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Quarterly Review of PROSEAD for Stakeholders and External Communication





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Investing in rural people

Ethiopian **ATI**
Agricultural Transformation Institute
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Quarterly Review of PROSEAD for Stakeholders and External Communication

Introduction

This quarterly review of developments under PROSEAD (distributed in May 2023) is intended to disseminate information among Government of Ethiopia (GOE) stakeholders and development partners (DPs) to identify (1) contributions by respective parties, (2) progress made towards overarching project impact objectives, (3) challenges and gaps in relation to targets, and (4) key issues related to future implementation on which stakeholders can focus for improved results. This is the first quarterly report which will serve as part of the quarterly updates and DP coordination meetings, and which will serve as part of the PROSEAD Steering Committee Meeting (SCM) information package along with other documents to facilitate informed decision-making, interventions and actions for increased project effectiveness.

The synthesis report structure follows the log frame matrix but includes identification of areas under individual components where other activities in other components are relevant and may have a beneficial effect on future activities. Therefore, the report is intended to not only elaborate on results, but to also look ahead to where respective GOE stakeholders and DPs can potentially collaborate and strengthen partnerships for improved results. Therefore, this report seeks to identify horizontal linkages in the matrix that can get us closer to overarching objectives and targets for desired impact, not just vertical patterns aligned with individual components.

UNIDO intends to post this report on its project web site to enhance information dissemination as part of its coordination role under PROSEAD Component 5. The document can then be used by DPs and others for additional reporting requirements.

High-level Impact and Results

The combined activities of the PROSEAD project are expected to contribute to **inclusive economic opportunities expanded through Ethiopia's transition from an agricultural economy to a more industrial one**. Based on results, agriculture and allied industries' share of 2021 GDP was 40% of total, compared with 38% in 2020¹. This represents an 8.6% year-on-year (y-o-y) increase in total contribution to GDP. However, the increase was based on primary agricultural output, as the USD figure for agro-processing declined by nearly \$300 million.

Inclusive economic opportunities have increased during the period from PROSEAD components supporting infrastructure capacity, access to finance, value chain support and linkages, and skills development and productivity. An estimated 140,000 jobs have been created by the full array

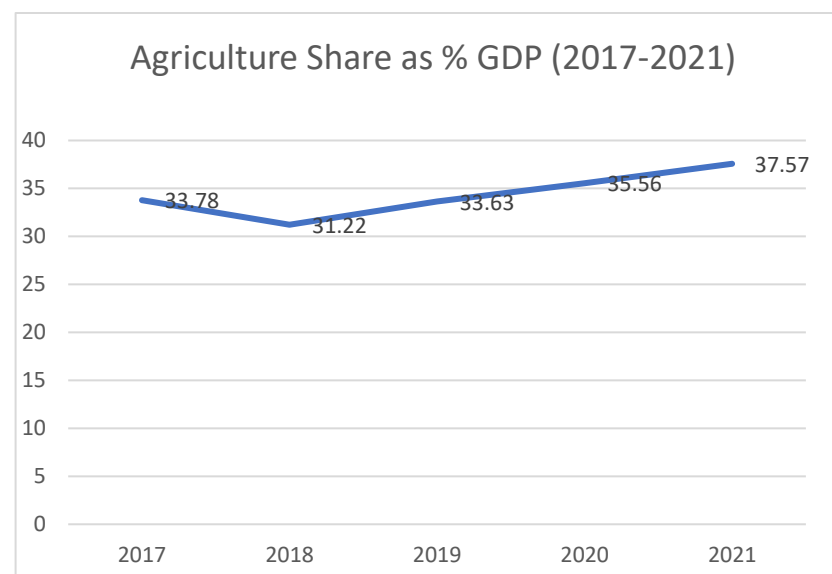
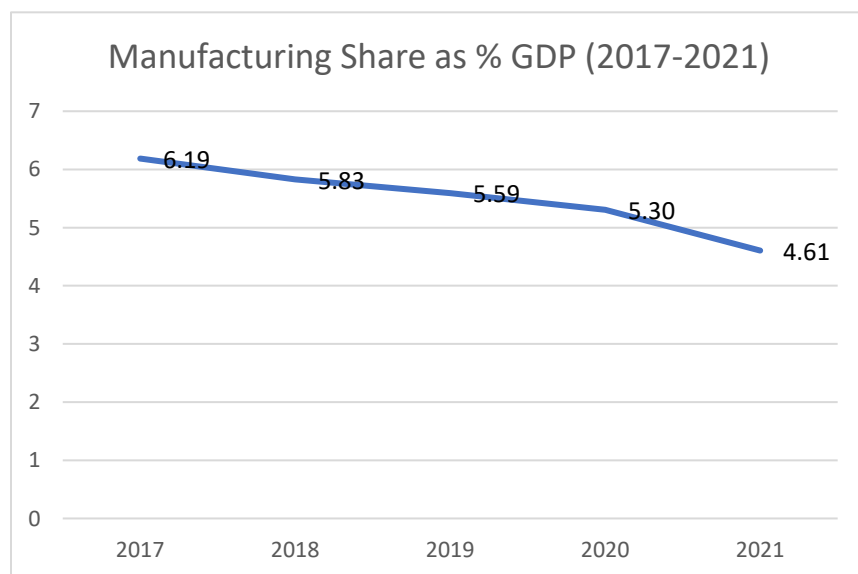
¹ The data are based on current US\$ figures for GDP and sector (agriculture and manufacturing) shares of GDP from the World Development Indicators (<https://databank.worldbank.org/source/world-development-indicators>). A 50% agro-processing share of manufacturing is applied based on estimates from the US International Trade Administration (<https://www.trade.gov/country-commercial-guides/ethiopia-agro-processing#:~:text=Agriculture%20is%20an%20engine%20of,its%20foreign%20currency%20from%20exports>).

