policies and also carry out proper monitoring. There is also the need to provide specific training to the Development Agents (DAs) and to Kebele Development Committee (KDC) that will be engaged in the identification, selection and approval of proposed project activities at the kebele level. Similar training should also be given to experts assigned at the regional level for them to oversee proper implementation of the mitigation measures to minimize project impacts.

Training and Awareness Raising

Creating awareness among the kebele communities on the impacts and benefits and action that should be taken to minimize impacts of the proposed project activities is very crucial. To this effect, there is a need to develop a training plan to build the capacity of all development actors, who in one way or another, will participate in the execution and supervision of the project. Depending on the capacity building needs identified during the Performance Reviews or M&E, refresher courses will also need to be given in the course of proposed project activities implementation.

Areas identified for training include:

- Training on the role the community during the screening, planning, reviewing, implementation and monitoring process of the proposed project activities;
- Training on environment related national policies, laws, regulations policies that should be respected during the implementation of proposed project activities;
- Training on IFAD's SECAP for application to RUFIP III;
- Training on environmental and social assessment, ESIA approval processes, reporting and monitoring; and preparation of environmental management plan; and
- Conducting regular community awareness workshop to update progress and to create awareness on the institutional arrangement, procedures and process of implementing the proposed project activities ;

Technical Assistances

For effective implementation of the ESMF, technical assistance is required at region, Woreda and local (Kebele) level to build the capacity of the local communities, DAs, Woreda, zone and region government staffs to discharge their responsibilities as per the requirements set out in this ESMF. To this effect general technical assistance will be given to experts at federal, regional and zonal levels. This assistance includes training on monitoring of the effective implementation of the mitigation measures set out in the ESMP and in monitoring and supervision of the ESMF implementation that will be carried out on a bi-annual basis. Besides the general technical assistance, a specific training on the general environmental management principles tailored to lower technicians and to the community at the grass root level will be given.

11. Budget for the Implementation of RUFIP III

The RUFIP III is planned to be completed in 6 years. Budget required for the implementation of ESMF during the 6 years project life is indicated in the table 5.

Table 5 Budget Estimate for the implementation of the ESMF in US$

No	List of activities	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Yr 6
1	Awareness creation, launching workshop at project commencement						
1.1	Awareness raising, launching workshop and ToT at federal level	10,000					
1.2	Awareness raising and ToT at regional level	40,000					
1.3	Awareness raising and ToT at Woreda level	60,000					
Subtotal		**110,000**					
2	Training						
2.1	Federal	10,000					
2.2	Regional	40,000					
2.3	Woreda	50,000					
Subtotal		**100,000**					
3	Preparation of ESMFs	**10,000**			10,000		
4	Salary of and social and environmental specialist(2 in Number)	4,000	4,000	4,000	4,000	4,000	4,000
5	Annual Review Workshops, supervision and monitoring and annual audit						
5.1	Federal level		10,000	10,000		10,000	
5.2	Regional level		40,000	40,000		40,000	
5.3	Woreda level		50,000	50,000		50,000	
Subtotal			100,000	100,000		100,000	
	Total	**224,000**	**104,000**	**104,000**	**14,000**	**104,000**	**4,000**

Budget Estimate for the implementation of ESMF of RUFIP III is US$ 554,000

Note:

Training includes the following:

- IFAD's SECAP as well as implementation;
- Stakeholder engagement, consultation and partnerships, EIA law, procedures, & guidelines and enforcing mechanisms, Application of ESMF tools (Screening checklists, ESMP, EA), their review; implementation and enforcement,
- Development of mitigation measures and Environmental and Social Management Plans, Environmental reporting, monitoring and follow-up on the implementation of the ESMF the ESMF.

12. Grievance Redress Mechanisms (GRM)

Grievance redress will use existing formal and informal grievance mechanisms, strengthened or supplemented as needed with project-specific arrangements, and will be proportionate to the risks and impacts of the project.

Grievance redressing mechanisms have to be designed in view of the fact that programme funded activities may upset the existing balance in society. The resettlement project will touch upon property issues, means of livelihood, and organization of social and spatial aspects that influence proximity to a set of environmental, economic, social, and spiritual assets. Therefore, the grievance redressing system has to be designed in such a way that it functions in a flexible manner and the implementing agency has to incline to a pro-poor approach in all its decisions. The GRM will have a working place and adequate budget for implementation.

Grievances will be actively managed and tracked to ensure that appropriate resolution and actions are taken. A clear time schedule will be defined for resolving grievances, ensuring that they are addressed in an appropriate and timely manner, with corrective actions being implemented and the complainant being informed of the outcome. Grievances may arise from members of communities who are dissatisfied with (i) the eligibility criteria, (ii) community planning and resettlement measures, or (iii) actual implementation. This chapter sets out the measures to be used to manage grievances.

The grievance procedure does not replace existing legal processes. Based on consensus, the procedures will seek to resolve issues quickly in order to expedite the receipt of entitlements, without resorting to expensive and time-consuming legal actions. If the grievance procedure fails to provide a result, complainants can still seek legal redress.

A local grievance hearing committee (GHC) will be established, consisting of representatives from the village or town, municipality, Woreda, or Kebele administration, the displaced/affected persons, village elders or influential personalities other than the displaced/affected persons, and the church/mosque administration. Grievances should be settled amicably whenever possible. That is, positive discussions are made to convince the affected PAPs in the presence of the GHC. For example, if beneficiaries are unable to pay back their loans in time/default on loans since they are extremely susceptible to climate risks or borrower passed away the local grievance hearing committee (GHC) will evaluate the seriousness of the risk and ask for an extension or short term waiver.

However, if the resolution of a case requires additional payment any form of relocation of resources, the report shall be sent to the appropriate administrative executive for consideration. If the administrator agrees to the recommendation, he/she shall instruct the resettlement/appropriate unit to implement the amended provision. On the other hand, if the recommendation of the GHC is such that it upsets legal frameworks, the aggrieved party may be advised to pursue the case in a normal court of law.

According to proclamation 455/2005, Article11, subarticle1: "In rural areas and in urban centers where an administrative organ to hear grievances related to urban land holding is not yet established, a complaint relating to the amount of compensation shall be submitted to the regular court having jurisdiction."

In urban areas, a PAP who is dissatisfied with the amount of compensation may complain to an administrative organ and if the PAP is still not satisfied, PAP may appeal to the regular court within thirty days from the date of the decision (refer annex 10).

