

**Independent Terminal Evaluation
of the Programme for Country Partnership
in Ethiopia
(2015-2019)**



Independent Evaluation Division
Office of Evaluation and Internal Oversight

Independent Terminal Evaluation
of the
Programme for Country Partnership in Ethiopia
(2015-2019)



UNITED NATIONS
INDUSTRIAL DEVELOPMENT ORGANIZATION

Vienna, 2020

The designations employed and the presentation of the material in this document do not imply the expression of any opinion whatsoever on the part of the Secretariat of the United Nations Industrial Development Organization (UNIDO) concerning the legal status of any country, territory, city or area or of its authorities, or concerning the delimitation of its frontiers or boundaries.

Mention of company names and commercial products does not imply the endorsement of UNIDO.

The views and opinions of the team do not necessarily reflect the views of the Governments and of UNIDO.

This document has not been formally edited.

Distr. GENERAL | ODG/EIO/IED/19/R.16 | March 2020 | Original: English

Table of contents

Acronyms and Abbreviations	6
Glossary of evaluation-related terms.....	9
Executive Summary	10
1. Introduction.....	15
2. Evaluation objectives, methodology and process.....	16
3. Country and PCP background.....	21
3.1 Country context.....	21
3.2 ODA and the United Nations	25
3.3 UNIDO and the PCP Ethiopia	26
4. Evaluation Findings.....	30
4.1 Relevance of the PCP for Ethiopian development needs and UNDAF	30
4.2 Relevance of the PCP Ethiopia for inclusive and sustainable industrial development (ISID).....	32
4.3 Effectiveness in achieving outcomes.....	34
4.4 Likelihood of impact and sustainability of PCP Ethiopia	42
4.5 PCP Ethiopia as alternative approach for UNIDO cooperation at country level	44
4.5.1 Ownership by the Government.....	44
4.5.2 Multi-stakeholder partnership, synergies and coordination	45
4.5.3 Facilitation of large-scale public & private investment (“parallel funding”).....	48
4.5.4 Focus on priority sectors	52
4.6 UNIDO’s role in and contribution to PCP in Ethiopia	55
4.6.1 UNIDO’s primary role in the PCP Ethiopia and its comparative advantage.....	55
4.6.2 UNIDO, PCP and the UN system.....	59
4.6.3 UNIDO’s implementation management strengths and weaknesses for a PCP approach....	60
4.6.4 Monitoring, reporting and evaluation.....	62
4.6.5 Recommendations from the Independent Mid-term Evaluation (2017)	65
5. Conclusions, recommendations and lessons learned	66
5.1 Conclusions.....	66
5.2 Recommendations	68
5.3 Lessons learned	70

Annex A: PCP Ethiopia Factsheet	72
Annex B: Location and key information on integrated agro-industrial parks (IAIPs).....	73
Annex C: Portfolio analysis of UNIDO TC projects in PCP Ethiopia	74
Annex D: Review of implementation of recommendations from the independent mid-term evaluation (2017) within PCP Ethiopia	78
Annex E: PCP theory of change	80
Annex F: Evaluation Framework	92
Annex G: Stakeholder mapping.....	96
Annex H: Country map and project sites.....	97
Annex I: List of persons met	98
Annex J: List of documents.....	101
Annex K: Evaluation terms of reference	104

Acknowledgements

The evaluation team acknowledges and highly values the support provided by all stakeholders, who contributed to this evaluation with their time and inputs.

The evaluation team would like to particularly thank the staff from the UNIDO Regional Office in Ethiopia and expresses high appreciation to colleagues in the UNIDO Independent Evaluation Division, in particular to Michaela Berndt, Senior Evaluation Assistant and Francesco Cuda, Evaluation Analyst, who provided substantial support to this evaluation.