of PROSEAD activities. Therefore, the pattern shows progress towards achievement of targets and with it, movement towards a more robust agro-industrial sector in the economy.

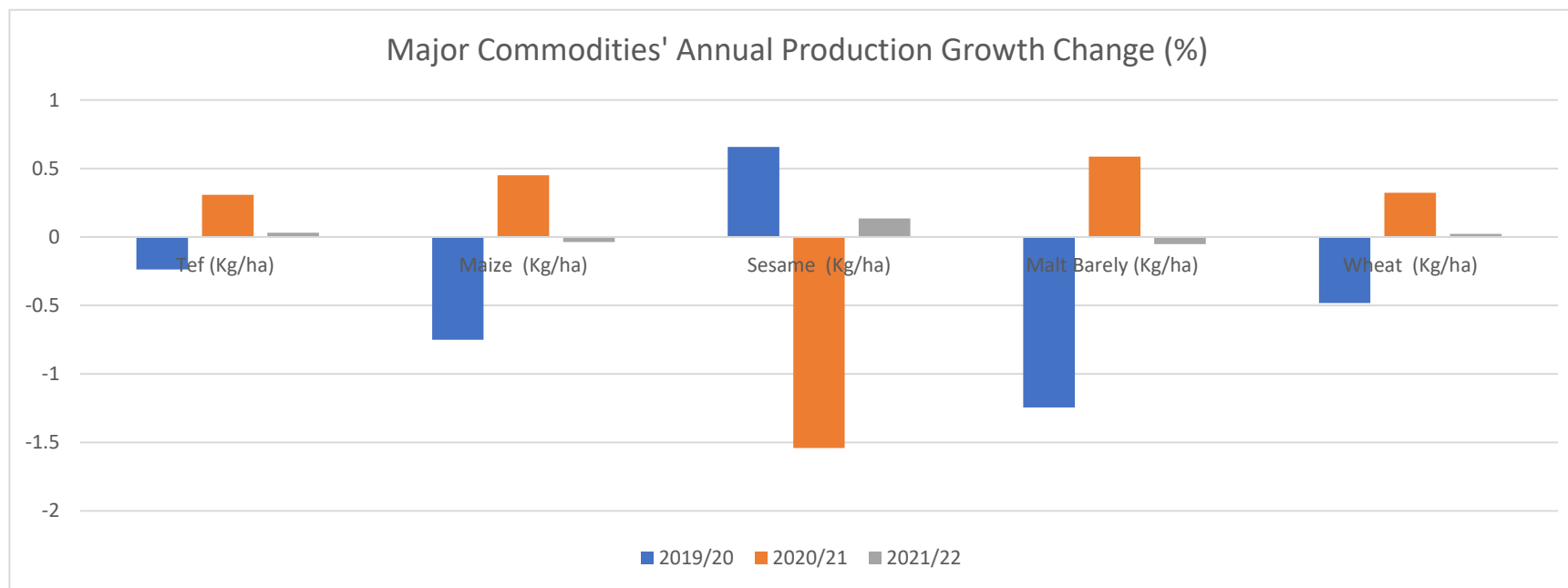
On the negative side, results also show significant gaps relative to targets, particularly in terms of the number of active investors in the integrated agro-industrial parks (IAIPs), indicating the need for intensified support and potentially new/additional initiatives for PROSEAD to achieve targets. Now that the economy is emerging from the impact of COVID-19 and entering a period in which domestic stability should enhance prospects for a better investment climate and business environment, a “strategic refresh” is encouraged to identify new requirements for accelerated progress.

Discussion of Indicators, Targets and Results

PROSEAD O1 focuses on agro-industrial growth as a percent of GDP, with targets and results measured against a 2015 baseline figure of 6.5%. PROSEAD targets for agriculture and allied industries were to contribute 8% to GDP by 2023, and for agro-processing alone to account for 6.7% of GDP by 2025. Based on the most recent available data, agro-processing contributed 2.3% of total 2021 GDP (in USD). The following graphic based on data from the World Development Indicators database indicates positive growth in primary agriculture production, but a declining trend in manufacturing (and agro-industrial) contribution to GDP. As noted above, growth rates only tell part of the story. In USD value, agro-processing declined by \$300 million, whereas agriculture increased \$3.5 billion. Therefore, the combined growth rate was nearly 9% y-o-y, a positive outcome. However, the agro-processing trend shows a modest decline while primary sector output (and services) increased their shares of total GDP.