IFAD has established a complaints procedure to receive and facilitate resolution of concerns and complaints with respect to alleged non-compliance of its environmental and social policies and the mandatory aspects of its SECAP in the context of IFAD-supported projects. The procedure allows affected complainants to have their concerns resolved in a fair and timely manner through an independent process. IFAD may be contacted by e-mail at SECAPcomplaints@ifad.org or via its website. In addition, IFAD will require the borrower to provide an easily accessible grievance mechanism, process or procedure to facilitate resolution of concerns and grievances of project-affected parties arising in connection with the project (on a case-by-case basis for projects that pose special risks). Grievance redress will use existing formal and informal grievance mechanisms, strengthened or supplemented as needed with project-specific arrangements, and will be proportionate to the risks and impacts of the project. Although IFAD normally addresses risks primarily through its enhanced quality enhancement/quality assurance process and by means of project implementation support, it remains committed to: (i) working proactively with the affected parties to resolve complaints; (ii) ensuring that the complaints procedure and project-level grievance mechanism are easily accessible to affected persons, culturally appropriate, responsive and operates effectively; and (iii) maintaining records of all complaints and their resolutions.

Communities and individuals who believe that they are adversely affected by the project may also submit complaints through IFAD's Complaints Procedure. For information on how to submit complaints to IFAD, please visit https://www.ifad.org/web/guest/accountability-and-complaints-procedure. Communities Complaints on SEA can also be sent to IFAD using the link https://www.ifad.org/web/guest/ethics).

13. Chance Finds

Any Proposed project activities within the scope of the proposed Program, that will impact the cultural resources are not eligible for funding (Refer to Annex 1). In case of any possibility of chance find of physical cultural resources, most notably during excavation as part of construction activity the contractor should report to the responsible institutions for further guidance. Such physical cultural resources may take the form of work of art, building structures, graves or other sites of importance, including sites of archaeological, historical or religious significance.

All chance finds of such physical cultural resources will lead to temporary suspension of all activity that will adversely impact the cultural resource. Contracts will include detailed procedures for ensuring the protection of the cultural resources, including cessation of activities until the significance of the find has been determined and until appropriate mitigating measures has been implemented. This contains standard provisions to be annexed to contracts that potentially will lead to chance finds of physical cultural resources, as required. Refer annex 6 for the details of how to handle the issue of chance finds.

The attachments outlined below will be annexed to the contract in case there is the possibility of chance find of physical cultural resources (refer annex 6).

Attachment to contracts in case of potential chance find of physical cultural resources

Excavation in sites of known archaeological interest should be avoided as stated in annex 1 since; such project activities are not eligible for funding. Where historical remains, antiquity or any other object of cultural, historical or archaeological importance (including graveyards) are unexpectedly discovered during construction in an area not previously known for its archaeological interest, the following procedures should be applied:

a) Stop the construction activities in the area of the chance find.
b) Delineate the discovered area.
c) Secure the area to prevent any damage or loss of removable objects. In cases of removable antiquities or sensitive remains, a night guard shall be present until the responsible Regional authorities and the Ministry of Culture and Tourism take over.
d) Notify to DBE and the respective relevant institutions to contact the responsible local authorities and the Ministry of Culture and Tourism immediately (less than 24 hours).
e) The Ministry of Culture and Tourism will be in charge of protecting and preserving the area until deciding on the proper procedures to be carried out. This might require an evaluation of the findings to be performed by the archaeologists of the relevant Ministry Culture, and Tourism (within 1 week). The evaluation of the findings will take in consideration various criteria relevant to cultural heritage, including the aesthetic, historic, scientific or research, social and economic values as decided by the Ministry of Culture and Tourism.
f) Decisions on how to handle the finding are taken by the responsible authorities and the Ministry of Culture and Tourism (within 2 weeks). This could include changes in the location of the proposed project activity layout (such as when the finding is irremovable remains of cultural or archaeological importance), conservation, preservation, restoration and salvage.
g) Construction or rehabilitation work will resume only after authorization is provided by the responsible local authorities and the Ministry of Culture and Tourism concerning the safeguard of the heritage.

h) Authorization to resume work shall be communicated to the contractor in writing by the Ministry of Culture and Tourism.

In case of delays incurred indirect relation to any physical cultural resources findings not stipulated in the contract (and affecting the overall schedule of works), the contractor/masons may apply for an extension of time. However, the contractor/masons will not be entitled to any kind of compensation or claim other than what is directly related to the execution of the physical cultural resources findings works and protections.

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https://advocacy4oromia.files.wordpress.com/2014/06/an-overview-of-oromias-tourism-resources.pdf,[An Overview of Oromia's Tourism Resources]

ANNEXES

Annex 1. List of Proposed project activities that are not eligible for IFAD Funding

Proposed project activities that are not eligible for funding
Project activities that will block the access to water points and grazing etc. used by others
Project activities that will necessitate relocation and resettlement
Project activities that will cause encroachment to, and adversely affect, important natural habitats (e.g., wildlife reserves; parks or sanctuaries; protected areas; natural habitat areas, forests and forest reserves, wetlands, national parks or game reserve; any other ecologically/environmentally sensitive areas)
Project activities that will impact on physical cultural resources (archaeological sites; religious monuments or structures; natural sites with cultural values; cemeteries; graveyards; graves; and other sites of significance)
Project activities that will be located in protected areas and ecologically sensitive sites
Project activities that would not disadvantage to community members.
Project activities that will contravene international and regional conventions on environmental and social issues
Project activities that will contravene international conventions such as child labour and forced labour
Project activities that cause large-scale physical disturbance of the site or the surroundings

Annex 2. Environmental and Social Screening Checklists

This section outlines the selection criteria and associated Environmental and Social Assessment procedures to be applied when screening Project activities under RUFIP III.

Annex 2.1: Information for screening potential safeguards impacts

I. Basic Data:

Name of the Program:

Name of the proposed project activity:

Name of the Beneficiary:

Address:

Civil Works to be constructed:

Proposed Date for Commencement of Work:

DBE/MFI Team Representative and Address:

Site Selection:

II. Site Description

Site Features	Description
Physical description of the site	
Proximity to existing water points, wells and other water resources	
Presence and type of vegetation	
What is the current land use?	
Who identified the site?	
Who is the owner or user of the land?	
Who occupies the land?	

Completeness of the Application:

Does the application document contain, as appropriate, the following information?

Issues to be considered	Yes	No	N/A
Description of the proposed project activity and where it is located			
Reasons for proposing the project activity			
The estimated cost of implementation			
Information about how the site was chosen, and what alternatives were considered			

Issues to be considered	Yes	No	N/A
A map or drawing showing the location and boundary of the Proposed project activity including any land required temporarily during construction			
The plan for any physical works (e.g. layout, buildings, other structures, construction materials)			
Any new access arrangements or changes to existing road layouts			
Any land that needs to be acquired, as well as who owns it, lives on it or has rights to use it			
A work program for construction, operation and decommissioning the physical works, as well as any site restoration needed afterwards			
Construction methods			
Resources to be used in construction and operation (e.g. materials, water, energy)			
Information about measures included in the Proposed project activity plan to avoid or minimize adverse environmental and social impacts			
Details of any permits required for the proposed project activity			

Annex 2.2: Eligibility checklist for DBE or MFI at the National/Regional/Woreda/Kebele level

Name of the Program:
Name of the Project activity:
Location of the subproject: Region: _____ Zone: _____Woreda: _____
Kebele:_____
Person(s) who did the eligibility checklist

Name **Organization** **Signature** **Date**

1.

