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# Combined Project Information Documents / Integrated Safeguards Datasheet (PID/ISDS)

Appraisal Stage | Date Prepared/Updated: 01-Mar-2017 | Report No: PIDISDSA19870



**BASIC INFORMATION**

**A. Basic Project Data**

Country Ethiopia	Project ID P160279	Project Name Ethiopia: National Quality Infrastructure Development Project	Parent Project ID (if any)
Region AFRICA	Estimated Appraisal Date 19-Dec-2016	Estimated Board Date 03-Apr-2017	Practice Area (Lead) Trade & Competitiveness
Lending Instrument Investment Project Financing	Borrower(s) Ministry of Finance and Economic Cooperation	Implementing Agency Ministry of Science and Technology	

Proposed Development Objective(s)

The Project Development Objective (PDO) is to improve the delivery of quality assurance services to enterprises in the targeted sectors.

Components

- Component 1: Strengthening Institutional Capacity for National Quality Infrastructure Development
- Component 2: Enhancing Private Sector Engagement
- Component 3: Project Management and Monitoring and Evaluation

**Financing (in USD Million)**

Financing Source	Amount
IDA-59830	50.00
<b>Total Project Cost</b>	<b>50.00</b>

Environmental Assessment Category

B - Partial Assessment

Have the Safeguards oversight and clearance functions been transferred to the Practice Manager? (Will not be disclosed)

Yes

Decision

The review did authorize the preparation to continue

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Other Decision (as needed)

## B. Introduction and Context

### Country Context

- Ethiopia is a large, landlocked, and diverse country.** It is located in the Horn of Africa with an area of 1.1 million km<sup>2</sup>. Ethiopia's population is estimated at 96.95 million, with an annual population growth rate of 2.5 percent (2014).<sup>1</sup> At this rate, Ethiopia's population is expected to reach 130 million by 2025, and the United Nations projects that it will become the tenth most populous country in the world by 2050. According to the World Bank Group estimation in 2015, only about 20 percent of the population lives in urban centers. Ethiopia is a country of many nations, nationalities, and peoples, with about 98 nationalities and peoples with roughly 93 languages. At the time of the writing of this document, the country is in a nationwide state of emergency declared by the Government of Ethiopia (GoE) on 10/09/2016 for six months following months of anti-government protests.
- In the last decade, Ethiopia has made significant progress in reducing poverty and accelerating economic growth benefitting from significant public infrastructure investments and a conducive global export environment.** Real gross domestic product averaged 10.9 percent per year (8 percent per capita) from 2004/05–2014/15, according to official data, as compared to the Sub-Saharan Africa average of 5.4 percent for the same period. At the same time, the poverty headcount ratio at the international poverty line (US\$1.90 per day in 2011) has fallen from 55.3 percent (2000) to 33.5 percent (2011), and the World Bank estimate suggests that poverty has continued to decline since 2011.<sup>2</sup> So far, the primary driver of economic growth has been agriculture and services, while contributions from manufacturing were low. The World Bank Group's analysis highlights several contributing factors to growth, including high infrastructure investment facilitated by the Government, openness to trade, high export commodity prices, labor shifts from low productivity agriculture to higher productivity construction and services activities, political stability, and the absence of widespread drought.<sup>3</sup>
- Higher economic growth underpinned by both manufacturing output and value added exports will be needed.** At present, most employment opportunities in the country and about 40 percent of output and exports are related to agriculture, whereas services make up close to 50 percent of output value and exports,<sup>4</sup> respectively. The emerging Ethiopian light manufacturing sector, dominated by the food, beverage, leather, textile, and apparel industries, has remained stagnant at around 5 percent shares of output, employment, and

<sup>1</sup> World Development Indicators based on United Nations population projection. According to the Central Statistics Agency, the midyear population estimate is 90.1 million in 2015.

<sup>2</sup> Poverty is just as prevalent in Ethiopia's two largest cities (Addis Ababa and Dire Dawa) as in rural areas, and is strongly associated with unemployment. Poverty rates in the two cities are close to 30 percent and unemployment in the capital is 24 percent. In addition, while the poorest 40 percent tend to be likely to live in rural areas and engage in agriculture, the elderly and female-headed-households are particularly vulnerable in urban areas because of weaker informal safety nets.

<sup>3</sup> Ethiopia Systematic Country Diagnostic (SCD) (World Bank Group 2016)

<sup>4</sup> Within services, commerce, public sector, and 'others services' were the most important contributors to output and jobs. Ethiopia's Great Run (World Bank Group 2016).



exports.<sup>5</sup> As emphasized in the 4th Ethiopia Economic Update (World Bank Group 2015), growth in the manufacturing sector is critical for sustained long-term growth of a country graduating through the early stages of industrial development. Manufacturing bears the potential to create new and better-paying jobs and related services and to reallocate workers from the low productive agriculture and the informal sectors to more productive and formal economic activities.

