ETHIOPIA:
Sustainable investment in agro-processing and light manufacturing

In partnership with:

International Trade Centre

In partnership with:

EIC
Ethiopia: Sustainable investment in agroprocessing and light manufacturing
ABOUT THE REPORT

Set within the context of increasing Chinese investment in Africa, this guide for Chinese investors shows how to embrace sustainability along their investment journey in Ethiopia.

The guide contains mandatory requirements and additional sustainability practices for agroprocessing and light manufacturing for the country. It shows investors how to benefit from caring for the environment and local communities. It also helps them to embed sustainability in all steps of their business operations, thus contributing to sustainable development.
The Partnership for Investment and Growth in Africa (PIGA) is supporting Ethiopia to attract foreign direct investment, with a high potential developmental impact in the agroprocessing and light manufacturing sectors, to contribute to job and growth creation and spillover benefits for the local economy.

Foreign investment in these two productive sectors can unlock opportunities to increase exports to regional and global markets, and better serve the local market, while contributing to the country’s development agenda. To do so, investors need to implement more inclusive and sustainable social, environmental and labour practices, aligned with the United Nations Sustainable Development Goals.

With the aim to promote sustainable investment practices in Ethiopia, this handbook provides investors guidance on how to comply with legal requirements and presents additional practices concerning environmental and social sustainability to be considered throughout business operations in the country. It also provides information on the business case of sustainable investment.

The findings stem from extensive research within the country and in China, joining the insights of various ministries, investors, and other stakeholders with the trade expertise and support of the International Trade Centre. I hope that this investment guide proves a useful tool for companies and policymakers in Ethiopia.

Arancha González
Executive Director
International Trade Centre
Foreword

Ethiopian Investment Commission

As we work hard to attract foreign direct investment (FDI) to grow our economies, how to make these investments socially and environmentally sustainable remains a key concern. As a first step, the Ethiopian Investment Commission (EIC) has integrated the principle of sustainable and responsible investments into every investment agreement that it signs with investors. This is meant to urge investors to comply with the Ethiopian Government’s social and environmental protection laws and regulations, as well as international standards and best practices.

To do so, investors need to know what the laws, regulations and standards are and how to comply with them. Hence, EIC enlisted the support of our long-time and valued partner in promoting and attracting foreign investment, the International Trade Centre (ITC), through its Partnership for Investment and Growth in Africa (PIGA) project, to identify all current laws, regulations and local and international best practices related to sustainability.

There is a special focus on Chinese investment in this handbook. This has to do with the fact that Chinese investors represent close to 60% of the FDI inflow to Ethiopia, and a large number of potential and existing Chinese investors have expressed interest in receiving guidance on the issue of sustainability from the PIGA project and EIC. However, we believe all investors, both foreign and local, will benefit from the guidance this handbook provides to make their investments sustainable.

EIC is glad to have collaborated with ITC on this work. ITC has brought a dedicated, experienced and highly qualified team of experts on sustainability to work on this assignment. This has benefited EIC staff members who have collaborated on this work. Furthermore, ITC, as an international organization and an agency of the UN, brings wide exposure to international experiences and best practices on sustainable and responsible investment.

The handbook follows a step-by-step approach to walk the investor through social and environmental compliance requirements over the typical investment timeline, from starting a business, operationalizing and expanding/closing out. It details applicable laws in Ethiopia, and provides additional standards and best practices that investors may implement voluntarily.

We are confident that investors will find these guidelines useful to their efforts in making socially and environmentally responsible and sustainable investments. EIC management and staff will happily and readily respond to investors seeking clarification or additional information on any of the content provided herein.

Abebe Abebayehu
Commissioner
Ethiopian Investment Commission (EIC)
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Andreas Beavor was responsible for data collection and the initial drafting of the handbook. Ana Batalhone and Madison Wilcox (ITC) managed and prepared the final draft, under the supervision of Joseph Wozniak (ITC). Ana Batalhone coordinated the development process. Thanks are due to Véronique Rondeau and Ingrid Colonna (ITC) for their leadership and various contributions to the handbook’s development and revision under the guidance of Xuejun Jiang (ITC). Anders Aeroe, Annegret Brauss, Delphine Clement, Joseph Wozniak, Tianyu Mao, Quan Zhao and Wenwen Sheng (all ITC) provided valuable comments and feedback. Alicia Rodriguez, Helen Griffin and Ha Vu provided administrative support. Natalie Domeisen and Evelyn Seltier (ITC) managed the editorial production. Cheryl Rosebush edited the report and Iva Stastny Brosig provided graphic and layout services. Serge Adeagbo and Franco Iacovino (ITC) provided digital printing services.

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About ITC

Established in 1964, the International Trade Centre (ITC) is the joint agency of the World Trade Organization and the United Nations. Its mission is to foster inclusive and sustainable economic development and contribute to achieving the United Nations Global Goals for Sustainable Development. ITC is the only development agency that is fully dedicated to supporting the internationalization of small and medium-sized enterprises (SMEs). It helps SMEs in developing and transition economies become more competitive and connected to international markets for trade and investment, thus raising incomes and creating job opportunities, especially for women, young people and poor communities. ITC works with policymakers, trade and investment support institutions, exporters and other stakeholders in the public and private sectors to enable export success of SMEs in developing countries and transition economies.

http://www.intracen.org/

About the Partnership for Investment and Growth in Africa

The Partnership for Investment and Growth in Africa (PIGA) is part of Invest Africa, a flagship programme of the United Kingdom Department for International Development (DFID) facilitating foreign direct investment with high development impact into selected African countries.

Under Invest Africa, PIGA aims to contribute to job creation and sustainable growth in Ethiopia, Kenya, Mozambique and Zambia by supporting these countries to attract foreign direct investment, specifically Chinese investment, in the agroprocessing and light manufacturing sectors. PIGA is also designed to enhance the capacity of these countries for effective investment promotion.

PIGA is implemented by the International Trade Centre in cooperation with the China Council for the Promotion of International Trade (CCPIT) and the China–Africa Development Fund (CADFund).

http://www.intracen.org/piga/

About the Ethiopian Investment Commission

The Ethiopian Investment Commission (EIC) is an autonomous government institution responsible for promoting, coordinating and facilitating private investments in Ethiopia (as defined in the Investment Proclamation No.769/2012 and the Council of Ministers Regulation No. 313/2014). At the regional level, EIC collaborates with regional investment agencies. In 2017, EIC received the “United Nations Award for outstanding performance in targeted promotion, facilitation and execution of sustainable investment projects”. A year later, the agency was awarded the “Best Investment Promotion Agency in East Africa” by the Annual Investment Meeting AIM.
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Acronyms

Unless otherwise specified, all references to dollars ($) are to United States dollars, and all references to tons are to metric tons.

CSR Corporate social responsibility
EIA Environmental impact assessment
ITC International Trade Centre
NGO Non-governmental organization
PIGA Partnership for Investment and Growth in Africa
SDG Sustainable Development Goal
UN United Nations

Ethiopia: Sustainable investment in agroprocessing and light manufacturing
Executive summary

Over the past two decades, China has become Africa’s biggest economic partner. More than 10,000 Chinese-owned firms operate in Africa, around 90% of which are privately owned. In manufacturing, it is estimated that 12% of Africa’s industrial production, valued at some $500 billion a year, is handled by Chinese firms.

Many Chinese enterprises have committed to long-term engagement in Africa, particularly in the manufacturing and agricultural sectors. This provides significant opportunities to support local communities and local economies in their development efforts through sustainable investment practices.

While many companies engage in sustainable business practices, there are lessons to be learned and room for improvement. Despite the strong push by the Chinese government to encourage responsible business conduct overseas, the increasing amount of mandatory standards and voluntary frameworks are unlikely to achieve their desired impact without proper dissemination, implementation, uptake and incentives.

This publication provides guidance to Chinese investors on how to comply with environmental and social sustainability requirements and additional sustainability practices in Ethiopia. It breaks down the mandatory requirements and voluntary guidance and standards relevant to the agroprocessing and light manufacturing sectors in the country.

The Partnership for Investment and Growth in Africa (PIGA) framework aims to increase investment-led exports and local development by promoting foreign investments and business partnerships in two productive sectors, agroprocessing and light manufacturing, in Ethiopia, Kenya, Mozambique and Zambia. Developed under the PIGA framework, this handbook also aims to support the implementation of the United Nations Sustainable Development Goals.

How to use this handbook

Chapter 1 – UNDERSTAND THE BUSINESS VALUE OF SUSTAINABILITY
- Review key concepts of sustainability to help you embed principles of sustainability in your investment activities.
- Understand why it makes good business sense to invest sustainably.

Chapter 2 – GET LOCAL
- Get relevant advice to incorporate in your investment practices.
- Learn about the existing legal framework in Ethiopia, as well as which environmental and labour laws you need to comply with, and where to seek support.

Chapter 3 – TOOLS FOR SUSTAINABLE BUSINESS IMPACT
- Benefit from guidance on some additional sustainability practices to maximize sustainable investment and operations.
Why invest sustainably?

- The three pillars of sustainability (social, environmental and economic) are interconnected and interdependent, meaning that a company is unlikely to achieve long-term economic success without taking into account the social and environmental factors related to business operations.

- Businesses have a key role to play in contributing to the delivery of the 17 SDGs, which set global priorities and aspirations for 2030 in terms of social, environmental and economic development.

- The Chinese Government is increasingly putting pressure on companies to comply with environmental and social legislation and to improve reporting on corporate social responsibility practices.

- Sustainable business operations not only support the environment and workers but also help create strong, long-term business foundations. Implementing measures that improve working conditions and relationships with the community and government help companies improve efficiency, develop a better workforce, and improve their economic performance.

- It is important that investors understand and comply with environmental and labour requirements in the country of operations, but there is also a wide range of voluntary standards that businesses can adopt to increase sustainability and international competitiveness.

Legal requirements in Ethiopia

- Investors are required to obtain an environmental licence for their proposed development, which is granted following the successful production and review of an environmental impact assessment (EIA) or Project Report for low risk projects.

- Environmental requirements for the business are determined by the EIA or Project Report process.

- Compliance with EIA requirements and all relevant environmental regulations will be monitored and businesses are required to submit an environmental audit each year.

- Non-compliance with environmental requirements can result in improvement requirements, which if not followed, can result in closure, imprisonment and financial penalties.

- Labour laws are determined by a range of legislation and it is important that the company understands and complies with relevant legislation.