2.

Answer the following questions to determine whether the Proposed project activity is eligible or not*		
Will the subproject	**Yes**	**No**
Cause large-scale physical disturbance on (e.g. irrigation schemes of more than 100 ha is regarded as high risk according to IFAD guideline and are therefore eligible and schemes above 3000 ha requires full EIA)		
Block the access to or use of water points etc. used by others		
Located in or adjacent to protected area, critical habitat and other ecologically sensitive ecosystems		
Create encroachment and/or cause significant adverse impacts to critical natural habitats (e.g., wildlife reserves; parks or sanctuaries; protected areas; forests and forest reserves, wetlands, national parks or game reserve; any other ecologically/environmentally sensitive areas)		
Significant impact on physical cultural resources (archaeological sites; religious monuments or structures; natural sites with cultural values; cemeteries; graveyards; graves; and other sites of significance)		
Have risk on and/or exclude some members of a community, including vulnerable and minority groups		
Contravene international and regional conventions on environmental and social issues		

** This simple checklist can be used by DBE/MFI as a format for fast track eligibility checking of identified program activities*

Eligibility Recommendations:

It should be noted that if your answer is "**YES**" to any of the questions above, your Proposed project activity is not eligible and has to be rejected unless the features can be avoided by change of design and/or other appropriate mitigation measures.

Proposed project activity is eligible and approved: ☐

Proposed project activity is not eligible and rejected, and requires further action: ☐

Screening supervised and approved by:

Name	Position	Signature	Date

–

Annex 2.3. Screening checklist for environmental and social concerns needing special attention

Name of the Program:
Name of the subproject:
Location of the subproject: Region: _____ Zone: _____Woreda: _____
Kebele:_____
Person(s) who did the eligibility checklist

Name	Organization	Signature	Date
1.			
2.			

A. Environmental and social concern of the proposed project activity

Feature of environmental and social concern: Will the subproject	Yes	No	Comments
Involves land acquisition, or loss of assets, or access to assets on the land			
Have chemical wastes, disposal and pollution issues			
Displace individuals, families or businesses			
Encroach any sensitive area, like wetlands, national parks			
Located in or near an area where there is an important historical, archaeological or cultural heritage site			
Have risk of causing the contamination of drinking water			

If the Proposed project activity have any of the above features ('Yes' answers), the concerned focal person/expert, within the DBE/MFIs in collaboration with those concerned notifies the Regional and Woreda Environmental offices to make sure that the necessary procedures and guidelines are followed and relevant documents prepared. In addition, the proposed project activities have to be screened for any potential environmental and social concern as per the checklist given below

Recommendations

Proposed project activity needs special attention: ☐

Proposed project activity does not need special attention: ☐

Additional comments

_____
_____

Screening supervised and approved by:

Name	Position	Signature	Date
_____	_____	_____	_____

_

B. Checklist for environmental and social impact rating for Proposed project activities of environmental and social concerns.

Impact rating will be considered both in terms of consequence of impacts and probability of impacts so as to avoid subjective impact analysis.

No.	Type of activity – Will the proposed project activity :	If Yes, Rate of Impacts				
A		None	Low	Medium	High	Unknown
1	Build or rehabilitate any rural roads?					
2	Build or rehabilitate any electric energy system?					
3	Build or rehabilitate any structures or buildings?					
4	Support agricultural activities?					
5	Be located in or near an area where there is an important historical, archaeological or cultural heritage site?					
6	Be located within or adjacent to any areas that are or may be protected by government (e.g. national park, national reserve, world heritage site) or local tradition, or that might be a natural habitat?					
7	Depend on water supply from existing reservoirs, weir, or other water diversion structure?					
B	**Environment – Will the Proposed project activity:**	**If Yes, Rate of Impacts**				
		None	**Low**	**Medium**	**High**	**Unknown**
8	Have risk of causing the contamination of drinking water?					
9	Cause poor water drainage and increase the risk of water-related diseases such as malaria or bilharzias?					
10	Be located within or nearby environmentally sensitive areas (e.g. intact natural forests, mangroves, wetlands) or threatened species?					
11	Create a risk of increased soil degradation or erosion?					
12	Produce, or increase the production of, solid or liquid wastes (e.g. water, medical, and domestic or construction wastes)?					
13	Affect the quantity or quality of surface waters (e.g. rivers, streams, wetlands), or groundwater (e.g. wells)?					
14	Result in the production of solid or liquid waste, or result in an increase in waste production, during construction or operation?					
C	**Environment – Will the proposed project activity :**	**If Yes, Rate of Impacts**				
		None	**Low**	**Medium**	**High**	**Unknown**

15	Require that land (public or private) be acquired (temporarily or permanently) for its development?					
16	Use land that is currently occupied or regularly used for productive purposes (e.g. gardening, farming, pasture, fishing locations, forests)					
17	Displace individuals, families or businesses?					
18	Result in the temporary or permanent loss of crops, fruit trees or household infrastructure such as granaries, outside toilets and kitchens?					
19	Result in the involuntary restriction of access by people to legally designated parks and protected areas?					

When considering the location of a proposed project activity, rate the sensitivity of the proposed site is as shown in the following table according to the given criteria. Higher ratings do not necessarily mean that a site is unsuitable. They do indicate a real risk of causing undesirable adverse environmental and social effects, and that more substantial environmental and/or social planning may be required to adequately avoid, mitigate or manage potential effects. The following table should be used as a reference.

Summary of site sensitivity

Issues	Site Sensitivity		
	Low	**Medium**	**High**
Sensitive Natural habitats (Wetland, national parks)	No natural habitats present of any kind, No critical hot spot biodiversity area, fragile ecosystem	No critical natural habitats; other natural habitats occur	Presence of critical natural habitats present. hot spot biodiversity area, fragile ecosystem with in declared protected area
Water quality and water resource availability and use	Water flows exceed any existing demand; low intensity of water use; potential water use conflicts expected to be low; no potential water quality issues	Medium intensity of water use; multiple water users; water quality issues are important	Intensive water use; multiple water users; potential for conflicts is high; water quality issues are important Intensive water use; multiple water users; potential for conflicts is high; water quality issues are important
Natural hazards vulnerability, floods, soil stability/ erosion	Flat terrain; no potential stability/erosion problems; no known volcanic/seismic/ flood risks	Medium slopes; some erosion potential; medium risks from volcanic/seismic/ flood/ hurricanes	Mountainous terrain; steep slopes; unstable soils; high erosion potential; volcanic, seismic or flood risks

Issues	Site Sensitivity		
	Low	Medium	High
Cultural property Physical cultural resources	No known or suspected cultural heritage sites	Suspected cultural heritage sites; known heritage sites in broader area of influence	Known heritage sites in project area
Involuntary resettlement	No economic or physical displacement	If it displaces less than 200 people	If it displaces greater than 200 people
Land acquisition	No land acquisition	If the activity takes less than 20% of households land	If the activity takes more than 20% of households land

Summary of assessment (based on field visit):

Environmental Category (B or C) of the Proposed project activities(with justification):

_____

_____

Recommendation

☐ **The Proposed project activity can be considered for approval.** The application is complete, all significant environmental and social issues are resolved, and no further planning of proposed project activity is required: **Approved without condition** (*Project activity is not of environmental and social concern and is ready for approved*)

☐ **Safeguards instrument(s) required: Partial ESIA, ESMP or others (please specify)**

☐ **ESMP required:**

☐ **Rejected; reasons for rejection:**

☐ **Others (specify):**

☐ **A field appraisal is required.**

CERTIFICATION

I/We certify that I/we have thoroughly examined all the potential adverse effects of these project activities. To the best of our knowledge, the proposed project activity as described in the application and associated planning reports (e.g. ESMP, RAP/ARAP,), if any, will be adequate to avoid or minimize all adverse environmental and social impacts.