Mr. Urs Zollinger, International Evaluation Consultant (Team Leader)

Mr. Johannes Dobinger, Chief, Independent Evaluation Division (EIO/IED) UNIDO (Team Member)

Mr. Ermias Assefa, National Evaluation Consultant (Team Member)

Acronyms and Abbreviations

ACPZ	Agro-commodity programme zones
AfCFTA	African Continental Free Trade Area
AfDB	African Development Bank
AICS	Italian Agency for Development Cooperation
AIGC	Agro-industrial Growth Corridor
APEC-TF	Agricultural Productivity Enhancement Taskforce
ATA	Agriculture Transformation Agency
bn	billion
CCA	Common Country Assessment
CP	UNIDO Country Programme
CTA	Coffee Training Authority (Ethiopia)
CTA	Chief Technical Adviser
DAC	Development Assistance Committee (OECD)
DaO	Delivering as One UN system
DBE	Development Bank of Ethiopia
DFIs	Development financial institutions
DFID	Department for International Development
ECF	Extended Credit Facility
ECTA	Ethiopian Coffee and Tea Authority
EFCCC	Environment, Forestry and Climate Change Commission
EFF	Extended Fund Facility
EIB	European Investment Bank
EIC	Ethiopian Investment Commission
EIFCCOS	Ethio-International Footwear Cluster Cooperative Society
EIO	Office of Evaluation and Internal Oversight (UNIDO)
EISA	Environmental Impact Statement Assessment
ELIA	Ethiopian Leather Industry Association
ETH	Ethiopia
ETIDI	Ethiopian Textile Industry Development Institute
EU	European Union
FAO	Food and Agriculture Organization
FeSMMIPA	Federal Small and Medium Manufacturing Industries Development Agency
FDI	Foreign Direct Investment

GC	General Conference
GDP	Gross Domestic Product
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit
GTP	Growth and Transformation Plan
ha	hectare
HQ	Headquarters
IAIP	Integrated Agro-Industrial Park
IED	Independent Evaluation Division (UNIDO)
IMC	Inter-Ministerial Coordination Committee
IMF	International Monetary Fund
IPDC	Industrial Park Development Corporation
IRPF	Integrated results and performance framework
ISID	Inclusive and Sustainable Industrial Development
I-TF	Investment Taskforce
ITC	International Trade Centre
JICA	Japan International Cooperation Agency
JPO	Junior Professional Officer
JSC	Joint Steering Committee
KOICA	Korea International Cooperation Agency
KPI	Key Performance Indicator
LDCs	Least developed countries
LIDI	Ethiopian Leather Development Institute
LISEC	Leather Initiative for Sustainable Employment Creation
m	million
MoA	Ministry of Agriculture
MoEFCC	Ministry of Environment, Forest, and Climate Change
MoF	Ministry of Finance
MoIT	Ministry of Innovation and Technology
MoSE	Ministry of Science and Education
MoTI	Ministry of Trade and Industry
MoU	Memorandum of Understanding
MTE	Mid-term evaluation
M-TF	Manufacturing Sector (Agro-Processing, Textile & Leather) Taskforce
MVA	Manufacturing value added
OECD	Organisation for Economic Cooperation and Development

ODA	Official Development Assistance
OFID	OPEC Fund for International Development
OPEC	Organization of the Petroleum Exporting Countries
PCP	Programme for Country Partnership
PCP-S	Programme for Country Partnership Secretariat
PROSEAD	Promotion of Sustainable Ethiopian Agro-industrial Development
PSD	Private sector development
PTF	Multilateral Facilities
RIPDC	Regional Industrial Park Development Corporation
RMPM TF	Resource Mobilization and partnership Management Taskforce
RTC	Rural Transformation Centre
SDGs	Sustainable Development Goals
SIDA	Swedish International Development Cooperation Agency
SME	Small and Medium Enterprise
SNNPR	Southern Nations Nationalities and Peoples' Regional State
TC	Technical Cooperation
TE	Terminal evaluation
T&G	Textile and garment
ToR	Terms of Reference
TVET	Technical Vocational Education and Training
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
UNDAF	United Nations Development Assistance Framework
UNDG	United Nations Development Group
UNDP	United Nations Development Programme
UNIDO	United Nations Industrial Development Organization
UNOCHA	United Nations Office for the Coordination of Humanitarian Affairs
UNSDCF	United Nations Sustainable Development Cooperation Framework
UNOPS	United Nations Office for Project Services
UR	UNIDO Representative
USAID	United States Agency for International Development
USD	United States Dollars
WB	World Bank

