

Simplified Approval Process

Annex 9a: Legal due diligence



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Annex 9a: Legal Due Diligence

The legal due diligence ensures that the project complies with all relevant laws and regulations, secures necessary permits and licenses, addresses tax implications, manages foreign exchange and currency conversion, and obtains adequate insurance coverage. These measures are critical for facilitating smooth implementation and long-term sustainability of the project. The SAP project titled *"Building Climate Change Resilience of Vulnerable Households in Selected Localities of Ethiopia"* is a GCF Category C project under the Environmental and Social Safeguards (ESS) Policy, meaning it has minimal or no adverse environmental and social risks.

Table: Existing Rules, Regulations, Permits

Project Activity	Activity Code	Legal/Regulatory Requirement	Responsible Agency	Remark (Permit Status)
Retrofitting existing springs and wells with solar power (potable water)	2.1.2	Water points upgrade and civil works permit	Regional Bureau of Water and Energy / Woreda Administration	Routine permitting to be obtained; no new wells or deep boreholes involved
Construction of reservoirs, water points, pump houses	2.1.3	Construction and operational permits	Bureau of Water and Energy / Local Authorities	Construction permit required in accordance with regional standards
Installation of HDP pipelines and solar PV systems	2.1.4, 2.2.4	Import license and construction permits	Ministry of Finance / Customs Authority	Solar PVs qualify for duty exemptions; installation permitted via regional offices
Construction of irrigation infrastructure and water harvesting systems	2.2.1–2.2.5	Infrastructure development and construction permit	Bureau of Irrigation and Lowlands / Local Government	Subject to normal public works review procedures
Watershed rehabilitation and afforestation	3.2.3–3.2.6	Land use consent and reforestation compliance	Bureau of Agriculture / Local Community Structures	Requires local agreement and community-led implementation
Support to livestock infrastructure	4.1.7	Construction and operational approval	Woreda Agricultural Office	Subject to routine building permits and sectoral clearance

(e.g., animal health posts)				
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1. Overview of Main Laws and Regulations

The project complies with the following key national laws and policies:

- Environmental Impact Assessment Proclamation No. 299/2002 (for major infrastructure only)
- Water Resources Management Proclamation No. 197/2000
- Rural Land Administration and Use Proclamation No. 456/2005
- Energy Proclamation No. 810/2013
- Public Health Proclamation No. 200/2000
- Labor Proclamation No. 1156/2019
- Forest Proclamation No. 1065/2017
- Irrigation Water Users Association Proclamation No. 841/2014
- National Gender Policy (2017)

2. Compliance with Laws and Regulations

Given its GCF ESS Category C status, the project does not require any Environmental and Social Impact Assessments or complex safeguards procedures. Environmental and social considerations will be addressed through good practices in design, stakeholder engagement, and inclusion of vulnerable groups.

Permitting will be focused on construction-related approvals, routine import documentation, and community-level land access arrangements. IWUAs will be established in line with the legal framework and trained to manage solar-powered infrastructure.

2.1 Government, Regulatory, and Corporate Approvals

Key government and regulatory requirements:

- **Construction Permits:** Required for civil works including water reservoirs, irrigation canals, pump houses, and community structures.
- **Operational Certification:** For functioning of solar water systems and small infrastructure.
- **IWUA Registration:** Mandatory under Proclamation No. 841/2014 for irrigation and potable water O&M.
- **Import Licensing:** For procurement of solar and water system components.

2.2 Tax Implications

- **VAT:** Standard 15% VAT applicable unless exempted for development-related goods.
- **Customs Duty:** Exemptions apply for renewable energy and water infrastructure inputs.
- **Income Tax:** Standard income tax applies to project contractors and service providers.
- The Ministry of Finance will coordinate tax exemptions and compliance with the Revenue Authority.

2.3 Foreign Exchange and Currency Conversion

- Transactions follow **Proclamation No. 590/2008** and National Bank of Ethiopia (NBE) directives.
- Currency conversions and international transactions will be handled by the CRGE Facility under NBE oversight.

2.4 Insurance Requirements

All suppliers and contractors will be required to secure:

- **Construction all-risk insurance** for infrastructure works
- **Workers' compensation and liability coverage**
- **Asset insurance** for solar PV, pumps, and equipment

These requirements will be integrated into procurement and contracting agreements overseen by the MOF and executing entities.