A Field Appraisal report will be completed and added to the file.

Name of desk appraisal officer (print): ……...

Signature: ……Date: ……

Woreda Environmental offices representative

Name: ……..

Position: ……

Signature: ……

Date: ……

Desk Appraisal by Review Authority: …….

Note: *A field appraisal must be carried out if the Proposed project activities:*

- *Needs to acquire land, or an individual or community's access to land or available resources is restricted or lost, or any individual or family is displaced;*
- *May restrict the use of resources in a park or protected area by people living inside or outside of it;*
- *May affect a protected area or a critical natural habitat;*
- *May encroach onto an important natural habitat, or have an impact on ecologically sensitive ecosystems (e.g. rivers, streams, wetlands);*
- *May adversely affect or benefit an underserved and vulnerable people;*
- *Involves or introduces the use of pesticides;*
- *Involves, or results in: a) diversion or use of surface waters; b) construction or rehabilitation of latrines, septic or sewage systems; c) production of waste (e.g. slaughterhouse waste, medical waste); d) new or rebuilt irrigation or drainage systems; or e) weirs, reservoirs or water points; and,*
- *Any others to be clarified/checked at the Proposed site (please mention them).*

……

……

Annex 3. Suggested Environmental and Social Field Appraisal Form

Name of the Program:

Name of the proposed Project Activity: Application Number:

Part 1: Identification

1. Name: (…….)

2. Location: (……)

3. Reason for Field Appraisal:

4. Date(s) of Field Appraisal:

5. Field Appraisal Officer and Address:

6. Extension Team Representative and Address:

7. Community Representative and Address:

Part 2: Description of the Proposed Project Activity

8. Details:

Part 3: Environmental and Social issues

9. Will the Proposed project activity:	Yes	No
• Need to acquire land?	☐	☐
• Affect an individual or the community's access to land or available resources?	☐	☐
• Displace or result in the involuntary resettlement of an individual or family?	☐	☐

If "Yes", tick one of the following boxes:

- The Resettlement Action Plan (RAP/ARAP) included in the allocation is adequate. No further action required.
- The RAP/ARAP included in the application must be improved before the application can be considered further.
- An RAP/ARAP must be prepared and approved before the application can be considered further.

10. Will the subproject:	Yes	No
* Encroach onto an important natural habitat?	☐	☐
* Negatively affect ecologically sensitive ecosystems?	☐	☐

If "Yes", tick one of the following boxes:

- The Environmental and Social Management Plan (ESMP) included in the application is adequate. No further action required.
- The ESMP included in the application must be improved before the application can be considered further.
- An ESMP must be prepared and approved before the application can be considered further.

11. Will this proposed project activity involve or result in:	**Yes**	**No**
• Diversion or use of surface waters?	☐	☐
• Production of waste?	☐	☐
• New or rebuilt irrigation or drainage systems?	☐	☐

If "Yes", tick one of the following boxes:

- The application describes suitable measures for managing the potential adverse environmental effects of these activities. No further action required.
- The application does not describe suitable measures for managing the potential adverse environmental effects of these activities. An ESMP must be prepared and approved before the application is considered further.

12. Will this Proposed project activity impact on water supplied from an existing reservoirs or weir?

Yes ☐ No ☐

If "Yes", tick one of the following boxes:

- The application demonstrates that a dam safety report has been prepared, the dam is safe, and no remedial work is required. No further action is required.
- The application does not demonstrate that a dam safety report has been prepared, the dam is safe, and no remedial work is required. A dam safety report must be prepared and approved before the application is considered further.

15. Are there any other environmental or social issues that have not been adequately addressed?

Yes ☐ No ☐

If "Yes", summarize them:

.....

And tick one of the following boxes:

- Before it is considered further, the application needs to be amended to include suitable measures for addressing these environmental or social issues.
- An ESMP needs to be prepared and approved before the application is considered further.

Part 4: Field Appraisal Decision

- The Proposed project activity can be considered for approval. Based on a site visit and consultations with both interested and affected parties, the field appraisal determined that the community and its proposed project adequately address environmental and/or social issues as required by the ESMF.
- If the field appraisal identify environmental and/or social issues have not been adequately addressed, then recommendation will be made to amend the application.
- All required documentation such as an amended application, ESMP, RAP/ARAP, will be added to the proposed project activity file for further consideration.

Name of field appraisal officer (print): .....

Signature: .....Date: ……

Annex 4. Guideline for the preparation of site specific ESMP

ESMPs should demonstrate that proposed environmental and social management and monitoring activities will encompass all major impacts and how they will be integrated into supervision. The ESMP should also describe proposed measures, methods, and actions to facilitate public consultation. It is important that the ESMP identify linkages to other social and environmental safeguards plans relating to the proposed project activities such as plans dealing with resettlement issues. ESMPs should be finalized and approved after taking into account comments from Woreda Environmental offices. The IFAD safeguards team will review and provide comments on draft site-specific instruments (if required) and monitor the safeguards compliance. Given below are the important elements that constitute an ESMP:

i) **Description of the subproject**: Scale nature and type of proposed project activity implemented under the proposed programs are summarized.

ii) **Description of Proposed project area:** The Biophysical and social environmental setting of the specific Proposed project activity are summarized

iii) **Impacts:** Predicted adverse environmental and social impacts (and any uncertainties about their effects) for which mitigation is necessary should be identified and summarized.

iv) **Description of Mitigation Measures**: Each measure should be briefly described in relation to the impact(s) and conditions under which it is required. These should be accompanied by and/or referenced to designs, development activities, operating procedures, and implementation responsibilities. Proposed measures and actions to facilitate public consultations should be clearly described and justified. Feasible and cost-effective measures to minimize adverse impacts to acceptable levels should be specified with reference to each impact identified. Further, the ESMP should provide details on the conditions under which the mitigation measure should be implemented. The ESMP should also indicate the various practicable measures applicable to the proposed project activity at each project phases (design, construction and/or operation). Efforts should also be made to mainstream environmental aspects wherever possible.