4. **Increasing manufacturing, specifically exports of manufactured goods, is among the major targets of the Government of Ethiopia (GoE)**, as indicated in the Second Phase of the Growth and Transformation Plan (GTP II), which sets out an ambitious vision that seeks to turn Ethiopia into a middle-income country by 2025. Emphasis is on the development of export-oriented light manufacturing, in particular labor-intensive industries to take advantage of the country's relative abundance of labor, low wages, and raw materials. The GoE's priority industries include, among others, textiles and garments, leather, and leather products, and agro-processing products. Though relatively small in export share currently, these sectors have shown their potential over the last five years as evidenced by the increase of the compound annual growth rate (CAGR) at 10.8 percent (food products), 7.3 percent (leather and other leather products), 33.8 percent (footwear), and 19.6 percent (textiles and garments), respectively.

#### Sectoral and Institutional Context

5. **Given the strategic emphasis on the growth of light manufacturing, fostering awareness and adherence of Ethiopian firms, specifically exporters, to international product standards and certification regimes is more crucial than ever.** It will help them meet global standards and quality practices, as they operate within integrated global value chains (GVCs), where products and services require quality assurance.<sup>6</sup> Many of the major export destinations of Ethiopian light manufacturing products are developed markets, such as the United States, European Union (EU), and Asia, where higher standards and quality practices are required than those applied domestically.

6. **In addition, a functioning system to assess the quality of input materials (imported or locally produced) is critical. So far, the lack of adequate National Quality Infrastructure (NQI)<sup>7</sup> has severely constrained the ability of Ethiopian firms to produce goods and services that meet the quality specifications of global markets.** Though primarily focused on agricultural commodities, Ethiopian products face rejection in the markets in developed countries mainly due to pesticide residue, mycotoxin content, insufficient hygienic condition, and inappropriate labelling.<sup>8</sup> For instance, during the 2010–2015 period, there were 19 notifications of rejections of products (fruits and vegetables, herbs and spices, nuts and nut products, and cereals) from destination markets in Europe.<sup>9</sup> To a large extent, these rejections concern agricultural products, but they are also indicative of quality problems in other sectors, in particular light manufacturing. While the reasons for rejection vary from market to market and have to be addressed primarily by reforms at the sectoral level, such reforms need to take place within the framework of a broader quality assurance system for testing, inspection, and certification of

<sup>5</sup> Ethiopia SCD (World Bank Group 2016).

<sup>6</sup> Guasch, Luis J., Jean-Louis Racine, Isabel Sánchez, and Makhtar Diop. 2007. *Quality Systems and Standards for a Competitive Edge*. Washington, DC: World Bank.

<sup>7</sup> NQI is defined as an institutional framework that establishes and implements a number of interlinked activities among standardization, accreditation, metrology, and conformity assessment (testing, inspection, and certification).

<sup>8</sup> Draft- DTIS of Ethiopia, United Nations Conference on Trade and Development (UNCTAD), January 2016.

<sup>9</sup> European Commission's Rapid Alert System for Food and Feed (RASFF): <https://webgate.ec.europa.eu/rasff-window/portal/?event=SearchForm&cleanSearch=1>



product quality. The 2016 draft Diagnostic Trade Integration Study (DTIS) points out the failure to meet the standards and quality as one of the major issues prevailing in most Ethiopian manufacturing industries.

7. **Basic elements of the NQI system have been put in place in Ethiopia.** Under the reform undertaken in 2011, the former Quality and Standards Authority of Ethiopia was divided into four legally autonomous NQI institutions, responsible for providing quality assurance services in the fields of standards, accreditation, metrology, and conformity assessment (testing, inspection, and certification) to ensure good governance, create institutions free from conflicts of interest<sup>10</sup> and be aligned with the international practice. The Ministry of Science and Technology (MoST) is the responsible ministry for NQI service development in the country and is the oversight authority for the existing four NQI service providing institutions.

- i. Ethiopian Standards Agency (ESA) in charge of adoption and dissemination of national, international, and company specific standards;
- ii. Ethiopian National Accreditation Office (ENAO), responsible for issuing accreditation of technical competency of laboratories and conformity assessment bodies;
- iii. National Metrology Institute of Ethiopia (NMIE) providing calibration services for laboratories to assure measuring equipment meets standards; and
- iv. Ethiopian Conformity Assessment Enterprise (ECAE) - a state owned enterprise providing testing, certification, or inspection services for products/services – to be complemented by private service providers.

