

CONTEXT SENSITIVE INVESTMENT PROJECT

The Context Sensitive Investment project helps Dutch companies to understand & work together with their communities. Moreover, it supports Business & Corporate Social Responsibility (CSR) strategy development that is tailored to communities' needs.

Facts and Figures

Target group: Dutch land-based, agricultural investments
 Project duration: 15 months (October 2018 – December 2020)
 Budget: € 97,300

- 188 Firms have been approached in total.
- 65 Dutch companies have been informed about CSBPs.
- 27 Companies received direct support to invest in a sustainable, conflict-sensitive fashion (23 NL).
- 13 Potential conflicts of Dutch companies have been addressed
- 1414 Hectares of investment land received support to develop in a more sustainable, conflict-sensitive fashion.
- 11 Publications, studies and toolkits revolving around context/conflict sensitive investing
- 78 Organizations and institutions received additional support on context/conflict sensitive investing.
- 103 Consultants have been trained, of which 4 firms have been contracted for the project.
- >27 Dialogues organized about conflict sensitive business practices

* See pg.20 for the results framework

What? The Context Sensitive Investment (CSI) project was set-up in Ethiopia to facilitate good company-community relationships. Practical support was provided that advocated Inclusive Business development where companies' CSR and business activities become strategically aligned with communities' needs, thereby creating mutual beneficial relationships.

Why? In Ethiopia, several companies were attacked by unhappy communities. Local research, backed by international theory, highlighted that this risk can be reduced by developing strategies that identify and address such dissatisfactions at an early stage. Practice reveals that existing CSR and business activities inadequately meet communities' needs and expectations. Addressing these challenges contribute to mutual beneficial community relationships that protect and champion Dutch investments.

How? More understanding is needed on what keeps Dutch companies from developing mutual beneficial relationships. The CSI project therefore studied the Ethiopian context, identified country-specific challenges, and developed and implemented tailor-made interventions that addressed identified challenges. The project followed 3 phases that enabled us to quickly respond to ever-changing contexts:

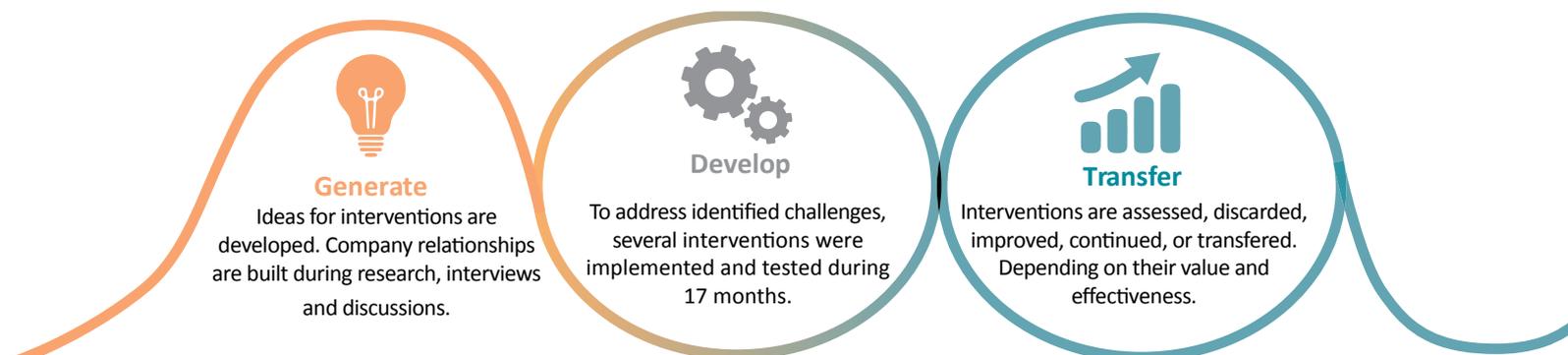


TABLE OF CONTENTS

Chapter 1. THE ETHIOPIAN CONTEXT – pg. 3

Chapter 2. OVERVIEW OF INTERVENTIONS – pg. 5

Chapter 3. INTERVENTION DETAILS – pg. 6

Chapter 4. TAKEAWAYS AND RECOMMENDATIONS – pg. 16

Chapter 5. APPENDICES – pg. 18

Beneficiaries

Beneficiary companies that the project served or collaborated with.
The list below is not exhaustive due to unavailable company logo's.



1. THE ETHIOPIAN CONTEXT

This summary is based upon desk research and interviews.

Four general stakeholder groups were relevant for this project:

- (Dutch) Companies
- The Ethiopian Government(s)
- Local Consultancy Firms
- Interested & Affected Parties



Companies (Dutch)

Most Dutch companies performed an Environmental and Social Impact Assessment (ESIA) before starting their operations, the degree of implementation differs per company.

Companies are conducting lots of CSR activities, as they believe it is a prerequisite for doing business in Ethiopia. However, the motivations for, and approach to, conducting CSR activities strongly differs.

Responsibilities

- To survive, be profitable, and to comply with shareholders' expectations.
- To conduct CSR activities that contribute to Ethiopian society.
- To comply with Ethiopian regulations and cover costs associated with initiating and implementing ESIA.

Challenges

- ESIA's are generally perceived as a 'tick the box exercise', ESIA implementation is poor.
- Generally, there is limited awareness about the benefits of initiating and implementing ESIA's.
- Performed CSR activities insufficiently resonate with communities' needs and expectations.
- As regulations are opaque, most investors do not know what is (legally) required of them.
- There are significant CSR & ESIA capacity challenges.

Resources: Adugna, 2016; Douma, 2017; IFC, 2010; Interviews Ethiopia; 2018-2019; Vanclay, Esteves, Aucamp & Franks, 2015; Tekelemichael, 2002.



Ethiopian Government(s)

Ethiopian law prescribes that investors address, manage and monitor social challenges. Environmental & Social Impact Assessments (ESIAs) are required if the impacts of an investment are significant. These ESIA's are supposed to represent local communities and safeguard them from potentially harmful investment activities.

The Environmental Authorities has to authorize a project before the licensing agency may grant an investment license. Officially, no investment activities are allowed before an ESIA is approved.

Responsibilities

- The Ethiopian Environmental Authorities are responsible to 1) request an ESIA, 2) to evaluate the ESIA's and 3) to monitor the implementation of ESIA.
- It depends on the assessment of the relevant Environmental Authorities to determine whether the impact of investments is significant enough to make an ESIA obligatory.
- The Ministry of Environment, Forestry and Climate Change (MEFCC) is responsible for ESIA's if the projects are 'mega' or trans-regional.
- All medium and smaller investments are delegated to the regional environmental authorities.

Challenges

- Attracting (Foreign Direct) Investments is often prioritized over sustainable development.
- Environmental authorities have limited capacity and technical know-how.
- Regulations are opaque, outdated and sporadically enforced. Organization of roles & responsibilities are vague.
- These challenges enable investors & consultants to avoid adequate ESIA implementation.

