

# AFRICAN DEVELOPMENT FUND



## PROJECT: INTEGRATED AGRO-INDUSTRIAL PARKS - SUPPORT PROJECT (IAIPSP)

**P-ET-AAG-005**

**COUNTRY: ETHIOPIA**

### PROJECT APPRAISAL REPORT

*Date: September 25, 2018*

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## **PROJECT APPRAISAL REPORT**

**RDGE/AHFR**

November 2018

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## **CURRENCY EQUIVALENTS**

*As of August 2018*

Monetary unit	=	Ethiopian Birr (ETB)
1 USD	=	ETB 27.95
1 UA	=	ETB 38.4844
1 UA	=	USD 1.40139

## **FISCAL YEAR**

July 8 – July 7

## **WEIGHTS AND MEASURES**

1 metric tonne	=	2204 pounds (lbs)
1 kilogramme (kg)	=	2.200 lbs
1 metre (m)	=	3.28 feet (ft)
1 millimetre (mm)	=	0.03937 inch (“)
1 kilometre (km)	=	0.62 mile
1 hectare (ha)	=	2.471 acres

## **ACRONYMS AND ABBREVIATIONS**

AC	Aggregation Centre
AfDB	African Development Bank
ADF	African Development Fund
AISS	Agro-Industry Sector Strategy
ASSP	Agriculture Sector Support Project
BigWin	Big Win Philanthropy
BSTP	Basic Services Transformation Programme
CSP	Country Strategy Paper
DAG	Development Assistance Group
DFID	Department for International Development
DLRSP	Drought Resilience and Sustainable Livelihoods Project
EU	European Union
FAO	Food & Agriculture Organization
FDI	Foreign Direct Investment
FTVETA	Federal TVET Agency
FTVETI	Federal TVET Institute
GAP	Good Agricultural Practices
GDP	Gross Domestic Product
GoE	Government of Ethiopia
GPEDC	Global Partnership for Effective Development Cooperation

GIZ	German Corporation for International Development
GTP	Growth and Transformation Plan
HDI	Human Development Index
IAIP	Integrated Agro-Industrial Park
IAIPDCo	Integrated Agro-Industrial Park Development Corporation
IDS	Industrial Development Strategy
JICA	Japanese International Cooperation Agency
IAIP	Integrated Agro-Industrial Park
IDC	Italian Development Cooperation
ILO	International Labour Organization
Korea Exim	Korea Export-Import Bank
MDF	Macroeconomic Discussion Forum
M&E	Monitoring and Evaluation
MoA	Ministry of Agriculture
MoF	Ministry of Finance
MoTI	Ministry of Trade and Industry
MoE	Ministry of Environment
NGO	Non-Governmental Organization
PASDEP	Plan for Accelerated and Sustained Development to End Poverty
PCN	Project Concept Note
PCU	Project Coordinating Unit
PFM	Public Financial Management
PHLM	Post-harvest Loss Management
PIU	Project Implementation Unit
PY	Project Year
REDFS-SWG	Rural Economic Development and Food Security Sector Working Group
RIPDC	Regional Industrial Park Development Corporation
RTC	Rural Transformation Centre
SME	Small and Medium Enterprises
SNNPR	Southern Nations, Nationalities and People's Region
SPV	Special Purpose Vehicle
TA	Technical Assistance
TTLM	Teacher Training and Learning Materials
TVET	Technical and Vocational Education and Training
TYS	Ten Year Strategy
UA	Unit of Account
UNDP	United Nations Development Program
UNIDO	United Nations Industrial Development Organization
USAID	United States Agency for International Development
VCD	Value Chain Development
WFP	World Food Program

## Grant Information

### Client's information

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<b>RECEPIENT:</b>	<b>Federal Democratic Republic of Ethiopia</b>
<b>EXECUTING AGENCY:</b>	The Ministry of Industry,

### Financing plan

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<b>Source</b>	<b>Amount (UA Million)</b>	<b>Instrument</b>
ADF	11.0	Grant
European Union	8.44	Grant
Korean Exim	35.10	Loan
Big Win Philanthropy (BWP)	0.70	Grant
Government of Ethiopia (GOE)	6.09	N/A
<b>TOTAL COST</b>	<b>61.33</b>	<b>N/A</b>

### ADF's key financing information

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Grant currency	UA
FIRR, NPV (base case)	((24.30%, (7,204,369.66)
EIRR (base case)	(25.98%)

*\*if applicable*

### Timeframe - Main Milestones (expected)

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Concept Note approval	July 2018
Project Board Consideration	November 2018
Effectiveness	January 2019
Completion	December 2023
Last Disbursement	June 2023

## Project Summary

**Project Overview.** The Project is supporting the development of four (4) Integrated Agro-Industrial Parks (IAIPs), already commenced by the Government of Ethiopia (GoE)<sup>1</sup>. In particular, the project will provide part of the infrastructure required for agro-industrial activities on the 4 IAIPs and develop requisite skills and agricultural value chain capacity to ensure competitiveness, productivity and inclusivity in their operation. The GoE, alongside many other Development Partners, is developing the 4 IAIPs to attract private sector investments into agro industrial parks in Tigray (North), Amhara (North West), Oromia (Central) and Southern Nations, Nationalities and People (SNNP) (South) Regions, respectively, to enhance a much-desired agricultural transformation of the country, create jobs, boost exports, and reduce urban and rural poverty. The Project Feasibility Studies covering the 4 IAIPs were carried out as a collaborative effort between the GoE, the UNIDO, FAO and UNDP, with support from the Italian development Corporation. The Reports were completed in 2016.

Expected project outputs include i) the development of waste (liquid/solid) management plants, potable water systems and 5 kilometre of critically needed access roads on 2 of the IAIPs, ii) training of relevant public officials in Staple Crop Processing Zone (SCPZ) coordination, iii) engagement of farmers, cooperatives and unions on value chain development, and iv) equipping the youth with technical (processing) and entrepreneurial skills. The Support Project will be implemented over five years (2019-2023) at a cost of USD 78 million (including co-financing amounts totalling USD 63 million from the European Union (EU), Korea Exim Bank and Big Win Philanthropy). Implementation will be at the 4 Regions, each of which has an already operational Industrial Park Development Corporation (RIDPC). A Project Implementation Unit (PIU) will be set up, dedicated to this project, at each of the 4 Corporations, all reporting to a dedicated Coordination Office at the Ministry of industry.

**Beneficiaries.** The project will benefit, directly, farming households and communities, the youth, women, agribusinesses and staff of related public institutions. The project will also benefit, indirectly, rural populations in the coverage areas. Through linkages to agro-processing firms in the IAIPs, about 800,000 farming households in farmer cooperatives and unions, within the IAIP and Rural Transformation Centre (RTC) catchment *Kebeles*<sup>2</sup> and *Woredas*<sup>3</sup>, will benefit from improved access to organised markets providing nutritious foods (and motivation to increased productivity), reduced post-harvest losses and increased incomes in the 5 year life of the project; rising to up to 2 million and beyond in later years. The key commodities of focus are coffee, wheat, barley, sorghum, maize, sesame, legumes, fruits and vegetables, potato, dairy and livestock. It is estimated that 200,000 (50,000 direct and 150,000 indirect) new, sustainable jobs will be created in the IAIPs in the next five years because of the project intervention. About 50% of these will go to women and the youth. Skills development interventions, proposed under this project, will particularly prepare 6,000 youth and women with relevant agro-industrial and entrepreneurial skills, especially in the areas of food and beverages and meat and dairy. 19 Public Institutions, at the Federal and Regional levels will, through the proposed capacity development, acquire improved abilities for park management

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<sup>1</sup> A detailed assessment on the Status of implementation of the IAIP program in Ethiopia is presented in the Annexes

<sup>2</sup> A kebele is the smallest administrative unit of local government in Ethiopia, similar to a ward, a neighborhood or a localized and delimited group of people

<sup>3</sup>Woreda are the third-level administrative divisions of Ethiopia. They are further subdivided into a number of wards (kebeles).



and administration, investor mobilisation and marketing and value chain development. Agribusinesses operating in the IAIP system will, through the proposed infrastructure development, operate more efficiently, at reduced costs, in the Parks. About 200 new private sector investors are expected to set up in the 4 IAIPs during the life of the project (the Feasibility Report projects a life time total of 400 new investments for the 4 IAIPs). Finally, rural populations around IAIPs and the RTCs will enjoy improved levels of infrastructure with attendant improved livelihoods.

**Needs Assessment.** Agriculture is the major foundation of Ethiopia's economy yet it is plagued by poor infrastructure, poor agricultural practices, subsistence production systems and commodity based exports. It is the country's most promising resource. However, the sector requires substantial transformation in order to sustain economic growth, reduce poverty and ensure food and nutrition security. A strong domestic agro-industrialisation will drive a demand led agriculture that is required to transform the traditional supply led subsistence agriculture, reduce dependence on food imports and sustain job creation in rural and urban areas. To this effect, the Government of Ethiopia established 4 pilot integrated agro industrial parks in the most populated regions of the country. The purpose is to create an alternative market for agricultural commodities by taking advantage of opportunities for bulk purchasing, reduced post-harvest losses and selling to agro industries. The country's objective is to move away from export of raw materials and commodities to export of processed/finished products in order to earn additional income. The demand/pull effect created by this novel strategy necessitated the need for the Bank to support and complement the effort of the Government of Ethiopia. The Government, during 2017/2018, disbursed US\$209.23 million to the 4 IAIPs which is being expended on infrastructure development including roads, drainage, minimum power, potable water buildings, fencing and the development of RTCs. Additional USD179.34 million was disbursed during 2018/2019 financial year.

The Bank's support would be most appropriate as it complements the Government and other development partners to complete the development of the four IAIPs in the country. It is anticipated that the private sector investors and tenants in the IAIPs are likely to transform the country's agricultural landscape. This has generated complementary investments by government with attention given to productivity and production increase, which is crucial to the country's effort to industrialise, attain food security and increase export earnings.

**Bank's Value Added.** The Bank's comparative advantage and added value in supporting IAIPs in Ethiopia derive from its accumulated experience and notable leadership in knowledge work and in financing all aspects of agriculture development all over the continent, embodied in the recent Feed Africa Strategy and further acknowledged in the Bank's ability to leverage co-financing of 400% of Bank's contribution. The Bank had been at the forefront of the development of the new comprehensive approach to agro-industrialization: the Staple Crop Processing Zone (SCPZ) that is modelled in the Ethiopia's IAIPs.

**Knowledge Management.** The IAIP Project represents the new comprehensive agro-industrialization model under the Feed Africa Strategy, SCPZ. The outcomes and impact of the project will be closely monitored and lessons learned will be disseminated through the usual Bank's mechanisms and will also be applied in future projects and in other areas of the continent and provide the Bank with the requisite knowledge to meet its objectives under the Feed Africa Strategy and the Job for Youth in Africa Strategy.

## Results Based Logical Framework

Country and Project Name:		Ethiopia, Integrated Agro Industrial Parks Support Project (SCPZ)				
Purpose of the Project:		To support inclusive and sustainable agro-industrial development in four regions of Ethiopia.				
RESULTS CHAIN		PERFORMANCE INDICATORS			MEANS OF VERIFICATION	RISKS/MITIGATION MEASURES
		Indicator (including CSI)	Baseline	Target		
IMPACT	<b>Long-Term</b>		<b>2018</b>	<b>≥ 2023</b>	Central/Regional Statistics Agency reports	
	1. Poverty is reduced and Structural economic transformation, toward manufacturing, is enhanced.	1. Rural Poverty head count (% of population)	25.6	16%		
		2. Unemployment rate (Total (%); Female (%); Youth (%))	16.8, 7.54, 7.43	12.0, 5.0, 5.0		
		3. % Increase in contribution of the Industrial sector to GDP	15 (2015)	28 (2023)		
4. % of Agro-processing contribution to GDP		<1	6.7 (2023)			
OUTCOMES	<b>Medium-Term</b>		<b>2018</b>	<b>2023</b>	RIPDCs/ Project progress implementation documents	<b>Risk 1:</b> Slow Agribusiness investments. <b>Mitigation:</b> In addition to visible efforts of GoE, which includes staging International Investment fora and, specific incentives packages to attract investors, capacities of the RIPDCs and the MOTI will be built on investment promotion. The many development partners will also continue to give guidance to the Government on continuing reforms to improve business climate.
	<b>Outcome 1</b> Increased private sector investment into agribusiness in the four regions and job creation	1.1. Number of new private sector investors locating factories in IAIPs in the four regions.	4	200		
		1.2. Total value of new investments (US\$) by private sector companies operating in the IAIPs	0	1.0 Billion		
		1.3. % of cooperatives/unions/farmer-based organizations linked to the IAIPs/RTCs (aggregate based on data per region), % Female cooperatives/unions/farmer based organisations linked % of Youth owned enterprises	0	50		
			0 0	50 40		
	1.4. Total number of jobs created (disaggregated by age group and gender – 50% of which are women and the youth)	0	200,000 W:100000, Y:100000	Dedicated labour force surveys		
<b>Outcome 2</b> Increased availability of relevant capacities and skills for agro industrialization in Ethiopia	2.1. % of students trained from the anchor institutions who either become employed or self-employed in agro value chains or in agro industries- disaggregated by gender, 50% of which are women	0	At least 70%	Dedicated Tracer Surveys and Industry satisfaction Survey		
	2.2. % of agro industry firms in IAIPs that are satisfied with the quality of TVET graduates they employ	0	At least 60%			
OUTPUTS	<b>Short-Term</b>		<b>2018</b>	<b>≤2023</b>	Project progress implementation documents	<b>Risk 2:</b> The Government does not complete the remaining infrastructure that will make all the parks to function at optimal level. <b>Mitigation:</b> Continued dialogue with the Government by the many Development Partners to continue to support the Agro industrialization agenda.
	<b>Output 1a</b> Operational Waste (Solid and Liquid) Management Plants developed	1a. Number of functional Waste Management Plants developed	0	4		
	<b>Output 1b</b> Operational Potable Water systems developed	1b. Number of functional Potable Water supply systems completed	0	4		
	<b>Output 1c</b> Critical access roads developed	1c. Km of access roads to facilities developed	0	5		
	<b>Output 2a</b> Enhanced management of IAIPs and RTCs	2a.1. Number of relevant institutions supported (MOTI, RIPDCs, Institutes under MOTI, Regional Bureaus of Agriculture, Industry, Education)	0	19		
2a.2. Number of staff trained in the relevant institutions, disaggregated by gender		0	200 (at least 40% women)			
					<b>Risk 3:</b> Staff turnover may be high after training <b>Mitigation:</b> Dialogue with the Government to ensure that the	