- Land regulations are also important to consider, particularly in terms of leasing or purchasing land, where it is vital to ensure that alternative community or tribal rights are considered and respected.

Understanding additional sustainability practices

- There are many opportunities to incorporate additional sustainable measures and approaches into investment and business operations.

- Additional sustainability measures can encompass an array of practices targeting different sustainability areas such as community relations, labour rights and resource management.

- Voluntary sustainability standards are available for social accountability and environmental management and for a wide range of sector and industry-specific processes.

- There are networks throughout Africa that can also be a good source of information and inspiration.
CHAPTER 1

Why invest sustainably?
CHAPTER 1 – Why invest sustainably?

Ethiopia: Sustainable investment in agroprocessing and light manufacturing

Basic concepts

Embedding sustainable investment practices into a business means ensuring that mandatory environmental and social regulations are fully addressed while additional sustainability considerations are implemented from the start of a business, and carried out through its regular operations. Moreover, it means that business operations should be based on principles to avoid corruptive practices internally, within their supply chains and with government stakeholders. By adopting sustainable investment practices, businesses embrace economic, environmental and social factors in a balanced way to provide a long-term business foundation that is in harmony with the society, local communities and the environment. These practices create value that goes beyond economic profits, but also includes social benefits and reduced environmental impact in the invested country.

KEY MESSAGES

- Sustainable investment practices require operations that have a minimal negative impact and maximum positive impact on the global and local environment, community and economy. At a minimum, this requires ensuring that mandatory environmental and social regulations are fully addressed and that additional voluntary measures are considered as well.
- The three pillars of sustainability (social, environmental and economic) are interconnected and interdependent, meaning that a company is unlikely to achieve long-term economic success without taking into account the social and environmental factors related to business operations.
- Businesses have a key role to play in contributing to the delivery of the United Nations’ 17 Sustainable Development Goals (SDGs), which set global priorities and aspirations for 2030 in terms of social, environmental and economic development.
The integration of economic, environmental and social factors into business and investment decisions is the foundation of the concept of sustainability. In the business context, sustainability refers to the ability of businesses to meet the needs of the present without compromising the ability of future generations to meet their own needs. Sustainability can also relate to the capacity of businesses to create long-term value by addressing environmental and social considerations in their business strategy.

Figure 1 represents the three pillars of sustainability for investment practices, and their sub-areas. These pillars are interconnected and interdependent, meaning that long-term economic success of a company cannot exist without taking into account the social and environmental factors related to business operations. Box 1 also describes anti-corruption as a complementary and important part of sustainable investment.

**Social:** Proactively managing the positive impact of business operations on people and society.

**Environmental:** Balancing the way natural resources are used in business operations to maintain an ecological balance.

**Economic:** Businesses should use resources efficiently and responsibly to create long-term value creation and profitability.

**Social:** Human and labour rights

**Community relations**

**Diversity and equal opportunities**

**Environmental:** Pollution prevention and climate change

**Resource management**

**Environmental protection**

**Economic:** Profit

**Cost saving**

**Economic growth**

**BOX 1:** Anti-corruption as a complementary sustainability pillar

Corruption encompasses different illegal and illicit acts such as bribery, extortion, embezzlement and money laundering. No business can be considered sustainable and/or responsible without embedding anti-corruption policies in its day-to-day operations. Beyond the three sustainability pillars, companies should also take into account their business conduct with employees, supply chains, surrounding communities and government officials. Adopting anti-corruption practices, in this regard, is fundamental to ensure sustainable investment practices.
The UN Sustainable Development Goals

More companies worldwide have been integrating sustainable practices into their investment decisions and business operations. By doing so, companies contribute to the 2030 Agenda for Sustainable Development adopted by the United Nations General Assembly in 2015. This agenda sets a global development framework composed of 17 Sustainable Development Goals (SDGs) covering the three sustainability pillars discussed above.

The 2030 Agenda highlights that private business activity, investment and innovation are “major drivers of productivity, inclusive economic growth and job creation”, calls on “all businesses to apply their creativity and innovation to solve sustainable development challenges.”

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Sustainable investment initiatives of Chinese companies overseas

**KEY MESSAGES**

- The Chinese Government endorses the global call for business action in contributing to the 2030 Agenda, particularly via SDG 17 (partnerships with private actors).
- The Chinese Government is increasingly putting pressure on companies to comply with environmental and social legislation and to improve reporting on Corporate Social Responsibility (CSR) practices.
- The national and international context requires companies to take sustainable practices seriously if they want to be competitive and retain business.
- Major risks of non-compliance with sustainability requirements include loss of reputation and/or license to operate in certain markets.

Chinese-owned companies are increasingly investing overseas, and sub-Saharan Africa is a focus area for investment in agroprocessing and light manufacturing. The rapid expansion of Chinese investments in Africa has attracted global attention. More than 10,000 Chinese-owned firms operate in Africa, around 90% of which are privately owned. In manufacturing, it is estimated that 12% of Africa’s industrial production, valued at some $500 billion a year, is handled by Chinese firms. There is much debate and discussion on the impact of Chinese investments on the economies and governance of African countries, as well as their environmental and social conditions. Failure to commit to sustainable practices might generate a negative perception and threaten the success of Chinese companies in emerging markets.

**China’s vision**

The Chinese Government explicitly aims for outbound Chinese investment to contribute to the realisation of the SDGs and the 2030 Agenda. For instance, in 2013, the Chinese Government launched Guidelines for Environmental Protection in Foreign Investment and Cooperation, which provide recommendations for companies operating abroad.

This drive for more socially-responsible investment and operations is also reflected in the Belt and Road Initiative (BRI). As part of this initiative, China’s Vision and Actions on Jointly Building Silk Road Economic Belt and 21st Century Maritime Silk Road paper from 2015 encourages Chinese enterprises to participate in sustainable industrial investment in BRI countries. It states that BRI will “support localized operation and management of Chinese companies to boost the local economy, increase local employment, improve local livelihoods, and take social responsibilities in protecting local biodiversity and eco-environment.”

More Chinese companies adopt sustainability practices

In the domestic Chinese market, sustainability factors are becoming the norm, and are starting to help define a more successful approach for business operations. For example, Chinese companies that have chosen to disclose their environmental, social and governance (ESG) data have been producing higher returns than their peers. Chinese companies ranked in the top 10th percentile according to their ESG-disclosure score gained 33% higher returns than their peers in 2018, according to Bloomberg data, outperforming the Hang Seng China stock exchange.

Starting from 2020, Chinese listed companies will need to disclose the ESG risks associated with their operations, following requirements set by the China Securities Regulatory Commission, in collaboration with China’s Ministry of Environmental Protection.
A win-win environment for Chinese companies going global

Creating a win-win business environment in alignment with the global development goals contributes to long-term, sustainable business operations of Chinese companies operating in any given country.

In exchange for great opportunities, going global inevitably means facing various challenges. This includes a challenging business environment, the need to understand and comply with national regulations and accessing or training an appropriately skilled workforce. Many of the sub-Saharan African countries in which Chinese companies invest have significant development challenges, with economies constrained by limitations, including poor infrastructure, and weak education and health sectors. There are also many environmental challenges. Fragile ecosystems are facing huge pressures from the challenges of a changing climate as well as commercial agriculture, rapid urbanisation, industrial development and population growth.

This context underpins the need to invest sustainably and responsibly in Ethiopia. The country has consistently demonstrated how business partnerships between China and Africa can be mutually beneficial; sustainable investment in the country is vital for longer-term success of Chinese-owned companies. If investment is focused on short-term economic gain, without ensuring that local communities and economies can benefit, or with disregard to local environmental and health issues, companies are likely to suffer from a serious backlash. This can result in increased operating costs and security risks, legal disputes and other challenges. It can also lead to a damaged reputation among customers and potential loss of business as a result.

The business case for sustainable investments

KEY MESSAGES

- Sustainable measures not only support the environment and workers but also help create strong, long-term business foundations. Implementing measures that improve working conditions and relationships with the community and government help companies improve efficiency, develop a better workforce, and improve their economic performance.
- Failing to ensure robust environmental and social measures, including anti-corruption, can result in significant backlash and loss of business.
- Fair remuneration helps to retain staff and reduce costs relating to high turnover and repeated training.
- Working with local supply chains can reduce costs and improve quality, as well as enhance the local economy.

The financial benefits of sustainable investment usually outweigh the costs. Furthermore, incorporating sustainability helps business owners anticipate and reduce risks before they incur monetary or reputational losses. For example, investing in workers’ wellbeing, local communities and supply chains enables companies to benefit from a loyal and well-trained workforce, which is likely to lead to better quality products and higher economic returns. Moreover, companies can strengthen their business reputation and economic foundations by reducing negative environmental impacts, implementing more efficient production practices, and managing waste to ensure local communities can prosper.

The business case for sustainable investment is compelling for the long-term success of businesses in African countries. With young populations and high growth rates, they are set to grow into some of the world’s most dynamic markets in the coming decades.

The key arguments for sustainable investments are set out below in terms of the business benefits that come from:

- Operating in an environmentally-responsible manner;
- Operating in a socially-responsible manner;
- Strengthening local supply chains; and
- Increased transparency and reduced corruption.
Caring for the environment is good for business

Responsible environmental practices can serve to improve the economic bottom-line, strengthen business reputation, decrease businesses environmental footprint and ensure a healthier local ecosystem that benefits and attracts employees. In fact, environmental responsibility has become a requirement for many companies that export their goods to international markets. Buyers are increasingly introducing codes of conduct related to environmental and social responsibility for their suppliers, and requesting them to comply with third party certification processes. Responsible environmental management can strengthen a business’ reputation with its customers in China, Europe, North America, and elsewhere.

Implementing resource-efficient practices for waste management, as well as water and energy use can also lead to cost savings by reducing the quantity of inputs needed for production while improving productivity at the company level. Agriculture in particular relies on sustainable practices in order to survive. Long-term investments should strive to ensure environmental conditions that allow strong crop yields can continue into the future. Reducing the possible impact of pesticides on valuable insect populations and water resources should be a consideration of all investors in the agroprocessing sector. In general, those companies that invest sustainably have higher investor interest, as described in Box 2.

Failing to ensure robust environmental measures can result in significant backlash and loss of business. For example, in 2013, the Government of Chad suspended the operations of a Chinese oil company based in the country after it was found that their operations had resulted in numerous polluted waterways and oil spills. Damaging the local environment can also lead to discontent from the local government and local community that supplies labour to the company.