8. **In addition to these four NQI service providing institutions, there are regulatory functions** within various ministries, including the Ministry of Trade (MoT), Ministry of Health, Ministry of Agriculture (MoA), and Ministry of Industry (Mol) to oversee compliance with mandatory regulations particularly in areas related to public health and safety. The various institutions and functions in the NQI are formally coordinated under the National Quality Infrastructure Technical Committee (NQITC), chaired by the deputy prime minister with the MoST as its secretary. In addition, the Government has established the NQI Forum, as a platform for dialogue between the NQI institutions, key stakeholders, and the private sector.

9. **Recognizing the importance of the NQI, the Government’s Science, Technology, and Innovation Policy underscores the importance of the NQI for the country’s growth strategy and has formulated eight broad strategies to strengthen the NQI.** The GoE is currently updating its NQI development strategy (2016–2021) to meet its GTP II goals, with the support of the World Bank Group. The strategy will provide the implementation strategy of the Government’s policy on the NQI and will enable further development of the system to respond to the needs of the manufacturing sector to become globally competitive. One critical aspect of the strategy is to clarify and ensure that there is proper division of responsibilities and mandates between service providers and ministries responsible for regulatory oversight within the NQI system. It is important that the inspection and laboratory capacity established by line ministries for the purpose of executing their oversight function should not cause inefficiencies because of costly duplication of investments in facilities and equipment, increased pressure on the limited pool of skilled experts available in the country, and lastly, non-optimal utilization of expensive laboratory equipment and limited resources, both finance and human resource. The

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<sup>10</sup> Quality and Standards Authority of Ethiopia was responsible for the development and approval of standards, product certification, inspection of producers, market surveillance, and consumer protection. As the entire process was controlled by one organization, the overlap of commercial and regulatory functions and the discretionary powers of the organization to control the certification market create considerable risk of conflicts of interest.



strategy will also help lay out the framework for the participation of the private sector in NQI service provision as the NQI further develops in the country.

10. **Despite efforts by the GoE, the service delivery capacity of the existing Ethiopian NQI institutions is inadequate to support the competitiveness of industries.** There are key areas and parameters for which no national calibration and testing are available, and certificates that none of these institutions is accredited to provide. The NQI institutions lack capacity in human resources, the facility to ensure accurate measurement, well-equipped laboratories to meet industries' demands, as well as coordination and collaboration with regulatory bodies to implement quality assurance services because the NQITC is not yet fully operationalized.

11. **Limited internationally recognized services of the NQI institutions are also identified as key bottlenecks for supporting competitiveness of its exporters.** The quality assurance of goods or services confirmed by Ethiopian NQI institutions only facilitates trade if recognized by relevant foreign conformity assessment bodies. Otherwise, exports need to be certified/tested/inspected again in the destination country or are blocked at the border. Currently, NMIE's calibration and ENAO's<sup>11</sup> accreditation services, which are critical for providing globally accepted conformity assessment services in Ethiopia, are not internationally recognized.

12. **In addition, the lack of coordination and collaboration in NQI service development with industries undermines the effectiveness of the NQI.** Though the NQI Forum has been put in place, it is not yet fully operational, which hinders the active engagement of the private sector to provide input and feedback on the NQI services and the challenges to the NQI institutions and the regulatory agencies. Understanding industries' demands is critical to create demand-driven NQI institutions with sustainable services.

13. **The proposed project is being designed within this context to support the Government in addressing the major constraints around the NQI system in the country.** It will focus on three key value chains that are driving the Government's industrial policy for the growth of export-based industrialization, that is, (a) leather and leather products; (b) textile and garments; and (c) agro-processed products, particularly fruits and vegetables. A value chain approach will be effective when buyers and sellers rely on complex information that is not easily transmitted or learned.

### C. Proposed Development Objective(s)

**Note to Task Teams:** The PDO has been pre-populated from the datasheet for the first time for your convenience. Please keep it up to date whenever it is changed in the datasheet.

Development Objective(s) (From PAD)

The Project Development Objective (PDO) is to improve the delivery of quality assurance services to enterprises in the targeted sectors.

<sup>11</sup> ENAO has been audited for a full membership for the International Laboratory Accreditation Cooperation (ILAC) in 2015, and a signatory to the Mutual Recognition Arrangement (MRA) of the ILAC on scope of testing International Standards Organization (ISO)/ International Electrotechnical Commission (IEC) 17025 and medical testing ISO 15189 is under way.