PROSEAD O2 focuses on agricultural production of the targeted value chains by specific agro-industries. Targets and results are measured against 2017 baseline figures for national production. Targets are for 3% annual y-o-y growth in output. Results based on most recent data show that growth rates exceeded 3% targets in most products, and were at 3% for teff. However, output for wheat (2%) and maize (1%) lagged targets, which are very significant for the economy due to household consumption patterns, the impact that supply shortages have on pricing and inflation rates (household purchasing power), and in some cases the supply and quality of livestock feed. The graphic below shows very modest gains in 2021/2022 for major commodities.



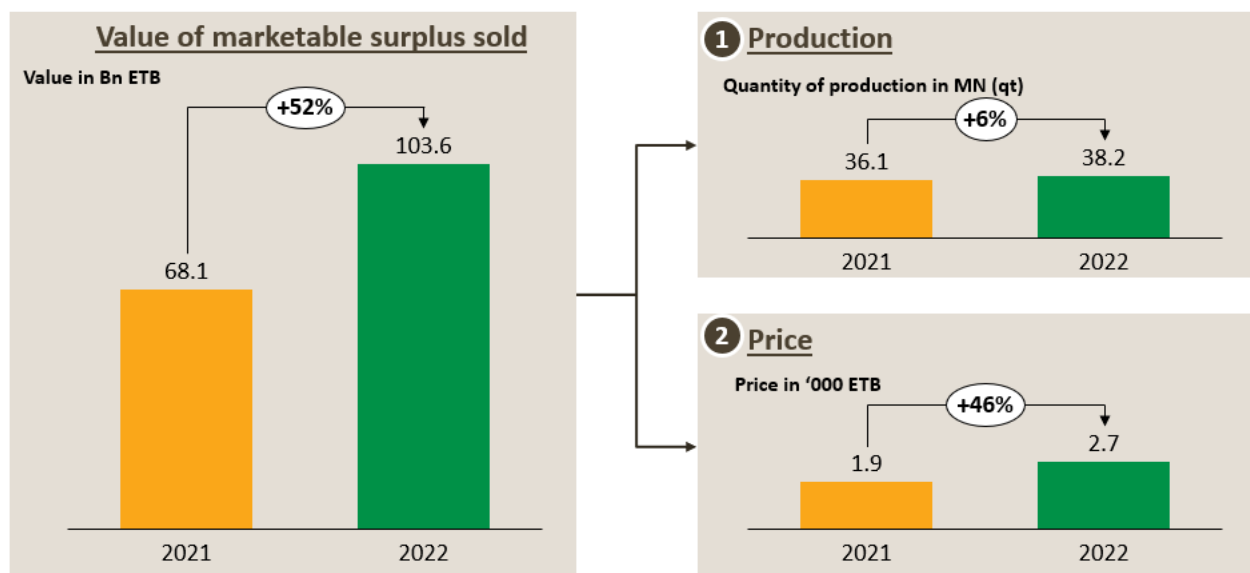
Source: ATI, MOA

On a more positive note, the graphic does not include soybean output which more than tripled in response to processing demand and direct outreach to farmers. According to ATI, soybean hectareage more than tripled, resulting in a major increase in supplies. Farmers responded to pricing incentives in 2021/2022 by increasing dedicated land for production from about 85,000 hectares in 2020/2021 to 260,000 hectares in 2021/2022. This resulted in a major (nearly threefold) increase in production to 700,000 metric tons of output. However, farmers' inability to collateralize their product led to a glut and corresponding reduction in market prices, triggering an expected decline in output in 2022/2023 production cycle due to low prices.

This volatility showcases the challenge of forecasting estimated demand at prices that are feasible for farmers. Absent pricing incentives and collateralized credit schemes, they will shift production to other crops/commodities. This is relevant in terms of general output patterns, as well as the desired shift to rising value-added. It also showcases the need for a more effective financial sector and warehouse financing system linked to market prices that are transparently reported. In the absence of adequate pricing incentives for producers, grading and certification systems, and warehouse facilities that protect against post-harvest loss, processors in IAIPs will not be able to access sufficient volume of raw materials to run their operations at high enough capacity utilization rates throughout the year for their operations to be profitable. In fact, this showcases another key challenge faced by agro-processors, which is access to vital raw materials to ensure they have adequate throughput for efficient manufacturing. Soybean is just one example of the need for better forecasting and planning, as well as efficiency through all stages of the value chain that include financial sector intermediation and services.

Despite these challenges, in local currency terms, commercialization results in the value chain are showing favorable trends. Production, prices and surplus were all favorable in 2022. The challenge will be sustainability and ensuring there is adequate scale, quality and product flow-through for value-added to increase towards targets.