RESULTS CHAIN	PERFORMANCE INDICATORS			MEANS OF VERIFICATION	RISKS/MITIGATION MEASURES
	Indicator (including CSI)	Baseline	Target		
<b>Output 2b</b> Improved capacity along the target value chains	2b.1. Number of stakeholders (farmers' Cooperatives, Unions, etc.) profiling gender sensitive assessment and capacity gaps reports for the major commodity value chains produced (1 assessment per RTC)	0	16	Project progress implementation documents	staff selected for training remain in their post for at least 2 years after training.
	2b.2. Number of VCD Trainings provided to Farmers' Cooperatives by the IAIPs	0	32		
	2b.3. Number of farmers trained in various VCD packages (e.g. GAP, Aggregation, storage and handling, quality and conformity, etc.) (disaggregated by age group and gender)	0	800,000		
	2b.4. Number of farmers linked to ACs and RTCs through contracts (disaggregated by age group and gender)	0	800,000		
	2b.5. Number of young entrepreneurs supported	0	40		
<b>Output 2c</b> Development of Quality and Relevant skills for agro industrialisation	2c.1. Regional Skills gaps assessment report developed and validated	0	4	Project progress implementation documents	
	2c.2. Curricula reviewed/developed for prioritized skills (technical, soft and entrepreneurial) in line with agro industry – 3 for training of Trainers (FTVETT) and 6 for Trainees (FTVETA).	0	9		
	2c.3. Number of anchor training institutions equipped to implement the new agro-processing curricula and related short courses at the regional level (4 TVET colleges per region + 2 FTVETI satellite colleges)	0	18		
	2c.4. No. of students who benefit from training and internships with industry-disaggregated by gender	0	4,000 (50% women)		
	2c.5. Number of agro-industry workers and unemployed youth trained by 16 pilot TVET colleges	0	2,000 (50% women)		
<b>Output 3</b> Project coordination and management structure established and operational	Executing Agency (MOTI) staffed and equipped	0	1	Project progress implementation documents	<b>Risk 4:</b> Implementation coordination Risks, considering implementation has commenced and, the myriad of agencies involved.  <b>Mitigation:</b> Close monitoring of implementation by the Bank plus on-going 'IAIP Donor mapping' by GoE
	Regional Project Implementing Units staffed and equipped in RIPDCs	0	4		
	Monitoring framework is established and functional for the project	0	1		
	Number of Procurement Reports submitted on time	0	20	SAP Reports	
	Bank's Disbursement Rate (%)	0	100		
	Number of Quarterly/Annual implementation Progress reports submitted on time and Approved	0	20		
<b>COMPONENTS</b>		<b>INPUTS (Total Amount of Resources: UA 61.33)</b>			
<b>KEY ACTIVITIES</b>	<b>Component 1: Enabling Infrastructure for Agro-industrial development UA 39.58 Million</b>		<b>ADF (Grant): UA 11 Million</b>		
	<b>Component 2: Capacity building for sustainable Agro-industrialization UA 8.65 Million</b>		<b>Korea Exim Bank: US\$ 50 Million (UA35.10 Million)</b>		
	<b>Component 3: Project Management and Coordination UA 13.10 Million</b>		<b>European Union: € 10.1 Million (UA 8.44 Million)</b>		
			<b>Big Win: US\$ 1million (UA 0.70 Million)</b>		
		<b>GOE: UA 6.09 Million</b>			

**INTEGRATED AGRO-INDUSTRIAL PARK SUPPORT PROJECT**  
**PROJECT IMPLEMENTATION SCHEDULE**

Year	2018				2019				2020				2021				2022				2023			
	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
<b>Initial Activities</b>																								
Signature of loan agreement and Disbursement effectiveness																								
Finalise the setting up Project coordination Offices at EA and 4 RIPDCs (Recruitment and Equipping)																								
Project Launching																								
<b>Component 1: Enabling infrastructure for Agro-Industrial Development</b>																								
Tender document preparation and award of contract to the supervising consultant																								
Preparation of tender document																								
Award of contract on 4 Waste management Plants / 4 Potable Water Supply Systems																								
Construction of the 4 Waste management Plants / 4 Potable Water Supply Systems																								
<b>Component 2: Capacity Building for Sustainable Agro-Industrialisation</b>																								
Management capacity building of EA and RIPDCs																								
Capacity building along the value chains of the IAIP's key commodities																								
Middle/Higher-level skills development, including enhancing capacities of training institutions																								
Middle/Higher-level skills development for agro industrialisation																								
<b>Project Coordination and Management</b>																								
Establishment of the baseline situation																								
Project Management, M&E and communication activities (quarterly reports/disbursement//etc.)																								
Coordinate Financial Management and Annual financial auditing																								
Procurement of Goods																								
Environmental monitoring																								
Mid Term Review																								
Project Final Audit																								
Project Completion report (PCR)																								

# **REPORT AND RECOMMENDATION OF THE MANAGEMENT OF THE ADB GROUP TO THE BOARD OF DIRECTORS ON A PROPOSED GRANT TO ETHIOPIA FOR THE INTEGRATED AGRO-INDUSTRIAL PARKS SUPPORT PROJECT**

Management hereby submits the following report and its recommendation concerning a proposed grant for UA 11 (Eleven) Million from the African Development Fund (ADF) performance based country allocation to the Federal Democratic Republic of Ethiopia to finance activities to support Integrated Agro-Industrial Parks development in Ethiopia.

## **I – STRATEGIC THRUST & RATIONALE**

### ***1.1. Project linkages with country strategy and objectives***

1.1.1 Ethiopia aims to achieve middle-income status by 2025 and it has formulated the Growth and Transformation Plan (GTP) II (2015/16-2019/20) with this in mind. Building on the Ethiopian Agro-Industry Strategy (Nov. 2009), which emphasises the need for competitiveness, exports, decreasing dependence on imported foods, attracting investments and driving transition from the traditional supply led subsistence agriculture towards a high tech, safe and demand led agriculture, the GTP II aims to increase productive capacity and the efficiency of economic sectors to increase the productive possibility frontier by concurrently improving the quality, productivity, and competitiveness of the agricultural and industrial sectors. The major agriculture and rural transformation targets of GTP II are increasing crop and livestock production and productivity, promoting natural resource conservation and utilisation, ensuring food security and disaster prevention and preparedness. By solving the problems of input supply and technology adoption, the plan intends to boost agricultural production, focusing on smallholders, and allowing the sector to play its role in stabilising the economy and supporting the transition to agro-based light manufacturing and agro-allied industrial growth in general. Creating gainful employment for the country's large youth population is also a crucial agenda item. The pace of job creation in the economy needs to be substantially increased through, among others, expanding labour intensive agro-based light agro-manufacturing and off-farm activities, with a focus on tailored and competence-based training to meet identified labour market needs by strengthening linkages between industry and training institutions (universities and colleges).

1.1.2 It is in line with the GTP II that the GoE is moving ahead with an ambitious plan for establishing integrated agro-industrial parks with infrastructure, including RTCs and Aggregation Centres to connect with surrounding rural farming communities, link crop and livestock production to storage and processing facilities, move farm produce up the agricultural value chain, help transform farming, promote and attract private sector investments and generate employment.

1.1.3 The CSP (2015/16-2019/20), approved by the Bank's Board in April 2016, focuses on: (i) infrastructure development and (ii) facilitating effective and efficient delivery of basic services at local level and business enabling environment for private sector

development. The four Pilot IAIPs under development, located in Regions covering over 80% of Ethiopia’s population, show very strong potentials for inclusive and sustainable agro-industrial development with significant impacts for livelihood and structural agricultural transformation in Ethiopia. The proposed IAIP Support Project aligns very well with the CSP and links to the enabling infrastructure for private sector investment in the GTP II.

## ***1.2. Rationale for Bank’s involvement***

1.2.1 The intervention of the Bank has been requested by GoE and is justified in view of the need to support GTP II’s main objectives of: (i) maintaining an annual average real GDP growth rate of at least 11% within a stable macroeconomic environment, and (ii) pursuing aggressive measures towards rapid industrialisation and agricultural transformation while ensuring competitiveness of the domestic productive sectors. Agriculture and food processing offer an opportunity for the creation of sustainable livelihoods and economic development for rural communities in Ethiopia. With a vast land and resource availability, Ethiopia can aim to become one of the leading food suppliers to the world while at the same time serving the vast growing domestic market.

1.2.2 Ethiopia is one of Africa’s fastest growing economies and, increasing exports, of which Agriculture contributes the most, is one of the drivers of this growth. Exports total for 2016 was US\$3.13 billion, compared to an import figure of US\$17.9 billion. The imports include substantial food imports. The GoE appreciates the great need to boost exports, through Agriculture. Agriculture growth has increased tremendously from 2.9% in the 1990s to over 6% in recent time. While this has led to rising per capita income in some rural areas, rural poverty still remains very high (up to 25.6%)<sup>4</sup>. Ethiopia’s early effort at manufacturing has been rated as falling short on much needed employment creation, export generation and stimulating domestic linkages. The GTPII offers a new approach of hub development, agglomeration and clustering, through building specialised parks; some of which have recently become operational with indications of positive effects, for example, on FDI (US\$4.2 billion in 2016/17 – 80% of which had gone into manufacturing, up from US\$1.1 billion in 2011/2012).

1.2.3 The IAIPs represent an opportunity for the Bank to further help GoE drive the much needed transition from a supply driven to a demand driven agriculture; with a reform of all parts of the agricultural value chain, from primary production through the various stages of processing and delivery, to wholesale and consumer markets, locally, regionally and globally. It is projected that the agro-industrial sector will grow from 66,000 (2015) to 3.8 million employees in 2025<sup>5</sup> at the national level. These projections indicate that the IAIPs will account for 85% of total agro-industrial jobs by 2025; and that 85% of the required manpower by 2025 should be a skilled workforce with technical and vocational education (TVET) level. The country will thus need about 368,000 TVET graduates per year in agro processing. However, consultations with public and private stakeholders reveal that many

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<sup>4</sup> Ethiopia’s Progress Towards Eradicating Poverty Paper presented to the Inter-Agency Group Meeting On the “Implementation of the Third United Nations Decade for the Eradication of Poverty (2018 – 2027)” April 18 -20, 2018, Addis Ababa Ethiopia

<sup>5</sup> Human Resource Requirement Plan for the Manufacturing sector in Ethiopia (2016-2025).

TVET graduates employed lack soft skills, competences in production processes, use of modern machineries, and maintenance and repair of production machineries. Quality skills shortages constrain product development, limits industrial capacity utilisation and efficiency, labour productivity and innovation. This resonates with the 2011/12 Ethiopia enterprise survey report, which found that most positions in skilled production form the largest share of reported vacancies.

1.2.4 Through GTP II, Ethiopia aims to accelerate poverty reduction, structural transformation, and the creation of adequate and sustainable job opportunities for the growing workforce. In spite of consistent growth in the agricultural sector since the 1990s, the sector is not yet performing to its optimum in terms of productivity, wealth creation, foreign exchange generation and food and nutrition security. While increased productivity is an essential component of a vibrant agricultural sector, improved post-harvest handling and processing is needed to ensure high-quality, diverse, safe and nutritious products reach the markets. Too often, even when the yields are high, producers lose income due to poor post-harvest practices. In this regard, the idea of “Integrated Agro Industrial Park (IAIP) becomes crucial to integrate various value chain components via the cluster approach.

1.2.5 The main thrust of the Bank’s support will be in the establishment and effective use of eco-friendly agro-industrial parks to link producers and SMEs with strategic industrial clusters along the value-chains. The development of IAIPs is in line with Pillar 2 of the Bank’s CSP for Ethiopia ‘CSP Pillar 2 – Promoting Economic Governance –with emphasis on improving accountability and transparency in the delivery of decentralized basic services as well as improving the enabling environment for private sector development’. The project is aligned with the Bank’s High-5s, particularly with ‘Feed Africa, Industrialise Africa and Improve the quality of life of the people of Africa’. The key commodities vary from one IAIP to the other, based on regional specialisations but, in total, over the 4 IAIPs, the commodities of focus are wheat, barley, maize, sorghum, sesame, fruits and vegetables, beans, potato, dairy, beef and fish. These are also commodities of focus under the Feed Africa Strategy. The project is also in line with the Gender Strategy (2014-2018) and the Ten Year Strategy (TYS: 2013-2022).

### 1.3. Donors coordination

Sector or subsector*	Size		
	GDP	Exports	Labor Force
Agriculture	36.3%	75%	80%
Players - Public Annual Expenditure (2016-2017)**			
Government	Donors		
UA m	[USD 1,249.45m ]	[USD 1,072.3m]	
%	[53.8%]	[46.2%]	
		<i>IDA</i>	45.4%
		<i>WFP</i>	20.3%
		<i>DFID</i>	7.9%
		<i>USAID</i>	7.3%
		<i>AFDB</i>	7.3%
		<i>IFAD</i>	5.0%
Level of Donor Coordination			
Existence of Thematic Working Groups			Y
Existence of SWAPs or Integrated Sector Approaches			Y
ADB's Involvement in donors coordination***			M****

\* as most appropriate \*\* Years [yy1 to yy2] \*\*\* for this sector or sub-sector

\*\*\*\* L: leader, M: member but not leader, none: no involvement

1.3.1 The Bank is one of the major Development Partners (DPs) in Ethiopia and provided USD 217.8 million in official development assistance (ODA) in 2016/17 (representing 7.3% of the 2016/17 total ODA of USD 3.0 billion). In the agriculture and rural development sector, the Bank Group disbursed USD 8.3 million or 1% of total ODA to the sector (USD 1.07 billion).