Resources: Adugna, 2012 & 2016; Constitution of the Federal Democratic Republic of Ethiopia, 1994; Development Bank of Ethiopia, 2018; Douma, 2017; EIA Proclamation No.299/2002; Interviews Ethiopia, 2018 & 2019; Netherlands



Local consultancy firms (i.e. ESIA Practitioners)

Local consultancy firms are often appointed to work on behalf of investors to investigate and implement CSR activities, including ESIA. Companies are required by law to hire an Ethiopian consultancy firm to conduct an ESIA.

Responsibilities

- Local consultancy firms should investigate and represent the local context in a competent and integer manner.

Challenges

- There are only a handful of competent consultants, knowledge spillover to juniors is limited.
- Technical ESIA knowledge is limited and (critical) research is rare.
- Dishonest practices are prevalent throughout the industry.
- Exposure of existing consultancy firms and their level of competency and honesty.

Resources: Adujna, 2016; IFC, 2010; Interviews Ethiopia; 2018-2019; Tekelemichael, 2002.



Interested & Affected (I&A) Parties

This target group consists of a wide range of stakeholder that are (in)directly affected by an investment or interested in its development. Examples of Interested & Affected Partier are e.g. local communities, NGO's, civil societies, other investors*.

Challenges

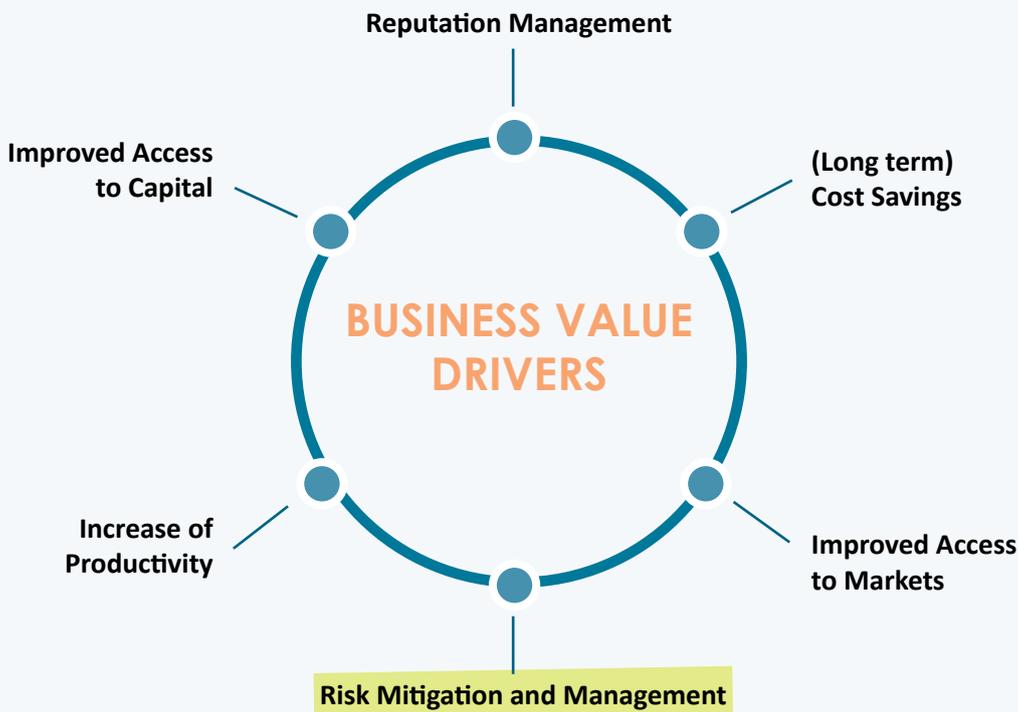
- The stakeholder group(s) differ per investment project and need to be identified on a case-by-case basis.
- These stakeholder groups are often overlooked, underestimated and underrepresented.

Resources: Adujna, 2016; Douma, 2017; IFC, 2010; Interviews Ethiopia; 2018-2019; Tekelemichael, 2002; Vanclay et al., 2015.

**The list above is not exhaustive. As this CSI project was relatively short, we believed that focusing on the first three stakeholder groups enabled us to propose a long-term sustainability strategy which would include relevant stakeholder groups.*

The Business Value of this CSI Project

ESIA is an exceptionally valuable toolkit for understanding community's needs and expectations. ESIA's are therefore imperative for tailoring business & CSR strategies to the local context. This in turn adds value to the private sector through the drivers below. Risk mitigation and management is exceptionally important for the Ethiopian context.



2. OVERVIEW OF INTERVENTIONS

To address the identified challenges of the former section (pg. 3–4), we have developed and implemented implementing several interventions during our project. You can find an overview of the activities below.



Interventions:	Target Group(s):
1. Company Discussions and On-Site Visits 	
2. Workshops for (Dutch) Investors 	
3. Social Impact Assessment Case Studies 	
4. Develop and Manage the Shared Value Internship Project 	 
5. Shortlisting Social Impact Assessment Consultancy Firms 	  
6. Open Source Toolkit(s) 	   
7. Capacity Building Social Impact Assessment Consultancy Firms 	   
8. General Knowledge Dissemination 	   
<i>Budget Neutral Extension</i>	
9. Additional Studies 	
10. Support Integrated Sustainable Development (Kunzila) 	  
11. Conflict Sensitive Contextualization (International Alert) 	
12. Continued Cluster Support 	 

3. INTERVENTION DETAILS

1. Company Discussions and On-Sight Visits

100%



The project organized several discussions and on-site visits to create awareness, offer assistance, and provide contextualized support where required.

Challenges of Target Group

- ESIA's are generally perceived as a 'tick the box exercise', ESIA implementation is poor.
- Generally, there is limited awareness about the benefits of initiating and implementing ESIA's.
- As regulations are opaque, most investors do not know what is (legally) required of them.

Objectives of Intervention

- Creating awareness of benefits for tailoring strategies to the local context, inform about legal requirements.
- Explore possibilities together on how this can be done for the respective investment and the private sector as a whole.

Results of Activities

- Outreach to 108 companies, of which ±65 Dutch investments. All informed about the project and requested for their input.
- In-depth discussions were held with approximately 45 companies, of which discussions took place on about 30 investment locations.
- Discussions led to company-specific recommendations and concrete requests for support of the CSI project.

Reflection & takeaways

- Every company has unique motivations to invest in sustainability. Evoking sustainable change requires company and context-specific knowledge.
- Relationship and trust-building takes time. It takes significant effort, follow-up, and patience. Awareness is limited. Latent challenges are often exposed during discussions.
- Companies' community engagement is generally inadequately organized.
- Even 'best performers' make significant – and potentially dangerous – mistakes when initiating CSR.
- This activity is useful as it builds relations and trust, uncovers (latent) challenges and leads to requests for context-specific support.

2. Workshop(s) for (Dutch) investors

100%



The project organized several workshops for foreign investors. All workshops revolved around sustainable, conflict-sensitive business practices and aimed to inform and stimulate sustainable change.