Improving businesses’ reputation through a responsible approach to workers and communities

While conducting research among Chinese-owned companies in each of the PIGA countries, it became clear that fair remuneration and labour conditions can help retain staff and reduce costs relating to high turnover and repeated training. There is a strong financial case for firms to invest in their workforces with fair wages, and provide skills training that boosts career progression and employee satisfaction.

While cheap labour is one of the attractive aspects of investing in many African countries, a sustainable system must allow workers to benefit from wages that enable them to purchase food, pay for lodging and buy basic necessities. Estimating a living wage is often dependent on the specific country and sector. However, it is important for companies to help establish operations whereby their employees are able to meet their own and their dependents’ basic needs. This can go beyond increasing employees’ wages and include other services, such as providing meals, transportation, housing, and education. In addition to increasing the satisfaction and productivity of workers, these services can have the added value of improving community relations.

In some factories across sub-Saharan Africa, this is still not the case. Poverty does not lead to good productivity. There is increasing evidence that workers who are paid above average wages will be more loyal and productive.

Beyond national regulations and labour laws, there are also many additional sustainability measures that businesses can put in place to increase the wellbeing of their workers and the sustainable development of the communities in which they are located. Some of the most important are described in Chapter 3 of this handbook.

**BOX 2: Sustainability performance and access to finance**

Today, the environmental and social impact of a project is an important assessment indicator in the due diligence conducted by multilateral development banks and commercial banks prior to making investments. The shift to cleaner production and a low-carbon approach in the manufacturing and agricultural sectors is also increasingly rewarded by stronger investor interest. Companies that are socially responsible often tend to be more transparent and able to provide investors with greater levels of information and therefore more confidence.
Beyond the immediate workforce, it is also important to help bring the local community along on the journey of investing in their region. Extensive consultation with local leaders and proactive and positive communication with community leaders and media outlets can help to identify and mitigate potential problems before they escalate. Moreover, investing in the local community can help develop a local economy that attracts more businesses and consumers, thereby expanding the market of the investors company and the wellbeing and productivity of local employees.

It is also important to be sensitive to land tenure in African countries. Land is seen as a family’s most valuable asset. If these issues are not taken seriously, conflicts are likely to arise between investors and local communities where they operate, increasing risks to profitability and the long-term success of the business. When resettlement of local residents is required, perhaps as a result of purchasing a large area of land for agriculture or industrial use, it is important to follow appropriate national and international standards. The International Finance Corporation (IFC) Resettlement Performance Standards provide a comprehensive framework for these processes.

Local supply chains reduce costs and improve quality

Companies investing in Ethiopia can also play a role in developing local supply chain businesses. Vertically-integrated supply chains which are geographically concentrated can have many benefits in terms of reducing transport costs for materials in the supply chain, being able to easily discuss and improve synergies between manufacturing processes, and developing more of a recognized cluster and brand around a certain product. Reducing transportation distances has the added benefit of reducing the carbon footprint of products, which can be advertised as an additional selling point to customers, many of whom are buying sustainable products at an increasing rate.

At the same time, encouraging local suppliers to be part of the value chain can provide market opportunities for micro, small and medium-sized enterprises in the local market, where business and employment is often greatly needed and appreciated.

Supporting local innovation and entrepreneurship can also lead to higher quality local supply chains, particularly over a longer timeframe. Setting up local subsidiaries or forming collaborative arrangements with local firms can create significant benefits for investors in accessing local knowledge and understanding the political context, while transferring skills and technology to local partners.

The value of transparency and anti-corruption policies

Corruption is one of the greatest barriers to social and economic development in African countries as reported by Transparency International. Bribery practices cause negligence in environmental and social impact assessment processes as well as many other situations where compliance with regulations is bypassed. Bribery is, sometimes, reported by investors as a necessary part of getting anything done. However, participating in corrupt practices, even when pressured to do so by local government representatives is increasingly risky.

Many firms investing in Africa have come to realize the self-inflicted damage caused by bribery. Chinese law has evolved to address key issues for addressing breaches of legal requirements by Chinese-owned companies overseas. Strong corporate governance and anti-corruption practice is important to minimize such risk. It also helps in the due diligence process when seeking further investment, and helps to reduce reputational risk.
Legal requirements, voluntary standards and corporate social responsibility

KEY MESSAGES

- A clear distinction can be made between legal requirements, voluntary measures and standards and additional corporate social responsibility (CSR) initiatives, all of which contribute to sustainable business.
- It is important that investors understand and comply with relevant legislation, as summarized in Chapter 2.
- There is a wide range of voluntary standards that businesses can comply with to increase international competitiveness.
- While business survival is the priority when starting out in a challenging business environment, it is important to stress that doing anything beyond the national legislation to improve sustainability and responsibility is better than nothing. There are several low-cost, straightforward measures that can improve working conditions and sustainable outcomes.

An important part of implementing sustainable business practices is to understand the difference between legal requirements, voluntary measures and standards, and additional CSR initiatives.

Legal requirements: Legislation and mandatory standards

National legislation (sometimes referred to as hard law) relating to environmental and social requirements varies across African countries, including in Ethiopia. Recognising them and complying with them is the bare minimum that businesses must do (more on this in Chapter 2).

Mandatory standards are required by governments and are mandatory for any product or service to be legally commercialized in that market. These standards can cover product or packaging characteristics, or certain processes that need to be followed. Examples of these standards are: technical regulations; sanitary and phytosanitary measures, including health and safety regulations; product specifications; labelling requirements; quality controls; and rules of origin. They differ depending on the product and the country of export. Non-compliance with these requirements may lead to quarantining or product rejection by import countries.

Integrating voluntary sustainability standards

Over the last decade, a new generation of voluntary sustainability standards (sometimes referred to as soft law) has emerged to cover all sectors and industries. These include voluntary guidelines, initiatives, codes and standards developed by international organisations, companies, business associations, non-governmental organizations (NGOs), governments and multistakeholder initiatives. They provide additional guidelines for sustainable business practices. Demonstrating adherence to these standards is often necessary for businesses to operate profitably in global markets.

The wide range of voluntary standards include the following schemes:

- International governance agreements and guidelines such as:
  - The International Labour Organization (ILO) Multinational Enterprises (MNE) Declaration
  - The Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises
  - The Global Compact, established by the UN
  - Guiding Principles on Business and Human Rights, established by the UN Human Rights Office of the High Commissioner (OHCHR).
International multistakeholder initiatives providing standards for the social and environmental practices of firms at home and abroad. This includes standards developed by the International Organization for Standardization (ISO), such as the ISO 26000 standard Guidance on Social Responsibility launched in 2010.

Private voluntary sustainability standards providing principles and/or requirements that producers, traders, manufacturers, retailers or service providers may be asked to meet, covering different sustainability metrics. This includes standards developed by the International Organization for Standardization (ISO), such as the ISO 26000 standard Guidance on Social Responsibility launched in 2010.

Hundreds of industry association codes are in existence, covering major areas of national and international commercial activity including manufacturing and agriculture.

Thousands of company codes with specific policies on social and environmental issues, particularly among multinational corporations.

The proliferation of voluntary sustainability standard schemes can cause challenges, particularly for companies operating in value chains that may be compelled to comply with numerous voluntary standard schemes that have potentially high costs to demonstrate compliance.

This has led to standard schemes often being perceived by Chinese companies as a barrier to market entry or a complication that can be avoided. Many Chinese companies do not engage with these voluntary standard schemes because of unfamiliarity with the rules of the game, weak networks with relevant organisations, and a lack of guidance.

However, this approach could impede Chinese enterprises’ international competitiveness in a market that increasingly demands environmental sustainability and social responsibility. It is more likely that Chinese companies will become a force in shaping the next generation of sustainability standards in global markets, as a competitive edge aligned with China’s broader global policies on sustainable development. Many investors are convinced that promoting prudent and sustainable business practices, in line with both national regulations and voluntary standards, makes economic sense in the long term.

An additional point is that many national governments are increasingly using the dynamic space of voluntary standards as a testing ground for how they could inform mandatory requirements. It is therefore better to be aware of and be able to comply with a wide range of voluntary social and environmental standards, in order to be prepared to meet legal requirements as they are introduced.

Corporate social responsibility activities

A further distinction can be made for additional CSR activities. For the purpose of this handbook, CSR is defined as activities or initiatives that are outside of the core business activities, and include initiatives such as improving sustainable access to drinking water for local communities, and contributing to education or healthcare facilities and resources. Additional CSR initiatives can help local communities to develop, and support cultural events that are vital to engagement, integration and mutual understanding between investors and local communities.

Research suggests that a high proportion of Chinese enterprises investing overseas are already aware of the positive impacts of CSR initiatives. Interviews carried out with Chinese companies to inform this handbook found that many of them consider CSR an important part of Chinese culture to give something to the communities in which they work.

A company can achieve significant positive reputational benefits from implementing CSR initiatives. However, it is important that businesses do not use CSR as a cover to hide unsustainable business operations. It is also important that CSR initiatives are based on or compliant with national development strategies in the host country.
**Sustainability requirements and measures in business operations**

Throughout the different processes to set up their business, companies are expected to comply with legal sustainability requirements established by the country, and adopt additional sustainability measures to mitigate potential sustainability impacts of their business operations. Figure 2 summarizes the main legal sustainability requirements and additional sustainability considerations that companies should adhere to during the three key stages of business operations.

**Figure 2** Legal requirements and additional sustainability considerations throughout business operations

<table>
<thead>
<tr>
<th>SETTING UP</th>
<th>DURING OPERATIONS</th>
<th>WINDING DOWN</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Environmental</strong></td>
<td>Follow environmental impact assessment (EIA) process to obtain environmental license</td>
<td>When exiting a site or land use, submit decommissioning plan to the appropriate environmental authority</td>
</tr>
<tr>
<td></td>
<td>Comply with land-use plans and land-related laws</td>
<td>Implement approved decommissioning works to remediate negative impacts</td>
</tr>
<tr>
<td></td>
<td>Comply with all other environmental legislation</td>
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</tr>
<tr>
<td><strong>Labour</strong></td>
<td>Comply with labour laws</td>
<td>Comply with labour laws</td>
</tr>
<tr>
<td></td>
<td>Obtain appropriate work permits and registrations</td>
<td>Ensure health and safety of workers</td>
</tr>
<tr>
<td></td>
<td>Ensure health and safety of workers</td>
<td></td>
</tr>
<tr>
<td><strong>Other</strong></td>
<td>When doing site selection, take into account the potential environmental impact of transport-related emissions, opportunities to link to local backward and forward supply chains, including for food and materials</td>
<td>Consider providing in-kind benefits for employees, such as accommodation, transport, meals</td>
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<td></td>
<td>Consult community representatives to understand the local context and plan accordingly</td>
<td>Respect cultural differences</td>
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<tr>
<td></td>
<td>Join a local business association</td>
<td>Invest in local skills and managers</td>
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<td></td>
<td></td>
<td>Communicate clearly with staff and local communities to build trust</td>
</tr>
</tbody>
</table>
CHAPTER 1 – Why invest sustainably?