1.3.2 The Ministry of Finance and Economic Cooperation lead donor coordination activities in Ethiopia. Policy dialogue and coordination activities are undertaken within the framework of the Development Assistance Group (DAG), which is the highest-level coordination forum in Ethiopia for activities of DPs helping within the Paris Declaration and Busan principles. The DAG comprises 30 multinational and bilateral DPs and aims to strengthen the delivery and effectiveness of development assistance to Ethiopia. The DAG is supported by Sector and Technical Working Groups (SWGs/ TWGs) and provides a coordination and harmonization framework for DPs to support the government in formulating policies and strategies and monitoring their implementation. The Bank is a core member of the DAG and is the current co-chair (July 2018 – July 2019). The Bank actively participates in a number of SWGs and TWGs including agriculture, transport, energy, water and sanitation, education, social protection, gender, public financial



management and private sector development. The Bank is also co-chairing the Macroeconomic Discussion Forum.

1.3.3 The Bank collaborates closely with the other DPs in the agriculture sector, especially the European Union, UNIDO, IFAD, USAID, World Bank, Korea EXIM Bank and the Italian Development Cooperation, within the framework of the Rural Economic Development and Food Security (REDFS) SWG, which is co-chaired by the Ministry of Agriculture and Livestock Development, European Union, and World Bank. The Group has been greatly invigorated through the Bank's field presence, and the Bank co-chaired the Pastoral Task Force under the Livestock and Fisheries Production and Marketing Technical Committee of the REDFS during 2016-2017. In an effort to harmonize DP interventions, the Bank has collaborated with the other DPs under the REDFS SWG to undertake development interventions in the choice of sub-sectors and activities where it has a comparative advantage. In respect to this project, co-financing (Euro10.1 Million) has been confirmed from the European Union. The Korea EXIM Bank is also supporting this project in parallel financing to the tune of USD 50 million. An additional USD 1 Million has been confirmed from the UK based Big Win Philanthropy. The REDFS is well informed about the project through consultations with Bank teams at preparation/appraisal missions and continually by Government of Ethiopia through periodic meetings.

## **II – PROJECT DESCRIPTION**

### ***2.1. Project Components***

2.1.1 The GoE, with the help of Development Partners, had completed the planning for the development of the 4 IAIPs and has committed initial funding (and will commit additional funding in the next two years) towards the development of basic infrastructure; which has since commenced. This project primarily intends to supplement the GoE efforts and, especially, lend knowledge to the development of IAIPs as well as help GoE attract support from other development partners.

2.1.2 The Project development goal is to contribute to inclusive and sustainable agro-industrial development in Ethiopia, towards a structural transformation of the economy, creation of jobs and reduction of poverty. The project development objectives are to i) create a better environment for increased investment in agro-food and allied sectors, ii) reform a fragmented and supply driven agricultural production system into one that is organised and demand driven, through the integration of small holder farms, small scale processing enterprises and allied industry into commercial value chains and, iii) improve human capacities and skills of rural populations to benefit from new agribusiness employment opportunities. The project is structured around three related components;

including: a) Enabling infrastructure for Agro-industrial development, b) Capacity building for sustainable Agro-industrialisation and, c) Project coordination and management.

Table 2.1: Summary of Project Components Activities and Costs

#	COMPONENT NAME	ESTIMATED COST (Million UA)	COMPONENTS DESCRIPTION
1	<b>Enabling infrastructure for Agro-Industrial Development</b>	<b>39.58</b> (64.5 %)	Supporting the provision of enabling infrastructure for Value addition, post-harvest and produce aggregation activities. <u>Sub-components</u> a) Development of Waste (liquid and solid) Management Plants on 4 IAIPs. b) Development of Potable Water Supply Systems in 4 IAIPs; including Main Delivery piping and Water Treatment Plants. c) Development of access roads to the Parks.
2	<b>Capacity Building for Sustainable Agro-Industrialization</b>	<b>8.65</b> (14.10 %)	Capacity/Skills development to enhance IAIPs' productivity and competitiveness. <u>Sub-components</u> a) Enhanced management of IAIPs and RTCs. Building the capacity of relevant staff of IAIPs/RTCs in management, business planning, stakeholder engagement, contract negotiation, PPP arrangements, Governance, M&E, Investment mobilization and support, Investment promotion and, to manage and coordinate RIPDCs to operate as commercially driven private-sector oriented corporations. This will also include the provision of Technical assistance. b) Improved capacity along the target value chains. Building capacity of farmers/cooperatives along major value chains, including training in 'Good Agricultural Practices' - product quality, standardization and conformity requirements, product handling aggregation and delivery, managing facilities commercially (RTCs and ACs), developing linkages and responding to commodity demand, relying on existing logistics, institutions and infrastructure and, building the capacity of farmers, including female farmers, to provide the right quality and quantity of commodities responsively. This component will also support young potential entrepreneurs to seize business opportunities along the value chains c) Development of quality and relevant skills for agro industrialisation. This includes: (i) regional skills gap, profiling assessment and roadmaps for agro-industrial skills development; (ii) demand-led curriculum development for prioritized skills related to the four pilot IAIPs; (iii) support to the Training of Trainers system; (iv) on-the job capacity building for increased agro processing/technical skills and knowledge of existing teachers in selected pilots TVET colleges around the IAIPs; (v) provision of adequate agro processing training equipment, workshops and consumables

			materials for the pilots TVET colleges; (vi) support for private sector mobilization (linkages with the pilot TVET colleges, support internships/dual training); (vii) support to demand-led short courses for unemployed/unskilled youth/women, and agro industrial workers; and (viii) institutional support to the four Regional TVET Bureaus (planning and management capacities).
3	<b>Project Coordination and Management</b>	<b>13.10</b> (21.40 %)	Including the establishment of the Project Executive Agency, within the MOTI, Project Offices at the 4 RIPDCs and, the Management and Coordination of the Project.

## 2.2. Technical solution retained and other alternatives explored

2.2.1 The technical design of the IAIPs of the GoE has followed the emerging SCPZ approach in Africa; clustering value addition in areas of high production of agricultural commodities. The Bank is a pioneer of the SCPZ concept, embodied in the Feed Africa Strategy.

**Table 2.2: Project alternatives considered and reasons for rejection**

ALTERNATIVES	BRIEF DESCRIPTION	REASONS FOR REJECTION
Adopt a single sector approach	Support only infrastructure development (for production, post-harvest handling and processing).	While infrastructure investment is guaranteed to bring in further investment, as desired, an integrated approach, incorporating capacity development and skills building, would further address a wide range of related issues that impact the success of the IAIPs; from successful operation and management to ensuring inclusivity and having substantial employment impact (needed to address the shortcomings of Ethiopia's early attempts at modern manufacturing).
Support to the development of 1 of the 4IAIPs.	Support the development of just one IAIP, especially in an area where previous Bank supported projects can be leveraged; the IAIPs in the SNNP or Oromia Regions in particular.	The GoE had already commenced funding the development of the 4 IAIPs with a reasonable initial commitment of cash and a plan for new budget outlays in immediate future budgets. The programmatic approach, eventually adopted, also has its values, especially in allowing the Bank to add value to multiple sites and multiple value chains while also increasing learning for the Bank.

## 2.3. Project type

2.3.1 This intervention is designed in the form of a stand-alone Investment Project with the main aim of supporting inclusive and sustainable agro-industrial development with potential impacts for livelihood and structural economic transformation in Ethiopia.

## 2.4. Project cost and financing arrangements

2.4.1 The total cost of the project is estimated at UA 61.33 million (US\$ 87.37 Million), net of taxes and based on 2018 prices, comprising UA 37.13 Million (US\$ 52.88 Million) or 61.00% of the total cost in foreign cost and UA 24.21 Million (US\$ 34.48 Million) or 39.00% in local costs. This cost is inclusive of physical and price contingencies estimated at average rates of 4% and 7%, respectively. The price contingencies were estimated on the basis of actual and projected levels of local and foreign inflation rates of about 8.0% and 2.0% per annum, respectively. The physical contingencies are estimated from 0 to 10.0%, based on common practices. A summary of the project cost estimates by components and expenditure accounts is shown in Tables 2.3, 2.4, 2.5, 2.6 and 2.7 below, while details are provided in the Technical Annex.

**Table 2.3: Estimated Summary Project Costs by Component**

COMPONENTS	(US\$ '000)			(UA '000)			%	%
	Local	Foreign	Total	Local	Foreign	Total	F. E	B.C
<b>A. ENABLING INFRASTR FOR AGRO-INDUST. DEV.</b>	<b>12 672.20</b>	<b>38 016.59</b>	<b>50 688.79</b>	<b>8 895.92</b>	<b>26 687.75</b>	<b>35 583.67</b>	<b>75</b>	<b>64</b>
Establishment of Waste Mgt Plants /a	5 069.85	15 209.55	20 279.40	3 559.05	10 677.14	14 236.19	75	26
Developmt of Potable Water Supply Systems /b	3 941.75	11 825.25	15 767.01	2 767.12	8 301.36	11 068.48	75	20
Development of Access Roads to the Parks /c	711.51	2 134.54	2 846.05	499.48	1 498.45	1 997.93	75	4
Development of Rural Transformation Centers	2 949.08	8 847.25	11 796.34	2 070.27	6 210.80	8 281.06	75	15
<b>B. CAPACITY BLDG FOR SUSTAIN. AGRO-INDUST</b>	<b>3 336.19</b>	<b>7 754.70</b>	<b>11 090.89</b>	<b>2 342.01</b>	<b>5 443.82</b>	<b>7 785.83</b>	<b>70</b>	<b>14</b>
Enhancement of Mgt of IAIPs and RTCs /d	48.83	254.16	302.99	34.28	178.42	212.70	84	-
Improvmt of Capacities along the Target VC/e	566.13	465.70	1 031.82	397.42	326.92	724.34	45	1
Dev. of Qlty & Relevant Skills for Agro-Indust/f	2 721.23	7 034.85	9 756.07	1 910.31	4 938.48	6 848.79	72	12
<b>C. PROJECT COORDINATION &amp; MANAGEMENT /g</b>	<b>13 876.00</b>	<b>3 273.78</b>	<b>17 149.78</b>	<b>9 740.99</b>	<b>2 298.20</b>	<b>12 039.19</b>	<b>19</b>	<b>22</b>
<b>Total BASELINE COSTS</b>	<b>29 884.39</b>	<b>49 045.07</b>	<b>78 929.46</b>	<b>20 978.92</b>	<b>34 429.77</b>	<b>55 408.69</b>	<b>62</b>	<b>100</b>
Physical Contingencies	822.04	2 134.31	2 956.35	577.07	1 498.29	2 075.36	72	4
Price Contingencies	3 775.80	1 705.61	5 481.41	2 650.62	1 197.34	3 847.96	31	7
<b>Total PROJECT COSTS</b>	<b>34 482.22</b>	<b>52 884.99</b>	<b>87 367.22</b>	<b>24 206.61</b>	<b>37 125.41</b>	<b>61 332.02</b>	<b>61</b>	<b>111</b>

\a 4 Regions

\f MOTI & 4 Institutions, Regional TVET Bureaus

\b 4 regions

\g MOTI & the 4 RIPDC

\c SNNPR & Oromia

\d MOTI, RIPDCs (4 of them)

\e MOTI, RIPDCs (4 of them)

**Table 2.4: Estimated Summary Project Costs by Categories of Expenditures**

EXPENDITURES CATEGORIES	(US\$ '000)			(UA '000)			%	%
	Local	Foreign	Total	Local	Foreign	Total	F.E	B.C
<b>I. Investment Costs</b>	<b>17 853.11</b>	<b>47 500.51</b>	<b>65 353.61</b>	<b>12 532.93</b>	<b>33 345.48</b>	<b>45 878.41</b>	<b>73</b>	<b>83</b>
<b>A. WORKS</b>	<b>12 672.20</b>	<b>38 016.59</b>	<b>50 688.79</b>	<b>8 895.92</b>	<b>26 687.75</b>	<b>35 583.67</b>	<b>75</b>	<b>64</b>
<b>B. GOODS</b>	<b>757.36</b>	<b>3 122.21</b>	<b>3 879.58</b>	<b>531.67</b>	<b>2 191.80</b>	<b>2 723.47</b>	<b>80</b>	<b>5</b>
Vehicles	55.66	315.43	371.09	39.08	221.43	260.51	85	1
Equipment	701.70	2 806.79	3 508.49	492.59	1 970.37	2 462.97	80	5
<b>C. SERVICES</b>	<b>4 423.55</b>	<b>6 361.70</b>	<b>10 785.25</b>	<b>3 105.34</b>	<b>4 465.93</b>	<b>7 571.27</b>	<b>59</b>	<b>14</b>
Training	2 893.37	2 893.37	5 786.74	2 031.16	2 031.16	4 062.31	50	7
Technical Assistance	143.22	2 721.24	2 864.46	100.54	1 910.32	2 010.86	95	4
Studies	286.32	349.95	636.27	201.00	245.66	446.66	55	1
Contractual Services	1 074.70	358.23	1 432.93	754.44	251.48	1 005.92	25	2
Audit	25.94	38.90	64.84	18.21	27.31	45.52	60	-
<b>II. Recurrent Costs</b>	<b>12 031.28</b>	<b>1 544.57</b>	<b>13 575.85</b>	<b>8 445.99</b>	<b>1 084.29</b>	<b>9 530.28</b>	<b>11</b>	<b>17</b>
<b>A. PERSONEL</b>	<b>8 678.80</b>	-	<b>8 678.80</b>	<b>6 092.54</b>	-	<b>6 092.54</b>	-	<b>11</b>
<b>B. DAILY SUBSIST. ALLOWANCES</b>	<b>918.68</b>	-	<b>918.68</b>	<b>644.92</b>	-	<b>644.92</b>	-	<b>1</b>
<b>C. O&amp;M</b>	<b>631.91</b>	<b>772.33</b>	<b>1 404.24</b>	<b>443.60</b>	<b>542.18</b>	<b>985.78</b>	<b>55</b>	<b>2</b>