Glossary of evaluation-related terms

Term	Definition
Baseline	The situation, prior to an intervention, against which progress can be assessed.
Effect	Intended or unintended change due directly or indirectly to an intervention.
Effectiveness	The extent to which the development intervention's objectives were achieved, or are expected to be achieved.
Efficiency	A measure of how economically resources/inputs (funds, expertise, time, etc.) are converted to results.
Impact	Positive and negative, intended and non-intended, directly and indirectly, long term effects produced by a development intervention.
Indicator	Quantitative or qualitative factors that provide a means to measure the changes caused by an intervention.
Lessons learned	Generalizations based on evaluation experiences that abstract from the specific circumstances to broader situations.
Logframe (logical framework approach)	Management tool used to facilitate the planning, implementation and evaluation of an intervention. It involves identifying strategic elements (activities, outputs, outcome, impact) and their causal relationships, indicators, and assumptions that may affect success or failure. Based on RBM (results based management) principles.
Outcome	The likely or achieved (short-term and/or medium-term) effects of an intervention's outputs.
Outputs	The products, capital goods and services which result from an intervention; may also include changes resulting from the intervention which are relevant to the achievement of outcomes.
Relevance	The extent to which the objectives of an intervention are consistent with beneficiaries' requirements, country needs, global priorities and partners' and donor's policies.
Risks	Factors, normally outside the scope of an intervention, which may affect the achievement of an intervention's objectives.
Sustainability	The continuation of benefits from an intervention, after the development assistance has been completed.
Target groups	The specific individuals or organizations for whose benefit an intervention is undertaken.

Executive Summary

The main objectives of the independent evaluation of the Programme for Country Partnership (PCP) in Ethiopia (2015 to 2019) was to assess (a) the relevance and the results of the PCP in Ethiopia, (b) the PCP in Ethiopia as an alternative approach for UNIDO cooperation at the country level, and (c) UNIDO's role in and contribution to the PCP in Ethiopia. The evaluation is expected to inform stakeholders and UNIDO to enhance the performance of the PCP in Ethiopia and - since it is the first terminal evaluation of a PCP (1st phase) – to provide lessons learned for other countries implementing PCPs.

The UNIDO PCP framework is an innovative multi-stakeholder partnership model to promote inclusive and sustainable industrial development that was first launched by UNIDO in Ethiopia and Senegal in 2015. The PCP supports Member States in achieving their industrial development goals through four key features: (i) host government ownership, (ii) focus on selected priority sectors or areas, (iii) a multi-stakeholder partnership and (iv) facilitation of large-scale public and private investment and finance.

A main feature of the PCP Ethiopia is the significance of the agro-processing sector. The total funds committed to the agro-processing sector (USD 1,278bn) constitute 97% of the total financial PCP volume. However, the other two priority sectors – leather and textile - were also taken into account. Within the agro-processing sector, the Integrated Agro-Industrial Parks (IAIPs) and the Rural Transformation Centres (RTCs) absorb the lion share of the financial volume. The agro-industrial parks therefore received particular attention and constitute the main case study and key source of evidence for this evaluation.

Mixed methods were used for the data collection with an emphasis on qualitative data collection, including interviews, focus group meetings, stakeholder discussions and onsite observations. The evaluation included a ten day evaluation mission to Ethiopia, i.e. Addis Ababa, Hawassa, Yirgalem (IAIP) and Dilla (RTC). Data collection was complemented with a portfolio analysis of the UNIDO project portfolio in Ethiopia, with a selected review of over 500 documents made available to the evaluation team, and a visit to UNIDO headquarters.

Main findings

A. Assessment of results

Relevance of the PCP for Ethiopian development needs and UNDAF: The PCP is in line with Government priorities and the UNDAF. The three priority sectors of the PCP - agro-processing, leather and leather products as well as textiles and garment – constitute an important part of the Ethiopian economy and are therefore relevant for the development needs of Ethiopia in terms of job and income creation. Of the three sectors, the agro-based sector is by far the most important for Ethiopia.