Challenges of Target Group

- ESIA's are generally perceived as a 'tick the box exercise', ESIA implementation is poor.
- Generally, there is limited awareness about the benefits of initiating and implementing ESIA's.
- Performed CSR activities insufficiently resonate with communities' needs and expectations.
- As regulations are opaque, most investors do not know what is (legally) required of them.
- There are significant CSR & ESIA capacity challenges.

Objectives of intervention

- To improve general understanding of Inclusive Business and the concept of Shared Value.
- To help investors understand the relevance of tailoring the business to the local context.
- If present, increase awareness of potential company-specific blind spots.
- To provide pragmatic tools and tips that support Context Sensitive Investment activities.

The interventions of this CSI project focussed on shared value creation for Dutch companies and local communities. Shared Value is all about:

“...policies and operating practices that enhance the competitiveness of a company while simultaneously advancing the economic and social conditions in the communities in which it operates.”

– Porter & Kramer, 2011 -

Results of Activities

- 6 workshops and sessions have been (co)developed, (co)organized and completed.
- 1× Security event, 1× EPHEA CSR event, 1× Horticulture panelist, 1× Discussion among investors during Alert visit, 1× CSR workshop, 1× ENLBA presentation.
- ±60 companies (Dutch and other) attended the workshops.
- 5 Companies participated with the CSR workshop. Workshop evaluation: 4,5 / 5.

Reflection & takeaways

- Workshops and events result in increased realization and leads to requests for support.
- However, the number of requests for support and follow-up are relatively small.
- Attendance rates are low and outcomes are difficult to measure. This is partly due to co-organization. Regardless, attendance and outcomes should be better evaluated and documented.
- Such events should be primarily used for disseminating knowledge and conveying (political) messages.

3. Social Impact Assessment Case Studies

100%



The project (partly) funded and fully facilitated several Social Impact Assessment Case Studies for a number of companies. The aim of this project was to help companies to improve their understanding of their local context and communities, leading to more sustainable, conflict-sensitive business practices.

Challenges of Target Group

- ESIA's are generally perceived as a 'tick the box exercise', ESIA implementation is poor.
- Performed CSR activities insufficiently resonate with communities' needs and expectations.
- As regulations are opaque, most investors do not know what is (legally) required of them.
- There are significant CSR & ESIA capacity challenges.

Objectives of Interventions

- Uncover social challenges and help investors to address these challenges via their business and CSR strategies.
- To couple Dutch companies with technical CSR capacity, thereby improving understanding of the local context.
- Explore how Dutch companies can develop strategies that manage and monitor context-sensitive investments.
- Learn from and streamline the ESIA procedure, enabling knowledge transfer to other parties.

Results of Activities

- 6 ESIA concluded, serving 16 companies.
- 2 ESIA fully subsidized (Kunzila cluster, RayaFresh).
- 1 ESIA subsidized up to 5000 euros, remaining ±5000 euros was paid by the company (Senselet).
- 1 ESIA subsidized, local logistics arrangement was paid by the company (Ziway cluster).
- 2 ESIA were paid in full by the companies, ENTAG supported the procedure and facilitation (QoQa cluster and ASA).
- 1100 hectares of agricultural, land-based investment land received support to develop in a more sustainable, conflict-sensitive fashion.

Reflection & takeaways

- Exceptionally valuable activity. Very well-received by companies.
- Procedure is time-consuming and results are quickly outdated.
- Quality of consultants is limited. Constant support and facilitation is required. This however does capacitate such consultants and ensures a high degree of company-involvement.
- The studies lead to concrete action plans to enhance sustainable and conflict-sensitive practices.
- This intervention led to concrete requests for help on how to put recommendations into practice.
- Companies are willing to (co)invest in such trajectories.

4. Develop and Manage the Shared Value Internship Project

100%



The project searched for interns and graduates and place them within companies to work on sustainability and conflict-sensitivity related assignments. These interns were guided, trained and supported by the CSI project to improve companies' internal sustainability practices.

Challenges of Target Group

- ESIA implementation is poor. CSR activities insufficiently resonate with communities' needs and expectations.
- There are significant CSR & ESIA capacity challenges.
- Local communities are often underrepresented in companies' business & CSR strategies.

Objectives of Intervention

- Explore pragmatic strategies that help Dutch companies to develop, manage and monitor (tailored) context-sensitive investments. These interventions help companies to create a Social License to Operate.
- Improve ESIA experience of Ethiopian youngsters as to enhance their employability.
- To develop an open-source capacity building handbook for companies and other institutions.

Results of Activities

- 8 companies requesting for 10 interns.
- Developed capacity building handbook for companies and other institutions.
- 6 interns were placed at 4 companies (Senselet, Soil & More, Nufoli and ASA).
- 2 interns were hired (i.e. jr. sustainability officer and jr. process manager).

Reflection & takeaways

- The developed curriculum is too complex for graduates.
- The experience is valuable for the interns. However, interns are too junior and their capacities too limited to evoke changes within the company.
- There is significant turnover and dropout. The employment-impact for interns is limited.
- Overall, such an internship project is time-consuming and inefficient.
- Support to evoke sustainable change cannot be left to an intern. Activities should convince upper echelon to allocate more time and resources for these activities.
- Permanent staff should be made responsible for sustainability. Or companies should attract new employees that exclusively work on sustainability and conflict-sensitivity.
- Company staff should be supported and capacitated to work on these topics.
- Support can be provided through organizations such as the Ethiopian Horticulture Producers and Export Association (EPHEA). Capacity of these institutions should be assessed continuously.

5. Shortlisting Social Impact Assessment Consultancy Firms

100%



The project assessed and screened Ethiopian consultancy firms that provided ESIA related services. Competent consultancy firms were shortlisted. This shortlist was subsequently shared with (Dutch) companies and used to find consultants for ESIA assignments (i.e. activity 3).

Challenges of Target Group

- Environmental authorities have limited capacity to assess capacity of consultancy firms.
- ESIA's are generally perceived as a 'tick the box exercise', ESIA implementation is poor.
- There are significant capacity challenges with respect to technical CSR capacity.
- Dishonest practices are prevalent throughout the industry.
- Exposure of available Ethiopian consultancy firms and their level of competency and honesty.

Objectives of Intervention

- Assess competency of local consultancy firms that offer ESIA services.
- Compile a shortlist of competent consultancy firms and offer this shortlist to all (Dutch) investors.
- To improve exposure of competent consultancy firms, facilitating ESIA contracting.

Results of Activities

- Approximately 30 consultancy firms shortlisted.
- Open source consultancy shortlist ([link](#)).

Reflection & takeaways

- The list is imperfect and quickly outdated as the consultancy sector is dynamic and growing fast.
- Assessing competency remains challenging and is often only revealed during the actual assignment.
- Contracting is time-consuming and companies are impatient to await lengthy procedures.
- Size of project proposals ought to be restricted (i.e. max 5 pages) to assess whether the consultant comprehends the tasks at hand.
- The shortlist is helpful and easily shared. However, the list requires continuous updating.