EXPENDITURES CATEGORIES	(US\$ '000)			(UA '000)			% F.E	% B.C
	Local	Foreign	Total	Local	Foreign	Total		
<b>D. GENERAL OPERATING COSTS</b>	<b>1 801.89</b>	<b>772.24</b>	<b>2 574.12</b>	<b>1 264.93</b>	<b>542.11</b>	<b>1 807.04</b>	<b>30</b>	<b>3</b>
<b>Total BASELINE COSTS</b>	<b>29 884.39</b>	<b>49 045.07</b>	<b>78 929.46</b>	<b>20 978.92</b>	<b>34 429.77</b>	<b>55 408.69</b>	<b>62</b>	<b>100</b>
Physical Contingencies	822.04	2 134.31	2 956.35	577.07	1 498.29	2 075.36	72	4
Price Contingencies	3 775.80	1 705.61	5 481.41	2 650.62	1 197.34	3 847.96	31	7
<b>Total PROJECT COSTS</b>	<b>34 482.22</b>	<b>52 884.99</b>	<b>87 367.22</b>	<b>24 206.61</b>	<b>37 125.41</b>	<b>61 332.02</b>	<b>61</b>	<b>111</b>

**Table 2.5: Expenditure Schedule by Component (in '000 UA)**

COMPONENTS	2019	2020	2021	2022	2023	Total
<b>A. ENABLING INFRA FOR AGRO-INDUS DEV.</b>	<b>6 873.74</b>	<b>19 531.84</b>	<b>13 178.22</b>	-	-	<b>39 583.81</b>
Establishment of Waste Management Plants /a	-	7 878.65	8 151.26	-	-	16 029.91
Development of Potable Water Supply Syst. /b	2 447.06	4 858.84	5 026.96	-	-	12 332.87
Development of Access Roads to the Parks /c	-	2 211.41	-	-	-	2 211.41
Development of Rural Transformation Centers	4 426.68	4 582.94	-	-	-	9 009.62
<b>B. CAP. BLDG FOR SUSTAIN. AGRO-INDUST</b>	<b>1 685.82</b>	<b>3 007.84</b>	<b>2 128.44</b>	<b>626.79</b>	<b>1 196.72</b>	<b>8 645.61</b>
Enhancement of Mgt of IAPs and RTCs /d	220.54	-	-	-	-	220.54
Improvmt of Capacities along the Target VC /e	539.92	116.92	63.93	26.08	35.04	781.89
Dev.of Qlty & Relevnt Skills for Agro-Industria/f	925.36	2 890.92	2 064.52	600.71	1 161.68	7 643.18
<b>C. PROCT COORDINATION &amp; MGT /g</b>	<b>2 743.01</b>	<b>2 473.31</b>	<b>2 547.33</b>	<b>2 626.80</b>	<b>2 712.15</b>	<b>13 102.60</b>
<b>Total PROJECT COSTS</b>	<b>11 302.57</b>	<b>25 012.99</b>	<b>17 854.00</b>	<b>3 253.59</b>	<b>3 908.86</b>	<b>61 332.02</b>

2.4.2 *Project Financing:* The project will be jointly financed by the African Development Fund (ADF), the European Union (EU), the Korean EXIM Bank, the Big Win Philanthropy (BWP) and the Government of Ethiopia (GOE), as captured in Table 2.6 below. The Bank will provide financial assistance to the tune of UA 11.00 Million from ADF XIV resources, representing 17.90% of the project cost. The ADF financing will be in the form of a grant and will cover different expenditure categories of the project. The EU, the Korea EXIM Bank, and the BWP, will provide financing for the respective amounts of € 10.10 Million or UA 8.44 Million (13.80% in form of Grant), US\$ 50.00 Million or UA 35.10 Million (57.20% in form of loan), and US\$ 1.00 Million or UA 702,000 (1.10% in form of Grant). The contribution from the GOE is estimated at UA 6.09 Million and will be cash financing or in-kind contribution. The contributions from the EU and BWP will be in the form of joint co-financing with the Bank and will be managed by the Bank using its processes and procedures. The contribution from the Korean Exim Bank will be in the form of parallel financing with the Bank. An agreement to cover joint project supervision and management by the 5 partners? is being developed. The breakdown of financing for the project is presented in the Table 2.7 below.

**Table 2.6: Financing Plan of the project**

FINANCING SOURCES	(US\$ '000)			(UC '000)			%
	Local	Foreign	Total	Local	Foreign	Total	
ADF Grant	8 232.41	7 437.05	15 669.46	5 779.17	5 220.83	11 000.00	17.9
EU	3 611.40	8 407.55	12 018.96	2 535.22	5 902.12	8 437.34	13.8
EXIM Bank	13 455.62	36 544.38	50 000.00	9 445.88	25 654.25	35 100.13	57.2
Big Win Philanthropy	503.99	496.01	1 000.00	353.80	348.20	702.00	1.1
Government	8 678.80	0.00	8 678.80	6 092.54	0.00	6 092.54	10.0
<b>Total</b>	<b>34 482.22</b>	<b>52 884.99</b>	<b>87 367.22</b>	<b>24 206.61</b>	<b>37 125.41</b>	<b>61 332.02</b>	<b>100.0</b>

2.4.3 The government of Ethiopia is already providing funds for Park infrastructure such as administrative buildings, internal roads and drainages and RTCs. The Korea EXIM Fund is dedicated to providing technically complex infrastructure such as effluent treatment plants in all the four parks, water treatment plants and an RTC. The EU funds is dedicated to capacity building (including value chain and skills development) and the provision of water treatment plant while the ADF funds will support institutional capacity building,

value chain, skills and entrepreneurship development (Table 2.8). The funds from BWP will complement capacity building especially the development of quality and relevant skills for agro-industrialization.

**Table 2.7: Estimated Summary of Project Costs by Expenditures & Financing Source**

CATEGORIES OF EXPENDITURES	ADF Grant		EU		EXIM Bank		Big Win Philanthropy		Government of Ethiopia		Total
	'000 US\$	%	'000 US\$	%	'000 US\$	%	'000 US\$	%	'000 US\$	%	'000 US\$
<b>A. WORKS</b>	-	-	4 483,68	11,3	35 100,13	88,7	-	-	0,00	-	39 583,81
<b>B. GOODS</b>	1 782,89	60,2	1 180,78	39,8	-	-	-	-	0,00	-	2 963,67
Vehicles	269,68	100,0	-	-	-	-	-	-	-	-	269,68
Equipment	1 513,21	56,2	1 180,78	43,8	-	-	-	-	0,00	-	2 693,99
<b>Subtotal</b>	1 782,89	60,2	1 180,78	39,8	-	-	-	-	0,00	-	2 963,67
<b>C. SERVICES</b>	5 111,09	59,5	2 772,88	32,3	-	-	702,00	8,2	0,00	-	8 585,97
Training	2 821,98	59,2	1 356,49	28,4	-	-	590,95	12,4	-0,00	-	4 769,42
Techn. Assistance	1 138,51	53,9	973,25	46,1	-	-	-	-	0,00	-	2 111,76
Studies	57,63	12,4	296,15	63,7	-	-	111,06	23,9	0,00	-	464,84
Contractual Sces	1 040,75	87,6	146,99	12,4	-	-	-	-	0,00	-	1 187,74
Audit	52,21	100,0	-	-	-	-	-	-	0,00	-	52,21
<b>D. PERSONEL</b>	-	-	-	-	-	-	-	-	6 092,54	100	6 092,54
<b>E. OPERATING COSTS</b>	4 106,02	100,0	-	-	-	-	-	-	0,00	-	4 106,02
<b>Total PROJECT COSTS</b>	11 000,00	17,9	8 437,34	13,8	35 100,13	57,2	702,00	1,1	6 092,54	9,9	61 332,02

**Table 2.8: Estimated Summary of Project Costs by Components & Financing Source**

COMPONENTS	ADF Grant		EU		EXIM Bank		Big Win Philanthropy		Gov. of Ethiopia		Total
	'000 US\$	%	'000 US\$	%	'000 US\$	%	'000 US\$	%	'000 US\$	%	'000 US\$
<b>A. ENABLING INFRASTRUCTURE FOR AGRO-INDUSTRIAL DEVELOPMENT</b>	-	-	4 483,68	11,3	35 100,13	88,7	-	-	0,00	-	39 583,81
Establishment of Waste Management Plants /a	-	-	-	-	16 029,91	100	-	-	0,00	-	16 029,91
Development of Potable Water Supply Systems /b	-	-	4 483,68	36,4	7 849,19	63,6	-	-	0,00	-	12 332,87
Development of Access Roads to the Parks /c	-	-	-	-	2 211,41	100	-	-	-	-	2 211,41
Development of Rural Transformation Centers (RTCs)	-	-	-	-	9 009,62	100	-	-	-	-	9 009,62
<b>B. CAPACITY BUILDING FOR SUSTAINABLE AGRO-INDUSTRIALIZATION</b>	3 989,94	46,1	3 953,66	45,7	-	-	702,00	8,1	0,00	-	8 645,61
Enhancement of Management of IAIPs and RTCs	220,54	100	-	-	-	-	-	-	-	-	220,54
Improvement of Capacities along the Target Value-Chains	365,47	46,7	416,42	53,3	-	-	-	-	0,00	-	781,89
Development of Quality & Relevant Skills for Agro-Industrialization	3 403,93	44,5	3 537,24	46,3	-	-	702,00	9,2	0,00	-	7 643,18
<b>C. PROJECT COORDINATION &amp; MGT</b>	7 010,06	53,5	-	-	-	-	-	-	6 092,54	46,5	13 102,60
<b>Total PROJECT COSTS</b>	11 000,00	17,9	8 437,34	13,8	35 100,13	57,2	702,00	1,1	6 092,54	9,9	61 332,02

## ***2.5. Project's target area and population***

2.5.1 The IAIP support project sites are located in:

- i. **Bure** (in Amhara Region),
- ii. **Bulbula** (in Oromia Region),
- iii. **Yirgalem** (in the Southern Nations Nationalities and People Region), and
- iv. **Baeker** (in Tigray Region)

Together, these four regions account for 83% of the total population of Ethiopia as at 2018. The country is divided into administrative units called *woredas*, which are further subdivided into *kebeles* (there are eight hundred *woredas* and around fifteen thousand *kebeles*). The operating level of the IAIP Support Project will be at the RTCs and Aggregation Centres located in the *kebeles*. Potentially the project will cover about 1340 *kebeles* with a total of 2 million farming households. However, the project target is 800,000 farming households in the five years of project implementation. An additional 800,000 farmers may benefit indirectly from the project activities.

2.5.2 There is already private sector interest in the IAIPs and some have commenced construction of factory shells. It is estimated that the project will support the creation of 50,000 direct jobs and 150,000 indirect jobs in the IAIPs over the next five years. The indirect jobs include emerging services such as logistics and delivery, hospitality businesses, maintenance and repair services, construction and housing estates and so on. These services are likely to arise in response to demand from the influx of people into the IAIPs.

## ***2.6. Participatory process for project identification, design and implementation***

2.6.1 The design of the project followed a participatory process right from the identification phase. The entire project sites were visited during the identification phase and again during the appraisal phase. In each, site meetings were held with all potential stakeholders. These included farmers, representatives of cooperative groups and Unions in various commodities, representatives of private sector companies with interest to become occupants at the IAIPs, representatives and staff of the RIPDCs, youth representatives, women groups, construction firms, regional bureaus, TVET institutions and so on. Mini workshops were held at the RIPDCs. Power point presentations were made on the status of developments in the IAIPs and the RTCs. These presentations also included areas of need, gaps and areas that require significant technical assistance to conclude such as the effluent plants. The team sought clarifications and costs in the case of infrastructure, goods and services were obtained. These formed the basis for the cost in the project design.

2.6.2 In Ethiopia, cooperatives play a catalyzing role in transforming agriculture and supporting the realisation of industrialization. At the farm level, there is a strong presence of cooperatives and farmer groups. There are four tiers of cooperatives, namely primary cooperative, cooperative unions, cooperative federation and cooperative confederation. In Ethiopia, the apex in many regional states is the Regional Cooperatives Federations. The Bureau of Cooperatives audits Cooperative Union accounts at least once every year. There is also evidence of the ability of cooperative Unions to own factories and locate in the IAIPs. Some Cooperative Unions expressed interest to operate and manage RTCs. At

implementation, the project will interface extensively with the leaders and technical staff of the Cooperative Unions and farmer groups to institutionalise a demand driven value chain program targeted at enabling farmers (GAP, quality control and conformity assessment, produce aggregation, handling, and delivery) provide services to private sector investors and occupants in the IAIPs.

2.6.3 Youth representatives in the four Regions also contributed to the project design. The Youth Representatives are very much aware of the investments in the IAIPs and RTCs. They specifically requested that skills development be included in the project design. They also noted the need for youth centres in the IAIPs. These observations have been included in the project design.