Key Results

- Number of enterprises that used NQI institutions' quality assurance services (disaggregated by sector)
- Average number of days required to obtain selected calibration and testing services
- Number of accredited/internationally recognized services provided by NQI institutions
- Volume of services delivered to customers by NQI institutions

**D. Project Description**

14. **The main development challenges in the NQI in Ethiopia are the lack of adequate capacity to provide quality assurance services, inability to meet target market standards, prohibitive costs of compliance with international standards, and poor protection of public good elements.** While the project will not be able to address all the challenges, it aims to focus the key interventions on improving the delivery of NQI services for selected priority sectors to contribute to the country's growth led by export-focused manufacturing.

15. **The proposed project is structured around three components:** (a) Component 1: Strengthening Institutional Capacity for NQI Development; (b) Component 2: Enhancing Private Sector Engagement; and (c) Component 3: Project Management and Monitoring and Evaluation. By addressing the gaps in the supply side and demand side of the quality assurance services, each component will leverage the inputs and outputs of other project components to develop an integrated solution and ensure that the development objective of the project is realized in an integrated manner.

**Component 1: Strengthening Institutional Capacity for NQI Development (US\$35,750,000)**

16. **The objective of this component is to strengthen the NQI institutions' capacity to deliver effective and efficient quality assurance services to enterprises in the targeted sectors.** This component will have two subcomponents: (a) Strengthening Institutional Capacity of NQI Institutions and (b) Strengthening MoST's NQI Oversight Function. The main areas of intervention of this component are to support technical and human capacity development and to upgrade selected technical and physical facilities of existing NQI institutions and MoST's NQI function. This will help strengthen the quality assurance system and address the existing gaps in meeting the current demands of the industry.

***Subcomponent 1.1: Strengthening Institutional Capacity of NQI Institutions***

17. **This subcomponent will provide support to ESA, ENAO, NMIE, and ECAE.** This intervention aims to build and strengthen the technical and human capital of the existing NQI institutions. This will be achieved through the implementation of the following main activities, among others:

- (a) Support for achieving international recognition of Ethiopian NQI
- (b) Support for expansion of scope of services relevant to the targeted sectors
- (c) Development of technical skills and provision of trainings to technical experts and management to enable effective and efficient services by the NQI institutions
- (d) Development of strategic road maps, business plans, and guidelines to ensure sustainability of the NQI services
- (e) Organization of workshops, international conferences, and overseas study tours for active participation in international memberships and exchange of knowledge





- (f) Strengthening of information and communication technology (ICT) system that improves service delivery and monitoring and evaluation (M&E)
- (g) Twinning arrangements with internationally recognized NQI agencies for longer term and sustainable quality assurance services and human capital development

18. **This subcomponent will also support the upgrading of the technical and physical facilities of NMIE and ECAE to improve the provision of quality assurance services, primarily for the targeted industries.** This intervention will support the procurement of critical specialized equipment and goods to run the key testing and calibration laboratories to meet the demands of the targeted industries. There may be adequate physical infrastructure, but ECAE's and NMIE's laboratory facilities need to be refurbished and renovated to be fit for purpose. . Once the facilities are renovated and become functional, each institution will allocate a budget from its treasury resources/own income annually, as is currently the practice, to cover operational and maintenance costs.

### ***Subcomponent 1.2: Strengthening MoST's NQI Oversight Function***

19. This subcomponent will support the MoST to strengthen its institutional capacity to carry out its mandate on NQI development and coordination. It is important that special attention is given to the NQI development agenda by establishing a strategic approach to NQI development in line with international good practices to gain international recognition and hence the trust of trading partners and consumers. Close coordination is required among the different stakeholders to provide effective and efficient quality assurance services. To this end, the MoST has set up a dedicated function within the ministry to oversee and coordinate NQI development in the country that will also ensure ownership, long-term sustainability of the project interventions, and financial and quality sustainability of services. The Ministry, with the support of the project, will provide support to strengthen the regulatory functions of the NQI, mainly through the operationalization of the NQITC; and will work with higher education institutions to further develop the educational materials and curriculum on the NQI.

### **Component 2: Enhancing Private Sector Engagement (US\$8,450,000)**

20. **The objective of this component is to support the development of the demand for NQI services as well as strengthen private sector NQI service providers.** This component will have three main subcomponents.

- (a) Providing Training and Technical Assistance (TA) to Industries through Appropriate Intermediaries to Create Awareness and Knowledge on Quality, thereby Increasing the Demand for Quality Assurance Services that is Aligned with Export Market Requirements
- (b) Providing Technical Support to Private Sector NQI Service Providers to Strengthen the Role of the Private Sector in the Provision of Quality Assurance Services
- (c) Strengthening the Feedback and Dialogue Mechanism through Active Engagement with the Private Sector by Supporting the NQI Public-Private Dialogue (PPD) platforms and Outreach Campaigns.