Areas of concern for sustainability

Table 1 provides an overview of different sustainability areas and sub-areas of concern for investors. Every project, sector and national context is unique and should be evaluated as such. Regardless of the sector, investors must ensure they properly engage with the local workforce and the environment, and that their business conduct is ethical. As such, Table 1 illustrates some examples of issues that merit closer investigation by the investor.

Table 1  Sustainability areas of concern

<table>
<thead>
<tr>
<th>AREA OF CONCERN</th>
<th>SUB AREA OF CONCERN</th>
<th>EXAMPLES OF ISSUES</th>
<th>Please list any issues of concern for your company</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ENVIRONMENTAL</strong></td>
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</tbody>
</table>
| Pollution prevention and climate change mitigation | Air, emissions and climate | ▪ Use of old technologies, vehicles and machineries and intensive use of fossil fuels  
▪ Inefficient resource use in farming and agroprocessing sites.  
▪ Overuse of pesticide application, fertilisation, and slash-and-burn agriculture |                                                  |
| Waste (solid and water waste) | Solid waste:         | ▪ No system to record waste produced in processing operations.  
▪ Toxic chemicals and pollutants are released directly on surface and ground waters  
▪ Production facility is not connected to sewage network  
▪ Inexistence of system to dispose of and store grey water  
▪ Inexistence of system to recycle wastewater |                                                  |
| Resource management           | Inputs, chemical use | ▪ Lack of metres to monitor the consumption of energy, water and other inputs in production processes  
▪ Water, chemical leakages in pipe system |                                                  |
| Fresh water resources         |                     | ▪ Lack of systems to identify, monitor and maintain fresh water resources impacted by production  
▪ Over extraction of groundwater resources  
▪ Waterlogging and soil salinization due to unsustainable agricultural practices  
▪ Inexistence of water management system |                                                  |
| Energy and minerals           |                     | ▪ Inadequate facilities to stock fuel  
▪ Absence or poorly insulated systems of energy distribution  
▪ Improperly vented appliances  
▪ Ventilation and air leakage  
▪ Inefficient heating systems  
▪ No energy management system in place  
▪ Lack of company interest to adopt renewable energy sources (solar, wind, biomass, etc.)  
▪ Reliance on inefficient diesel generators for energy supply during power outages or in the absence of connection to national grid |                                                  |
| Land and soil management      |                     | ▪ Soil erosion, desertification and/or contamination due to overuse, salinization, acidification, or other chemical soil contamination  
▪ Lack of strategies to measure, monitor and prevent soil contamination and pollution |                                                  |
<table>
<thead>
<tr>
<th>AREA OF CONCERN</th>
<th>SUB-AREA OF CONCERN</th>
<th>EXAMPLES OF ISSUES</th>
<th>Please list any issues of concern for your company</th>
</tr>
</thead>
<tbody>
<tr>
<td>Environmental protection</td>
<td>Forests</td>
<td>- Lack of procedures in place to prevent and/or remediate deforestation</td>
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<td></td>
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<td>- Lack of procedures for the regeneration of depleted forests and woodlands</td>
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<td>- Lack of forest management plan and/or a reliable monitoring system</td>
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<td>- No systems in place to ensure that timber is of legal origin</td>
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<td></td>
<td>Biodiversity</td>
<td>- Lack of processes to ensure that products are not harvested at levels above sustainable yields</td>
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<td></td>
<td></td>
<td>- Lack of systems in place to identify, restore and rehabilitate natural habitats and/or ecosystems</td>
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<td>- Environmental impacts observed as a result of production and harvesting operations</td>
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<td></td>
<td>- Lack of procedures in place to address land-use planning and identification of conservation priorities</td>
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</tr>
<tr>
<td>SOCIAL</td>
<td>Human and labour rights</td>
<td>Health and safety</td>
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<tr>
<td></td>
<td></td>
<td>- Lack of training on health and safety practices for workers</td>
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<td>- Lack of monitoring and controlling systems to prevent health and safety hazards</td>
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<td></td>
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<td>- Workers are exposed to hazardous substances without any protective equipment</td>
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<td></td>
<td>- Inappropriate working space</td>
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<td></td>
<td></td>
<td>- Improper handling, labelling and storage of hazardous materials</td>
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<td>- Lack of evacuation plans in case of emergencies</td>
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<td></td>
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<td>- Workplace violence including physical assault, sexual and moral harassment</td>
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<tr>
<td></td>
<td>Forced labour*</td>
<td>- Physical threats or applying penalties to workers that refuse to work</td>
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<td></td>
<td>- Retention of workers' passports or other identity papers</td>
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<td></td>
<td>- Withholding pay (debt bondage) under the pretence that workers owe recruitment fees or costs of transportation to the company</td>
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<tr>
<td></td>
<td>Child labour</td>
<td>- Employing children below the legal working age in the country. *Note that different minimum ages apply to certain types of work (e.g. light work, hazardous work)</td>
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<tr>
<td></td>
<td></td>
<td>- Trafficking of children and related exploitation as workers</td>
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<tr>
<td></td>
<td>Freedom of association/collective bargaining</td>
<td>Workers are not allowed to form and join trade unions</td>
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<td></td>
<td></td>
<td>- Discrimination against workers that are union members or those willing to join a union/association</td>
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<td></td>
<td>- The employer promotes a particular union or workers’ association, and/or coerces workers to join it or leave one</td>
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<td></td>
<td>- The employer does not participate in collective bargaining agreements, and/or does not adhere to the agreed outcomes</td>
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<td></td>
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<td>- Workers are not allowed to be represented in collective bargaining by a union of their choice</td>
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<tr>
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<td></td>
<td>- Inexistence of procedures for the prevention and resolution of workplace conflicts or grievances</td>
<td></td>
</tr>
</tbody>
</table>
### AREA OF CONCERN

- **Community relations**
- **Diversity and equal opportunities**
- **ANTI-CORRUPTION**

#### SUB-AREA OF CONCERN

- Community relations
- Discrimination related to employment and occupation

#### EXAMPLES OF ISSUES

<table>
<thead>
<tr>
<th>AREA OF CONCERN</th>
<th>SUB-AREA OF CONCERN</th>
<th>EXAMPLES OF ISSUES</th>
</tr>
</thead>
</table>
| Community relations |                                            | - Lack of consultation/engagement with local communities living around the company regarding changes or impacts from business activities on local resources and communities. It includes issues related to land management, safety, human rights violations, environmental impacts on the nature and community health among others.  
- Lack of or poor grievance mechanism to provide fair compensation for negative impacts of operations on local communities and individuals |
| Diversity and equal opportunities | Discrimination related to employment and occupation | Any distinction, exclusion or preferential treatment of workers or candidates to a position based on:  
- Gender  
- Race or skin colour  
- Sex  
- Religion  
- Political opinion  
- Age  
- National or social origin, nationality  
- Sexual orientation  
- HIV/AIDS status  
- Disability  
- Trade union membership or activities  
- Workers with family responsibilities  
- Lack of paternity and maternity leave policies |
| ANTI-CORRUPTION     |                                            | - Influencing government officials through the payment of bribes  
- Accepting to pay bribes to government officials in order to access services  
- Lack of training for workers and company management on anti-corruption practices  
- Retaliation against whistle blowers  
- Lack of mitigation procedures against bribery and other types of corruption (e.g. nepotism, extortion, patronage, among others) |
CHAPTER 2

Sustainability requirements in Ethiopia
CHAPTER 2 – Sustainability requirements in Ethiopia

When investing in manufacturing or agroprocessing in Ethiopia, it is very important to comply with the national legislation in matters relating to environmental management and working conditions for employees. The following section provides an overview of general principles applicable for investors in any country and specific legal requirements in Ethiopia.

KEY MESSAGES

- Investors are required to obtain an environmental license for their proposed development, which is granted following the successful production and review of an environmental impact assessment (EIA) or Project Report for low risk projects.
- Environmental requirements for the specific business are determined by the EIA or Project Report process.
- Compliance with EIA requirements and all relevant environmental regulations will be monitored and businesses are required to submit an environmental audit each year, depending on the details of the national legislation.
- Non-compliance with environmental requirements can result in improvement requirements, which if not followed, can result in closure, imprisonment and financial penalties.
- Labour laws are determined by a range of legislation and it is important that the company understands and complies with relevant legislation.
- Land regulations are also important to consider, particularly in terms of leasing or purchasing land, where it is vital to ensure that alternative community or tribal rights are considered and respected.

When investing in manufacturing or agroprocessing in Ethiopia, it is very important to comply with the national legislation in matters relating to environmental management and working conditions for employees. The following section provides an overview of general principles applicable for investors in any country and specific legal requirements in Ethiopia.
General principles

- Do not ask favours from influential government representatives to shortcut processes. This is likely to lead to compliance problems at a later stage. Ensure that you speak to the relevant government departments and follow their guidance and requirements.

- Do not rely exclusively on companies already working in the country for second-hand knowledge that may be out of date or inaccurate. Make sure you understand what is required from relevant government departments.

- It is usually necessary to hire the right specialist (i.e., individual consultant or firm) to undertake a project brief, environmental impact assessment (EIA), environmental audit, or a decommissioning plan to ensure an objective assessment process. Environmental institutions in Ethiopia maintain lists of registered qualified professional companies or individual experts who can provide these services.

- Ensure that sufficient time is allocated for the EIA process. Engage with the relevant environmental agency as soon as you register a business. Six to 12 months is a reasonable timeframe for a full EIA, including public consultation and review, improvements and approval by the appropriate environmental authority, at which point an environmental license can be granted for the proposed investment.

- Comply with land use plans where they have been developed on a participatory basis and passed into law to guide spatial development of a region or urban area.

- Understand if there are differences between the Chinese and local method for defining basic salary and remuneration packages. Confusion in this area could lead to a failure to comply with local labour laws.