An Example of a Context Sensitive Investment Activity

In consultation with the communities, a flower company supported a project where a group of local women set-up an injera bakery. This bakery supplies injera to the company. The company gives their employees a daily, free lunch.

Flower Firm

Stimulating local entrepreneurship helps to buy locally and contributes to the communities. Simultaneously, providing free and healthy lunch to employees helps to reduce turnover and increase productivity.

Local Business

The members of the women's group now have a sustainable source of income. They benefit when business grows and are also selling their produce locally.

Employees

Employees are also part of the communities. Now they get free, fresh lunch, baked by their neighbours. Necessary nutrition for a full day at the flower farm.



6. Open Source Toolkit

100%



The project developed several open source toolkits that communicate results and lessons learned. These toolkits are shared and discussed with (Dutch) companies.

Challenges of Target Group

- Performed CSR activities insufficiently resonate with communities' needs and expectations.
- There are significant CSR & ESIA capacity challenges.
- Regulations are opaque and outdated. Organization of roles & responsibilities are vague.
- As regulations are opaque, most investors do not know what is (legally) required of them.

Objectives of Intervention

- Development of an online, open-source toolkit that presents legally required steps in a lucid manner. This includes illustrative examples, documentation and guidelines.
- To provide supportive instruments that stimulate stakeholders to go beyond that what is legally required.
- To improve general transparency and accessibility of ESIA expectations and standards.

Results of Activities

- CSR Roadmap
- Online toolkit – IFC Performance Standards
- Online toolkit – Social Management Procedures
- Online toolkit – Business Case for Sustainability

Reflection & takeaways

- Toolkits need to be open-source and shareable. Online development and publishing helps with easy dissemination and relatively cheap iterations.
- Presenting complex information in a simple message is challenging, time-consuming and requires expertise.
- Information can only be simplified to a certain extent. A toolkit will therefore still require significant effort to comprehend. Companies' upper echelon rarely takes the time to do so.
- Toolkits therefore need to quickly convey a message of relevance. This should trigger a realization within upper echelon that the topic requires additional manpower and resources.
- The toolkit should support staff of the CSI project (and other organizations) to disseminate its message through of-line means (e.g. company visits, presentations, et cetera).
- Dissemination is a continuous process and toolkits require regular updates to stay relevant.

7. Capacity Building Social Impact Assessment Consultancy Firms

100%



The project improved the capacity of SIA consultancy firms through organizing several workshops and by providing support during consultancy assignments.

Challenges of Target Group

- Environmental authorities have limited capacity and technical know-how.
- Organization of regulations, roles & responsibilities are vague. This enables dishonest practices.
- There are significant CSR & ESIA capacity challenges.
- There are only a handful of competent consultants, knowledge spillover to juniors is limited.
- Technical ESIA knowledge is limited and (critical) research is rare.
- Local communities are often underrepresented in the business & CSR strategies of companies.
- Local communities are often inadequately consulted and represented in the ESIA's.

Objectives of Intervention

- Train existing ESIA consultants / consultancy firms.
- To improve competency of ESIA consultants / consultancy firms.

Results of Activities

- Hiring and supporting of 5 ESIA consultancy firms that conducted the 6 ESIA studies.
- 1× ESIA workshop attended by 72 different ESIA-related organizations and 80 (high-level) individuals
- 1× 2-day ESIA capacity building workshop for junior ESIA consultants. Attended by 17 individuals.

Reflection & takeaways

- A significant number of companies and individuals were trained.
- The project however was too small for effective capacity building.
- Copy-paste practices and using ESIA as a ‘tick the box exercise’ is a ‘public secret’ that many are guilty of. This applies to all involved.
- Quality of consultants differs. Expensive consultants do not guarantee high quality outputs. This applies to local and international consultants. Continuous assessment of quality is therefore required.
- Most focus on environmental aspects and have limited capacity on social sustainability challenges.
- The ESIA consultancy field is dominated by senior (male) consultants convinced of their high-quality output. How-

8. General Knowledge Dissemination

100%



Together with organizing workshops for Dutch investors, the project disseminated best practices on sustainable and conflict-sensitive business through organizing a range of sessions and discussions with relevant stakeholders.

Challenges of Target Group

- Attracting (Foreign Direct) Investments is often prioritized over sustainable development.
- Environmental authorities have limited capacity and technical know-how.
- Regulations are outdated and sporadically enforced. Organization of roles & responsibilities are vague.
- These challenges enable investors & consultants to avoid adequate ESIA implementation.
- ESIA are generally perceived as a ‘tick the box exercise’, ESIA implementation is poor.
- Generally, there is limited awareness about the benefits of initiating and implementing ESIA.

Objectives of Interventions

- Disseminate gathered knowledge, advocate business value of sustainable development.
- To share context sensitive knowledge with relevant stakeholders.
- To share the ESIA toolkit with the most influential stakeholders.

Results of Activities

- 3 sessions organized
- 1× Workshop EKN / The Hague, 1× EKN presentation CSR roadmap, 1× International Alert – EKN session
- Discussions held with a range of relevant institutions (e.g. IFC, World Bank, UNDP, MEFCO, EIC, Regional government offices, UNOPS, ATA, CoC, NCEA, et cetera)

Reflection & takeaways

- Networking and discussions helped to understand who’s who and keep track of related activities.
- The importance of sustainability and conflict sensitive business are further embedded within EKN.
- Activities focused mainly on EKN. Best practices and information should be shared with a broader stakeholder group, provided this is aligned with the EKN’s objectives.
- Conveying the CSI projects’ objectives, results and lessons should be improved.

Budget Neutral Extension

A budget neutral extension was granted by the Netherlands Embassy. This enabled to project to continue for an additional 5 months.

9. Additional Studies

100%



The project conducted two additional studies to improve understanding of sustainability-related challenges that companies are facing. Apart from expanding our scope beyond Dutch investments, we have provided tailored recommendations for sustainable and conflict-sensitive business.

Challenges of Target Group

- Generally, there is limited awareness about the benefits of initiating and implementing ESIA's.
- Technical ESIA knowledge is limited and (critical) research is rare.
- Stakeholder group(s) differ per investment project and need to be identified on a case-by-case basis.

Objectives of Intervention

- To improve understanding of sustainability-related challenges that companies are facing.
- To extract lessons learned, enabling the project to practically support companies that face similar challenges.

Results of Activities

- 1× Foreign Direct Investment (FDI) Study on 50 companies (5 Dutch, 45 Other).
- 1× SME-Community Engagement Study led to concrete recommendations for 3 companies investing on ±197 hectares of land.
- Total of 53 companies studied (7 Dutch, 46 Other).