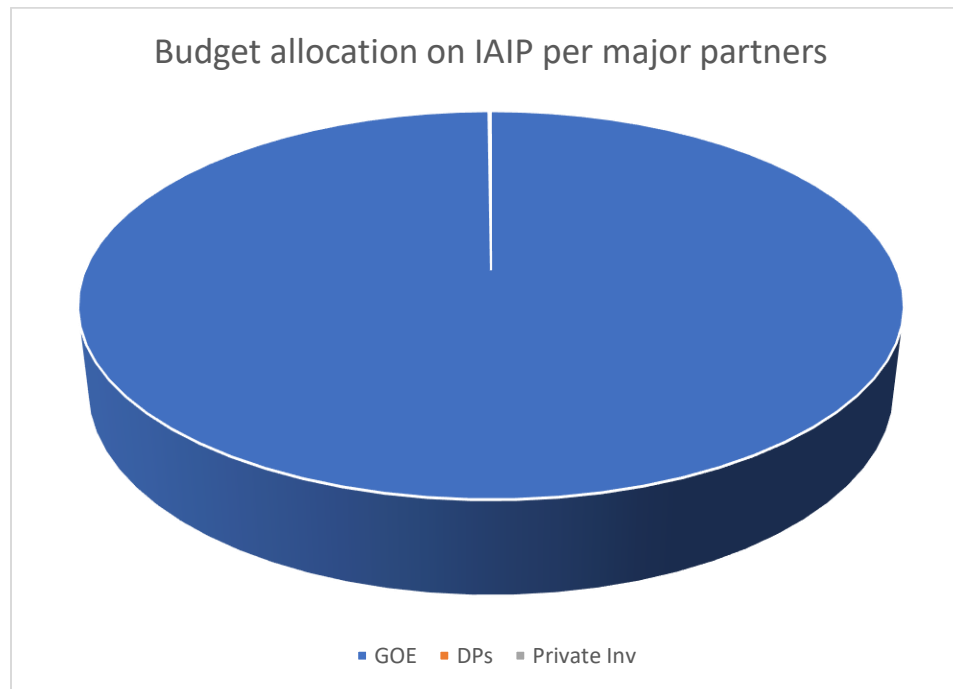
Increase in value of Marketable Surplus for ACC grain commodities



Source: ATI

More specific results to be achieved under the project are **decent employment and incomes increased for rural Ethiopians, particularly youth and women, in four environmentally sustainable agro-industrial parks and their agricultural production zones.**

PROSEAD SO1 focuses on Government, donor and private sector investments related to the four planned IAIPs and their contribution to agro-processing and value chain development. Results show that leveraged funds approximated 226% of 2017 levels as of October 2022², reflecting a significant gap relative to the target of 400% set for 2023. European Union investment in infrastructure under Component 1 represented the largest contribution among PROSEAD partners at Euro 9.4 million. However, there is a major gap in financing due to the limited private sector investment in the parks. This is the most crucial gap in PROSEAD implementation and will need to be corrected for PROSEAD to achieve objectives and targets.



² Numerator = USD 600 million for parks plus USD 400,000 (20 million ETB) in investment from private enterprises in parks plus USD 351,929 in donor financing. Denominator = baseline 2017 USD 266 million.

PROSEAD SO2 focuses on agriculture & allied industries employment in the regions, with a focus on gender (and youth). The target for this objective is focused on bringing down the 2015 unemployment rate from 4.1% to 3.5% in 2020, with a target of 3.2% for women. While results were disrupted by COVID and other factors, PROSEAD Components 2-4 helped to reduce the unemployment rate through the creation of nearly 140,000 jobs, of which 35% were estimated to be for female employees. However, this does not directly explain the impact on declining unemployment rates. In fact, other data sources based on modeled ILO estimates show total employment in agriculture for both males and females declined on a y-o-y basis from 2017-2019³. Therefore, it is unclear if the general unemployment rate declined as labor participation rates and other *current* labor market data are not available.

Component 1: Park Infrastructure and Capacity

The African Development Bank (AfDB) is the main development partner engaged in the support of park infrastructure development, with financing support from the EU. Additional involvement from UNIDO supports capacity enhancement and training for the Ministry of Industry, regional agro-industrial park management and allied sectors. AfDB works closely with the MOI on project implementation, and has agreements with the Ministry of Finance.

The key results to be achieved in Component 1 are that **agro-industrial parks infrastructure and operations are made socially valuable and environmentally compliant, and public infrastructure needs for intermediate processing are met**. Specific PROSEAD results show that major investment has been made in at least three of the four IAIPs, and that most infrastructure is established in these three operating parks. Remaining investments in sub-stations and waste management are expected to be completed within 18 months (by September 2024) at the three operating IAIPs, although limited access to foreign exchange represents a continued risk to import capacity needed for building and installation. More pessimistic scenarios forecast another two years will be needed to finalize all infrastructure investments (e.g., power lines for Bure, adequate and consistent supplies for Bulbula). This does not account for potential additional needs for the park in Tigray.