- Try to obtain national legislation translated into Chinese, as well as useful publications and updates on changes to legislation requirements, which are often produced by Chinese business associations. However, remain aware that these can become outdated. Speaking directly to the relevant government department is usually best.

- Specific regulations may be negotiated for the operations of a particular business, with a trade union body representing your workers, which would subsequently be reflected in a legally-binding collective bargaining agreement.
Ethiopia: Legal environmental and labour requirements

When setting up a business in Ethiopia, during operations or when decommissioning a site due to closure or relocation, there is a set of environmental and labour regulations a company must follow. These are summarized below, with clear references to relevant legislation.

Country background

Ethiopia is striving to become a manufacturing hub in Africa and has made progress in attracting foreign direct investment. The country has a handful of operational industrial parks, which host a range of manufacturers from China, Europe and North America. According to the Government of Ethiopia, over 270 Chinese-owned companies were active in Ethiopia during the period 2011 to 2017, mainly in the manufacturing sector, generating revenues of over $500 million and creating 28,000 local jobs. With a total area of about 1.1 million km² of arable land, Ethiopia also has tremendous potential for agricultural development. For the moment, only around 20% of this arable land is being cultivated.

Language: Ethiopia is a multi-ethnic state with more than 80 languages and 200 dialects. Amharic is the working language of the federal government, but English, Oromiffa and Tigrigna are also widely spoken in the government and businesses.

Ethnic differences and regional politics: Ethiopia is a federal system with nine regional provinces. These provinces are broadly aligned with ethnic divisions. Within and across provincial boundaries, there are also many subdivisions. This context is important to understand.

Environmental regulations and guidelines

The following environmental regulations must be observed in Ethiopia:

- Environmental Policy of Ethiopia (1997)\(^{35}\)
- Environmental Impact Assessment Proclamation (2002)\(^{36}\)
- Environmental Pollution Control Proclamation (2002)\(^{37}\)
- Regulation to Provide for the Prevention of Industrial Pollution (2008)\(^{38}\)
- Solid Waste Management Proclamation (2007)\(^{39}\)

Environmental impact assessments

Investors must comply with the following overall environmental management requirements as they set up, operate and decommission a business.

1. Obtaining an environmental license for a proposed investment

An investor is not permitted to implement a project until: 1) a Project Brief or an environmental impact assessment (EIA) has been concluded in accordance with Ethiopia’s Environment Impact Assessment Proclamation; 2) the investor receives a decision letter from the Environmental and Social Impact Assessment (ESIA) Directorate of the federal or regional Environmental Protection Authority (EPA).

Investors are first required to make contact with the Ethiopian Investment Commission (EIC) which will advise the investor on the appropriate route for obtaining an environmental license. A list of proposed projects that require an EIA is included in the EIA Proclamation, subject to the discretion of the ESIA Directorate. The ESIA Directorate takes into account the context and environmental sensitivity of the proposed site location and nature of proposed operations. Whether or not a proposed project requires an ESIA will be determined by a robust screening process, to be undertaken by the ESIA Directorate, based on information provided by the investor.

For investments that are categorized as low risk, it is sufficient to produce a project report setting out best practice procedures to minimize environmental impact.

Below are the requirements for projects that require an ESIA.

- Selection of qualified EIA lead experts or firm of experts registered by the EPA. The Authority maintains a register of accredited experts available in federal and regional EPA offices.
- Based on the agreed terms of reference and EIA regulations, the investor will appoint one or more independent experts or a firm of experts to undertake the EIA.
The EIA process includes stakeholder and local community consultation. Where local populations may require relocation, for particularly large projects, appropriate resettlement provisions are to be followed, ideally based on IFC standards.

On completion of the EIA, a report is submitted to the EPA head office, duly signed by the investor and the EIA experts involved in assessment preparation.

The EIA report will then be sent to lead agencies for internal review and harmonization on decision making.

Decision making by the EPA takes a maximum of 30 days for a project report, and 60 days for EIA study reports (from the date of submission to the EPA).

2. Environmental audit to assess compliance with requirements

Any investments that have been approved by the EIA process and commissioned for operations are required to undertake an environmental audit (EA). There is provision for up to two per year in the legislation and the first is usually required in the first three to six months.

Below are the requirements relating to an environmental audit.

- Selection of qualified environmental audit (EA) lead experts or firm of experts registered by the EPA. The EPA maintains a register of experts, available in EPA offices in Addis Ababa or regional headquarters.
- Based on an agreed terms of reference and EIA/EA regulations, appointed experts or firm of experts undertake the environmental audit.

On completion, an environmental audit report is submitted to the appropriate authority (i.e. federal or regional office), duly signed by the investor and the Environmental Audit experts involved in the preparation of the report.

The report then undergoes internal review procedures and harmonization for decision making within 30 days from the date of submission to the EPA.

Improvement orders may be served, which can oblige an investor to rectify any non-compliance with the requirements set out in the original EIA or subsequently agreed requirements.

Failure to comply with improvement orders can result in a fine, imprisonment and site closure.

An environmental audit is required each year during operations, following the same process as set out above.

Throughout the period of business operations, investors are required to comply with all relevant regulations and guidelines listed in the box above.

3. Decommissioning a site

- A decommissioning plan is required as part of the initial EIA. As the decommissioning process may happen many years later, at the time of closure, an updated decommissioning plan must be prepared and submitted to the EPA.
- The EPA will then advise the business on improvements to the plan, which in turn must be implemented by the business. A full decommissioning report must be submitted to the EPA upon completion of the remediation works, detailing evidence of compliance with the measures set out in the decommissioning plan.
CHAPTER 2 – Sustainability requirements in Ethiopia

Labour laws and workplace provisions

The following labour legislation must be observed in Ethiopia:

- Labour Proclamation (2019);40
- Constitution of the Federal Democratic Republic of Ethiopia;41
- National Policy on Occupational Health and Safety (2019);42
- Civil Code Proclamation (1960);43
- Social Health Insurance Proclamation (2010);44
- Private Organization Employees Pension Proclamation (2011);45
- Urban Lands Lease Holding Proclamation (2011);46
- Rural Land Administration and Land Use Proclamation (2005).47

Summary of key labour law provisions

Many other laws and conditions are specified in the legislations above and each investor should ensure that they understand and comply with what is relevant to their business.

Minimum wage: There is no national minimum wage in Ethiopia as of 2019 but the government has established a Wage Board, comprising of representative of the government, employees and trade unions, and other stakeholders that will periodically revise minimum wages based on studies which take into account the country’s economic development, labour market and other considerations.

Working hours:
- 8 hours/ day, and 48 hours/ week
- If the nature of work so requires, some working days can be shortened while in other cases, working time can be increased to a maximum of 12 hours/ day.

Overtime:
- A worker may not be compelled to work overtime except in case of accident, force majeure, urgent work, or substitution of absent workers assigned to work that runs continuously without interruption.
- Overtime work may not exceed 4 hours in a day or 12 hours in a week.” the max monthly and annual hours were removed from this legislation.
- Overtime is to be compensated in accordance with the categories outlined in the Labour Proclamation No. 1156-2019. This requires overtime work is paid at 1.75 the daily hourly rate.

Rest days: Workers are entitled to 24 consecutive hours of rest per week. Labour law requires that weekly rest day, in principle, should be Sunday for all employees. If it is impossible to provide a weekly rest day on Sunday, due to the nature of the work, the rest day can fall on another day of the week. Weekly rest must include a full 24-hour period, from 6:00 to 6:00 the next day.

Paid leave: A worker is entitled to 16 days of paid annual leave on completion of one year of service plus one working day for every 2 years of additional service.

Paid public holidays: Workers are entitled to paid public and religious holidays. These holidays are: Ethiopian Christmas (7 January); Orthodox Epiphany (Timket) (19 January); Victory of Adwa (2 March); Ethiopian Good Friday (18 April); Ethiopian Easter (20 April); International Labour Day (1 May); Patriotic Victory Day (5 May); Downfall of the Derg (28 May); Eid al-Fitr (End of Ramadan); Ethiopian New Year (11 September); Meskel (Discovery of the True Cross) (27 September); and Moulid (Birthday of Prophet Muhammad) (10 November). Muslim religious holidays are based on the lunar calendar.

Maternity leave: Women employees are entitled to fully paid maternity leave of 120 consecutive days (30 days antenatal and 90 days postnatal).

Nursing: There is no provision requiring employers to provide breaks or facilities to nursing mothers, but investors can consider voluntarily providing appropriate conditions.

Paternity leave: A man employee is entitled to three consecutive days of paternity leave with full pay. A worker shall be entitled to leave without pay for up to five consecutive days in the case of exceptional and serious events. However, such leave may be granted only twice in a budget year.

Sick leave: Ethiopia’s Labour Proclamation provides for paid sick leave for up to six months on completion of a probation period if sickness is certified by a qualified doctor. During the first month of sick leave, employees are entitled to 100% of their wages. For the next two months, they are
entitled to 50% of their wages, and the last three months of sick leave are without pay.

**Absence from work/compassionate leave:**
An employee is entitled to up to five consecutive days of leave with pay, two times per year for exceptional and serious events (see Chapter 2 of Ethiopia’s 2019 Labour Proclamation).

**Medical insurance:**
All workers are required to be a member of a social health insurance scheme as explained in Ethiopia’s 2010 Social Health Insurance Proclamation.

**Work injuries:**
Work injuries are divided into four categories: (i) permanent total incapacity; (ii) permanent partial incapacity; (iii) temporary incapacity; and (iv) fatal injury leading to death of a worker. They must be compensated in accordance with the relevant legislation (i.e. the 2019 Labour Proclamation, and the 2011 Private Organization Employees’ Pension Proclamation).

**Disability rights:**
Ethiopia is a signatory of the Convention on the Rights of Persons with Disabilities, and the country’s Labour Proclamation establishes that it is prohibited to discriminate between employees on the basis of disability.

**Occupational health and safety requirements:**
Employers must ensure compliance with Part 7 of The 2019 Labour Proclamation and the National Policy on Occupational Health and Safety, which provide provisions and standards for securing a safe and healthy working environment. It is the responsibility of every employer to ensure the safety, health and welfare of all employees at work. It is important to develop a safety and health-conscious culture in the work place, and encourage reporting of injuries and accidents.

**Local content requirements:**
There are no local content requirements relating to light manufacturing or agroprocessing.

**Trade unions:**
The employer is also obliged to deduct union dues from the employee’s regular wage and transfer the cash into the trade union’s bank account, if requested by the employee.