## ***2.7. Bank Group experience, lessons reflected in project design***

2.7.1 The Bank Group's portfolio in Ethiopia comprises 19 operations; in the Energy, Water Supply and Sanitation, Transport, Agriculture, Governance, and Private sectors, with a total commitment value of about UA 1.12 billion (USD 1.62 billion) as of August 31, 2018. The portfolio has 14 public sector projects financed through loans and grants, two private sector loans, and 3 Trust Funds projects. The energy and transport sectors account for 52% of the total commitments, which places the Bank amongst the leading financiers in the infrastructure sector. The public sector operations include five multinational projects, namely, the Mombasa-Nairobi-Addis Ababa Road Corridor (Phase III), Ethiopia-Kenya Power Interconnection Project, and Horn of Africa Drought Resilience and Sustainable Livelihoods Programs I and II. Under the non-sovereign window, the Bank has financed two operations, which are Derba Cement for production of cement and Ethiopian Airlines for purchase of Aircrafts and these account for 15% of the total commitments in the country. The annual disbursement ratio in 2017, at 21%, was above the RDGE average of 19%. The cumulative disbursement rate as at 31 August 2018 was 53.88%. The overall performance of the portfolio is satisfactory. The average Implementation Progress (IP) and Development Objective (DO) ratings were 3.1 and 2.9 (on a scale of 0-3), respectively, as of March 2018 for the 12 public sector rated operations.

2.7.2 Although the turnaround time for loan signature has now significantly improved because of COET's pro-active engagement with GoE, the DRSLP I (effective from July 2013) and II (effective from May 2015) encountered delays in staff recruitment and procurement and overall capacity limitation of the Executing Agency. Also, the Ethiopia Integrated Transport Program Phase I and Mekelle-Dallol & Semera-Afdera Power Transmission Project had delays in implementation. The average time taken from approval to first disbursement reached 10.4 months in 2017 due to delays experienced in completing procurement activities. The respective Executing Agencies did not commence procurement activities in a timely manner in spite of the advance contract arrangements, due to low staff capacity.

2.7.3 Key lessons learnt from Country Strategy and Program evaluation by Bank's Evaluation Department and most completion reports of Bank projects in the country are highlighted, which have informed the design of this project; including:



No.	Lessons Learnt	Actions incorporated into the Project Design
1	Absence of sustainability in project design	mainstreaming sustainability issues at the project level
2	Multiple focused projects with limited change in quality of life of beneficiaries	remaining selective with a focus on fewer, but big transformative interventions
3	Rigidly tailored projects that are required to run out even when country priority has changed	continuous flexibility in responding to the country's emerging needs
4	There is a dearth of required capacity for specific skills in government and non-government agencies	the continuous building of implementing agencies' capacity to ensure effective programme implementation
5	Projects close with very limited information on the knowledge and communication of project activities and success stories	dedication of adequate resources to knowledge products as these contribute to evidence-based policy dialogue
6	Project monitoring is critical to inform project evaluation and needs	formulating a robust results framework accompanied by strong project monitoring and evaluation and credible baseline data
7	Absence of government dialogue and regular information flow on project results	continuous dialogue with the GoE in setting realistic targets to ensure their achievability

2.7.4 Most importantly, preparation and rigorous execution of quality procurement plans is essential in accelerating project implementation and disbursements. Fiduciary innovations, such as advance procurement, will typically not accelerate project implementation in the absence of rigorous and diligent execution of the underlying procurement plans.

## **2.8. Key performance indicators**

2.8.1 The key performance indicators measuring the progress toward achieving the main project outcomes would generally measure increase in the number of jobs created, reduction in rate of poverty, reduction in unemployment rate, increase in the number and value of private sector agribusiness investments, increase in percentage of farmers in value addition linkages, efficiency of capacity/skill trainings and increasing industry contribution to GDP, increase in number of women and youth owned SMEs, linked to IAIPs. These are captured in the Project's Results Based Logical Framework. The data sources will be collected and collated from reports of the Central/Regional Statistics Agency, the project progress implementation documents at the RIPDCs, dedicated labour force surveys, Tracer surveys, and project progress implementation documents. The responsibility for data collection, collation and reporting are the Regional Industrial Development Corporations and the Ministry of Industry.

## III – PROJECT FEASIBILITY

### 3.1. Economic and financial performance

3.1.1 The project derives its benefits from private sector agribusiness investment models, and the increased value-addition from farming activities with farmers in value added linkages.

FIRR, NPV (base case)	(24.30%, 7,204,369.66)
EIRR (base case)	(25.98%)
NB: detailed calculations are available in Annex B6	

The agribusiness investment are based on the following three models: (i) the small-scale companies, about 20 of them with US\$ 1.00 Million investment size each; (ii) the medium-scale companies, 170 of them with US\$ 5.00 Million investment size each; and (iii) the large-scale companies, 10 of them, with US\$ 10.00 Million investment size each. The increased value-addition from farming activities is on the basis of about 10 crops and production models, including, coffee, wheat, barley, sesame, haricot beans, potato, tomato, fish, dairy, honey, and beef). In addition, the project also creates jobs and contributes in the reduction of the unemployment and poverty rates, increases the number and the value of efficiency of capacity/skill training, the industry’s contribution to GDP, the number of women and youth owned SMEs, linked to IAIPs. The project will contribute positively to improved planning and responses to industrial waste-related threats in key sectors, such as, health, agriculture and water resources. Water prone-diseases, such as, malaria and meningitis could be anticipated and targeted before they reach epidemic proportions. Overall, the project has overwhelming social benefits to beneficiary communities.

3.1.2 Some of these benefits cannot be quantified, such as reduction in poverty and unemployment rates, value of efficiency of capacity/skill training, etc., and therefore could not reasonably be included in the financial and economic Cost-Benefit Analysis (CBA). All other benefits derived from private investment and farming activities were included in the CBA (see annex in current report).

### 3.2. Environmental and Social Aspects

#### Environment

3.2.1 The project is classified as Category 1 under the Ethiopian Environmental Impact Assessment (EIA) Proclamation (No. 299/2002), African Development Bank Environmental, and Social Assessment Procedures. The justification of this categorization is based on the ecological and social footprint of the IAIPs; including sensitive ecosystems like the Bulbulla River, which is approximately 1 km east of the IAIP site in Oromia; close proximity to towns and communal grazing areas characteristic of mixed land use activities for all other sites. The GoE has submitted the, ESIA and RAP for the four pilot IAIPs to the Bank. The ESIA summary for the IAIPs and RTCs was prepared and disclosed on the Bank’s website on 31<sup>st</sup> July 2018. MOFCC has also ratified the ESIA.

3.2.2 The ESMP will be implemented by the Environmental Staff at the regional governments. An assessment of their capacity revealed that in all the regions, the Environmental Officers have exposure to international safeguards standards given that they are already implementing the ESMP recommendations in the ongoing construction.

However, more emphasis on supervision and monitoring of environmental and social compliance has been integrated in the planned project. At PIU level, a project coordinator with strong appreciation of environmental and social safeguard aspects will be recruited to ensure that the ESMP is effectively implemented and monitored.

### **Involuntary resettlement**

3.2.3 Regarding involuntary resettlement, the Government of Ethiopia developed and implemented the four Resettlement Action Plans (RAP) for Amhara region (for the Bure IAIP and Motta RTC); Oromia region (Bulbula IAIP and Sheshemene RTC); SNNP region (Yirgalem IAIP and Dilla RTC) and Tigray region (Baeker IAIP and Dansa RTC). The total compensation budget that was used was 575, 930, 585.12 Birr. This implies that the land on the IAIPs and RTCs is free of encumbrances and construction is ongoing.

### **Climate Change**

3.2.4 The project was screened as Category 1 and Project based considerations for climate change mitigation and adaptation in the IAIP Support Project relate to minimization of greenhouse gas emissions at each site. It is important to note that according to the Ethiopian Electric Power Corporation (EEPCo), Ethiopia's total electricity generation in 2010 was 3,981.07 GWh. Hydropower generates approximately 88% of the total electricity generation and is thus the country's dominating electricity resource, followed by Diesel (11%) and geothermal (1%) electricity generation. Should the IAIP and RTC facilities be provided electricity from the national grid the greenhouse gas emissions resulting from the generation of the required electricity is drastically reduced (in the region of 80% reduction) due to the use of renewable resources as the predominant energy source for the generation of electricity.

3.2.5 In addition, the GoE acknowledges that drought is the single most destructive climate related hazard in Ethiopia and has stepped up with the Climate Resilient Green Economy Strategy (CRGES) to protect the country from the adverse effects of climate change and build a green economy that will help realise the ambition of becoming a middle-income country by 2025 and, progressively, has increased the Humanitarian Requirements Document (HRD) issued in January 2017 for USD 948.6 million to USD 1.66 billion, for 2018.

### **Gender Aspects**

3.2.6 This project is registered as Category II as per categorisation of the Gender Marker. In terms of employment, an increasing trend in the women participation in the workforce has been witnessed from 71.9% (as reported in 1999) to 78.8% (in 2005), with a minor decline in 2013 (77.8%). The unemployment rate is observed to be declining for both men and women between 1999 and 2013 for the population aged 15 years and above (CSA). Investing in relevant trainings that boost productivity and ensure promotion of gender equity will serve to create a more inclusive IAIP. In this regard, the project will support the existing Gender Unit at the Ministry of Industry in having a gender specialist at each RIPDC to focus on (i) women owned operations and throughout the value chain by incentivizing, collaborating, and communicating clearly with other companies, partners, individuals, and policymakers across the sector and supply chains, (ii) the empowerment of women in (agriculture & credit) cooperatives, unions and as model farmers; and (iii)

affirmative action in skills training. These objectives not only serve to improve gender equality results in the IAIP but will also deliver business benefits. These objectives will target (i) decision-makers and HR managers in all selected implementing agencies (ii) gender architecture in Ministry of Industry including regional governments' institutions and companies and (iii) women owned businesses related to the agro-processing value chain.

3.2.7 The project will also finance:

- Situation analysis of Gender Equality in the IAIP: Mapping of stakeholders and needs assessment (identification of target women-owned companies in the agro-processing value chain and building capacity-targeted training, mentoring and coaching including involving leaders and men's gender champions).
- Women Business Support: create system where women-owned businesses & cooperatives and employees can access key advice, information; and be linked to support institutions/strategic business partners
- Design and launch of learning tools for capacity building on gender equity perspectives for relevant agencies
- Conduct targeted public awareness campaigns to build positive image; change mind-sets and reduce gender stereotype,
- Influence the legal framework to be developed for IAIP in an approach that maintains cultural values that respect gender diversity

## **Social**

3.2.8 This project is expected to generate significant socio-economic benefits in terms of youth employment and empowerment of cooperatives and increased availability of safe, diverse and nutritious processed foods to contribute to improved food and nutrition security. According to recent estimates, the Ethiopian youth population under 15 is estimated to be 41% of 104 million, which is an asset for positive growth. More than 28 percent is aged 15 to 29, representing a rich labour force. However, youth unemployment is estimated at approximately 27 percent (USAID). In terms of employment, around 25 percent of youth are in the informal sector in 2013 (NLFS). In addition, the labour force participation of youth is strongly determined by geographical, socio-economic and gender disparities. Ethiopian young women are more than twice as likely to be unemployed as young men. In this context, the vast majority of young Ethiopians suffer from a lack of access to high-quality education, decent formal sector employment, and governmental employment programs. The demand for technical and vocational education and training programs is high, since the skills developed in Ethiopian schools do not match the needs of the national labour market. Discussions with youth associations indicated that despite the Government's commitment to youth inclusion in political, social and economic development of the country, persistent challenges face youth, namely; insufficient financial support, inadequate technical capacity, limited access to pre-established markets. Young women represent a high-risk group in Ethiopia, being especially vulnerable to gender-based violence. In 2011, about 41 per cent of Ethiopian women aged 20-24 were married by the age of 18 (UNFPA).

### ***3.3. Cross Cutting Issues***

#### **Value Chain Development**

3.3.1 This Project will enhance the competitiveness of smallholder farms and young entrepreneurs, and create inclusive and equitable opportunities to integrate them into the up- and downstream aspects of agriculture value chains linked to the agro-industrial parks. It will strengthen the linkage between agriculture actors and industry activities, by building the capacity of local rural smallholder farmers, young entrepreneurs and small scale enterprises to produce and operate as competitive business entities. This will link agricultural production to the market by bringing together farmers, processors and retailers so as to maximize value addition, minimize wastage, increase farmers' income and create employment opportunities particularly in the rural sector. For example, GAP training will help to increase productivity and production output, TVET will create opportunities for the growth of small and mid-sized women and youth-owned agribusiness, which through their operations can help reduce post-harvest losses, increase primary value addition and provide consistent supply of quality produce, as feed stock for the emerging agro-industries in the IAIP.

3.3.2 This project will specifically build capacity of farmers/cooperatives along major value chains on the following:

- (i) Good Agricultural Practices;
- (ii) Product quality and conformity requirements;
- (iii) Product handling aggregation and delivery, managing facilities (RTCs and ACs) as commercial entities
- (iv) Build linkages with the Regional Bureaus of Agriculture, the Agricultural Transformation Agency, seed supply agencies/companies, Rural Finance institutions and other relevant (existing and new/donor supported) institutions and infrastructure to provide services to farmers in the catchment areas of the IAIPs and RTCs, and,
- (v) Build the capacity of farmers, including female farmers, to provide the right quality and quantity of commodities responsively.

3.3.3 Cooperatives, a cornerstone of agricultural development in Ethiopia, requires land ownership for membership. This means that in married households, men are usually members. Around 25% of agricultural cooperative members tend to be women, a reflection of female-headed households. Youth are not very present in cooperatives due to lack of collateral. Women are more present in credit cooperatives. The Federal Cooperatives Agency has been set up with the vision to meeting two core targets: to create strong cooperatives that can improve the living standard of its members both in the rural and urban centers; and to contribute share to the national economic development. This project will empower cooperatives through training to manage certain infrastructures such as RTCs.

3.3.4 The cooperative groups, unions, women and youth organisations are the target group for a focused and demand driven value chain development and training that will

include inter alia good agricultural practices (GAP), product quality and conformity assessment in line with industry requirements and training on logistics, product handling and delivery of agricultural produce.

3.3.5 This program will ensure that youth associations are involved in the governance structure and have an active relationship with the RIPDC through MOUs to focus on issues of linking youth owned SMEs and for employment and shifting perceptions amongst youth, their communities and general population on the opportunities presented by the private sector in agriculture.