Compliance reports have been submitted, and 200 MOI and Industrial Park Development Corporation (IPDC) technical management teams have received training, including 40 of whom are female. Therefore, progress is being made in relation to the effort to ensure the parks are socially valuable, environmentally compliant and effective for intermediate processing. However, personnel turnover among IPDC management teams weakens the impact of training and capacity building efforts.

³ See World Development Indicators. <https://databank.worldbank.org/source/world-development-indicators>

| PROSEAD Component 1 Indicators, Targets and Results | | | | |
|---|--|---|--|--|
| Indicators | Baselines | Targets | Results | |
| O1.1 The relative value of government investment in social and environmental infrastructure | Updated related value by the AfDB mission (2018) NB estimated at US \$200m in 2015 for the 4 pilot AIP | PROSEAD public sector fund facility of €10 million for government to lever at least 400% (2023) | Cumulative GOE investment in IAIPs valued at > ETB 30 billion (≈ USD 600 million) of which ETB 1.9 billion (nearly USD 40 million) is in social and environmental infrastructure | |
| O1.2 Status of the report on assessment of compliance of infrastructures | None | Report is approved after compliance inspection | Reports on Environmental Sustainability are produced and submitted to the Bank on a quarterly basis | |
| O1.3 Number of IPDC technical management team members trained by this Action on Agro-Industrial operation (disaggregated by sex) | None | TBD | 200 MOI and IPDC and affiliated staff trained (20% female) | |

Key challenges and issues that remain include:

- Most infrastructure investment in the parks providing results show that Bure Potable Water Treatment is 75% complete, and Meki RTC Wastewater Treatment plant is 100% complete and awaiting testing and commissioning. However, the Yirgalem 200 m³ capacity Wastewater Treatment is only 20% complete. The procurement process is underway for additional infrastructure for Wastewater Treatment in Motta and Amanuel RTC in Amhara region, water supply in Meki RTC, and the water supply system in Yirgalem Park. Pre-construction preparation is in process (as of December 2022) in the three parks (Bure/Amhara, Bulbula/Oromia, Yirgalem/Sidama-SNNP) where industrial activity is already underway. However, works are still underway in the development of dedicated power sub-stations, effluent treatment and solid waste management.
- Results broadly show that Bure is 85% complete, Bulbula is 92% complete, and Yirgalem is 73% complete (as of December 2022). However, the additional time required to finish with remaining infrastructure investment may serve as a deterrent to investors to locate in the parks, further slowing progress towards high-level outcomes as well as:
 - Component 2 by reducing levels of demand for credit in support of greater agricultural output, although the biggest challenge in Component 2 is the lack of supply of loanable funds;
 - Component 3 by slowing backward-forward linkages for agricultural productivity growth and value chain development;
 - Component 4 by constraining demand for skilled labor and related job training.

- While training of MOI and IPDC personnel has been undertaken and benefited 200 people, turnover of RIPDC employees reduces the beneficial effects of such training and broader capacity-building activities.

Opportunities for collaboration with other development partners to address these issues and challenges include:

- Cooperation and synergy among AfDB/GIZ/KFW towards capacity building of TVET Colleges;
- Close Cooperation of MOI with EEP (Ethiopian Electric Power) to fast-track installation of dedicated power supply to the parks, especially Bure Park but also to ensure more regular supply in Bulbula Park.

Component 2: Access to Finance

The International Fund for Agricultural Development (IFAD) is the main development partner engaged in access to finance. It implements its flagship program, Rural Financial Intermediation Programme III, through the Development Bank of Ethiopia with the National Bank of Ethiopia, the Ethiopian Cooperative Commission, and Association of Ethiopian Microfinance Institutions (AEMFI) as key implementing partners.

The key results to be achieved in Component 2 are that **the capacity and financial resources of MFIs and LFIs to provide financial access to farmers, cooperatives, unions and SMEs operating in the value chains and in the IAIPs are increased**. Specific PROSEAD results are difficult to ascertain as IFAD's activities are nationwide, with PROSEAD included as one part of IFAD's overall effort. Results show that 7,377 farmers had been supported with financing by June 2022. Of these, more than 50% were female. Therefore, the project has succeeded in its proportion of support to females. Given that data are from nearly a year ago, the project has also succeeded in increasing numbers of beneficiaries.

Overall levels of farmers receiving finance products and services in the park catchment areas is only 1% of the 2017 baseline total of 714,000. This reflects a measurement challenge, as the IFAD program is nationwide while PROSEAD data only apply to the catchment areas of the four IAIPs. Therefore, in relation to the effort to increase access to finance by producers operating in the relevant value chains and in the IAIPs, results show nearly 7,400 producers have received financing from Component 2. Limited supplies of loanable funds, pricing disincentives (low prices received by farmers) for output, and weak value chain linkages into early 2023 have reduced the number of borrower participants in the IAIP catchment areas.