Relevance of the PCP Ethiopia for inclusive and sustainable industrial development (ISID): The PCP, its flagship projects and the UNIDO TC projects adhere strongly to the principles of inclusive and sustainable industrial development (ISID). The agro-industrial parks have a particularly strong inclusiveness dimension, as they are designed to not only generate thousands of jobs in rural areas for young inhabitants and in particular young women, but also to link the agro-industry with tens of thousands of small-holder farmers. The four pilot parks have also passed the Environmental Impact Statement Assessment (EISA). To what extent future investments by private companies will be guided by the ISID principles can't be assessed at this point.

Effectiveness in achieving outcomes: The PCP achieved good interim results in the agro-processing sector in particular with regard to the flagship project. The construction of the four agro-industrial parks in different regions of the country is advancing, although significantly delayed. Results achieved in the leather sector are smaller and of the scale of traditional UNIDO TC projects. The Modjo Leather City project is delayed by several years. A breakthrough was the very recent official financing request from the Ministry of Finance to the European Investment Bank for supporting the Mojo Leather City project for up to Euro 100m. Results achieved in the textile and garment sector within the PCP are comparably small focussing on capacity building and policy advice. The UNIDO TC projects achieved results in several areas also outside the three PCP priority sectors.

Likelihood of impact and sustainability of PCP Ethiopia: The impact of the PCP in the agro-processing sector can potentially be significant. Based on current progress and efforts of all stakeholders, impact and sustainability of results of the agro-industrial parks are moderately likely. The large -scale impact promised by the PCP approach in the leather sector appears more likely after the official financing request from the Ministry of Finance to the European Investment Bank for the Modjo Leather City project. The impact of the PCP on the textile sector will be modest, given the current level of activities and investment within the PCP.

B) Assessment of the “PCP features” and UNIDO’s role in PCP Ethiopia

Ownership by the Government: Government ownership of the PCP Ethiopia is very strong, demonstrated by the significant financial commitments to the PCP priorities. The high -level inter-ministerial coordination mechanism is highly appreciated by stakeholders creating ownership across several ministries.

Multi-stakeholder partnership, synergies and coordination: The PCP successfully established the envisaged multi-stakeholder partnership. It significantly strengthened the partnership and coordination among different ministries. The partnership between the Government and development partners works at the level of the PCP task forces as well as at the level of the PCP flagship projects, the agro-industrial parks and to some extent the Modjo Leather City project. Partnership with the private sector is weak until now. Sustainability of partnerships relies on a - consciously - narrow number of partners.

Facilitation of large-scale public & private investment (“parallel funding”): The PCP has been very successful in facilitating parallel funding from the Government of Ethiopia and from development partners for the agro-processing sector. Parallel funding from development partners for the leather and textile sector is - within the PCP - very small until now, although the European Investment Bank very recently received an official financing request from the Ministry of Finance for the Modjo Leather City project. So far the PCP has not been successful in facilitating significant private sector investment. The lack of private sector investment is primarily due to the fact that the agro-industrial parks are still under construction. External factors such as limited access to finance also play an important role.

Focus on priority sectors: The PCP Ethiopia has – until now - a very strong focus on the agro-processing sector. In fact, the significance of the agro-processing sector is one of the striking features of the PCP Ethiopia. For development partners the PCP is largely synonymous with agro-industrial parks. The leather sector has the potential to become a second priority sector. The textile sector is marginal within the PCP.

UNIDO’s primary role in the PCP Ethiopia and its comparative advantage: UNIDO’s primary role in the PCP Ethiopia is that of a facilitator of coordination and convener of stakeholders as well as a provider of technical expertise. UNIDO is recognized as a knowledgeable actor and UNIDO staff is attested that they know their subject. UNIDO technical competence is also acknowledged because of its long presence and engagement in Ethiopia. UNIDO also plays a role as policy advisor. There is an increasing demand for UNIDO to facilitate private investment, both domestic and foreign.