**Preventing child labour:**
It is prohibited to employ a person less than 15 years of age. Employers must comply with restrictions on overtime and hours of work for young workers (between the ages of 15 and 18) in Article 89 of the Labour Proclamation.

**Labour inspection:**
The Labour Proclamation provides for labour inspection services, which can be used for the purpose of planned and follow-up inspections, complaint-based, or accident-based inspections.

**Penalties for non-compliance of employers:**
There are a variety of penalties set out in the legislation for employers who fail to comply with the relevant legislation.

**Resolving workplace disputes:**
Disputes may be settled via Ethiopia’s Labour Courts or by alternative lawful means (see Chapters 2 and 3 of the Labour Proclamation).

**Ownership rights to land and other assets on land:**
In Ethiopia all land is owned by the state, but is leased to individuals, communities and businesses. Even if the government leases land to a company for an industrial site or agricultural land, the underlying community claims to the land may not be aligned. Independent consultation with local communities, usually as part of the EIA process is therefore vital for sustainable community relations.
Summary checklist

Figure 3 provides a checklist of the environmental and social requirements to be considered by potential investors in the agroprocessing and light manufacturing sectors in Ethiopia. The different steps included in the checklist refer to different categories of procedures that investors need to undertake in order to obtain their investment certificate and start running their business.

Figure 3 Checklist: Ethiopia’s environmental and labour requirements for investors

Legend of icons per investment stage:

- No legal labour and environmental requirements set at the investment stage.
- No legal labour and environmental requirements are set at this stage, however investors should take into account certain considerations.
- Investors need to comply with legal labour and environmental requirements at this stage.

1. Business opportunities for investing in Ethiopia

No legal labour and environmental requirements are set at this stage for investors considering opening up business in Ethiopia. Nonetheless, investors should take into consideration the following aspects:

- Collect prior information about the labour legal system and environmental regulation in Ethiopia.
- Understand which sustainability areas will be impacted by the investment and include this analysis in project design.
- Understand the social, environmental, economic and political context of the invested country. Refer to the Ethiopian Investment Commission official website, Chinese web-portal, I-Guide website and Investment Guide for more information.

2. Investment permit and business registration through the Ethiopia Investment Commission

No legal labour and environmental requirements are set at this stage for investors considering opening up business in Ethiopia.

3. Land acquisition

The prevailing land holding system in Ethiopia is lease. As a result, an application for land has to be made to the concerned regional land administration office or through the sub-lease of an existing lease. Among the documents to be submitted by investors when applying to land, is an environmental impact assessment report or letter, depending on the project’s environmental risk level.

Other documents that should be submitted by investors are:

- An investment permit issued by the Ethiopian Investment Commission or any other mandated governmental organization;
- A feasibility study/business plan;
- A supporting letter from the Ethiopian Investment Commission or other mandated governmental organization.

After the application is processed and approved, a land lease agreement is signed between the investor and the land administration office.

Lease agreement: Lease agreements can be concluded with an industrial park development corporation, regional/woreda land administration office, or a private industrial park developer.


Institutions involved: Documents Authentication and Registration Agency

4. Construction permit

Construction permits are issued at various administrative levels, such as district, municipality, or ministry levels, depending on the location of the construction.

An application for a permit must be made at the urban administration or designated organ at the construction location. The application should contain the following:

- Full name and address of the applicant;
- Investment permit;
- Location of construction;
- Table showing the total floor area;
- Planning consent;
- Architectural, sanitary, soil test, electrical designs and structural analysis report for the planned building.
### 5. Issuance of business license
No legal labour and environmental requirements are set at this stage for investors considering opening up business in Ethiopia.

### 6. Issuance of environmental impact assessment clearance
- Relevant legislation for a Project Brief or environmental impact assessment (EIA): Environmental Impact Assessment Proclamation
- Institutions involved in the process: Ethiopian Investment Commission (EIC), Environmental and Social Impact Assessment (ESIA) of the federal or regional Environmental Protection Authority (EPA)

### 7. Issuance of customs duty exemptions
No legal labour and environmental requirements are set at this stage for investors considering opening up business in Ethiopia.

### 8. Work permits
The Ethiopian Investment Commission (EIC) issues work permits to expat employees hired by companies that are in the investment project implementation phase. An application accompanied by the following documents should be submitted to the Commission:
- Work visa;
- Authenticated education, experience and competence certificates;
- Completed and signed application form.
- Relevant legislations: Ministry of Labor and Social Affairs directives on issuance of work permits for expat employees (December 23/2011 E.C).
- Institutions involved in the process: EIC (Licensing and Registration Department) and the Ministry of Labor and Social Affairs.

### 9. Business visa
No legal social and environmental requirements are set at this stage for investors considering opening up business in Ethiopia.

### 10. Legal considerations after commencement of business operations
**Environment:**
- Environmental audit to assess compliance with requirements established by the EIA
- Decommissioning a site at closure
- Relevant legislation: Environmental Impact Assessment Proclamation
- Institution involved in the process: Environmental and Social Impact Assessment (ESIA) of the Federal or Regional Environmental Protection Authority (EPA)

**Labour:**
- Investors should comply with all relevant legislations mentioned above
- Institution involved in the process: Ministry of Labour and Social Affairs
CHAPTER 2 – Sustainability requirements in Ethiopia

Government institutions most relevant to sustainable investment

The following institutions define and monitor the environmental and labour requirements with which investing companies need to comply.

**Ethiopian Investment Commission (EIC):**
The EIC is responsible for investment promotion of foreign companies in Ethiopia. It also provides services such as: issuing investment permits, business licenses and investment licenses for construction contracting; issuing commercial registration certificates as well as renewals, amendments, replacements or cancellations; registering technology transfer agreements and export-oriented non-equity-based foreign enterprise collaborations with domestic investors; providing a hand-holding service for investors during the acquisition of land and utilities (water, electrical power and telecom services); and supporting the submission of environmental impact assessment studies for investment projects.

- **Website** (available in Chinese):
- **Address:** Dembel Center, Bole Road, Addis Ababa, Ethiopia
- **Phone:** +251 11 551 0033
- **Email:** info@ethio-invest.com

**Industrial Parks Development Corporation (IPDC):**
The IPDC is responsible for providing serviced industrial land, pre-built sheds equipped with all-encompassing utilities, and infrastructural facilities that fit international standards, without compromising workers’ security and environmental safety. In collaboration with the Ethiopian Investment Commission, Ethiopian Revenue and Customs Authority and several other institutions, the IPDC provides a comprehensive service for investors coming into industrial parks. This includes a full account of environmental and social regulations with which companies must comply.

- **Website:** www.ipdc.gov.et/index.php/en/
- **Address:** Bishangari Building, Comoros Street, Opposite to Kenyan Embassy, Addis Ababa, Ethiopia
- **Phone:** +251-11 661 6986
  +251 11 661 6674
  +251 91 181 3027
- **Email:** admin.info@ipdc.gov.et

**Environmental Protection Commission (EPC):**
EPC is responsible for ensuring the realisation of the environmental rights, goals, objectives and basic principles enshrined in the Constitution, as well as the Environment Policy of Ethiopia. This is done through coordinating appropriate measures, establishing systems, developing programmes and mechanisms for the welfare of humans and the safety of the environment. EPC is mandated to formulate, initiate and coordinate strategies, policies, laws and standards, and monitor and enforce their implementation. It is also responsible for the synergistic implementation and follow-up of international and regional environmental agreements. The Environmental Protection Authority (EPA) is the body under the EPC that is responsible for the EIA process and checking the compliance of companies with their environmental management requirements, via the environmental audit process.

- **Website:**
  - www.epa.gov.et
  - http://mefcc.gov.et
- **Address:** Arat Killo, Behind Tourist Hotel, Addis Ababa, Ethiopia
- **Phone:** +251 111 704 214
  +251 111 704 251
- **Email:** info@mefcc.gov.et

**Ministry of Labour and Social Affairs:**
The Ministry’s mandate includes maintaining employee health and safety in the work place, improving working condition and environment, and promoting efficient and equitable employment services, as well as maintaining developmental social welfare of all citizens.

- **Website:** www.molsa.gov.et
- **Address:** Kirkos Kifle Ketema, Wereda 8, Kazanchis
- **Phone:** +251 11 551 7080
  +251 11 551 5249
  +251 11 551 8396
  +251 11 551 5316
  +251 11 550 1220
- **Email:** molsa@molsa.gov.et
CHAPTER 2 – Sustainability requirements in Ethiopia

**National development strategies**

- Growth and Transformation Plan II (GTP II)\(^53\)
- Ethiopian Industrial Development Strategic Plan (2013-2025)\(^54\)
- Ethiopia’s Climate Resilient Green Economy Strategy\(^55\)

**Sector-specific strategies**

- Leather sector strategy\(^66\)
- Pharmaceutical sector strategy\(^67\)
- Garment strategy\(^58\)
- Food and beverage sector strategy [Soon to be approved and released]
- Horticulture sector strategy\(^69\)
CHAPTER 3

Additional sustainability measures
CHAPTER 3 – Additional sustainability measures

ADDITIONAL SUSTAINABILITY MEASURES

KEY MESSAGES

- Beyond the legal requirements set out in Chapter 2, there are many opportunities to incorporate additional sustainable measures and approaches into investment and business operations.
- Additional sustainability measures can encompass an array of practices targeting different sustainability areas such as community relations, labour rights and resource management.
- Voluntary sustainability standards are available for social accountability and environmental management and for a wide range of sector and industry-specific processes.
- There are business networks and groups throughout Africa that can also be a good source of information and inspiration on sustainable investment practices.

Apart from compliance with national regulations, there are many opportunities for companies to incorporate more sustainable approaches into their operations, particularly in light manufacturing and agroprocessing businesses.

This chapter introduces a number of measures that companies can incorporate into their business operations in Ethiopia, to help implement a sustainable approach (summarized in Figure 4). Relevant Chinese and international voluntary standards are also highlighted at the end of the chapter.

Figure 4  Additional measures for sustainable business conduct

- Site selection aligned with sustainability
- Advice from local governments
- Investing in local skills and managers
- Closing strategy aligned with sustainability
- Corporate social responsibility strategy
- Working conditions
- Use of resources
- Communications and public relations
- Building the skills and capacity of local partner companies
- Engaging with the local business community
Site selection aligned with sustainability

Investors are encouraged to consider the location of their proposed manufacturing or agroprocessing site in the context of sustainable development factors. These include the following:

- **Connecting to upstream and/or downstream local value chains.** There may be opportunities to maximize the benefits to local businesses, farmers or producers of different supplies and materials such as food, building and raw materials. This can often have significant business advantages such as lower costs for materials or transport, and improved relations between investors and surrounding communities.