The need for a modern financial sector that includes stronger banks as well as non-bank financial institutions active in warehouse financing, lease and equipment financing, transportation, credit guarantees, factoring and other working capital financing as well as network expansion of collection centers with digitized links to Ethiopian Commodity Exchange (ECX) prices for transparency are all required for agro-industrial advancement. The biggest constraint facing PROSEAD performance is the shortage of investment in the parks, and challenges faced in accessing both foreign exchange and local currency working capital. Combined with unfinished infrastructure investment and other infrastructure needed for production in the parks and transport of raw materials to the parks (via collection centers and RTCs), financing remains the single greatest challenge for PROSEAD.

No data or results have been made available on O2.3 regarding loan portfolio performance.

| PROSEAD Component 2 Indicators, Targets and Results | | | |
|--|--|--|-------------------------|
| Indicators | Baselines | Targets | Results |
| O2.1 Increase N° of farmers households receiving finance products and services in the park catchment areas supported by the Project | At the RUFIP III formulation stage based on the Phase II assessed performance in the project area (2017: 714,000 clients nationwide) | To be assessed at the RUFIP III formulation stage 40% | 7,377 reached in IAIPs. |
| O2.2 Increase % of Females in the indicator above receiving products and services supported by the Project | As above (2017: 285,000 female clients, or 40%) | As above with ambition to reach 50% | Female: 3,743 |
| O2.3 Performance of MFIs and LFIs loan portfolio for economic operators operating in the value chain in the parks | At the AFD support formulation stage based on loan portfolio assessment | TBD | |

Key challenges and issues that remain include:

- Financing for firms in IAIPs is limited, particularly foreign exchange, which impedes capacity of investors in the parks to import needed machinery and equipment and potentially other assets. Such financial constraints offset the benefits of other incentives for firms to locate in the parks (e.g., duty-free imports, tax exclusions), which also means slower progress in relation to Component 3 value chain development and reduced demand for Component 4 skills development initiatives in labor markets.
- The limited presence of investors also means less demand from processors in the parks, which slows linkages with producers and makes it more challenging to achieve higher-level agricultural growth targets.
- Perversely, delayed activity in the parks means less opportunity to generate exports which would then help alleviate constraints on access to foreign exchange.
- Likewise, obstacles to value chain development serve to reduce activity, thereby reducing creditworthiness and demand for financing that can be sustained without heavy losses.

Opportunities for collaboration with other development partners to address these issues and challenges requires an increase in loanable funds.

Component 3: Agricultural Production and Value Chain Development

The Agricultural Transformation Institute (ATI) is the main development partner engaged in agricultural production support and value chain development. ATI works closely with and reports to the Ministry of Agriculture.

ATI's core focus is on Agricultural Commercialization Centers (ACC), with PROSEAD embedded as a small share of ATI's total activities. Therefore, as with IFAD, PROSEAD information is embedded as part of a larger nationwide effort.

The key results to be achieved in Component 3 are that **the capacities of farmers' associations and rural agribusiness to raise their productivity and facilitate their access to agro-processing markets are improved**. Specific PROSEAD results show that four ACCs and 4,402 Farmers' Production Clusters (FPCs) are supported in Bure and Yirgalem IAIPs, with average female participation of 12% in ACCs and 8.7% in FPCs. These are well below targets of 30% for female participation.

Farmers' increased production (and improved productivity) have enhanced the average incomes of participating farmers by 2.89% for male and 1.25% for female smallholder farmer (SHF) participants. Moreover, through increased marketable share of 53%, the SHFs were able to supply 644,080 Quintal of avocado and 270,000 Quintal of soybean to agro-processing companies operating inside Yirgalem and Bure IAIPs.

These results show progress towards PROSEAD objectives, although the gender differential on rising incomes is an area where PROSEAD will want to see improvement in the form of rising incomes for all producers, and with a narrowing or elimination of gender-based income improvement gaps. Likewise, PROSEAD will want to see an increase in the number of clusters as well as income and employment opportunities and gains for women and youth resulting from these cluster formations.

| PROSEAD Component 3 Indicators, Targets and Results | | | |
|---|--|--|---|
| Indicators | Baselines | Targets | Results |
| O3.1 Number of clusters supported entering into the agro-industrial value chains & levels of women/youth inclusiveness | Number of clusters supported =0 (2018) -Cluster inclusiveness for women & decision-making responsibilities <10% (2015) -number of contracts with regional research institutions = 0 (2017) | Number of clusters supported = 20 per region (2023) -Cluster inclusiveness >30% (2023) | 4 ACC and 4402 FPCs 12% women in ACC and 8.7% in FPC |
| O3.2 Average increase earning to farmer on value chains subject to a crop delivery contract, including gender disaggregation | TBD | TBD: at least 40 T&Ds per cluster per region with >35% females' and youth participation (2023) | 2.89%M 1.25% F |
| O3.3 Number of youth and women with secure tenure of land thanks to support from this Action | TBD | TBD: at least 40 T&Ds per cluster per region with >35% females and youth participation (2023) | Deprioritized indicator |

Key challenges and issues that remain include:

- Prevalence of smallholder and subsistence farming, which is relatively low in productivity and exacerbated by reduced rainfall, diminished soil quality, and limited mechanization. Most of these factors are outside the control of farmers or Component 3 stakeholders but remain influential factors that make the task more challenging.
- The limited presence of investors in the parks reduces demand for output from primary producers, which slows market access for producers and further delays achievement of high-level targets focused on increased agro-industrial value-added as a share of GDP.
- The need for better incentives (e.g., pricing, collateralized credit/warehouse financing schemes) to stimulate farmer output, and better forecasting of supply-demand from Government authorities and other large purchasers of commodities so that farmers can optimize planting decisions that boost incomes, sustainable employment and value creation in the agricultural sector.