21. **By doing so, the component will create awareness and knowledge among the business communities and consumers about the attributes of standards and quality practices and better understanding of international market and buyers requirements, support enterprises to conform to the standards and adopt quality management systems, sensitize consumers, and ensure quality and consistency in produced goods and services primarily targeted to export markets.** Providing knowledge, expertise, and resources to learn about and adopt better standards and quality practices will support industries to meet the requirements of





global buyers and lead firms, which in turn will increase product competitiveness and access to new markets. In parallel, this component will provide support to strengthen private sector quality assurance service providers to upgrade their technical skills and knowledge so that they will be able to meet the increasing demand from industries and expand their services to broader service parameters. As the NQI matures, the private sector will play a significant role in the provision of services such as testing and certification; while the public sector service providers will gradually evolve to higher-end and sophisticated quality assurance services that require significant capital investment and government interventions as a public good. Through the PPD platform, the project will support the development of the feedback mechanism, leveraging on the NQI Forum that will help inform NQI policies and strategies, as well as resolve challenges in the system.

***Subcomponent 2.1: Providing Training and TA to Industries through Appropriate Intermediaries to Create Awareness and Knowledge on Quality, thereby increasing the Demand for Quality Assurance Services That is aligned with Export Market Requirements***

22. **The objective of this subcomponent is to provide industry actors, particularly producers within the selected sectors, with training and TA programs that enable them to improve the quality of their products, management, and services.** The interventions are designed to respond to the industries' need to develop an in-depth knowledge and understanding of quality assurance systems and develop products and services that meet international standards and requirements. This contributes to facilitation of international trade and increase of competitive export industries, while increasing the demand for effective quality assurance services in the country. The training and TA will be provided through intermediaries, which represent the relevant industry, such as the chamber of commerce, sector associations, laboratory associations, and so on. The project will support activities such as (a) provision of technical trainings on the NQI, including training of trainers and purchase/development of training materials to be used by the industry representative agencies; (b) twinning arrangements and partnerships with other similar associations and industry representatives; (c) organization of workshops and seminars; and (d) recruitment of short-term local and international technical advisors, and so on.

***Subcomponent 2.2: Providing Technical Support and Assistance to Private Sector NQI Service Providers to Strengthen the Role of the Private Sector in the Provision of Quality Assurance Services***

23. **As the NQI develops, the private conformity assessment service providers can take up more and more of the quality assurance services.** One of the key issues, identified above in the sectoral context, is that, there are very few private sector conformity assessment service providers in Ethiopia. The main objective of this subcomponent is to provide support to existing and potential private sector service providers to develop their technical skills and competencies so that they can grow and expand to meet the growing demands of conformity assessment services from the industries. While some of the support provided for these stakeholders will be done jointly with the NQI institutions under the MoST, some specific interventions that are focused mainly on private sector providers will be supported through their representative associations.

***Subcomponent 2.3: Strengthening the Feedback and Dialogue Mechanism through Active Engagement with the Private Sector by Supporting the NQI Public-Private Dialogue (PPD) Platforms and Outreach Campaigns.***

24. **The objective of this subcomponent is to strengthen the feedback and dialogue mechanism on quality assurance systems, policies and services, as well as enhance the quality culture in Ethiopia through PPD and outreach programs.** The Government has established the NQI Forum, though not yet fully functional, that provides a platform for the exchange of ideas among stakeholders, including representatives from the private



sector and consumers on the challenges and business environment around quality assurance services. The subcomponent will support (a) the strengthening and full operationalization of the NQI Forum; (b) PPD forums on NQI topics that provide the platform not only for a dialogue on operational issues but also the feedback mechanism to measure the efficiency and effectiveness of the NQI system and inform on policy and strategy adjustments, if needed, to meet industry demands; and (b) media outreach activities on the NQI (events, workshops, mass media), and so on.

### Component 3: Project Management and Monitoring and Evaluation (US\$5,800,000)

**25. The achievement of the PDO depends on effective and efficient implementation of all project interventions.** Support will be provided to the MoST and the Project Implementation Unit (PIU) to strengthen its capacity and increase human resources required for project implementation. The MoST will be the implementing agency for the project as the oversight ministry for the main NQI institutions with the mandate to coordinate the various entities involved in the NQI. This component of the project will finance (a) consultants employed as part of the PIU, including a project coordinator, a procurement specialist, a financial management (FM) specialist, safeguards specialist, an M&E specialist, and technical experts that may be needed; (b) required goods and services to support the functioning of the PIU as needed, including office equipment and furniture; (c) operating costs for the PIU incurred on account of project implementation; (d) data collection, customer satisfaction surveys, and assessment surveys; and (e) all project-related audits.