UNIDO, PCP and the UN system: The strategic cooperation between the Government and UNIDO within the PCP contributed to industrial development becoming a UN strategic priority within the many development challenges faced by Ethiopia. Cooperation within the UN system has taken place with some agencies and can be further developed.

UNIDO's implementation management strengths and weaknesses for a PCP approach: UNIDO's capacity to manage the PCP was strengthened by transferring the responsibility for the PCP management from UNIDO headquarters to the UNIDO field office in Addis Ababa. The continued dominance of "individual projects" as core management vehicle at UNIDO makes internal coordination multi-layered and rather cumbersome. The evaluation team found different interpretations of the PCP concept ranging from "platform" for multi-stakeholder partnership & coordination to development "programme" with objectives, targets, KPIs, budget etc.

Monitoring, reporting and evaluation: While stakeholders are generally satisfied with the monitoring and reporting (M&R) activities, the M&R is not done in a systematic manner and only partially reporting on indicators and targets as established at the outset. The result is an overly positivistic reporting focussing on achievements while largely underreporting on missed targets. A key challenge is the reporting on overall PCP funded activities for which UNIDO cannot be accountable. This reflects a broader challenge of the PCP being kind-of two-in-one, a Government owned programme with a strong focus on a few very large flagship projects and a UNIDO country portfolio with comparatively small TC projects.

Recommendations from the Independent Mid-term Evaluation of UNIDO's Programme for Country Partnership (2017): Within the PCP Ethiopia, the recommendations from the independent mid-term evaluation related to leadership, resource mobilisation and implementation support have been largely implemented. Partially implemented is the recommendation to UNIDO Member States to support financially the PCP trust fund. Not implemented are the two recommendations related to systematic monitoring and private sector involvement.

Main conclusions

The PCP Ethiopia is a highly relevant, potentially high impact, ambitious agro-industrial development programme: With 97% of financial resources allocated to agro-industrialisation, the PCP Ethiopia is – until now – fundamentally an agro-industrial development programme. At its heart are the agro-industrial parks. The integrated agro-industrial parks, together with the rural transformation centres (RTCs) have the potential to transform the entire agro-based economy in the country and to create tens - if not hundreds of thousands of jobs in rural areas while at the same time transforming the small-holder farming in the country by linking them to the agro-industrial parks through the rural transformation centres. The allocation of financial resources by the Government to the development of the agro-industrial parks is impressive (over USD 500m) and clearly shows very strong national ownership and commitment. The fact that the EU led multi-donor coalition with the European Investment Bank, the African Development Bank and others is supporting the PCP Government's efforts to speed up Ethiopia's transformation through an agro-industrial strategy linking agricultural modernisation with industrial development is a major achievement which enhances the potential success of this PCP significantly.

Challenges: In order for the PCP Ethiopia and in particular the agro-industrial parks to succeed the following challenges must be addressed. First, the construction of the four agro-industrial parks and the associated set of rural transformation centres has yet to be completed. Key challenges are, among others, the full electrification and the construction of waste water treatment plants. It should be possible to address those issues. But it will take time. Second, the public investment-driven growth model has limits and the ratio between GDP and government debt will put a limit to the

expansion of public investment. As envisaged in the Ethiopian Home-grown Economic Reform Plan, future growth should be led by the private sector. Reaching out to the private sector must therefore be a priority and it must be accelerated. Third, it is essential to realize that the success of the agro-industrial strategy also depends on external factors beyond what can be addressed within the PCP, in particular efforts increased small holder farming productivity. Fourth, the other priority sectors of the PCP, leather and textile, also offer good potential for inclusive and sustainable industrial development in Ethiopia. But unless good potential for more funding from Government, development partners and private sector emerge, chances are small that progress will be made in that direction. Fifth, the theory of change (ToC) of the PCP Ethiopia needs to be further refined. It appears that the general PCP ToC of 2017 underestimated the complexity of the PCP approach.