v) **Description of monitoring program:** The ESMP identifies monitoring objectives and specifies the type of monitoring required; it also describes performance indicators which provide linkages between impacts and mitigation measures identified in the ESA report, parameters to be measured (for example: national standards, extent of impacted area to be considered, etc.), methods to be used, sampling location and frequency of measurements, and definition of thresholds to signal the need for corrective actions. Monitoring and supervision arrangements should be agreed by IFAD and the client to ensure timely detection of conditions requiring remedial measures in keeping with best practice; provide information and the progress and results of mitigation and institutional strengthening measures; and, assess compliance with National and IFAD environmental safeguard policies

vi) **Institutional arrangements**: Institutions responsible for implementing mitigation measures and for monitoring their performance should be clearly identified. Where necessary, mechanisms for institutional coordination should be identified, as often, monitoring tends to involve more than one institution. This is especially important for requiring cross-sectoral integration. In particular, the ESMP specifies who is responsible for undertaking the mitigation and monitoring measures, e.g., for enforcement of remedial actions, monitoring of implementation, training, financing, and reporting. Institutional arrangements should also be crafted to maintain support for agreed enforcement measures for environmental protection. Where necessary, the ESMP should propose strengthening the relevant agencies through such actions as establishment of appropriate organizational arrangements; appointment of key staff and consultants.

vii) **Implementing schedules:** The timing, frequency and duration of mitigation measures and monitoring should be included in an implementation schedule, showing phasing and coordination with procedures in the overall implementation/operations manual. Linkages should be specified where implementation of mitigation measures is tied to institutional strengthening and to the legal agreements.

viii) **Reporting procedures**: Feedback mechanisms to inform the relevant parties on the progress and effectiveness of the mitigation measures and monitoring itself should be specified. Guidelines on the type of information required and the presentation of feedback information should also be highlighted.

ix) **Cost estimates and sources of funds:** Implementation of mitigation measures mentioned in the ESMP will involve an initial investment cost as well as recurrent costs. The ESMP should include cost estimates into the design, bidding and contract documents to ensure that the contractors will comply with the mitigation measures. The costs for implementing the ESMP will be included in the design, as well as in the bidding and contract documents. It is important to capture all costs – including administrative, design and

consultancy, and operational and maintenance costs – resulting from meeting required standards or modifying design.

For each potential impacts of the proposed project activity, corresponding mitigation measures, and who is responsible for implementation is indicated. For each potential environmental and social impact, there can be more than one mitigation measure. Responsibility for implementation of mitigation measures will typically rest with the contractor or beneficiary during construction and operation of the proposed activities.

The monitoring section of the ESMP prescribes indicators for monitoring the environmental and social impact and the effects of mitigation measures. The responsibility for this will typically rest with the DBE in collaboration with the respective pertinent institutions. A template for ESMP is depicted in annex 5.

Annex 5. Suggested Environmental and Social Management Plan (ESMP) Template for the proposed project activities

identification					
Name					
Region		Zone		Wereda	
Kebele/community		Location GPS coordinates			

Description of the Proposed project activity
Description of potential environmental and social impacts;
Description of planned mitigation measures and monitoring along with institutional responsibilities and capacity/ training requirements

Environmental and Social Management Plan-Mitigation					
Project Phase	**Project activity**	**Environmental Impacts**	**Mitigation/ enhancement measures**	**Institutional responsibilities**	**Cost**
Pre-construction					
Construction					
Operation and maintenance					
Total mitigation costs					

Environmental and Social Management Plan-Monitoring							
Project Phase	**Mitigation measures**	**Parameters to be monitored**	**location**	**measurements**	**frequency**	**Institutional responsibilities**	**Cost**
Pre-construction/ activities							
Construction/ activities							
Operation and maintenance/ activities							
Total monitoring costs							

Annex 6. Procedures for Chance Find of Physical Cultural Resources

Any Proposed project activities within the scope of the proposed Program, that will impact the cultural resources are not eligible for funding (Refer to Annex 1). In case of any possibility of chance find of physical cultural resources, most notably during excavation as part of construction activity the contractor should report to the responsible institutions for further guidance.

Such physical cultural resources may take the form of work of art, building structures, graves or other sites of importance, including sites of archaeological, historical or religious significance.

All chance finds of such physical cultural resources will lead to temporary suspension of all activity that will adversely impact the cultural resource. Contracts/Masons will include detailed procedures for ensuring the protection of the cultural resources, including cessation of activities until the significance of the find has been determined and until appropriate mitigating measures has been implemented. This Annex contains standard provisions to be annexed to contracts that potentially will lead to chance finds of physical cultural resources, as required.

The attachments outlined below will be annexed to the contract in case there is the possibility of chance find of physical cultural resources.

Attachment to contracts in case of potential chance find of physical cultural resources

If the Contractor discovers archaeological sites, historical sites, remains and objects, including graveyards and/or individual graves during excavation or construction, the Contractor/Masons shall:

1: Excavation in sites of known archaeological interest should be avoided as stated in annex 1 since such project activities are not eligible for funding. Where historical remains, antiquity or any other object of cultural, historical or archaeological importance (including graveyards) are unexpectedly discovered during construction in an area not previously known for its archaeological interest, the following procedures should be applied:

   i) Stop the construction activities in the area of the chance find.

   j) Delineate the discovered area.

   k) Secure the area to prevent any damage or loss of removable objects. In cases of removable antiquities or sensitive remains, a night guard shall be present until the responsible Regional authorities and the Ministry of Culture and Tourism take over.

   l) Notify to DBE and the respective relevant institutions to contact the responsible local authorities and the Ministry of Culture and Tourism immediately (less than 24 hours).

   m) The Ministry of Culture and Tourism will be in charge of protecting and preserving the area until deciding on the proper procedures to be carried out. This might require an evaluation of the findings to be performed by the archaeologists of the relevant Ministry Culture, and Tourism (within 1 week). The evaluation of the findings will take in consideration various criteria relevant to cultural heritage, including the aesthetic, historic, scientific or research, social and economic values as decided by the Ministry of Culture and Tourism.

   n) Decisions on how to handle the finding are taken by the responsible authorities and the Ministry of Culture and Tourism (within 2 weeks). This could include changes in the location of the proposed project activity layout (such as when the finding is irremovable remains of cultural or archaeological importance), conservation, preservation, restoration and salvage.

   o) Construction or rehabilitation work will resume only after authorization is provided by the responsible local authorities and the Ministry of Culture and Tourism concerning the safeguard of the heritage.

   p) Authorization to resume work shall be communicated to the contractor in writing by the Ministry of Culture and Tourism.

2: In case of delays incurred indirect relation to any physical cultural resources findings not stipulated in the contract (and affecting the overall schedule of works), the contractor/masons may apply for an extension of time. However, the contractor/masons will not be entitled to any kind of compensation or claim other than what is directly related to the execution of the physical cultural resources findings works and protections.