**26. The project management includes setting up of an effective M&E system to track results.** A key aspect of the project management will be to establish an effective M&E system early on during project implementation that will enable regular and reliable tracking of project results, carry out necessary surveys and assessments, and regularly report on the outputs, outcomes, and impacts of the project interventions. The M&E system will provide the feedback mechanism needed to ensure that project interventions remain relevant, including the need for adjustments, and to identify areas of inadequate performance. An experienced and competent M&E specialist will be hired on a full-time basis. It is also expected that the M&E system established will help the MoST and the NQI institutions develop a robust system to track and capture relevant data that indicate the effectiveness of their performance and services. This will alleviate the current challenges observed with regard to the availability of reliable and comprehensive quantitative data and baselines for some of the key indicators for the NQI services.

## E. Implementation

### Institutional and Implementation Arrangements

**27. The MoST will be responsible for the implementation of the project.** The PIU will be set up within the MoST. The MoST has established a dedicated function for NQI development, led by a Director and the Project will be hosted under this directorate. The responsibility of MoST is to implement its mandate as the oversight body for NQI development, overseeing the activities of the four NQI institutions and serving as a main coordination body for all key players in the NQI system. The project will support the full operationalization of this function, and project implementation will be supervised by this function. In addition to the establishment of the PIU, the project will recruit the necessary experts for this function to ensure sustainability of the project interventions and effective development of the NQI agenda in the country. This arrangement is expected to ensure sustainability of the project results and its interventions after the project closure.



28. To ensure smooth implementation and coordination, a Project Implementation Committee (PIC) will be established, which is composed of representatives from the project beneficiaries, including ESA, ENAO, NMIE, ECAE, and MoST, with the PIU serving as the chair. The PIC will meet regularly (at least monthly) to review progress on the implementation of the agreed work plan, address any challenges, and take up to the ministry any issues that may need high-level support or intervention. The PIU’s project coordinator will also actively participate and serve within the NQITC and the NQI Forum, which covers broader stakeholders including the MoA, Ministry of Health, Ministry of Livestock and Fisheries, and MoI, to ensure alignment and coordination of the project interventions with the national NQI development agenda.

29. The implementation arrangements under the proposed project will be governed by the guidelines and procedures set out in the Project Implementation Manual (PIM). The PIM includes operational procedures, FM, procurement methods and procedures, safeguards, and M&E of the project and procedures for overall project management. The PIU will be responsible for the implementation of all project components by working closely with the NQI institutions, private sector players, and regulatory agencies.

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**F. Project location and Salient physical characteristics relevant to the safeguard analysis (if known)**

Project is located within Addis Ababa. It will involve renovation/ refurbishment of existing laboratories and procurement of specialized laboratory equipment.

**G. Environmental and Social Safeguards Specialists on the Team**

Chukwudi H. Okafor, Dereje Agonafir Habtewold

**SAFEGUARD POLICIES THAT MIGHT APPLY**

Safeguard Policies	Triggered?	Explanation (Optional)
Environmental Assessment OP/BP 4.01	Yes	The Project is expected to have significant positive impacts through the implementation of most of its activities. However, OP/BP 4.01 is triggered as some of the Project activities stated under Component 1 could have limited adverse environmental and social impacts and risks. These activities could potentially include renovation/refurbishment of existing facilities (within the NQI institutions’ premises) such



as laboratories and office buildings and procurement of specialized laboratory and testing equipment related with infrastructure investments for NQI institutions. Since the scope and nature of the activities, renovation/refurbishment design, and laboratory and testing equipment are not yet known/decided, the specific instrument proposed for analyzing potential environmental and social risks is Environmental and Social Management Framework (ESMF).

The ESMF will be used to develop site specific instruments (environmental and social management plans or environmental and social impact assessment reports) before the commencement of activities under Component 1.