Reflection & takeaways

- Foreign investors face challenges similar to Dutch investors. They can also benefit from the project's takeaways.
- Good performers are also threatened by conflict dynamics. But they have found ways to mitigate these risks.
- Studies confirm that good community investments protect companies during volatile times.
- Performed studies have not been identified at the start of the CSI project. Such needs arise ad hoc.
- Collaboration with, and embedding within, the ENTAG organizational structure enabled us to identify and respond to these arising needs.
- Sustainability-related studies strengthen the quality of the CSI project. Studies should be of pragmatic nature and

A Case for Conflict Sensitive Business Practices..

Unrests rocked Ethiopia in 2016. 25 agribusiness farms were damaged and destroyed. Among these were 6 Dutch owned farms. Although many companies were attacked by local groups, some companies managed to ward-off damage. The CSI project looked how some avoided this: *how can companies protect themselves without gates or guns?*

Company Case

In one area, several companies were attacked and burned to the ground. However, one company was spared despite being threatened by a mob. Local community members protected this farm. They stated that the farm was part of the community, provided many benefits, and should not be touched.

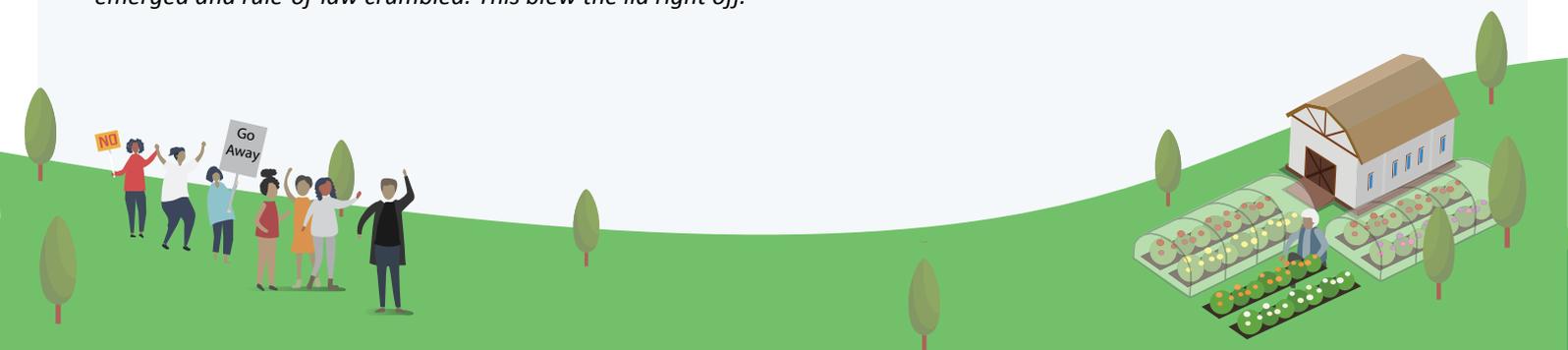
Why the threat?

Local dynamics were simmering. Ethnic rhetoric, favouritism, and corruption brewed local tensions. Country-wide protests emerged and rule-of-law crumbled. This blew the lid right off.

What did the Company do?

Before the attacks, the company took its time to become part of the communities. They built strong, inclusive and personal relationships throughout the communities. They implemented good labour practices and developed CSR activities in consultation with community members and their leaders.

When the mobs threatened them they did not call the military to protect them. Instead, they listened patiently, talked respectfully, and spoke about their efforts on trying to contribute to the area's development.



10. Support Integrated Sustainable Development (Kunzila)

100%



The project has continuously lobbied for improved community inclusion for sustainable and conflict-sensitive development of 500 hectares of land (Kunzila cluster). Apart from providing advice and guidance, activities were picked up whenever required.

Challenges of Target Group

- ESIA's are generally perceived as a 'tick the box exercise', ESIA implementation is poor.
- Generally, there is limited awareness about the benefits of initiating and implementing ESIA's.
- Performed CSR activities insufficiently resonate with communities' needs and expectations.
- As regulations are opaque, most investors do not know what is (legally) required of them.
- There are significant CSR & ESIA capacity challenges.
- Attracting (Foreign Direct) Investments is often prioritized over sustainable development.
- These challenges enable investors & consultants to avoid adequate ESIA implementation.
- Technical ESIA knowledge is limited and (critical) research is rare.
- Local community groups are often overlooked, underestimated and underrepresented.

Objectives of Intervention

- Provide practical sustainability-related support to ENTAG management.
- To ensure that communities are properly consulted and that need input feeds into the project plans.
- To identify and highlight sustainability and conflict-related risks in an early fashion.
- To embed lessons learned from other companies and avoid that mistakes are repeated and avoided.
- To provide support that the overall project will develop in a sustainable fashion.

Results of Activities

- 5 upcoming investors are supported, providing them with input on how to develop ±500 hectares in a sustainable, conflict-sensitive fashion.
- 1× validation workshop to align the projects' stakeholders
- 1× development cooperation mapping exercise for EKN, acting as input for further discussion of plans and activities.
- 1× draft communication plan for the project and its community engagement.
- Intense discussions on IFC compliance and subsequent follow-up.

Reflection & takeaways

- Despite good intentions, mistakes are easily made. This should not deter us to keep pushing for sustainability and conflict sensitivity.
- Companies push back when they see sustainability as additional work and costs.
- Finding the right balance between speedy investments and initiating (diligent) CSR is troublesome.
- Deserve and maintain 'our seat at the table'. A constructive collaboration with the companies is needed to influence sustainable and conflict sensitive business practices.
- A solid understanding of what motivates companies is important. Working with multiple companies – with individual motivations and interests – complicates the project.
- The project gets bogged down by different stakeholders and their interests. This negatively affects community engagement, consultation and consistency of communication.
- Local, continuous and dedicated community engagement is a must. Technical support should be available to assist this process wherever and whenever needed.
- All above cannot be done as a side-activity. It requires focus, dedication, resources and continuous project management.

11. Conflict Sensitive Contextualization (International Alert)

100%



EKN requested to assist the introduction of International Alert in the Ethiopian context. The project helped to structure, organize and provide local context to their visits, publications and workshops.

Challenges of Target Group

- Generally, there is limited awareness about the benefits of initiating and implementing ESIA's.
- Attracting (Foreign Direct) Investments is often prioritized over sustainable development.
- Technical ESIA knowledge is limited and (critical) research is rare.

Objectives of Intervention

- Contextualization of International Alerts' efforts to make their work more valuable to companies.
- Provide necessary input for future activities.
- Improving conflict sensitive knowledge and best practice. Facilitate distribution of this knowledge amongst Dutch investors.
- Act as a liaison between International Alert, EKN, and companies.

Results of Activities

- 1x mission of International Alert and accompanying project. Organization and facilitation of discussions with EKN and investors. Providing contextualized input for the development of the subsequent activity plan.
- Providing necessary input for the Bigger Picture Analysis. This included sharing of literature, contacts, and organizing joint interviews and field visits in SNNPR.
- 1x publication Bigger Picture Analysis.
- Organization and follow-up of Security Event.