Annex 7. Guidelines for Annual Reviews

Objectives:

The objectives of annual reviews of ESMF implementation are two-fold:

a) To assess the program performance in complying with ESMF procedures, learn lessons, and improve future performance; and,

b) To assess the occurrence of, and potential for, cumulative impacts of the proposed project activities

The program management is expected to use the annual reviews to improve on procedures and capacity for integrating natural resources and environmental/social management into proposed program operations.

Scope of Work:

ESMF Performance Assessment

The overall scope of the performance assessment work is to:

a) Assess the adequacy of the process and procedures based on interviews with Project participants, Project records, and the environmental and social performance of a sample of approved project activities;

b) Assess the adequacy of ESMF roles and responsibilities, procedures, forms, information resource materials, etc.;

c) Assess the needs for further training and capacity building;

d) Identify key risks to the environmental and social sustainability of the proposed project activities; and,

e) Recommend appropriate measures for improving ESMF performance.

The following tasks will be typical:

a) Review national, regional and Woreda records of proposed project preparation and approval (e.g. applications; management in the region and Wereda; screening checklists; EMPs, appraisal forms; approval documents), as well as related studies or reports on wider issues of natural resources and environmental management in the country;

b) On the basis of this review, conduct field visits to assess the completeness of planning and implementation work, the adequacy of environmental/social design, and compliance with proposed mitigation measures. The sample should be large enough to be representative and include a substantial proportion that had (or should have had) a field appraisal according to established ESMF criteria. Proposed project activities in sensitive natural or social environments should especially be included;

c) Interview national, regional and Woreda officials responsible for appraisal and approval to determine their experience with ESMF implementation, their views on the strengths and weaknesses of the ESMF process, and what should be done to improve performance. Improvements may concern, for example, the process itself, the available tools (e.g. guidelines, forms, information sheets), the extent and kind of training available, and the amount of financial resources available; and,

d) Develop recommendations for improving ESMF performance.

Cumulative Impacts Assessment

This part of the annual review assesses the actual or potential cumulative impacts of proposed project activity with other development initiatives on the environment, natural resources and community groups, if applicable. Cumulative impacts result from a number of individual small-scale activities that, on their own, have minimal impacts, but over time and in combination generate a significant impact. For example:

a) Decline in groundwater levels or quality due to the abstraction of waters from limited natural water sources or wells and the introduction of numerous other small scale project activities affecting the available water potential in the area;

b) Overwhelmed or illegal waste and dumping sites due to the inappropriate disposal of increasing amounts of waste materials; and,

c) Attraction of migrant populations to communities that have successfully introduced improved social infrastructure (such as schools, health facilities or water sources) resulting in depletion of resources (e.g., supplies, water), etc.

The function of this assessment is primarily as an "early warning" system for potential cumulative impacts that might otherwise go undetected and unattended to. It will be largely based on the observations of people interviewed during the fieldwork, and trends that may be noticed by regional or Woreda officials. Where cumulative impacts are detected or suspected, recommendations will be made to address the issue, perhaps through more detailed study to clarify matters and what should or can be done about them.

Qualifications for Undertaking Annual Reviews:

The annual reviews shall be undertaken by an individual or small team, with experience relevant to the likely issues to be encountered (e.g. environmental and natural resources management, land acquisition and resettlement, livelihood restoration). They should also be familiar with the methods and practices of effective community consultation, and with typical methods and processes for preparing, appraising, approving and implementing small-scale community development projects.

Timing:

Annual reviews should be undertaken after the annual ESMF report has been prepared and before IFAD supervision of the Project, at the closing of each year of the programs. It is expected that each review would require 3 to 4 weeks of work and that the review report would be completed within 2 weeks of completing the fieldwork.

Outputs:

The principal output is an annual review report that documents the review methodology, summarizes the results, and provides practical recommendations. Distinct sections should address;

a) ESMF performance;

b) Cumulative impacts; and,

C) Measures to be taken.

Annexes should provide the detailed results of the fieldwork, arid summarize the number of approved proposed project activities and their characteristics according to the annual report format.

Copies of the annual review report should be delivered to the Programs management, to each national and regional office responsible for appraisal, approval and implementation of the proposed project activities, and to the IFAD. The project management (national or regional) may also want to host national or regional workshops to review and discuss the review findings and recommendations.

Annex 8. Suggested Forms for ESMF Reporting, Training and Follow-up

This annex contains three templates to be used in conjunction with monitoring and reporting and follow for ESMF implementation.

ESMF reporting form

Title of the Proposed project activity	Application received (date)	Field appraisal undertaken (date if undertaken)	Application approved (date if approved)	ESMP developed (yes or no)	Written warnings of violation of ESMP issued (yes/no)	Chance find procedures invoked (yes or no)

ESMF training form

Personnel	No. of people trained	Training received
Safeguard specialist/officer		
Zonal focal points		
Woreda staff		
Community members etc.		

Follow up on previous recommendations

Recommendation	Date of recommendation	Action taken	Recommendation implemented (yes/no)

Annex 9. Sample Terms of Reference (ToR) for ESIA Preparation

Based on the screening and scoping results, ESIA terms of reference will be prepared. The terms of reference will have the following contents. P*lease refer to the Guideline Series Documents for Reviewing Environmental Impacts Study Reports (EPA, 2003) for detail information on contents and descriptions of ESIA report (EPA, 2003).*

I. **Objective of the TOR:** This section should state the scope of the ESIA in relation to the screening category and the proposed program activities. It needs to stipulate the process and the timing of the ESIA preparation and implementation stages in order to adequately address the safeguards requirements of the GoE and the IFAD.

II. **Introduction and Context:** The ToR needs to provide information on program activity objective, the name of the program activity proponent, the rational for conducting the ESIA, specific components of the program activity, program activity area with location map, short briefing of social and environment of settings and applicable national and international safeguard policies.

III. **Location of the study area and likely major impacts:** State the area involved and the boundaries of the study area for the assessment. Identify adjacent or remote areas which should be considered with respect to impacts of particular aspects of the program activity.

IV. **Mission/Tasks:** The ESIA study team/consultant should clearly execute the following tasks.

Task A: Description of the proposed program activity: Describe the location, size and nature of the program activity, environmental assessment category, brief description of program activity alternatives, time schedule for phasing of development (i.e. preconstruction, construction, operation/maintenance, decommissioning), and resources (finance, human, material and technology) required for the program activity, among others.

Task B: Baseline information/Biophysical and social-economic description: Describe the baseline/ biophysical and socio-economic characteristics of the environment where the program activity will be implemented; and area of influence. Include information on any changes anticipated before the program activity commences.

Task C: Administrative and legal Policy framework: In addition to the required administrative and institutional setup for the implementation of the program activity, this part needs to identify pertinent policies, regulations and guidelines pertinent to the study that include:

- ✓ National laws and/or regulations on environmental and social assessments;
- ✓ Regional environmental and social assessment regulations;
- ✓ Environmental and social assessment regulations of any other financing organizations involved in the program activity;
- ✓ Relevant international environmental and social agreements/conventions to which
- ✓ Ethiopia is a party; and,
- ✓ IFAD safeguards policies.