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Natural Habitats OP/BP 4.04	No
Forests OP/BP 4.36	No
Pest Management OP 4.09	No
Physical Cultural Resources OP/BP 4.11	No
Indigenous Peoples OP/BP 4.10	No
Involuntary Resettlement OP/BP 4.12	No
Safety of Dams OP/BP 4.37	No
Projects on International Waterways OP/BP 7.50	No
Projects in Disputed Areas OP/BP 7.60	No

**KEY SAFEGUARD POLICY ISSUES AND THEIR MANAGEMENT**

**A. Summary of Key Safeguard Issues**

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

The Project is Category B. The Project triggered only one safeguards policy, Environmental Assessment (OP/BP 4.01). Overall, it will have positive environmental and social impacts through the implementation of most of its activities except the “Infrastructure Investments for NQI Institutions” stated under Component 1 which could have limited adverse environmental and social risks. The Project’s beneficial impacts will comprise institutional dev’t of the NQI institutions to deliver effective and efficient quality assurance services in selected priority sectors; enhancing private sector engagement; enabling Ethiopian consumers to get safe and standard compliant consumable products, and improving awareness level of consumers on NQI, among others. Further, as part of Project Management and M & E, NQIDP will also have beneficial impacts by establishing a system which would ensure safeguards compliance as per the



ESMF, including recruitment of a safeguards specialist, citizen engagement, GRM and safeguards monitoring and reporting and documentation, etc. All the beneficial impacts could be very useful to ensure the ownership and sustainability of the Project. The proposed Project is expected to have a positive social impact. It will enable Ethiopian consumers to get safe and standard compliant consumable products, and it will improve awareness level of consumers on international standards and quality. The Project is not expected to have any land acquisition or physical displacement and hence the involuntary resettlement policy is not triggered. This is because all project activities are site specific and will occur on existing structures and do not require land. Therefore no negative impacts is expected on livelihoods or restriction of access and disturbances that may lead to resettlement or physical relocation of communities. Minor physical works, such as renovation/refurbishment of existing lab facilities, office buildings, landscaping and fencing of the structures may be required but any safeguards risks from these activities and related potential adverse impacts can be avoided or mitigated if proper mitigation measures are developed and implemented. Also, adverse safeguard risks related with the Project will be addressed using the ESMF, which will be used to develop site-specific Environmental and Social Management plans. The ESMF has been disclosed in the country and at the World Bank's Operations Portal, on December 15, 2016 prior to project appraisal.

2. Describe any potential indirect and/or long term impacts due to anticipated future activities in the project area: The Project will be implemented in Addis Ababa. Most of the project activities will have beneficial impacts except those activities related with "Infrastructure Investments for NQI Institutions" stated under Component 1. Project specific sites, renovation/refurbishment design and laboratory and testing equipment related with Component 1 are not yet known/decided. In line with these activities, support will be provided to NQI institutions to address potential impacts. Therefore, it is not anticipated that there will be indirect environmental and social impacts.

3. Describe any project alternatives (if relevant) considered to help avoid or minimize adverse impacts. NQI requires significant capital investment and technical competency which does not make it an attractive investment for private sector players at the early stage of industrial development. It is usually the case that the Government intervenes to set up the system to support early stage development of industries and gradually move to higher end services and regulatory roles once there is sufficient demand from industries and the basic infrastructure has been put in place. In this regard, the Project is very instrumental to capacitate and enable the Government of Ethiopia to strengthen the growth of light manufacturing industries and fostering awareness and adherence of Ethiopian firms specifically exporters to international product standards and certification regimes.

Therefore, the only alternative to help avoid or minimize adverse environmental and social impacts is a "no project" alternative. The "no project" alternative would devoid the MoST and NQI institutions from providing effective and efficient quality assurance services in the fields of standards, accreditation, metrology, and conformity assessment (testing, inspection, and certification) to ensure good governance, create institutions free from conflicts of interest and to be aligned with the international practice. This situation will, in turn, jeopardize (i) the ability of Ethiopian firms to produce goods and services that meet the quality specifications of global markets, and (ii) the industrialization agenda of the country to achieve its strategic objective of becoming "the light manufacturing hub of Africa by 2025." As a result, this alternative was discarded as it was not a viable option.

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

The Ministry of Science and Technology and the NQI institutions have not implemented a World Bank financed Project; hence, their capacity to implement WBG safeguard policies is generally low.



It should be noted that the institutional arrangements for safeguards implementation will rely and use the existing government structures and the newly proposed (i) Function for NQI Development, (ii) Project Implementation Committee (PIC), comprising members from the key project stakeholders such as CPC, ESA, ENAO, NMIE, ECAE, FMHACA, the Ministry of Trade, and the Ministry of Industry; and (iii) Project Implementation Unit (PIU) which will be established soon. Based on their mandates and responsibilities, they will address and manage safeguards issues and risks using the Project safeguards instrument (ESMF) prepared in line with the safeguards requirements of the Government of Ethiopia and the World Bank. In line with this, the MoST, through its Function for NQI development, will be leading and coordinating the overall implementation of the Project, including environmental and social safeguards due diligence, in the four NQI institutions (ESA, ENAO, ECAE and NMIE) and those involved in the NQI system. It will also provide strategic guidance on the project management and implementation to the PIU. Accordingly, the PIU will be responsible for following up on the day-to-day activities of the project, including safeguards issues, based on the joint planning and budget formulation to be prepared by the four NQI institutions. Further, the PIU will closely work with all concerned stakeholders, including the NQI institutions, private sector players, and regulatory agencies (such as Addis Ababa Environmental Protection Authority and Ethiopian Radiation Protection Agency), to achieving the objectives of the project in an environmentally sound and socially acceptable manner as per the ESMF.