Reflection & takeaways

- Large events and sessions get limited response from investors. Feedback is primarily provided on a one-on-one basis. This is however time-consuming and requires trust-building through local presence.
 - Thick reports and complex jargon were provided. Companies do not have the patience nor interest.
 - Provided information was insufficiently 'context-sensitive'. International examples and recommendation were provided but did not immediately apply to the Ethiopian context.
 - The work activated a handful of investors. They have been asking about what steps to take next.
 - Future activities should be more practical. Messages and findings should be conveyed in a simple and accessible way.
 - Collaborations are required to couple international expertise with local knowledge.
-

12. Continued Cluster Support

100%



Several companies requested the CSI project for additional support to realize and organize sustainability strategies and conflict sensitive business practices. The CSI project has been providing continuous support in the three clusters, capacitating them to engage and organize without external assistance.

Challenges of Target Group

- Performed CSR activities insufficiently resonate with communities' needs and expectations.
- As regulations are opaque, most investors do not know what is (legally) required of them.
- There are significant CSR & ESIA capacity challenges.
- Regulations are opaque, outdated and sporadically enforced. Organization of roles & responsibilities are vague.
- These stakeholder groups are often overlooked, underestimated and underrepresented.

Objectives of Intervention

- Provide follow-up support for performed ESIA studies.

Help to put recommendations into practice and help companies to organize themselves accordingly.

Results of Activities

- 10 investors requested for continued support in three clusters. CSR committees have been formed and the clusters are currently being supported by the CSI project manager to further organize themselves and their community engagement.
- 3 clusters – covering 490 hectares – receive continuous support to invest in a sustainable, conflict-sensitive fashion.
- 1 organization is capacitated to provide similar support to alternative sites.

Reflection & takeaways

- Putting sustainability and conflict-sensitivity into practice is challenging for most (Dutch) companies.
- The topic is structurally underestimated and underfunded.
- Good ESIA studies move companies from 'unconsciously incompetent' to 'consciously incompetent'.
- Most do not have the organizational structure needed to manage CSR and conflict-sensitivity.
- Companies do request for support on how to put sustainability and conflict-sensitivity into practice.
- A duplication of efforts should be avoided. Requests were made by companies that received community-engagement related support of third parties but were dissatisfied with this support.
- Although every case is unique, companies can benefit from experiences of other companies.
- Clustered initiatives help to limit continuous requests, share resource, and increase impacts.
- Aligning different company motivations is challenging. Dedicated support is needed.
- The process is very time-consuming. More resources are required to continue cluster support.

Sustainable Development Goals

The CSI project contributed to the following SDGs:



4. TAKEAWAYS AND RECOMMENDATIONS

The CSI project developed several successful activities and has been quoted as a best practice for advancing the Dutch Aid & Trade agenda and related SDGs¹. Overall, we recommend to continue and expand the project, although some adjustments are required. Below we describe general lessons learned to advance sustainability among Dutch companies. We provide guiding principles for (cost)effective interventions, recommend new activities, and suggest an organizational framework that enables the right balance between responding to arising needs (flexible) and earmarked activities (fixed).



¹ The CSI project has been mentioned as good practice in Minister Kaag's Policy Document 'Investing in Perspective' (pg.22) and Oxfam-Somo's study on PSD Apps 'PSD policies and instruments through a conflict lens' (pg. 32, 42, 43 and 61).

4.1 General Takeaways

- Sustainability is an all-encompassing term and subject to extensive debate (e.g. ESG, CSR, CSV, et cetera). We should not get bogged-down with terminology. Instead, we have to acknowledge that many companies discuss CSR (and related terms) interchangeably.
- The CSI project should work within its sphere of influence. The speed to which we can advance sustainability depends on who we choose to work with (e.g. companies, governments, NGOs et cetera). Long-term institutional change can be achieved through long-term capacity building and lobbying. However, we believe this such activities are out of scope of the CSI project. Instead, the CSI project should work *with* and *through* companies to achieve measurable results and quick-wins. Such is necessary to strengthen company-community relations and mitigate risks associated with conflicts.

4.2 Country-Specific Takeaways



- Sustainability is important for the Dutch government as well as the private sector. This CSI project has learned that – for the Ethiopian context – a focus on conflict and risk-mitigation helps to advance sustainability among Dutch companies.
- Focusing on conflict-mitigation helps to motivate companies to invest more sustainably, reduce risks, and (indirectly) protect Dutch trade and interests. However, focusing on conflict and risk-mitigation is not a cure-all approach to advance sustainability of Dutch companies; we should acknowledge that every company is unique and has different motivations to invest in a responsible fashion. We need to address the motivations of *individual* companies to stimulate sustainable business practices.

4.3 Guiding Principles for Effective CSI Interventions

The project identifies several principles that are conditional for interventions to be effective:

- **Every company operates in a unique context.**
Understanding this local context is difficult, but limited understanding creates risks and challenges. Investors experience (latent) difficulties with dealing with such challenges. This especially applies to the Ethiopian context.
- **Every company has unique motivations for sustainable investments.**
Understanding and addressing motivations (pressure points) of individual companies is key to evoke positive change.
- **Companies are more susceptible from advice of their peers than advice from 'outsiders'.**
Peer-exchange unfortunately happens sporadically and should therefore be facilitated by a trusted party.
- **Trust and relationships are conditional but take time to build.**
Being a trusted sparring partner is necessary for understanding what makes (individual) investors tick. Creating such trust requires long-term commitment, relationship building and merit.
- **Long-term relationships are needed to understand company and context specific challenges in order to provide relevant support.**
The project therefore needs to 'deserve its seat at the table'. Only then can we advance the sustainability agenda *with* and *through* companies.
- **A long-term presence in the country is needed** - A local team with local knowledge is required. This team needs to have a solid understanding of the Ethiopian context and companies' motivations; with a strong ability to bridge the gap between these stakeholders.



Thus, every company operates in a unique context. Local dedication and trust-building are conditional for improving sustainable business practices. These principles ought to be embedded in future CSI activities.

4.4 Recommended CSI Activities

We recommend to continue and expand the CSI project. Best practices ought to be continued and transferred. Less effective activities need to be altered in order to reach intended objectives. A list of recommended activities is presented below. Please refer to appendix 4.2 for an activity breakdown.



1. Continue company support, discussions and on-site visits
2. Initiate new Social Impact Assessment Case Studies
3. Continue and Expand Clustered Support (integration of Kunzila)
4. Initiate Sustainability and Conflict-Related Studies
5. Contextualize Conflict Sensitivity Support (International Alert)
6. Further Disseminate and Develop Open Source Toolkits
7. Disseminate Lessons Learned and Capacitate where needed

Above activities are based on the projects' overall lessons learned and discussions with companies. The development of new activities should be aligned with EKN's results framework and Multi Annual Country Strategy. Reporting should comply with the International Aid Transparency Initiative (IATI).

4.5 Organizational Recommendations

The success of the CSI project largely depended on a high degree of flexibility, collaboration with companies, and continuous input of EKN. We believe future CSI projects in Ethiopia (and beyond) should enjoy similar benefits.

Embed within a flexible Trade facilitation program.