- **Taking a proactive approach to addressing land-related challenges.** Land rights can involve complex procedures in many countries. Even if companies follow the national laws on land compensation, there is still likely to be backlash from local communities, if they feel unfairly compensated or treated. It is advisable for companies to do their own due diligence, and speak to local community leaders in addition to local and national governments. It is most appropriate to consider this in detail at the EIA stage.

Use of resources

Investors have a unique opportunity to develop sustainable approaches in the production or manufacturing of products. Beyond the legislation discussed in Chapter 2, it is possible to implement processes that minimize electricity or water use, minimize greenhouse gas emissions such as CO₂, or develop circular economy systems that minimize wastage. This could include the following:

- Implementing systems to capture and reuse rain water;
- Having good maintenance systems to prevent leakage and water waste;
- Maximizing the energy efficiency of machinery, lighting and buildings;
- Considering how groundwater supplies may be limited, and are shared with the surrounding community, as well as practicing the sustainable use of water sourced from boreholes.
- Adopting processing/manufacturing practices that avoid waste and reusing inputs, or whenever not possible, recycling waste appropriately.
- Reducing emissions and pollution from manufacturing processes and vehicles, and by minimizing other activities such as burning waste materials.
- Minimizing the carbon footprint of a business, through the measures above, as well as by adopting renewable energy sources and sourcing food and materials from local suppliers.
- Minimizing the use of pesticides and fertilizers, as some may have negative impacts on surrounding water quality and the health of human and animal populations.
- Using biofertilizers if possible, which are designed to reduce the harmful impacts of fertilizers on the environment while providing similar benefits to crops.
Working conditions

Providing workers with better conditions and opportunities can lead to benefits such as higher levels of productivity, low levels of staff turnover and financial savings. Investors can consider developing a living wage for employees through an array of measures that may include adequate wages, housing, food, transportation, education and childcare, communication, and health benefits.

- **Providing local transport for workers to and from their place of employment** can provide a safe and efficient additional benefit to workers. Workers may often need to walk between home and work, so reducing the distance will also improve punctuality and energy levels at work. It will also improve safety, particularly if workers need to travel after dark.

- **Providing meals and areas to eat for workers can help boost productivity.** As discussed in Chapter 1, many workers on low wages struggle to buy enough nutritious food. Providing workers with good quality food at the workplace can help to improve morale and productivity as well as fostering longer-term loyalty.

- **Companies should consider investing in accommodation and communication capacities for workers.** Where a business wishes to invest for a long duration, a case can be made for providing housing for workers, which can significantly reduce staff turnover and increase productivity. In order to pass supply chain audits, accommodation must comply with international standards such as the ILO standards for worker accommodation.

  It is important to ensure that housing plans fit into local spatial development plans, where relevant. It can also be beneficial to provide means of communication for workers, especially in cases where many have travelled far from home to work in a factory or industrial zone. Providing employees with phone cards or having a company phone that can be used by employees on a regular basis can help them stay in contact with their families.

- **Employers can also play a role in improving the safety and security of their workers, particularly women.** First and foremost, employers need to be adamant in ensuring that there are no abuses within the company structure, paying special attention to power differences between managers and subordinates. There must be means of reporting abuses outside of the management chain, with the promise of anonymity so that the subordinate does not fear retaliation for reporting.

  Companies can also help ensure security by providing dedicated transport and accommodation, security surveillance, and basic personal alarms for employees.

- **Respecting differences, language barriers, and cultural differences can improve efficiency.** In a recent study by McKinsey, culture and trust was rated as the fourth top concern of Chinese firms in Africa. For African leaders, cultural barriers is rated the second top concern when dealing with Chinese investors. It is vital to overcome these challenges with strong communications and a focus on how staff from different backgrounds can most effectively work together. Possible solutions include:

  - Ensuring compliance with the legislation specific to each country for working hours, overtime, paid leave and public holidays;
  - Investing in English or local language classes for Chinese staff;
  - Investing in Chinese language classes for local management staff;
  - Incorporating a number of Chinese and local cultural activities and celebrations into the annual calendar of the company;
  - Preparing Chinese staff for cultural differences, including in work culture and skills proficiency.

- **Investors should empower women with equal access to opportunities and equal pay.** Women’s economic empowerment boosts productivity, increases economic diversification and income equality, and has trickle down benefits to the wider community. As women bear a disproportionate amount of the burden for childcare, the economic empowerment of women has a significant impact on the education levels of their children, thereby helping to enhance local economic development prospects.

- **Provide appropriate risk management and facilities for pregnant and lactating women.** Women who are pregnant, have given birth within the past six months or are breastfeeding are vulnerable to specific risk and may require special considerations beyond the national legislation discussed in Chapter 2. The employer should take into account any risks identified in their workplace and aim to take the necessary measures to remove, reduce or control the risk.

- **Promote education and child care.** Employers can support initiatives to promote education and child care for workers’ children. For instance, employers can provide direct support to establish nursing centres for mothers with small children. Beyond this, employers
can collaborate with local child care services to cover day care services for workers’ children. This approach benefits workers with children and contributes to create opportunities for women in the formal labour market. Without access to free or low-cost child care programmes, many women with children face barriers to access formal work opportunities.

- **Promote health care.** Even in countries where healthcare is universally provided by the state, or available at very low costs for workers, out-of-pocket payments to cover medications and treatments represent a challenge for most people. Their inability to cover such treatments and access adequate medical healthcare directly impacts workers’ productivity and wellbeing at home and in the workplace. Possible solutions that employers can adopt to overcome these challenges are:
  - Providing direct support to workers to cover costs of medical treatment;
  - Providing health insurance to workers and their families;
  - Collaborating with local health centres and NGOs acting in the region to provide medications and treatments at an accessible price.

- **Promote women’s health.** Particularly where the majority of the workforce are young women and the factory is situated far away from health centres. Aim to collaborate with local community health centres or with local NGOs to provide basic services. Work with such partners to make contraceptives and vaccines available at the factory.

- **Disability inclusion can also generate substantial benefits for employers and communities.** Persons with disabilities are often marginalized but can add great value to businesses and the economy when given the right opportunity. Implement an equal opportunities policy and consider a proactive approach to employing people with disabilities for appropriate roles. Consider how best to enhance accessibility to, from and around the workplace.
Investing in local skills and managers

Developing local talent and supporting employee growth is crucial to build workforce capacities and ensure mutually beneficial business growth. These practices can ensure that the investing company retains positive relations with the local community and its workforce and helps develop the local economy, which, in turn, will support the investing company as well.

- **Provide apprenticeship and training initiatives for youth.** Develop the skills of young people for their inclusion in the job market. This enables companies to diversify their workforce, while contributing to transferring knowledge from experienced workers to trainees.

- **Provide clear career progression.** Employers can increasing proficiency in skills and management expertise with higher salaries and increased responsibility.

- **Local management staff.** It is important to ensure that there is a prominent role for local management staff members. This will help to create a working environment with more integration and understanding between Chinese and local staff, and can serve as role models for more junior local staff.

- **Additional training to develop skills.** Employers should consider providing and covering the costs of additional training to staff and managers to help build skills and competences. This could include driving lessons to obtain a license, language lessons, and management training.

- **Additional qualifications.** Employers can consider helping promising management staff the opportunity to achieve additional technical or university qualifications, via financial support or providing sufficient time off to study.

Communications and public relations

Positive and proactive engagement with the local community in which the investor is operating is crucial to establish and maintain strong communication channels. Investing companies are often perceived to be closed to community dialogue, so it is important to counter this perception with genuine outreach and a mechanism to address concerns.

- **Carry out independent due diligence and consultation when preparing to invest in an area.** Sometimes governments will bypass local concerns. Don’t be tempted to take what seems like the easiest approach. Investigate local concerns.

- **Follow the principle of free, prior and informed consent (FPIC).** FPIC refers to the right of local communities, particularly indigenous peoples, to participate in decision making about issues affecting them. Disclose the economic, social and environmental impacts that may or have already resulted from investment decisions. Full disclosure to community of plans and mitigating measures is advised.

- **Enable and respond to feedback.** Develop and enable channels for local communities to register grievances and establish systems to address them appropriately, and ensure that the project’s implementation and future operations consider stakeholder concerns.

- **Manage expectations.** Investors often face complex and high expectations from local communities and NGOs that believe a company has endless resources with which to offer development benefits. It is very important to manage expectations while offering (or explaining) tangible benefits that are feasible for the investor.
■ Share the positive news, particularly with local stakeholders. Publicize activities where appropriate so that the impact is known by the public and by customers. At the same time, do not engage in greenwashing or claiming sustainable actions without merit in order to give the perception of a socially and environmentally-conscious company.

■ Seek interaction with different stakeholders. If community relations are a challenge, refer the issues to different stakeholders, including local or national governments, and seek assistance, rather than letting the problem grow. There is a risk that companies see everyone as a problem rather than seeking appropriate guidance.

■ Stick to what the business license allows. Investors should follow their stated intentions, for which the environmental license was granted. If an approach needs to change, ensure the community is aware and understands the rationale.

Corporate social responsibility strategy

As discussed in Chapter 1, this handbook defines CSR as additional activities that a company can choose to implement beyond core business operations.

■ Develop a CSR initiative based on what is most needed by a community. Identify key national and local development issues and how they may match the company’s strengths and the interests of local communities.

■ Develop partnerships to increase impact. Communicate with other investors, companies and development partners about infrastructure that would strengthen the sector. What win-win initiatives could be explored?

■ Monitor and evaluate the impact of CSR activities. On a regular basis, monitor the implementation of CSR activities in order to capture their outcomes and impact on beneficiary communities. This enables businesses to evaluate their relevance and effectiveness in comparison to the initial activity design.

Advice from local governments

Local governments across Africa often have dedicated units that are able to provide background context or suggestions to investors on more sustainable production processes or business approaches, within the context of their specific region.

In Ethiopia, for instance, a dedicated sustainability unit is likely to be set up within the Ethiopian Investment Commission from 2020.