Task D: Identification of potential impacts of the program activity: Identify all potential significant impacts that the program activity is likely to generate. Assess the impacts from changes brought about by the program activity on baseline environmental conditions as described under Task B. The analysis should address both the positive and negative impacts of the program activity. Wherever possible, describe impacts quantitatively, in terms of environmental and social costs and benefits.

Task E: Propose Program activity alternatives: Alternatives extend to site, design, technology selection, construction techniques and phasing, and operating and maintenance procedures. Compare alternatives in terms of potential environmental and social impacts; capital and operating costs; suitability under local conditions; and institutional, training, and monitoring requirements.

Task F: Preparation of an Environmental and Social Management Plan (ESMP): Describe the mitigation measures for adverse environmental and social impacts, staffing/institutional and training requirements, schedules, and other necessary support services to implement the mitigating measures. Provide environmental and social protection clauses for application by contractors and consultants, if any. The ToR should state that the concerned and affected parties should agree on the proposed mitigating measures before they are included in the ESMP.

Task G: Monitoring Plan: This organizes a comprehensive plan to monitor the implementation of mitigating measures and the impacts of the program activities. It should also address an estimate of

capital and operating costs and a description of other inputs (such as training and institutional strengthening) needed to implement the plan.

V. Qualification of the ESIA study team/Consultant: The ToR should provide clear guidance on the qualification of the ESIA study team.

VI. Duration of the ESIA Study: This should be determined according to the type of the program activity.

VII. Preparation of the final Report: The ESIA study team/consultant will produce the final report one week after receiving comments from program activity proponent and concerned stakeholders. The final report will include comments from these institutions.

VIII. Suggested Contents of the ESIA Report: *Please refer to the "Guideline Series Documents for Reviewing Environmental Impacts Study Reports" (EPA, 2003) to get detail information on the contents of ESIA report (EPA, 2003). The contents of the ESIA report should contain the following elements.*

- Executive Summary;
- Introduction;
- Methodology;
- Administrative, legal and policy requirements;
- Description of program activity (need, objectives, technical details, size, location input and other relevant requirements);
- An outline of the main development alternatives;
- Description of baseline information/environmental and socio-economic conditions;
- An account of the prediction and assessment of each impact at all stages of the program activity cycle for each alternative;
- Description of the methodology and techniques used in assessment and analysis of the program activity impacts;
- Description of environmental and social impacts for program activity;
- Environmental and Social Management Plan (ESMP) for the project including the proposed mitigation measures;
- Institutional responsibilities for monitoring and implementation; Summarized table for ESMP;
- Conclusions and recommendations;
- References; and,
- Annexes:
    - ✓ List of Persons/Institutions met;
    - ✓ List of the ESIA study team members; and,
    - ✓ Minutes of consultations.

Annex 10. Grievance Redress Mechanism

IFAD has introduced a Grievance Redress Service (GRS) requiring the Borrower to provide a grievance mechanism, process, or procedure to receive and facilitate resolution of stakeholders' concerns and grievances arising in connection with the project and the Borrower's environmental and social performance.

According to the GRS project-affected communities and individuals may submit complaints regarding IFAD financed project to the appropriate local grievance mechanism, or the IFAD's corporate Grievance Redress Service (GRS).

The table depicted below shows a generic grievance redress mechanism that can be applied to the proposed project activities.

Steps	**Process**	**Description**	**Time frame**	**Other information**
1	Identification of grievance	Face to face; phone; letter, e-mail; recorded during public/community interaction;	1 Day	Email address; hotline number
2	Grievance assessed and logged	Significance assessed and grievance recorded or logged (i.e. in a log book)	4-7 Days	Significance criteria Level 1 –one off event; Level 2– complaint is widespread or repeated; Level 3- any complaint (one off or repeated) that indicates breach of law or policy or this ESMF/RPF provisions
3	Grievance is acknowledged	Acknowledgement of grievance through appropriate medium	7-14 Days	
4	Development of response	• Grievance assigned to appropriate party for resolution • Response development with input from management/ relevant stakeholders	4-7 Days 10-14 Days	
5	Response signed off	Redress action approved at appropriate levels	4-7 Days	Senior management staff of DBE should sign
6	Implementation and communication of response	Redress action implemented and update of progress on resolution communicated to complainant	10-14 Days	
7	Complaints Response	Redress action recorded in grievance log book Confirm with complainant that grievance can be closed or determine what follow up is necessary	4-7 Days	
8	Close grievance	Record final sign off of grievance. If grievance cannot be closed, return to step 2 or refer to sector minister or recommend third-party arbitration or resort to court of law	4-7 Days	Final sign off by Senior management of DBE

Annex 11. Institutions Consulted during the Fieldwork

- National Bank of Ethiopia

-Rib Saving Cooperative UNION

-Atsedemariam primary cooperative

-Amara Saving and Credit Share Company

_Yesidama Beder ena Kuteba Enterprise VRUSSCO Office

-Ministry of Water, Irrigation and Electricity

-Project Beneficiaries of RUFIP I and II in SNNRP and Amhara Region

Annex 12. Filled Questionnaire Related to climate Shocks

Filled Questionnaire No.1
(Questionnaire for MFI's – lending profile for clients)

1. Does your institution have clients that are in areas affected by climate related shocks? – (these would include floods, droughts).

   Yes, *mostly due to the lowered yield expected in the main harvest time.*

2. If so which geographic locations and how many clients?

Province	***Woreda***	***Number of clients***	***Type of climate shock***
South West Showa	Sebeta Awas	216 in two Kebeles	Crop failure (fall in yield)
South West Showa	Kersa Malina (Lemon)	700 in two Kebeles	"
East Showa	Adama and Boset	190 in two Kebeles	"

3. Are there any notable trends in lending related to climate shocks – such as frequency? Severity?
   Not frequent and not as such severe. There is some trend in the rift valley area where Adama is part of it. What has been observed is partial crop failure not total and we hope an improvement in the climate than continue as it is been now.

4. Are there any notable trends in rates of client defaults during the time of climate related shocks?
   Yes, particularly it is noticeable in agricultural and related loan clients. As the primary source of loan repayment is based from farm and related activities and shocks in these areas not only affect their loan commitment but also their livelihoods.

5. Does your Institution take any measures to maintain the portfolio during times of climate related shocks (such as postponement of repayment installment, waiver of interest, writing off loan)?
   Yes, based on the severity of the shock. What has happened currently is partial crop failure and the Institution implements partial repayment schedules accordingly.
6. Do clients make any specific requests during or following climate related shocks? What type of requests?
   Yes they request. The request includes rescheduling of loan repayments, waiving of interests, and even additional loan to withstand the shocks.