- Local contexts change quickly, thereby affecting investment challenges and corresponding need for support. An accompanying flexible organizational structure is needed to deal with these dynamics. This especially holds true in a conflict-prone setting such as Ethiopia.

The CSI project's methodology therefore follows an agile approach where activities are quickly developed, tested, altered and/or transferred (see pg.1). ENTAG's organizational structure proved valuable for supporting this methodology; it enabled the project to quickly identify new challenges and pick-up *ad hoc* activities. A continuation of the CSI project therefore should be embedded in a similar trade facilitation program; enabling high levels of flexibility, continuous interaction with Dutch companies and structural input from EKN.

- **Explore co-funding.**

Several activities have been co-funded by Dutch investors. A new project should further explore co-funding of future CSI activities. This reduces the level of donor funding and will make the project more sustainable.

- **Consider expansion to other countries.**

As Ethiopia presents several Context and Conflict Sensitive Investment challenges, every country presents unique challenges to companies to invest in a sustainable fashion. We believe it to be worthwhile exploring how this CSI project can also serve Dutch investors in other countries.



5. Appendices

5.1 Resources



Adugna, A. (2012). Environmental Impact Assessment Ethiopia: A Legislation Handbook for the Eastern African Region.

Adugna, F, G. (2016). Environmental Impact Assessment in Ethiopia: A General Review of History, Transformation and Challenges Hindering Full Implementation. *Journal of Environment and Earth Science*, Vol. 6–1.

Constitution of the Federal Democratic Republic of Ethiopia (1994).

DBE (2018). A short guide to access DBE's loans. *Development Bank of Ethiopia*. Retrieved from <http://www.dbe.com.et/homenew/BusinessPromotion/Policy/DBENewPolicyEng.pdf>

Douma, P. (2017). Context assessment of horticulture investments in Ethiopia.

ECEA (2018). *Netherlands Commission for Environmental Assessment*. Retrieved from <https://www.eia.nl/en/countries/af/ethiopia/eia>

EIA Proclamation No. 299/2002. Federal Negarit Gazeta of the Federal Democratic Republic of Ethiopia – No. 11, 3 December, 2002

International Finance Corporation. (2010). *Strategic Community Investment: A Good Practice Handbook for Companies Doing Business in Emerging Markets*. Retrieved from IFC: <https://bit.ly/2LZIFER>

Interviews, Ethiopia. April 2018 – December 2019*.

Porter, M. E., & Kramer, M. R. (2011). The big idea: Creating shared value. *Harvard business review*, 89(1), 2.

Tekelemichael, Y. (2002). Current status of the environmental impact assessment system in Ethiopia.

Vanclay, F., Esteves, A. M., Aucamp, I., & Franks, D. M. (2015). *Social Impact Assessment: Guidance for assessing and managing the social impacts of projects*.

**Interviews, discussions and observations were done throughout the project. Direct referencing to the interviewees is not provided due to the sensitivity of information provided and fear of consequences if disclosed.*

5.2 Recommended future activities

1. Company Support, Discussions and On-Site Visits

The project should continue its discussions and on-site visits for creating awareness, offering assistance, and providing contextualized support where required.

- Provide standby support for companies in the running up to the election (pre and post-election).
- Continuing company discussions and on-site visits. Disseminating CSR roadmap and Bigger Picture Analysis summary.
- Follow-up on the community engagement study.

2. Social Impact Assessment Case Studies

SIA case studies helped companies to improve understanding of their local context and communities, and led to more sustainable, conflict-sensitive business practices. This should be continued and expanded.

- 2.1. Continue with the Social Impact Assessment studies. Such ESIA subsidies help to sway more companies in doing a study, eventually leading to new internal capacity building.

3. Continued Cluster Support (Kunzila integrated)

Several companies requested additional support to realize and organize sustainability strategies and conflict sensitive business practices. The support has been provided in company-clusters and helps companies to engage and organize without external assistance. The Kunzila-trajectory – where companies initiate local development and development-cooperation partners contribute by scaling-up – should be embedded in this activity.

- Continued support for several companies that requested assistance for developing their CSR activities (i.e. QoQa cluster (3 firms), Ziway (4 firms), Abyssinia investments (2 farms), and Kunzila (5 investors)).
- Continued Kunzila support.
- Duplicate and develop the integrated sustainable development approach from Kunzila to other private sector investments (new and existing). Companies can take the initiative to identify local needs and demands and initiate the first projects. Development cooperation expertise from Dutch development partners can subsequently scale-up interventions. Thereby benefitting both the companies as the development agenda.
- Further explore and transfer community engagement interventions. Most Dutch investments in Ethiopia face difficulties with community engagement and relationship building. The CSI project has therefore already provided clustered support to 10 investors but more companies need such support. A cross-cutting, larger program that provides community engagement support on a day-to-day basis to all (Dutch) companies should be considered given the extent of such a program.

4. Sustainability and Conflict-Sensitivity Studies

Knowledge building and sharing should be continued. Sustainability and conflict-related studies can be initiated in agreement with the private sector and EKN.

- Study measuring environmental and social risks into business costs; further contributing to the CSR/CSBP advocacy discussion.

5. Conflict Sensitive Contextualization (International Alert)

EKN requested to assist the introduction of International Alert in the Ethiopian context. The project helped to structure, organize and provide local context to their visits, publications and workshops.

- Continued contextualization, collaboration and support for International Alert's activities. Special focus on ensuring that the work meets the needs of Dutch companies and that we avoid duplication of efforts.

6. Open Source Toolkits

Open source toolkits should communicate results and lessons learned. These toolkits are to be further shared and discussed with (Dutch) companies.

- Maintain and regularly update the SIA consultancy shortlist.
- Disseminate our open source Toolkit. This is an online visualization + referral to resources for Ethiopian ESIA procedures and IFC Performance Standards.
- Further develop our open source toolkit. Standards such as OECD can also benefit from simplification, visualization and dissemination.

7. General Knowledge Dissemination and Capacitation

Best practices on sustainable and conflict-sensitive business should be further disseminated through continued sessions and discussions with relevant stakeholders. Capacitation through workshops and one-on-one support should be provided in consultation with Dutch companies and EKN.

- Support ENLBA's sustainability reporting initiative, setting baseline data on CSR practices.
- Organize a session for EKN to discuss CSR, conflict and context sensitive investments.
- Support EPHEA's CSR initiatives, making them strategic and cost-efficient. Try to capacitate similar associations, leading to further trickle-down sustainability support.
- Develop and organize additional sessions to further capacitate the Dutch private sector in the field of sustainability and conflict sensitivity.
- Integrate such activities in to-be-developed trade missions.

5.3 Results Framework

The CSI project proposal has initially described several outputs that EKN has requested. Part due to the budget-neutral extension, all results have been achieved and targets exceeded. The CSI project has therefore aligned the projects' outputs and outcomes with EKN's Multi Annual Strategic Plans. The presented overview below complies with the standards of the International Aid Transparency Initiative (IATI).