PCP and UNIDO: UNIDO plays a very important role within the PCP Ethiopia in support of coordination, resource mobilisation and provider of technical expertise. While the UNIDO TC portfolio constitutes less than 4% of the total financial volume of the PCP, UNIDO contributes to a programme of unparalleled scale in the history of UNIDO. The PCP Ethiopia shows that the PCP is a very interesting alternative approach for UNIDO cooperation at country level. Though UNIDO plays an important role, the PCP is not to be confused with a UNIDO country programme. 96% of the budget of the PCP Ethiopia is controlled by the Government or development partners. This means there is a shared accountability for achieving results and sustainable impact and therefore a shared responsibility for monitoring and reporting. While in the first phase of the PCP UNIDO played a key role as a driver and promoter of the PCP, in the medium to long term this role is supposed to be played more and more by the Government at the next level of PCP maturity. UNIDO needs to coordinate with the Government on the roadmap for this transition to happen.

Recommendations

Recommendation 1: The PCP Ethiopia should be extended by a **second five-year phase** (2020-2024). Activities are in the middle of being implemented and it would be way too early to end the PCP. Major challenges faced by the agro-industrialisation require continued support of all partners.

Recommendation 2: The PCP Ethiopia should focus on the implementation of the **flagship projects**, the agro-industrial parks and the Modjo Leather City project. Both flagship projects still face significant challenges that must be overcome in order to achieve the objectives. Investment in the supply side of the agro-industrial parks should also be a priority.

The textile sector should be maintained as a potential target sector instead of a priority sector.

Recommendation 3: More attention should be given to the **private sector**, in particular with regard to the agro-industrial parks and private investment for building production facilities, considering (a) developing mitigation strategies to overcome obstacles and challenges for private companies to invest, (b) supporting regional governments in managing the agro-industrial parks, (c) ensuring that the investment forums generate investment, (d) organizing more targeted and focused investment forums at the regional level and around major crops, and (e) fully involving the Ethiopian Investment Commission in the organization of the investment forums.

Recommendation 4: While the PCP is already strongly owned by the government, the **PCP operational coordination**, currently with UNIDO, should over time be transferred to the Government in order to ensure longer term sustainability. This includes the responsibilities of monitoring, reporting as well as coordination of PCP task forces and meetings, etc. This transition should be planned and initiated now. UNIDO should always continue with its supporting role as convener, provider of technical expertise, policy advisor and facilitator of fundraising by Government.

Recommendation 5: Develop a **monitoring and reporting system**, which clearly distinguishes between the Government owned PCP (Government accountability) and the PCP related UNIDO TC portfolio (UNIDO accountability). The monitoring and reporting system should clearly define how the two sets of activities are systematically monitored, by whom and when. UNIDO HQ should provide guidance and tools for a PCP monitoring and reporting system, to allow further aggregation at UNIDO corporate level as part of the IRPF system.

Recommendation 6: The **theory of change** of the PCP Ethiopia needs to be further refined to include additional assumptions, drivers of change and adjust the levels of intermediate change and main outcomes, thereby building on the preliminary revised theory of change for the PCP Ethiopia suggested by this evaluation team in Annex E (part II).

Recommendation 7: Further strengthen the role of the **PCP Programme Manager** in Ethiopia and make UNIDO project managers (based at headquarters and project field staff) who are responsible for PCP projects, to be directly co-reporting and accountable to the PCP Programme Manager.

Recommendation 8: In the next phase of the PCP, develop guidelines for private companies investing in agro-industrial parks on **ISID principles**.

Main lesson learned

Potential: PCPs can be very large involving hundreds of millions of USD. The potential benefits of PCPs in creating tens of thousands of jobs and income opportunities go far beyond the scope of traditional UNIDO country programmes. PCPs have the potential to accelerate inclusive and sustainable industrial development (ISID) and to transform entire industries.