- General improvement in the business environment to facilitate effective cluster formation and scale of production units for added efficiency in grains, cereals, horticulture and other product categories.

Opportunities for collaboration with other development partners to address these issues and challenges include building on current initiatives with AICS, KfW and GIZ, UNIDO and others that will focus on enhanced food safety (and therefore raw materials quality), labor productivity and skills development (to increase output and processing efficiency, with beneficial effects on value chain consolidation), and network development involving collection centres, RTCs and linkage to agro-industrial parks (to enhance the flow of quality output through RTCs to processors in the agro-industrial parks).

Component 4: TVET and Labor Market Skills Development

The German Development Cooperation Agency (GIZ) is the main development partner engaged in labor market skills development. GIZ works closely with the Ministry of Labor and Skills Development on its activities.

The key results to be achieved in Component 4 are **the skills of youth and women in the parks and their catchment areas are enhanced and decent employment conditions are improved**. Specific PROSEAD results show that Component 4 has been able to enroll 960 students in Cooperative Training Programmes (long-term training), 9,000 individuals in employment-related training (short-term training) and create four agro-industry-wide training centers. In the case of long-term training, 35%-45% have been female. While the 960 figure is lower than target, the number is expected to rise as activity increases in the parks and there is greater recognition of the need for comprehensive cooperative training. In the case of short-term training, the figure approximates 85% of target, and females account for 55% of beneficiaries. Meanwhile, the IAIP training centers include establishment of a digital laboratory, theoretical training room and conference room, with facilities already being utilized.

Other key contributions from GIZ activities include the preparation of materials, videos and radio campaigns associated with the decent work agenda targeted for IAIPs and the relevant catchment areas, and successful partnering with educational institutions to provide incubation, business and employment-relevant services. Six Vocational Guidance and Career Services (VGC) centers have been established and are operational. These will be fully sustainable once the draft manual has been endorsed by MOLS. Likewise, 928 individuals have benefitted from employment-related training and services, and 12 start-ups have been created.

GIZ is also coordinating closely with KfW to help with planning and delivery of relevant machinery, equipment and training modules associated with planned Centres of Excellence in agro-industrial parks, with potential linkages to TVETs in terms of training linkages. GIZ is also coordinating with AICS on the latter's food safety initiative (with UNIDO support) to ensure complementarity of design in the respective projects to strengthen the general agro-industrial ecosystem focused on productivity, efficiency, quality and output in support of enhanced food security and export revenue driven by a competitive agro-industrial sector.

Therefore, Component 4 has succeeded in increasing skills training for job seekers. However, a great deal more capacity is needed, which will become evident when investment in the parks increases and agro processors seek out needed human capital. The collaboration of GIZ with KfW is an example of how GIZ is supporting capacity enhancements to help facilitate investment into the parks.

| PROSEAD Component 4 Indicators, Targets and Results | | | |
|---|--|--|---|
| Indicators | Baselines | Targets | Results |
| O4.1 Two thirds of participating companies in/around the IAIPs agree 'to a large extent' or 'completely' that the labour market-relevant activities of the short- and long-term trainings have improved professional and personal skills of graduates/trainees | Two thirds of participating companies in/around the IAIPs agree 'to a large extent' or 'completely' that the short- and long-term trainings have improved professional and personal skills of trained individuals (0) (2019) | Two thirds of participating companies in/around the IAIPs agree 'to a large extent' or 'completely' that the short- and long-term trainings have improved professional and personal skills of trained individuals (20 companies) (06/2024) | 960 students enrolled in Cooperative Training Programmes (long-term training); 9,000 individuals benefitted from employment-related training (short-term training); 4 Agro-industry-wide training centers |
| O4.2 The result score of X managers and Y workers participated in decent- work-agenda trainings/events increased by X% | The result score of 50 managers and 200 workers participated in decent- work-agenda trainings/events increased by X% (Baseline: defined by pre-evaluation tests) | The result score of 50 managers and 200 workers participated in decent- work-agenda trainings/events increased by 20% (06/2024) | |

Key challenges and issues that remain include:

- Small number of operating companies in IAIPs, which reduces the number of skilled laborers from being attracted to additional Cooperative training activities.
- Lack of effect to date of agro-processing association(s)' promotion of IAIPs at large.
- Linkages between Technical and Vocational Education Training centers (TVETs) and IAIPs, and the need to increase the supply of skilled labor ready for employment with companies operating in the IAIPs, partly by adding capacity in TVETs and Agro-Industrial Technical Working Committees (A-IWTCs) to respond to demand-driven requirements of IAIP companies.
- Need for better coordination between TVETs and park management in the IAIPs to ensure more efficient operation of park infrastructure and support services (which could potentially be met with people trained by TVETs for specific requirements).