In conclusion, as part of the Project Management and M & E, a functional safeguards system, including citizens engagement; GRM; safeguards risks management steps, recruitment of a safeguard specialist; and safeguards monitoring, reporting and documentation will be established and sustained beyond the Project period. The Project plans to allocate about 1.7 million USD to build the capacity of NQI institutions and address environmental and social safeguards issues and impacts related with the Project. Also, GoE will allocate resources for safeguards implementation and due diligence.

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

Key stakeholders include: (i) federal government institutions such as the Ministry of Science and Technology; the four NQI institutions (National Metrology Institute of Ethiopia; Ethiopian National Accreditation Office; Ethiopian Standards Agency; Ethiopian Conformity Assessment Enterprise); the Ministry of Trade; the Ministry of Industry; and the Ministry of Environment, Forest and Climate Change; (ii) civil society organizations such as Ethiopian Laboratory Association; (iii) private sector entities that would directly and indirectly benefit from the Project; and (iv) the Environmental Protection Authority of the Addis Ababa City Administration and the Ethiopian Radiation Protection Agency that would ensure safeguards and radiation protection compliance of the Project respectively, as well as provide capacity building, including training and awareness, to NQI institutions. It should be noted that the implementation of the Project will not entail new land acquisition, displacement of local communities and restriction of access to natural resources. During the preparation of the ESMF for the NQIDP, all concerned stakeholders have been consulted in a timely, culturally-appropriate and inclusive manner. Moreover, the ESMF has been disclosed in country and at the World Bank's Portal.

Gender and Citizen Engagement: During Implementation: NQIDP would focus on increasing gender and citizen engagement and participation in implementing and managing its activities. To this effect, the Project will (i) strengthen the capacity and responsiveness of GoE NQI institutions to provide effective and efficient quality services to concerned stakeholders, including private sector entities and citizen; (ii) conduct citizen engagement surveys, as part of the client satisfaction surveys of the private sector, by the Midterm Review and post implementation (after all subprojects are carried out) to evaluate the impact on the ground for the project beneficiaries; (iii) use its gender action plan which



identifies gender mainstreaming issues and gender mainstreaming checklists for the project interventions so as to provide equitable benefits and opportunities; and (iv) strengthen the feedback and dialogue mechanism, GRM, consultations with citizen, consumers, concerned private sector entities, government officials, and representatives of CSOs, among others.

**B. Disclosure Requirements (N.B. The sections below appear only if corresponding safeguard policy is triggered)**

**Environmental Assessment/Audit/Management Plan/Other**

Date of receipt by the Bank  30-Nov-2016	Date of submission to InfoShop  15-Dec-2016	For category A projects, date of distributing the Executive Summary of the EA to the Executive Directors
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**"In country" Disclosure**

Ethiopia  
15-Dec-2016

Comments

Disclosed at the website of the Implementing agency, Ministry of Science and Technology at [www.most.gov.et](http://www.most.gov.et)

**C. Compliance Monitoring Indicators at the Corporate Level (to be filled in when the ISDS is finalized by the project decision meeting) (N.B. The sections below appear only if corresponding safeguard policy is triggered)**

**OP/BP/GP 4.01 - Environment Assessment**

Does the project require a stand-alone EA (including EMP) report?  
No

**The World Bank Policy on Disclosure of Information**

Have relevant safeguard policies documents been sent to the World Bank's Infoshop?  
Yes

Have relevant documents been disclosed in-country in a public place in a form and language that are understandable and accessible to project-affected groups and local NGOs?  
Yes

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### All Safeguard Policies

Have satisfactory calendar, budget and clear institutional responsibilities been prepared for the implementation of measures related to safeguard policies?

Yes

Have costs related to safeguard policy measures been included in the project cost?

Yes

Does the Monitoring and Evaluation system of the project include the monitoring of safeguard impacts and measures related to safeguard policies?

Yes

Have satisfactory implementation arrangements been agreed with the borrower and the same been adequately reflected in the project legal documents?

Yes

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**APPROVAL**

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Country Director:	Nicole Klingen	15-Dec-2016

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