### **Entrepreneurship and Job/Employment Creation**

3.3.6 The Government's Growth Transformation Plan II identifies the low level of entrepreneurship particularly among the young people, low level of job creation in rural areas in non-farm activities and low level of small and micro enterprises development in manufacturing as key constraints to structural transformation from agriculture. It is estimated that 2-3 million young Ethiopians enter the job market annually, yet the labour market is unable to accommodate this expanding pool.

3.3.7 The IAIPs are estimated to create 200,000 new jobs by 2025 by the government of Ethiopia. To boost employment opportunities, the project will mobilise youth, women and cooperatives to seize business opportunities in the IAIPs value chains. First, 7,000 Cooperatives members (Trainers) will be trained on quality standards, and responsive demand for investors needs at Park levels, and will be linked to the relevant ecosystem (agriculture bureau, financial services, etc.) to enhance their productivity. Secondly, 40 young entrepreneurs (10 in each of the 4 regions) will receive entrepreneurship training in order to sharpen their business skills and create more jobs in the IAIPs value chains. This should increase employability through creation at least 40 additional jobs.

### **Skills Development**

3.3.8 The project will help set the foundations for skills development in agro processing in the country and train a minimum of 6,000 employable youth for the agro-industries in the four regions. Rural Youth, already at the TVET level will be particularly targeted. Overall, the project will contribute to produce quality and relevant agro-industrial workforce in the following prioritized areas, subject to the specific specialisations of each IAIP: (i) Fruits and vegetable processing; (ii) Dairy processing; (iii) Meat processing; (iv) Honey and beeswax processing; (v) Edible oil processing technology; (vi) Animal feed processing; and (vii) Poultry product processing.

3.3.9 To-date, only Tigray has started offering training in agro processing, with 196 youth trained in 2018. The other regions lack qualified teachers and up-to-date curriculum. The project will develop a labour market-based curriculum in agro processing; train trainers in agro processing; and support 16 pilot TVET colleges in agro processing training across the four regions through capacity building, equipment and linkages with industries. In total, at least 4,000 youth will be trained; as well as 2,000 unemployed/unskilled youths, women and agro-industrial workers through short-term courses to meet targeted industry's needs. The project will also build capacities of the Regional TVET Bureau to develop a long-term vision (roadmap) on agro-industrial skills development.

3.3.10 The training and curriculum will be mainstreamed through the Food and Beverage Institute and the Meat and Dairy Institute to the Federal TVET and Regional TVET Bureaus. To ensure sustainability, both institutes are targeted because they were established by government to support curriculum development and training as well as research in the respective areas of food and beverage processing and in dairy and meat processing at the industrial level in Ethiopia.

## IV – IMPLEMENTATION

### ***4.1. Implementation arrangements***

4.1.1 Project implementation will be at the 4 RIPDCs while The Ministry of Trade and Industry will be the Project Coordinating Unit (PCU) coordinating implementation at the 4 Executing Agencies. This is already an existing arrangement in the on-going implementation of the IAIPs under which the GoE has disbursed funds. The RIPDCs have been set up as Regional Government development organisations to jump start the development of IAIPs and are expected to be registered as SPVs once they find Private Sector partners with which they will go into investment-driven partnerships. The relationship between the PCU and the RIPDCs is governed by the national Constitution between the Federal and Regional Governments of Ethiopia. Under the on-going IAIP implementation arrangements, funds flow from the Federal Government directly to the RIPDCs under the approval of work plans and milestones by the Ministry of Industry (the PCU). The PCU, as the coordination agency, will provide frequent information and reports to the Bank.

4.1.2 There will be a dedicated Project Office at the MOTI and each of the 4 RIPDCs which will comprise of a Project Coordinator and Specialists in Financial management, Procurement, Monitoring and Evaluation and Value Chain Development. TORs have been developed, CVs of potential officers to be seconded have also been submitted. Capacity development for these key project officials has been planned. Further detail on project implementation is presented in the Annex.

4.1.3 **Financial and Disbursement Management:** A detailed Financial Management Assessment for the Ministry of Trade and Industry (MOTI) and the Regional Integrated Agro-Industrial Parks Development Corporations (RIPDCs) has been undertaken to assess the adequacy of the present structure and finance department staff capacities.

4.1.4 The objective of the assessment during the appraisal was to determine the MOTI's ability to operate as the PCU and the RIPDCs as Project Implementing entities of the project. The assessment also covered (a) the adequacy of financial management arrangements to ensure project funds will be used for intended purposes only in an efficient and economical way; (b) whether project financial reports can be prepared in an accurate, reliable and timely manner; and (c) whether project's assets can be safeguarded against associated risks.

4.1.5 The finance department of MOTI is using the existing Financial Management guideline of the Ministry of Finance (MoF), adopted to the specific nature of the sector.

The Financial Management (FM) capacity of MOTI and RIPDCs is considered adequate for purposes of carrying out the FM of the project, with no additional staff to be recruited. However, both entities do not have experience of managing AfDB financed projects and specific training on the AfDB's financial management is a requirement.

4.1.6 The overall Accounting, Recording and Reporting of the project will be under the Accounting and Reporting Team structured under the Director of Financial Management and Procurement Directorate of MOTI. The designated Project Accountant will maintain the project books of accounts from which the financial statements (quarter and annual) shall be extracted. All RIPDCs will designate a project accountant who will maintain project accounts at the Regions and report to the MOTI Project Office (to directly report to the Project Accountant at MOTI).

4.1.7 **Disbursement Arrangement:** The project will use all the four disbursement methods as required in accordance with the Bank's policy. The replenishment procedure of the special account for the project will be in accordance with the Disbursement Hand book.

4.1.8 **Financial Reporting and External audit:** The project will be audited by the Office of the Federal Auditor General (OFAG) or by its appointee. If the audit is conducted by the OFAG or by its direct appointee, the audit fee will be covered by government resources. If the audit is conducted by an independent Audit firm, to be selected competitively, the audit fee will be covered from the project resources.

4.1.9 External audit is to be conducted at the end of each Fiscal Year. The Audit report with the associated Management Letter should be submitted to the Bank not later than six (6) months after the close of the Fiscal year.

4.1.10 **Procurement Arrangement:** "Procurement of goods and works and the acquisition of consulting services, financed by the Bank for the project, will be carried out in accordance with the *"Procurement Policy for Bank Group Funded Operations"*, dated October, 2015 and following the provisions stated in the Financing Agreement. Specifically, Procurement would be carried out under the following:

- **BPS – Borrower Procurement System:** Specific Procurement Methods and Procedures (PMPs) under BPS comprising its Laws and Regulations, in accordance with the Ethiopian Federal Government Procurement and Property Administration Proclamation of September, 2009, and Federal Public Procurement Directive (June 2010), using the national Standard Bidding Documents (SBDs) or other SDs agreed during project negotiations" under the defined thresholds for goods (UA300,000.00), works (UA3,000,000.00), non-consulting services (UA100,000.00), in accordance with;
- **Bank PMPs:** Bank standard PMPs, using the relevant Bank Standard or Model SDs, for contracts that are either: (i) above the above-captioned thresholds, or (ii) in case BPS is not relied upon for any category of procurement; and



- **Third Party PMPs:** Third Party PMPs, using the relevant Third-Party Standard or Model SDs.”

4.1.11 **Procurement Risks and Capacity Development:** Country, Sector, Executing Agency (EA), and Project procurement risk assessments were undertaken for the project and the output have informed the decisions on the procurement regimes (BPS, Bank or Third party) and the PMPs being used for specific transactions or groups of similar transactions under the project. The appropriate mitigation measures and costs have been included in the procurement capacity development action plan (CDAP) under the project.

## 4.2. Monitoring

4.2.1 The project is scheduled for implementation over a 60-month period, from January 2019 to December 2023. This schedule is reasonable, given the scope of activities to be implemented and project implementation capacity in the four regions where the IAIPs are piloted. The four Regional level EAs will be responsible for project monitoring and evaluation, using the Project Result Monitoring Framework and the project result based logical framework. Each of these EAs, at the Regions, will include a Monitoring & Evaluation staff. The periodic performance assessment and result reporting will be carried out by the regional EAs and the MOTI, the PCU, in collaboration with the beneficiary stakeholders. A consolidated quarterly and annual activity reports will also be prepared and submitted to the Bank by the MOTI. The Bank will carry out a rigorous monitoring and supervision mission at least twice a year, to the extent possible with other development partners collaborating on this project. The Ethiopia Country Office will play an active role in the coordination, country dialogue, and project supervision and monitoring. A project completion evaluation will be conducted to evaluate progress against outputs and outcomes and draw lessons for possible follow-up operation. Table below presents the project implementation and monitoring schedule.

Timeframe	Milestone	Monitoring process/feedback loop
November, 2018	Board Presentation	AfDB
December, 2018	Signature	GOE/AfDB
February 2019	Launch	GOE/AfDB
April 2019	Tendering	GOE
September 2019	Works commencement/soft activities	GOE
December 2023	Completion	GOE/AfDB

## 4.3. Governance

4.3.1 The GoE through an Inter-Ministerial Group<sup>6</sup> leads the governance of the IAIP development programme. A Joint Steering Committee (JSC) guides the Group while the Group reports to the Prime Minister through the Minister of Trade and Industry. The JSC provides overall strategic direction, decides on major issues and guides policy matters. The JSC is composed of senior officials from the Ministry of Trade and Industry (MOTI), the Ministry of Agriculture (MoA), the Ministry of Finance (MoF), Ministry of Science and Technology, the Bureau of Industry (BoI) from each region, the Agricultural

<sup>6</sup> Full details of the Governance structure of the IAIP programme and implementation is presented in the Annexes

Transformation Agency (ATA), private sector representatives, UNIDO, FAO and chaired by the Minister of Industry. A technical task force (TF) was formed in each region. The TF is composed of senior officials from BoI, Bureau of Agriculture (BoA), Bureau of Finance and Economic Development (BoFED), ATA, Cooperative Promotion Agency, and selected universities. The TF is actively engaged in all regional matters in the implementation of the IAIP; and is chaired by the Vice President of the Region and Head of the BoI.

4.3.2 The following institutional arrangement currently govern the IAIPs. The principal body and agency of the Federal Government for the promotion, implementation and regulation of IAIPs is the Integrated Agro-Industrial Park Agency (IAIPA) located in the Ministry of Industry. It is the central promotional and regulatory organ for all IAIPs in the country.

4.3.3 The Integrated Agro-Industrial Park Development Corporations (IPDCs) are regional government organizations, which have as their main functions to: manage the construction of IAIPs and RTCs; administer rent, sell or lease the parks; perform sensitization and promotional work to attract investors, participate in investment jointly with interested investors; administer park infrastructure maintenance and waste management; and perform a dispute settlement function.

4.3.4 This project will report its activities across the four IAIPs to the JSC through the PCU.

#### ***4.4. Sustainability***

4.4.1 The proposed project is part of the Government plans for a roll out of the development of IAIPs. There is therefore national ownership of the activities of the project from the onset. The selected components of the projects are demand driven, in that the elements were selected through a participatory approach through which the critical gaps/needs at the regional level were identified and prioritized during the project preparation and appraisal processes.

4.4.2 By the framework for developing the IAIPs, the government has recently established the Regional Industrial Park Development Corporation's (RIDPCs) as an autonomous institution and custodians of the IAIPs and its constituent infrastructures such as the Rural Transformation Centers as well as its management and operations. There are also clear indications of potential ownership of infrastructure such as the Rural Transformation Centers and the Aggregation Centers in areas where various cooperatives and business unions have strong capacity to own and manage such infrastructure. To strengthen the capacity for promoting and managing the IAIPs, the proposed project integrates a robust capacity building for the ministry of industry, the regional RIPDCs and for farmer cooperatives and youth.

4.4.3 The GoE's deliberate effort of providing an enabling environment through the basic infrastructure in and around IAIP regions as an enabler for private sector investments is a good indicator that there is political will to develop the agro-processing sector. The presence of the private sector will improve the lives of the people around the parks, create diversified employment and contribute to further economic development.

#### 4.5. Risk management

Risk	Probability of Occurrence	Mitigation
<u>Risk 1</u> : Slow investment uptake	M	The GoE has put in place specific incentives packages to attract investors exclusively to the Parks. The project will help to further strengthen the capacities of the RIPDCs and the MOTI, especially on investment promotion. The donors will continue the dialogue with the Government on continued reforms to improve business climate.
<u>Risk 2</u> : The Government does not complete the remaining vertical infrastructure in order for all the parks to function at optimal levels.	M	This risk is further downgraded by GoE's allocation of new money to IAIP's continuing development in the 2018-2019 Budget. The involvement of many Development Partners provide a formidable front to ensure GoE does not deviate from its current Agro-industrialization agenda
<u>Risk 3</u> : Staff turnover may be high	H	The project incorporates dialogue with the Government to ensure that the staff selected for training remain in their post for at least 2 years after training.
<u>Risk 4</u> : Lack of interest of agro companies in internship programmes	M	The project will actively support private sector mobilisation for skills development; and the signing of MoUs with regional TVET Bureaus to operationalize internship, dual training and marketing of the new agro-processing training curriculum.

#### 4.6. Knowledge building

4.6.1 The multi sectoral character of this project, from design to implementation, including the programmatic support to both agro-industrial infrastructure and the enabling environment for sustainable agro-industrialisation, through value chain capacity and entrepreneurship development, is a source of useful knowledge for the Bank. The project's preparation was an example of collaboration between the sector departments of the Bank (AHFR, AHHD), the regional department (RDGE) and the country office (COET). The project is designed as a combination of two AfDB flagship programmes: (i) the Staple Commodities Processing Zones flagship program of the Feed Africa Strategy; and (ii) the Skills Enhancement Zone of the Jobs for Youth Strategy. This will help speed up agro-led industrialization, and bring infrastructure, relevant skills, employment and income opportunities to rural areas. This project could be replicated in other African countries who face similar situation as Ethiopia: huge reservoir of workforce in agriculture, low agricultural productivity, and who considers agro-industrialisation as a priority for economic transformation. Information on this project will be available to the public through the Bank's communication channels. Furthermore, the project will fund various knowledge work and policy tools (regional skills gap and roadmaps for agro-industrial skills development, responsive value chain development, Monitoring/Evaluation systems to capture job created through the project) that will guide future interventions from the Government and other development partners as the IAIPs are rolled-out.