Impact drivers: The following impact drivers enhance a PCP's potential for success. They should be borne in mind by UNIDO management when embarking on PCPs in other countries as the absence of such drivers might lead to sub-optimal results or require the presence of other, alternative impact drivers:

- Industrialization is a key Government priority reflected not only in policy papers but also in terms of budget resources. This makes high levels of parallel funding possible.
- A country can be characterised as a “developmental state”. This implies that there is an openness to intervene in the market in order to promote developmental change.
- A country receives high levels of ODA, a prerequisite for the good performance in terms of parallel funding from development partners.
- UNIDO had a large cooperation portfolio before the PCP started. This provides UNIDO with a solid track record, capacity on the ground and trust from Government and other stakeholders.

Challenges: PCPs are very different to UNIDO country programmes and face the following challenges:

- PCPs have a much longer time horizon compared to UNIDO country programmes. While UNIDO country programmes have a duration of four to five years, PCPs are likely to have a time horizon of 10-15 years to demonstrate impact.
- Given the large scale, it takes a long time to bring other development partners on board.
- The PCP is fundamentally a government led industrial development approach which risks not meeting the same enthusiasm from private sector actors. To make sure that industrial development is ultimately driven by the private sector requires some more thinking.

1. Introduction

Under the provisions of the United Nations Industrial Development Organization (UNIDO) Charter of the Office of Evaluation and Internal Oversight¹ and the UNIDO Evaluation Policy², the Office of Evaluation and Internal Oversight (EIO), through its Independent Evaluation Division (EIO/IED) is responsible for the management and conduct of evaluations at project, programme and country level, as well as for cross-cutting, thematic and other strategic evaluations.

UNIDO's mandate for Inclusive and Sustainable Industrial Development (ISID) is anchored within the 2030 Agenda and the 2013 Lima Declaration. The Sustainable Development Goal (SDG) 9 - *Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation* is at the core of UNIDO's mandate.

In light of the above, UNIDO embraced an innovative multi-stakeholder partnership model to promote inclusive and sustainable industrial development - the Programme for Country Partnership (PCP). Aligned with the national development agenda, the PCP supports Member States in achieving their industrial development goals through four key features: (i) host government ownership; (ii) focus on selected priority sectors or areas; (iii) a multi-stakeholder partnership; and (iv) facilitation of large-scale public and private investment and finance.³

In mid-2014, Ethiopia and Senegal were selected as the first two PCP pilots. Following a multidisciplinary technical mission to Ethiopia by UNIDO, consultations with development partners, the business sector and financial institutions, among others, and under the overall leadership of the Government of Ethiopia, the PCP programme document was developed and signed in February 2015. Implementation began in March 2015.

In 2017, UNIDO conducted an independent mid-term evaluation of UNIDO's Programme for Country Partnership⁴. Based on a rather short pilot phase (2015-2017), the purpose of the mid-term evaluation was to draw lessons from the early implementation of the pilot phase to further improve the PCP concept. The mid-term evaluation covered the three pilot countries that have been implementing the PCP concept.

The main objective of the present independent PCP terminal evaluation (PCP TE) is to assess the coherence, effectiveness, efficiency, sustainability and impact of PCP-related activities in Ethiopia from 2015 to 2019. Additionally, since it is the first final evaluation of a PCP, the evaluation is expected to inform UNIDO and stakeholders to further enhance the performance of the PCP in Ethiopia and in other countries implementing PCPs.

The terms of reference (TOR) for this evaluation (25 September 2019) were prepared after reviewing relevant documentation and consultations with UNIDO staff involved in the PCP Ethiopia. Based on the TOR and taking into account the results of a comprehensive documents' review and interviews with key UNIDO staff involved in the PCP the evaluation team produced an inception report which further developed the approach to the evaluation (31 October 2019). This evaluation was conducted based on the TOR and the inception report.

¹ UNIDO (2019). Director General's Bulletin: Charter of the Office of Evaluation and Internal Oversight (DGB/2019/07, 26 March 2019)

² UNIDO. (2018). Director General's Bulletin: Evaluation Policy (DGB/2018/08, 1 June 2018)

³ UNIDO (2019) Programme for Country Partnership Accelerating Inclusive and Sustainable Industrial Development; (https://www.unido.org/sites/default/files/files/2019-07/PCP_Leaflet_English_0.pdf)

⁴ UNIDO. (2017). Independent mid-term evaluation of UNIDO's Programme for Country Partnership (PCP) (ODG/EVQ/IEV/17/R.6, December 2017)

2. Evaluation objectives, methodology and process

Evaluation purpose and objectives

The main purpose of the terminal evaluation is to learn from the PCP pilot phase in Ethiopia in order to enhance the performance of the PCP in Ethiopia and in other countries implementing PCPs.