Opportunities for collaboration with other development partners to address these issues and challenges have been noted above in relation to KfW-funded Centers of Excellence in IAIPs and with AICS in relation to food safety initiatives.

Component 5: PROSEAD Governance and Coordination

The United Nations Industrial Development Organization (UNIDO) is the main development partner engaged in PROSEAD governance and coordination on behalf of the European Union, the latter of which has committed €3.3 million in funding to support PROSEAD governance and coordination.

UNIDO has a signed agreement with MOI, which is the lead implementing stakeholder for the project. Because of the widespread coordination tasks assigned to UNIDO, IAIP Governance also involves MOA, EIC, ECC, FTVET, EFDA, ESI, 4RIPDCs, 3RIC, 3RBOA, 3BoI, 3RECC and 3RTVET. Many of these are showcased in other components, such as ECC in Component 2, EFDA in Component 3, and TVETs in Component 4.

The key results to be achieved in Component 5 are **coordination of all IAIP stakeholders and governance of agro-industrial performance are made effective**. Specific PROSEAD results show that the IAIP governance framework has been established, and policy recommendations and related training in the PROSEAD coordination framework have been organized and delivered. The IAIP governance framework is up and running at federal and regional levels. Studies and policy recommendations have been produced and shared with stakeholders. A large number of GOE/MOI personnel, regional and local officials, park management, farmers, food processors, cooperatives and others working in relevant value chain areas have received targeted training. Therefore, progress has been made in relation to the effort to strengthen governance and improve coordination.

However, additional work is required to strengthen governance and information dissemination across federal and regional/local levels, among development partners, in conjunction with MOI and other Government stakeholders, and with the private sector. This report and other initiatives represent part of that effort. Plans by UNIDO to expand and add content to the IAIP web site (<https://iaip.gov.et/>) are likewise part of the effort.

| PROSEAD Component 5 Indicators, Targets and Results | | | | |
|---|--|----------|--|--|
| | Indicator | Baseline | Target | Results |
| O5.1 | Governance bodies are established (Steering committees, Technical Committees held on time and documented) | | 25 governance structure at the federal and regional level | 20 governance bodies established at federal and regional levels – 1 FSC, 3 RPSCs, 4 TCs, 12 TTFs |
| O5.2 | Cumulative number of new or revised policies. Strategies, procedures recommended to policy makers (IAIP Authorities) | | 4 policy recommendations on areas of (Investment incentive, trade policy-supply, food safety and quality, park management and operation) | Two strategy and procedures documents developed |
| O5.3 | Number of actors participating in enhanced collaboration settings (clusters, networks) | | 100 FCU, 50 firms, 20 institutions, 5 GB, 5GA Revised: 19GB and 5GA - IAIP governance structure participating institutions | 19 GOE and 5 PROSEAD partners actively participated in the IAIP governance platforms |
| O5.4 | Cumulative number of firms located in the IAIP with improved management practices | | 200 | 8 |

Key challenges and issues that remain include:

- Working with Government and other stakeholders to find solutions to the foreign exchange access and financing challenges described in Components 2 and 3 to accelerate investment into the parks and subsequent boost in productivity and value chain development (Component 3).

- Taking a more strategic approach to PROSEAD now that Ethiopia is moving past the adverse and disruptive effects of COVID and internal conflict.
- Being more commercialized and private sector-oriented in focus as a means of attracting investment into the parks (to serve as major sources of demand for producers and value chain linkages), and more broadly strengthening linkages between the parks with TVETs, financial institutions, Rural Transformation Centers (RTCs), agricultural producers (e.g., cooperatives, associations) and the private sector.
- Continuing to fine-tune infrastructure and related investments to further reduce barriers to investment and trade, both domestically and for export, such as enhancing product quality (e.g., tracing, certification) along with volume.

Opportunities to strengthen governance and collaboration with stakeholders and development partners to address these issues and challenges include:

- Conducting a “strategic refresh” with MOI and other GOE stakeholders, development partners and regional/local partners and financial institutions to identify gaps and more coherent coordination of interventions with specified time lines and budgets. (A value-chain template has been distributed to ascertain potential initiatives and needs.)
- Increasing more regular information flows through quarterly updates based on targets and results and how these relate to higher-level impact and economic outcomes to support GDP and employment growth, sustainable development, and agro-industrialization as a driver of value-added in a rapidly increasing economy with steadily improving macro and social indicators (e.g., GDP growth, lower inflation, rising incomes without rising GINI coefficients, stable debt management ratios, rising fiscal contributions to GDP, increased trade and investment, rising employment and productivity indicators, gender equality indicators).



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