4.6.2 The development of IAIPs is a good opportunity to boost job creation at both the IAIPs and along agriculture value chain. Building on the experience from previous industrial parks in the country, stakeholders noted that the issues such as job quality deserves consideration so to avoid labor exploitation, especially among the vulnerable.

Actions are being taken by the Government to revise Labor Proclamation No.377/2003 which is expected to address some identified gaps. Within this effort, the Bank will pay attention to the ongoing dialogue between the Government and some development partners such as the ILO, on the minimum wage issue in the Country, in view of ensuring decent job opportunities by the IAIPs.

## V – LEGAL INSTRUMENTS AND AUTHORITY

### ***5.1. Legal instrument***

5.1.1 The financing instrument to be used for this operation is an ADF Grant to be governed by an ADF Protocol of Agreement (the “Agreement”) between the Fund and the Federal Democratic Republic of Ethiopia (the “Recipient”).

### ***5.2. Conditions associated with Bank’s intervention***

5.2.1 **Entry into Force**. The Agreement shall enter into force on the Date of Signature by the Recipient and the Fund.

5.2.2 **Conditions Precedent to First Disbursement**. The obligation of the Fund to make the first disbursement of the Grant in accordance with Section 5.2.1 above shall be subject to the entry into force of the Agreement. In addition to the *Entry into Force* of the Agreement, the obligation of the Fund to make the first disbursement of the Grant shall be subject to the satisfaction of the following conditions by the Recipient:

- (a) The execution and delivery of Subsidiary Agreements between the Ministry of Trade and Industry and the Executing Agencies, in form and substance satisfactory to the Fund;
- (b) The execution and delivery of Project Agreements between the Recipient’s Ministry of Trade and Industry and the Executing Agencies, in form and substance satisfactory to the Fund; and
- (c) The execution and delivery of a joint Co-financing Agreement between the Fund and European Union or the submission of evidence that the Recipient has secured financing from alternative sources to cover the financing gap resulting from failure to obtain the Co-financing from the European Union.

### **5.2.3 Other Conditions**

- (a) The Recipient will enter into a Co-financing Agreement between the Recipient and Korean Exim Bank and Big Win Philanthropy on terms and conditions acceptable to the Fund within twelve (12) months of the Signing of the Agreement, or the submission of evidence that the Recipient has secured financing from alternative sources to cover the financing gap resulting from failure to obtain the Co-financing; and

- (b) The Recipient shall open a special account at the National Bank of Ethiopia to receive the proceeds of the Grant.

#### 5.3.4 **Undertakings**

### 5.3. ***Compliance with Bank Policies***

This project complies with all applicable Bank policies.

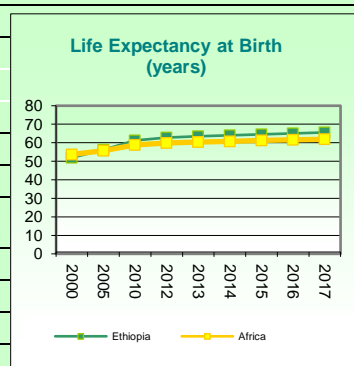
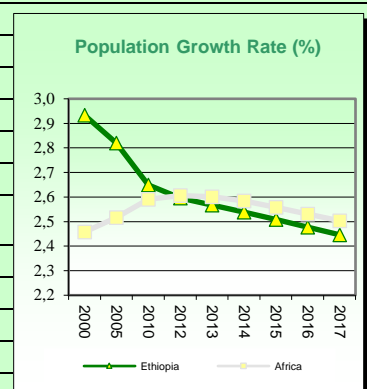
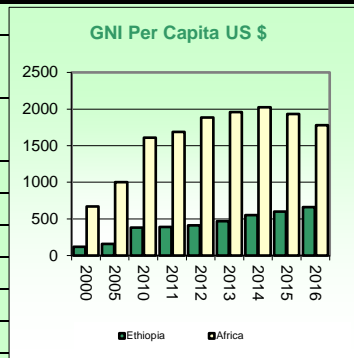
## **VI – RECOMMENDATION**

Management recommends that the Board of Directors approve the proposed ADF Grant of UA 11.0 million to the Federal Democratic Republic of Ethiopia for the purposes and subject to the conditions stipulated in this report.

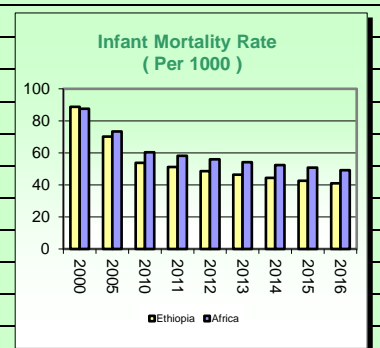
## Appendix I. Country's comparative socio-economic indicators

### Ethiopia: COMPARATIVE SOCIO-ECONOMIC INDICATORS

	Year	Ethiopia	Africa	Developing Countries	Developed Countries
<b>Basic Indicators</b>					
Area ( '000 Km²)	2017	1 104	30 067	80 386	53 939
Total Population (millions)	2017	104,3	1 184,5	5 945,0	1 401,5
Urban Population (% of Total)	2017	20,3	39,7	47,0	80,7
Population Density (per Km²)	2017	104,3	40,3	78,5	25,4
GNI per Capita (US \$)	2016	660	2 045	4 226	38 317
Labor Force Participation *- Total (%)	2017	83,0	66,3	67,7	72,0
Labor Force Participation **- Female (%)	2017	77,1	56,5	53,0	64,5
Sex Ratio (per 100 female)	2017	99,6	0,801	0,506	0,792
Human Develop. Index (Rank among 187 countries)	2015	174	...	...	...
Popul. Living Below \$ 1.90 a Day (% of Population)	2010	33,5	39,6	17,0	...
<b>Demographic Indicators</b>					
Population Growth Rate - Total (%)	2017	2,4	2,6	1,3	0,6
Population Growth Rate - Urban (%)	2017	4,8	3,6	2,6	0,8
Population < 15 years (%)	2017	40,3	41,0	28,3	17,3
Population 15-24 years (%)	2017	21,8	3,5	6,2	16,0
Population >= 65 years (%)	2017	3,5	80,1	54,6	50,5
Dependency Ratio (%)	2017	78,1	100,1	102,8	97,4
Female Population 15-49 years (% of total population)	2017	24,7	24,0	25,8	23,0
Life Expectancy at Birth - Total (years)	2017	65,6	61,2	68,9	79,1
Life Expectancy at Birth - Female (years)	2017	67,6	62,6	70,8	82,1
Crude Birth Rate (per 1,000)	2017	30,9	34,8	21,0	11,6
Crude Death Rate (per 1,000)	2017	6,8	9,3	7,7	8,8
Infant Mortality Rate (per 1,000)	2016	41,0	52,2	35,2	5,8
Child Mortality Rate (per 1,000)	2016	58,4	75,5	47,3	6,8
Total Fertility Rate (per woman)	2017	4,0	4,6	2,6	1,7
Maternal Mortality Rate (per 100,000)	2015	353,0	411,3	230,0	22,0
Women Using Contraception (%)	2017	40,7	35,3	62,1	...
<b>Health &amp; Nutrition Indicators</b>					
Physicians (per 100,000 people)	2009	2,5	46,9	118,1	308,0
Nurses and midwives (per 100,000 people)	2009	25,2	133,4	202,9	857,4
Births attended by Trained Health Personnel (%)	2016	27,7	50,6	67,7	...
Access to Safe Water (% of Population)	2015	57,3	71,6	89,1	99,0
Access to Sanitation (% of Population)	2015	28,0	51,3	57	69
Percent. of Adults (aged 15-49) Living with HIV/AIDS	2016	1,1	39,4	60,8	96,3
Incidence of Tuberculosis (per 100,000)	2016	177,0	3,8	1,2	...
Child Immunization Against Tuberculosis (%)	2016	75,0	245,9	149,0	22,0
Child Immunization Against Measles (%)	2016	70,0	84,1	90,0	...
Underweight Children (% of children under 5 years)	2014	25,2	76,0	82,7	93,9
Prevalence of stunting	2014	40,4	20,8	17,0	0,9
Prevalence of undernourishment (% of pop.)	2015	28,8	2 621	2 335	3 416



	Year	Ethiopia	Africa	Developing Countries	Developed Countries
Public Expenditure on Health (as % of GDP)	2014	2,9	2,7	3,1	7,3
<b>Education Indicators</b>					
Gross Enrolment Ratio (%)					
Primary School - Total	2015	101,9	106,4	109,4	101,3
Primary School - Female	2015	97,0	102,6	107,6	101,1
Secondary School - Total	2015	35,1	54,6	69,0	100,2
Secondary School - Female	2015	34,4	51,4	67,7	99,9
Primary School Female Teaching Staff (% of Total)	2011	37,2	45,1	58,1	81,6
Adult literacy Rate - Total (%)	2007	39,0	61,8	80,4	99,2
Adult literacy Rate - Male (%)	2007	49,1	70,7	85,9	99,3
Adult literacy Rate - Female (%)	2007	28,9	53,4	75,2	99,0
Percentage of GDP Spent on Education	2013	4,5	5,3	4,3	5,5
<b>Environmental Indicators</b>					
Land Use (Arable Land as % of Total Land Area)	2015	15,1	8,6	11,9	9,4
Agricultural Land (as % of land area)	2015	36,3	43,2	43,4	30,0
Forest (As % of Land Area)	2015	12,5	23,3	28,0	34,5
Per Capita CO2 Emissions (metric tons)	2014	0,1	1,1	3,0	11,6



Sources : AfDB Statistics Department Databases; World Bank: World Development Indicators;

UNAIDS; UNSD; WHO, UNICEF, UNDP; Country Reports.

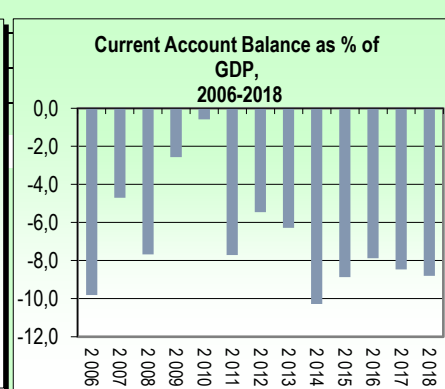
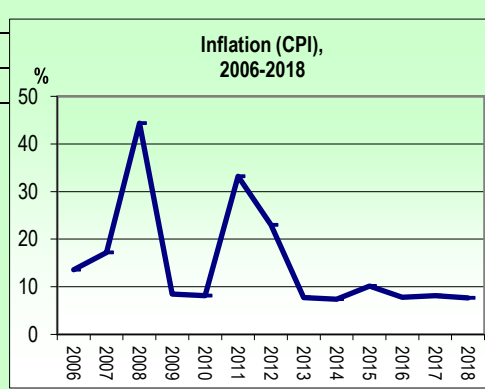
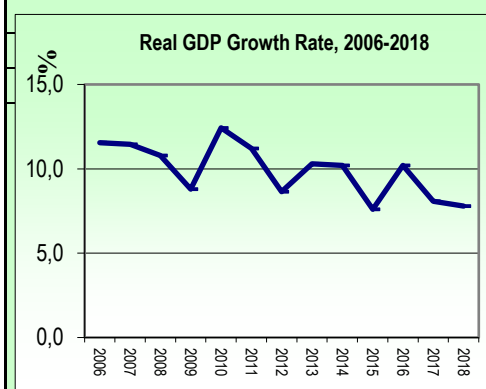
Note : n.a. : Not Applicable ; ... : Data Not Available. \* Labor force participation rate, total (% of total population ages 15+)

\*\* Labor force participation rate, female (% of female population ages 15+)

last May  
update : 2018

## Appendix II: Ethiopia: Selected Macroeconomic Indicators

INDICATORS	UNIT	2000	2013	2014	2015	2016	2017 (e)	2018 (p)
<b>National Accounts</b>								
GNI at Current Prices	Million US \$	7 973	44 442	53 327	59 634	67 223	...	...
GNI per Capita	US\$	120	470	550	600	660	...	...
GDP at Current Prices	Million US \$	7 970	56 942	63 970	74 892	83 141	104 044	111 768
GDP at 2000 Constant prices	Million US \$	7 970	24 059	26 513	28 528	31 438	33 975	36 623
Real GDP Growth Rate	%	5,9	10,3	10,2	7,6	10,2	8,1	7,8
Real per Capita GDP Growth Rate	%	2,9	7,5	7,5	5,0	7,5	5,5	5,3
Gross Domestic Investment	% GDP	19,2	38,0	40,8	38,0	39,0	39,9	40,4
Public Investment	% GDP	15,1	27,3	30,2	28,1	27,7	28,1	28,3
Private Investment	% GDP	4,0	10,7	10,6	9,9	11,3	11,8	12,1
Gross National Savings	% GDP	16,7	28,1	30,7	32,4	32,7	32,1	31,2
<b>Prices and Money</b>								
Inflation (CPI)	%	6,2	7,7	7,4	10,1	7,8	8,1	7,7
Exchange Rate (Annual Average)	local currency/US\$	8,2	18,6	19,6	20,6	21,7	22,9	24,5
Monetary Growth (M2)	%	58,0	...	...	...	...	...	...
Money and Quasi Money as % of GDP	%	50,0	...	...	...	...	...	...
<b>Government Finance</b>								
Total Revenue and Grants	% GDP	17,4	14,9	15,9	15,9	14,9	14,9	14,7
Total Expenditure and Net Lending	% GDP	26,7	17,5	17,9	18,2	18,2	18,4	18,4
Overall Deficit (-) / Surplus (+)	% GDP	-9,3	-2,6	-2,0	-2,3	-3,3	-3,5	-3,7
<b>External Sector</b>								
Exports Volume Growth (Goods)	%	20,6	15,4	6,5	-2,7	4,9	-1,4	14,3
Imports Volume Growth (Goods)	%	-42,3	10,6	17,9	32,5	12,6	-5,3	-1,4
Terms of Trade Growth	%	-41,1	-16,7	2,2	0,7	0,3	3,1	-1,7
Current Account Balance	Million US \$	-335	-3 576	-6 580	-6 643	-6 552	-8 799	-9 839
Current Account Balance	% GDP	-4,2	-6,3	-10,3	-8,9	-7,9	-8,5	-8,8
External Reserves	months of imports	2,3	2,1	1,9	2,0	2,0	1,9	2,2
<b>Debt and Financial Flows</b>								
Debt Service	% exports	7,7	8,1	10,5	22,0	32,4	34,8	27,6
External Debt	% GDP	66,2	23,5	25,2	37,9	34,9	33,5	29,8
Net Total Financial Flows	Million US \$	681	3 864	3 874	4 116	4 935	...	...
Net Official Development Assistance	Million US \$	687	3 886	3 584	3 234	4 074	...	...
Net Foreign Direct Investment	Million US \$	135	1 281	2 132	2 168	3 196	...	...