7. Does your institution have an Environment and Social Management System in place?
   Yes
8. Does your institution have any risk assessment related to climate shocks?
   Yes, *through its risk and compliance department on regular and ad hoc patterns.*
9. Does your institution have experts for Environment, Social and Climate risk management?
   Yes, *dedicated staffs from Social Performance Management, Risk and compliance.*
10. Does your institution provide any advisory services for clients and if so what type?
    Yes, *timing of taking loan, on mixed cropping, is diversifying means of livelihoods, etc.*

Filled Questionnaire No.2
(Questionnaire for MFI's – lending profile for clients)

1. Does your institution have clients that are in areas affected by climate related shocks? – (these would include floods, droughts)
   From time to time there are climate related shocks that our clients experience in recent years. There was severe drought that was induced by El-Nino in 2015/16; drought in 2009/10; and 2002/2003 in all 7 branches located in and around the rift valley region in Oromia. Rainfall shortage or late rainfall incidence are becoming common almost every year or every other year in the past 10 years. Rainfall variability mainly shortage or late rain seems to occur almost every year in the areas between Mojo/Koka to Ziway/Bulbula and we are no more giving in-kind loan of maize seed which was a success for us in the past and as a result we lost many customers in Meki and Ziway and Bulbula branches.

2. If so which geographic locations and how many clients?

Province	**Woreda**	**Number of clients**	**Type of climate shock**
Oromia region	Shashemene, Adami-Tullu-Jido-Kombolcha,	4,000	Drought, rainfall shortage, late rainfall;
Oromia region	Kofale, Kore	3,000	Frost
	Adami Tullu-Jido-Kombolcha (Bulbula, Meki, Ziway)	4,000	Late rainfall, rainfall shortage

3. Are there any notable trends in lending related to climate shocks – such as frequency. Severity?
   The shocks in terms of severity have increased in recent years; rainfall shortage or late or early rainfall incidence has increased in frequency of occurrence. For e.g., in the last three cropping seasons including 2018 (Apr/May/Jun) we clearly cancelled loans for maize seed purchase for farmers in rift valley areas because the rain was very late. As a result we lost about 2,000 maize farmer clients in Meki, Ziway and Bulbula areas.

4. Are there any notable trends in rates of client defaults during the time of climate related shocks?
   Of course yes. In 2015/16, we have massive loan defaults in our Shashemene, Kuyera, Arsi Negelle, Bulbula, Ziway, Meki, Mojo and Bishoftu branches. In Bulbua branch we had default in 2014, 2015 and 2016

5. Does your Institution take any measures to maintain the portfolio during times of climate related shocks (such as postponement of repayment installment, waiver of interest, writing off loan)?
   You are forced to accept non-repayment in times of weather related shocks in one way or another, especially if the situation affects two or more Kebeles in rural areas. And this will bring a bigger problem, that is, we are often forced to close most of these affected branches sooner or later. Because postponement or rescheduling does not work for joint and several liability groups because if there is drought in on Kebele that affected just few farmers, every credit group in the Woreda will fall or disappear due to the domino effect of group guarantee lending method.

6. Do clients make any specific requests during or following climate related shocks? What type of requests?

Buusaa Gonofaa has been financing input loan by giving wheat and maize seed in kind to farmers since 2010 but in limited branches in the rift valley areas. And farmers were always asking us to give them guaranteed access to these improved seeds every time, and aftershocks, they are very clear that they will pay their loans if and only if they can get tangible guarantee for seed. We cannot guarantee farmers reliable seed supply at any time although we entered the business of in-kind loan exactly because farmers can't get seed, and if they can, it is very late or too late. Farmers tell us that the survival rate of improved seed is much higher than their traditional seeds during period of climate shocks like rainfall shortage.

7. Does your institution have an Environment and Social Management System in place?
   I don't even understand the term. For social performance management of our existing clients, we do have a modest mechanism, but it is focus exclusively on our clients only.

8. Does your institution have any risk assessment related to climate shocks?
   We don't have much assessment practice, although in the case of in-kind input financing, we certainly check from the farmers about the perception of the climate situation before we give out the seeds in loan. Also there is no mechanism that we know to get some forecast of the weather situation for the coming 5 or 10 days or weeks before we disburse in-kind loan for seed or cash loan for fertilizer.

9. Does your institution have experts for Environment, Social and Climate risk management?
   No we don't have.

10. Does your institution provide any advisory services for clients and if so what type?
    In few branches where we provide input loan in-kind (seed, fertilizer and agro-chemicals), we provide training on good farming practice on pilot scale to about 1,000 wheat and maize farmers annually. For sure we have seen this has significant implication for improving farmers' productivity, increase their income and hence de-risk our credit risk. But unreliability of seed supply has discouraged us from taking the benefit of such investment. We trained farmers last year but there was no appropriate wheat seed for example.

Filled Questionnaire No.3
Questionnaire for MFI's – lending profile for clients

1. Does your institution have clients that are in areas affected by climate related shocks? – (these would include floods, droughts)= **Not affected**
2. If so which geographic locations and how many clients?
3. Are there any notable trends in lending related to climate shocks – such as frequency? Severity? **NO**
4. Are there any notable trends in rates of client defaults during the time of climate related shocks? **NO**
5. Does your Institution take any measures to maintain the portfolio during times of climate related shocks (such as postponement of repayment installment, waiver of interest, writing off loan)? **NO**
6. Do clients make any specific requests during or following climate related shocks? What type of requests? **To design special Loan product to this area**
7. Does your institution have an Environment and Social Management System in place? **NO**
8. Does your institution have any risk assessment related to climate shocks? **NO**
9. Does your institution have experts for Environment, Social and Climate risk management? **NO**
10. Does your institution provide any advisory services for clients and if so what type? **NO**

Filled Questionnaire No. 4 by MFI's – lending profile for clients

(Questionnaire for MFI's – lending profile for clients)

1. Does your institution have clients that are in areas affected by climate related shocks? – (these would include floods, droughts). **Yes**
2. If so which geographic locations and how many clients?

Province	**Woreda**	**Number of clients**	**Type of climate shock**
(Finfine Zuria Oromia Liyu Zone)	Sebeta Hawas	221	Drought
(South West Shoa)	Illu Woreda	54	Floods & Frost
(Finfine Zuria Oromia Liyu Zone)	Akaki	565	Drought
(Arsi Zone)	Tiyo	95	Frost
(Arsi Zone)	Digelu Tijo	60	Frost

3. Are there any notable trends in lending related to climate shocks – such as frequency? Severity**? No**.
4. Are there any notable trends in rates of client defaults during the time of climate related shocks? **No**
5. Does your Institution take any measures to maintain the portfolio during times of climate related shocks (such as postponement of repayment installment, waiver of interest, writing off loan)? **Yes,** there is policy to reschedule but not as such applicable from experience.
6. Do clients make any specific requests during or following climate related shocks? What type of requests? **Yes,** reschedule, refinance and waiver in interest
7. Does your institution have an Environment and Social Management System in place? **Yes**
8. Does your institution have any risk assessment related to climate shocks? **No**
9. Does your institution have experts for Environment, Social and Climate risk management? **No**
10. Does your institution provide any advisory services for clients and if so what type? **Yes,** it is a kind of training on financial services (Debt management, saving and budgeting) and regular follows up of clients business.