Factors to be consulted with local institutions include:

■ Location selection to maximize sustainable outcomes;

■ Sustainable production techniques;

■ Where to source raw materials;

■ Vertically-integrated supply chains – linking to value chains;

■ Circular economy opportunities, including with other businesses;

■ Resilience to the impacts of climate change evident now and likely in the future;
Engaging with the local business community

Chinese-owned companies are encouraged to look beyond Chinese business associations and to engage more with local chambers of commerce and business associations.

Chambers of commerce provide valuable fora to share information, meet new contacts and identify potential business linkages for example, suppliers of raw materials. Interviews carried out with national chambers of commerce during the preparation of this handbook indicated that they are interested in welcoming more Chinese-owned companies as members to help support and enrich local and other international businesses.

In Ethiopia, one of the key significant chambers of commerce is the Ethiopian Chamber of Commerce and Sectoral Association.

Website: http://ethiopianchamber.com
Email: ethchamb@ethionet.et
Phone: +251-115514005
Address: Ethiopian Chamber of Commerce & Sectoral Associations Building, 1st Floor, Mexico Square, Addis Ababa.

Closing strategy aligned with sustainability

In the event of investors closing their operations in Ethiopia, it is important to fully identify the likely impacts on staff and stakeholders and to address them appropriately. Below are some of the key considerations for closing or decommissioning a business.

- Follow the necessary enterprise deregistration process and ensure that all important assets and documentation are protected.
- Communicate effectively with employees, trade unions and stakeholders so that the reasons for closure, the process and timeframe are fully understood. This will help avoid employee and community dissatisfaction and potential unrest.
- Treat employees according to their rights and best interests, and properly handle employee compensation.
- As set out in Chapter 2, where the exit involves plant closure and land use exit, commission an accredited specialist to prepare a decommissioning plan to be approved by the relevant environmental authority. Implement the necessary environmental remediation to the site as it is being closed down. Comply with the relevant environmental legislation relating to pollution, biodiversity and land rehabilitation.
- Consult with community groups that may be impacted by potential closure and provide appropriate compensation if necessary.
- In the case of bankruptcy, ensure that the national regulations and requirements are understood and complied with, relating to project dissolution and bankruptcy filing.
- In the case of selling the business to other investors, ensure that labour and environmental practices are communicated to the new business owner.
- Consider carrying out a post-investment evaluation, whereby the causes for project success or failure are assessed and lessons learned can be captured and fed into subsequent projects, helping to improve sustainability and the chances of success.
Chapter 3 – Additional sustainability measures

Guidelines, voluntary standards and resources

Chinese sector-specific guidelines

There are a number of sector-specific guidelines that have been developed for Chinese companies working abroad. Some of the most relevant are listed in Box 3.

Voluntary sustainability standards

Investors may consider complying with relevant voluntary sustainability standards, which normally require annual audits and accreditation by an independent body. This can add great value to the brand and reputation of a company, as well as enhance market access opportunities.

There are hundreds of voluntary standards tailored to specific processes, so it is advised that investors check which ones apply to their business. The online platform Sustainability Map (www.sustainabilitymap.org) developed by ITC provides information on over 250 voluntary sustainability standards that are active in a wide range of countries and sectors. Companies can use this free online platform to improve their ability to identify, assess and compare voluntary standards relevant to their needs.

Sustainability resources and networks in sub-Saharan Africa

The following sustainability resources offer valuable context, information and assistance.

Green Africa Directory
www.greenafricadirectory.org

Africa Renewal
https://www.un.org/africarenewal/

WeSustain Africa
https://wesustain.africa/
### CHAPTER 3 – Additional sustainability measures

**Figure 5**  Free e-learning courses by sustainability area

<table>
<thead>
<tr>
<th>SOCIAL</th>
<th>ECONOMIC</th>
<th>ENVIRONMENTAL</th>
</tr>
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Approaching banks for financing  
(English)  
| **Human Rights and Business Dilemmas Forum (English)** Developed by UN Global Compact [https://hrbdf.org](https://hrbdf.org) | **Introduction to business plans**  
(English)  
[https://hrbdf.org](https://hrbdf.org) |
| **Courses on the thematic of Decent Work (English)** Developed by the International Training Centre of the International Labour Organization (ILO) [https://ecampus.itcilo.org](https://ecampus.itcilo.org) | **Considering Export Markets**  
(English)  
[https://ecampus.itcilo.org](https://ecampus.itcilo.org) |
[https://ecampus.itcilo.org](https://ecampus.itcilo.org) |
| **Courses on the thematic of Social Economic Environmental** Environment (English)  
[https://hrbdf.org](https://hrbdf.org) | **More courses available at:**  
[https://ecampus.itcilo.org](https://ecampus.itcilo.org) |

**BOX 4:**  Courses on cross-cutting sustainability topics

- **UNDP Massive Open Online Course (MOOC) on the Agenda 2030 for SDGs (19 modules covering the 17 SDGs) (Chinese)** Developed by United Nations Development Programme (UNDP) [https://open.163.com/undpsdgmoc](https://open.163.com/undpsdgmoc)

- **ITC e-learning courses:**  
- **The Role of Standards in Sustainable Supply Chains (English)**  
- **Competitiveness Through Enterprise Sustainability (English)**  
- **Introduction to Standards and Sustainability (English)**  
- **Introduction to Corporate Social Responsibility (English)**  
APPENDIX I
Sustainable Development Goals

The SDGs are the set of goals, targets and indicators adopted by the UN member states in 2015 providing a framework for the international development agenda and political policies. Businesses are also expected to take action towards the implementation of the SDGs by:
- aligning their strategies to the goals, targets and indicators set by the SDGs
- managing and measuring their contribution to the realisation of the SDGs.

The 17 SDGs are:

**Goal 1:** End poverty in all its forms everywhere

**Goal 2:** End hunger, achieve food security and improved nutrition and promote sustainable agriculture

**Goal 3:** Ensure healthy lives and promote well-being for all at all ages

**Goal 4:** Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all

**Goal 5:** Achieve gender equality and empower all women and girls

**Goal 6:** Ensure availability and sustainable management of water and sanitation for all

**Goal 7:** Ensure access to affordable, reliable, sustainable and modern energy for all

**Goal 8:** Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

**Goal 9:** Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation

**Goal 10:** Reduce inequality within and among countries

**Goal 11:** Make cities and human settlements inclusive, safe, resilient and sustainable

**Goal 12:** Ensure sustainable consumption and production patterns

**Goal 13:** Take urgent action to combat climate change and its impacts

**Goal 14:** Conserve and sustainably use the oceans, seas and marine resources for sustainable development

**Goal 15:** Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss

**Goal 16:** Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels

**Goal 17:** Strengthen the means of implementation and revitalize the global partnership for sustainable development

More information about the SDGs:
- Official webpage of the UN SDGs: https://sustainabledevelopment.un.org/?menu=1300
APPENDIX II
The UN Global Compact Principles

The Ten Principles of the UN Global Compact

HUMAN RIGHTS

**Principle 1:** Businesses should support and respect the protection of internationally proclaimed human rights; and

**Principle 2:** make sure that they are not complicit in human rights abuses.

LABOUR

**Principle 3:** Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

**Principle 4:** the elimination of all forms of forced and compulsory labour;

**Principle 5:** the effective abolition of child labour; and

**Principle 6:** the elimination of discrimination in respect of employment and occupation.

ENVIRONMENT

**Principle 7:** Businesses should support a precautionary approach to environmental challenges;

**Principle 8:** undertake initiatives to promote greater environmental responsibility; and

**Principle 9:** encourage the development and diffusion of environmentally friendly technologies.

ANTI-CORRUPTION

**Principle 10:** Businesses should work against corruption in all its forms, including extortion and bribery.

Available at:
https://www.unglobalcompact.org/what-is-gc/mission/principles
Food and Agriculture Business Principles of the Global Compact

1. **Aim for Food Security, Health and Nutrition**
   Businesses should support food and agriculture systems that optimize production and minimize waste, to provide nutrition and promote health for all people.

2. **Be Environmentally Responsible**
   Businesses should support sustainable intensification of food systems to meet global needs by managing agriculture, livestock, fisheries and forestry responsibly. They should protect and enhance the environment.

3. **Ensure Economic Viability and Share Value**
   Businesses should create, deliver and share value across the entire food and agriculture chain from farmers to consumers.

4. **Respect Human Rights, Create Decent Work and Help Communities To Thrive**
   Businesses should respect the rights of farmers, workers and consumers. They should improve livelihoods, promote and provide equal opportunities.

5. **Encourage Good Governance and Accountability**
   Businesses should behave legally and responsibly by respecting land and natural resource rights, avoiding corruption, being transparent about activities and recognising their impacts.

6. **Promote Access and Transfer of Knowledge, Skills and Technology**
   Businesses should promote access to information, knowledge and skills for more sustainable food and agricultural systems.

Available at:
https://www.unglobalcompact.org/take-action/action/food
3 See Appendix 1 for more information on the SDGs.
8 The Belt and Road Initiative is an infrastructure development and investment initiative to connect Asia with Africa. It was launched in 2013 by the Chinese Government with the aim to improve regional integration, increase trade and promote economic growth.
9 Environmental, Social and Governance (ESG) criteria refers to the set of sustainability factors used to measure the impact of potential investments.
10 Yeung, K. (2017, September 27). China’s sustainable firms are starting to outperform. South China Morning Post.
19 It provides “direct guidance to enterprises (multinational and national) on social policy and inclusive, responsible and sustainable workplace practices”. ILO (2017), Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy (MNE Declaration).
21 It is a principle-based framework for businesses, established by the United Nations, covering 10 principles of sustainable business conduct. See Appendix 2 for more details.


24 For example, Nike has around 31% of the global market for athletic footwear. Through its supplier code of conduct, in 2008 Nike influenced the conditions of more than 800,000 employees in 700 factories in 45 countries. UNCTAD et al. (2011) Promoting Standards for Responsible Investment in Value Chains. Report to the High-Level Development Working Group.


30 The examples provided do not capture all potential issues and risks associated with each of the sustainability sub-areas of concern.


33 Note that EIAs are sometimes referred to as Environmental and Social Impact Assessment (ESIA).

34 Ethiopian Investment Authority, 2017


42 Text not available online.


48 Policies that require companies to source intermediate goods or services from the domestic market.


52 Ethiopian Calendar


63. This principle follows the definition of FPIC from the United Nations Permanent Forum on Indigenous Issues.


71. www.sustainabilitymap.org


73. GRI, UN Global Compact & WBSCD. (2015). SDG Compass. (联合国可持续发展目标）企业行动指南
REFERENCES