OVERVIEW INDICATORS

Private Sector Development

Business Development

27	Companies received direct support to invest in a sustainable, conflict-sensitive fashion (23 NL)
----	--

Market Access and Sustainable Trade

65	Dutch companies have been informed about CSBPs. 188 firms have been approached in total.
----	--

11	Publications and toolkits have been created revolving around context/conflict sensitive investing.
----	--

1414	Hectares of investment land received support to develop in a more sustainable, conflict-sensitive fashion, of which 1099 hectares owned by Dutch investors.
------	---

Institutional Environment

78	Organizations and institutions have received support on context/conflict sensitive investing.
----	---

11	Publications, studies and toolkits have been created for context/conflict sensitive investing.
----	--

103	ESIA consultants have been trained, 5 have been hired for ESIA-related assignments.
-----	---

Security and Rule of Law

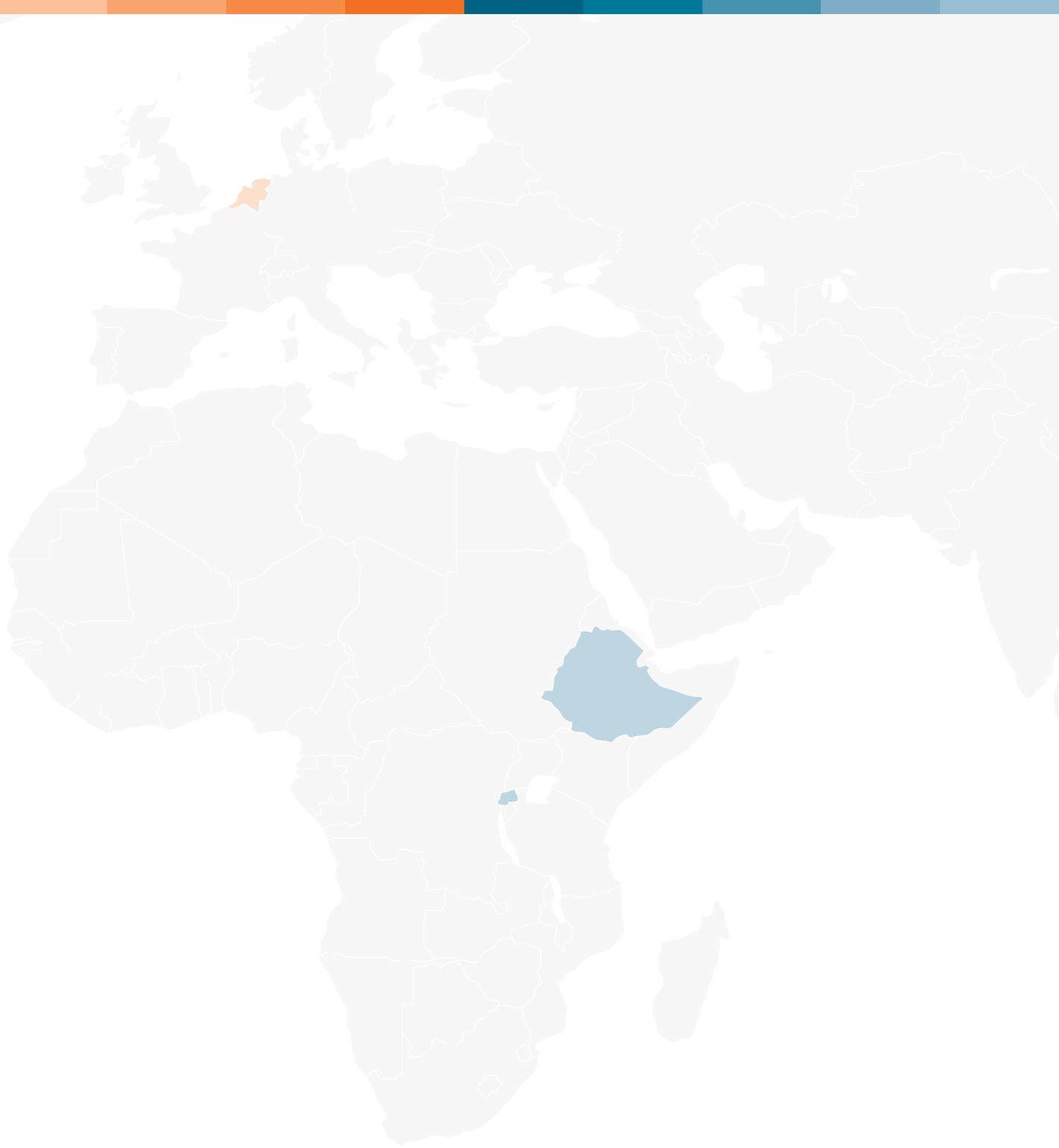
Peace Processes and political Governance

13	Addressed conflicts of Dutch companies
----	--

>27	Dialogues organized about conflict sensitive business practices
-----	---

TABLED OVERVIEW

IATA / MACS TABLE	PRIVATE SECTOR INDICATORS						SECURITY & RULE OF LAW INDICATORS		
TITLE	Business development	Market access and sustainable trade			Institutional environment		Peace processes and political governance		
DESCRIPTION	Support and improved planning for investment, trade or service provision	Improved access of Dutch businesses to information regarding sustainable/context/conflict sensitive investments		Improved sustainable production and trade	Strengthened Economic governance and institutions		Expanding the evidence base for Dutch policies on peace process (e.g. understanding drivers of conflict, studies on conflict dynamics and conflict resolution mechanisms)		
INDICATOR DESCRIPTION	Number of companies with a supported plan to invest in a sustainable, conflict-sensitive fashion	Number of companies informed about CSI support	Developed CSR and conflict-sensitivity toolkits to provide contextualized resources helpful to invest in a conflict/context sensitive fashion.	Hectares of agricultural, land-based land that received support to develop in a more sustainable, conflict-sensitive fashion	Number of strengthened organizations for a sustainable local business climate	Number of consultants providing ESIA services trained and connected with ESIA-related assignments	Number of conflicts addressed	Number of organized dialogues about conflict sensitive business practices	Number of studies on drivers of conflict conducted with Dutch support
BASELINE DIMENSION NAME	Number of companies	Number of companies	Number of publications	Number of hectares	Number of supported organizations	Number of consultants	Number of conflicts addressed	Number of organized dialogues about CSBP	Number of studies on drivers of conflict
BASELINE VALUE	4	71	0	0	0	10	0	3	1
RESULTS TOTAL	27	188	11	1414	80	103	13	27	11
DUTCH	23	65	-	1099	2	0	-	-	-
OTHER	4	123	-	315	78	103	-	-	-



This program has been made possible by funding from the Government of the Netherlands.

More Information:
Sander@resiliencebv.com
+251 930 615 594
+31 6 57 94 80 88 (WhatsApp)



Embassy of the
Kingdom of the Netherlands

This report has been developed by:

EN TAG & RESILIENCIA
ETHIOPIA
Designed by freepik