Source : AfDB Statistics Department; IMF: World Economic Outlook, April 2018 and International Financial Statistics, April 2018; AfDB Statistics Department: Development Data Portal Database, April 2018. United Nations: OECD, Reporting System Division.

Notes: ... Data Not Available (e) Estimations (p) Projections



**Appendix III. Table of ADB's portfolio in the country** List of active projects  
(loans and grants) by Sector:

AFDB-ETHIOPIA ON-GOING PUBLIC SECTOR OPERATIONS IN 2018										
CUMULATIVE DISBURSEMENTS AS OF 31 JULY-2018										
Ser. No.	Project/Study	Loan/Grant No.	Source	Approval Date	Date Signed	Effective Date	Net Loan/Grant Amount	Cum. Disb. Amount (31 JULY-2018)	Cumulative Disb. Ratio	
<b>AGRICULTURE SECTOR</b>										
1	DRSLP	2100150028344	LOAN	19-Dec-12	23-Feb-13	17-Dec-13	30,000,000	12,495,151	41.65%	
2	DRSLP II	2100150032394	LOAN	26-Nov-14	23-Feb-15	22-Jul-15	28,482,000	5,588,200	19.62%	
	LOAN						58,482,000	18,083,350	30.92%	
	GRANT						-	-	0.00%	
	Sub-total						58,482,000	18,083,350	30.92%	
<b>TRANSPORT SECTOR</b>										
3	Bedele-Metu Road Upgrading	2100150025495	LOAN	30-Nov-11	2-Feb-12	1-Apr-12	41,060,000	34,483,980.19	83.98%	
4	Modjo-Hawassa Raod	2100150030195	LOAN	6-Nov-13	6-Dec-13	16-Nov-15	84,080,000	42,863,302.02	50.98%	
		2100155026128	GRANT	6-Nov-13	6-Dec-13	16-Nov-15	1,630,000	578,386.38	35.48%	
5	Ethiops-Intregrated Transport Program I	2100150036498	LOAN	7-Dec-16	30/01/2017	24-Jul-17	25,589,863	-	0.00%	
		2100155033672	GRANT	7-Dec-16	30/01/2017	25-Jul-17	41,677,836	4,527,923.49	10.86%	
	LOAN						150,729,863	77,347,282	51.32%	
	GRANT						43,307,836	578,386	0.00%	
	Sub-total						194,037,699	77,925,669	40.16%	
<b>PUBLIC UTILITY</b>										
6	Mekal-Dallol SA Power Trans. Project	200020000253	LOAN	14-Jul-16	1-Sep-16	00-00-00	73,810,000	1,035,162	1.40%	
7	A.A Power Transmission Imp.Project	2100150038493	LOAN	22-Nov-17	20-Dec-17	00-00-0000	61,410,000	-	0.00%	
		2100155036021	GRANT	22-Nov-17	20-Dec-17	00-00-0000	10,820,000	-	0.00%	
8	One WaSH	2100150031945	LOAN	8-Sep-14	28-Nov-14	1-Jul-15	60,000,000	43,491,088	72.49%	
		5800155001451	GRANT	8-Sep-14	28-Nov-14	1-Jul-15	6,810,000	3,041,376	44.66%	
	Supplimentary loan & Grant for One WaSH		2100150037344	LOAN	30-Mar-17	24-May-17	12-Sep-17	2,280,000	2,280,000	100.00%
			2100155034517	GRANT	30-Mar-17	24-May-17	12-Sep-17	1,840,000	1,840,000	100.00%
9	Four Town WSSP	2000130014882	LOAN	13-Jan-16	3-Feb-16	16-May-16	54,012,049	442,899	0.82%	
	LOAN						251,512,049	472,491,149	18.79%	
	GRANT						19,470,000	4,881,376	25.07%	
	Sub-total						270,982,049	521,30,524	19.24%	
<b>MULTI SECTOR</b>										
10	Institutional Support Project	2100155029867	GRANT	26-May-15	22-Jun-15	12-Oct-15	1,173,000	641,733	54.71%	
11	BSPF	2100155029867	Loan	17-Dec-16	3-Feb-16	15-May-16	180,000,000	180,000,000	100.00%	
12	ATI	2100150033952	Loan				4,970,000	4,970,000	100.00%	
	Sub total loan						184,970,000	184,970,000	100.00%	
	Sub total Grant						1,173,000	641,733	54.71%	
	Sub Total						186,143,000	185,611,733	99.71%	
	Total Country Allocations:-									
	LOAN						645,693,912	327,649,781	50.74%	
	GRANT						63,950,836	6,101,495	9.54%	
	TOTAL						709,644,748	333,109,543	46.94%	
<b>Multi-National Operations</b>										
13	Mombassa-Nairobi- Addis Ababa Road Corridor-Hawassa-Ageremariam Road Project ( Phase III)	2100150025545	LOAN	30-Nov-11	2-Feb-12	1-Apr-12	105,000,000	71,551,913	68.14%	
14	Ethio-Kenya Electric Highway project	21000150027844	LOAN	19-Sep-12	5-Dec-12	9-Oct-13	150,000,000	73,953,881	49.30%	
	TOTAL Multi National:									
	LOAN						255,000,000	145,505,794	57.06%	
	GRANT						-	-	0.00%	
	TOTAL						255,000,000	145,505,794	57.06%	
	GRAND TOTAL (National and Multinational) :-									
	LOAN						900,693,912	473,155,576	52.53%	
	GRANT						63,950,836	6,101,495	9.54%	
	TOTAL						964,644,748	479,257,070	49.68%	

PRIVATE SECTOR (2008-2018)

Ser. No.	Project/Study	Loan/Grant No.	Source	Approval Date	Date Signed	Effective Date	Cumulative Disbursements	Cumulative Disb. Ratio
1	Derba-MIDROC-Cement Factory	2000120001619	LOAN	16-Apr-08	23-Jun-08	23-Jun-08	55,000,000	100%
2	Ethiopian Air Lines	2000120003219	LOAN	23-Mar-11	16-May-11	17-May-11	38,670,764	100%
3	Ethiopian Air Lines	2000130017030 &2000130017032	LOAN	14-Dec-16	24-Jan-17	25-Jan-17	158,824,789	100%

**OTHER OPERATIONS(2018)**

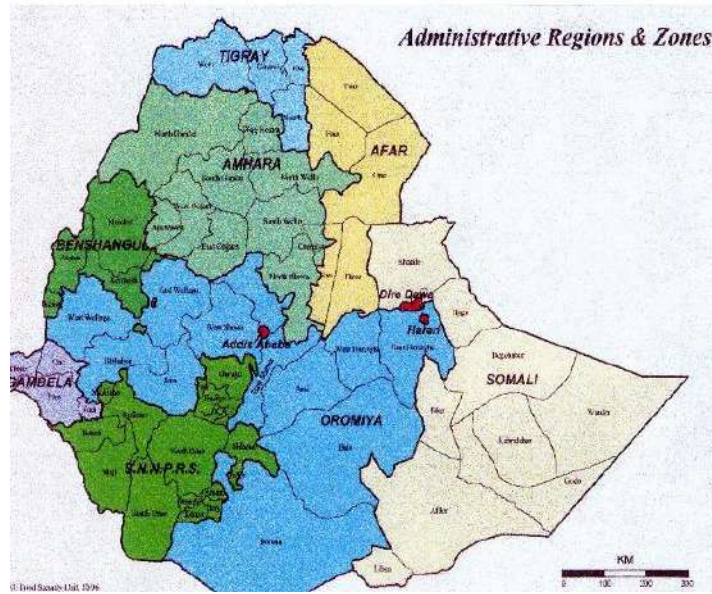
Ser. No.	Project/Study	Loan/Grant No.	Source	Approval Date	Date Signed	Effective Date	Cumulative Disbursements	Cumulative Disb. Ratio
1	Arba Mench Sanitation & VC Project	5600155004251	AWF	11-Jun-16	13-Jan-16	13-Jan-16	315,240	26.27%
NOTE:- Currency of the Grants is EUR								

## Appendix IV. Key related projects financed by other development partners in the country

ETHIOPIA: - IAIP DONOR Support Matrix								
	Donor	Funding	AIP infrastructure	Finance access farmers	Finance access SMEs	Supply chain	Employability	Overall Governance
1	Italy - only for Oromia and SNNPR	€22m loan	Infrastructure IPDCs					
		€30m loan	€15m grant for storage, equipment, rural connectivity, ICT	Insurance – Financial institutions: €0.85m		Inputs €1.25m + Gender specific: €1.5m + Nutrition specific: €1.5m + NRM €2m + FAO TA €4m	Training FTCs, TVET, support to model famers: €7.25m	UNIDO €2m grant
2	Finland	€10m		AgroBig in 8 woredas in Amhara				
3	Germany					Green Innovation Centre (GIC)	As part of support to mechanisation of GIC	
4	AGP 2	US \$800m				Training - Inputs and technologies to farmers and cooperative - 165 woredas		
5	ACC	US \$300m				ACC in 24 commodity-geographical areas across the 4 major producing regions		
6	WB associated with European Investment Bank (EIB)	US \$276m			SMEs Finance Project for Ethiopia (loan finance and leasing to SMEs – No specific rural finance.			
7	IFAD	US 248m		RUFIP 2 - ending 2019 with possibility of extension				

Source: PROSEAD, European Union 2018

## Appendix V. Map of the Federal Democratic Republic of Ethiopia



## **Appendix VI: Map of the Project Areas**

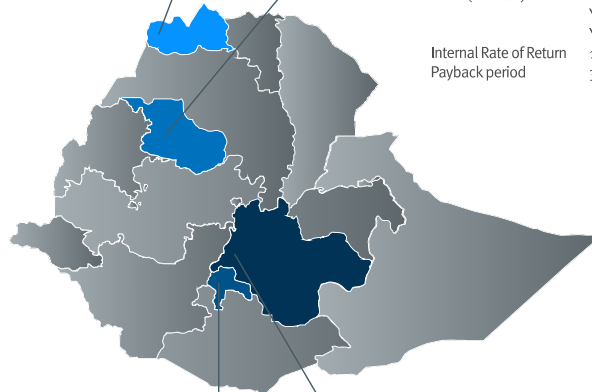
# INTEGRATED AGRO-INDUSTRIAL PARKS (IAIPs)

## TIGRAY - WESTERN TIGRAY (BAEKER IAIP)

<b>Crop and livestock</b>	Sorghum and sesame, fruits and vegetables, dairy, meat and other animal products.
<b>Total Area of IAIP</b>	150.92 Ha
Population	4.3 million
Grand total cost	US\$ 232.83
Initial Investment	US\$ 72.67 million
Investment over 4 years	US\$ 181.18 million
Profit (after tax)	Year 1: US\$ 122.48 million Year 2: US\$ 54.49 million Year 3: US\$ 6.04 million
Internal Rate of Return	17.09% (13 years of operation)
Payback period	3 years

## AMHARA - SOUTH WEST AMHARA (BURE IAIP)

<b>Crop and livestock</b>	Sorghum and sesame, fruits and vegetables, dairy, meat and other animal products.
<b>Total Area of IAIP</b>	154.99 Ha
Population	17.2 million
Grand total cost	US\$ 227.58
Initial Investment	US\$ 69.71 million
Investment over 4 years	US\$ 173.81 million
Profit (after tax)	Year 1: US\$ 84.7 million Year 2: US\$ 53.8 million Year 3: US\$ 5.9 million
Internal Rate of Return	18.23% (13 years operation period)
Payback period	3 years



## OROMIA - CENTRAL EASTERN OROMIA (BULBULA IAIP)

<b>Crop and livestock</b>	Wheat, barley, haricots bean, fava bean, tomato, potato, fruits and vegetables, dairy, meat and other animal products.
<b>Total Area of IAIP</b>	263 Ha
Population	27.16 million
Grand total cost	US\$ 233.12 million
Initial Investment	US\$ 72.1 million
Investment over 4 years	US\$ 69.71 million
Profit (after tax)	Year 1: US\$ 84.4 million Year 2: US\$ 53.9 million Year 3: US\$ 5.96 million
Internal Rate of Return	18.23% (13 years operation period)
Payback period	3 years

## SNNP - EASTERN SNNP (YIRGALEM IAIP)

<b>Crop and livestock</b>	Cereals, coffee, fruits and vegetables dairy, meat and other animal products.
<b>Total Area of IAIP</b>	108.80 Ha
Population	15.04 million
Grand total cost	US\$ 176.21
Initial Investment	US\$ 51.55 million
Investment over 4 years	US\$ 128.53 million
Profit (after tax)	Year 1: US\$ 61.42 million Year 2: US\$ 39.17 million Year 3: US\$ 4.53 million
Internal Rate of Return	17.03% (13 years of operation)
Payback period	3 years