The evaluation is called “terminal” because the current PCP phase (2015-2019) is coming to an end. This evaluation makes recommendations regarding a possible second phase and the way forward.

Objectives: The objectives of the terminal evaluation of the PCP in Ethiopia are threefold:

- **Objective 1:** Assess the relevance and the results of the PCP in Ethiopia.
- **Objective 2:** Assess the PCP in Ethiopia as an alternative approach for UNIDO cooperation at the country level.
- **Objective 3:** Assess UNIDO’s role in and contribution to the PCP in Ethiopia.

Subject, scope and focus of the evaluation

The subject of the evaluation is the PCP Ethiopia from 2015 to 2019. In principle, the evaluation covers all UNIDO activities in Ethiopia in all regions of the country between 2015 and 2019. However, the TOR stress that more emphasis of the evaluation will be on the period September 2017 to December 2019 in order to avoid duplicating the PCP mid-term evaluation, which was assessing the period 2015-2017 and which covered, inter alia, the implementation of the PCP in the three pilot countries, among them, Ethiopia.⁵ Also, the emphasis of the evaluation is on key PCP features which distinguish the PCP in Ethiopia from a “standard” UNIDO country programme.

Consequently and in order to achieve the three objectives of the evaluation, the evaluation focussed on the following:

- **Objective 1:** Assess the relevance and the results of the PCP in Ethiopia.

Focus:

- Assessment of relevance and results in the PCP **priority sectors** (i) agro-food processing, (ii) textiles and garment, (iii) leather and leather products.
 - Assessment of PCP **flagship projects** (i) Integrated Agro-industrial Parks, (ii) Leather Initiative for Sustainable Employment Creation (LISEC), in particular the Modjo Leather City (MLC) project.
- **Objective 2:** Assess the PCP in Ethiopia as an alternative approach for UNIDO cooperation at the country level.

Focus: Assessment of the key PCP features:

- host government **ownership and coordination**;
- multi-stakeholder **partnership** from programme design to implementation;
- **large-scale** public & private **investment**;
- focus on **priority** sectors;
- robust **monitoring** mechanism.

⁵ The other two pilot countries are Senegal and Peru.

- Objective 3: Assess UNIDO's role in and contribution to the PCP in Ethiopia.

Focus: Assessment of UNIDO's role:

- The role of UNIDO technical assistance (TC) in the PCP; i.e. TC in the PCP priority sectors; technical support for the implementation of the PCP flagship projects;
- UNIDO as key advisor to government on industrial development;
- UNIDO convening role and support in resource mobilisation (partnership building);
- UNIDO role as facilitator of coordination.

The evaluation questions related to the evaluation objectives, which guided this evaluation are presented in the evaluation framework (Annex F).

Evaluation methodology

Evaluation approach and main source of evidence

Given the large total financial volume of the PCP Ethiopia – the total financial volume is USD 1,32bn, where UNIDO is directly involved in the implementation of USD 51 million with a relatively large number of UNIDO TC projects (33), the emphasis of the evaluation is on activities which are relevant for and contribute to the implementation of the PCP *key components*. Consequently, the evaluation approach had to prioritize in order to make sure that it captures the key components. A main feature of the PCP Ethiopia is the significance of the agro-processing sector. The total funds committed to the agro-processing sector (USD 1,278bn) constitute 97% of the total financial PCP volume. The implication for the evaluation approach is to put an emphasis on the agro-processing sector. The PCP activities in the agro-processing sector constitute the main evidence base for this evaluation. However, the other two priority sectors are also taken into account.

Within the agro-processing sector, the Integrated Agro-Industrial Parks (IAIPs) – or agro-industrial parks⁶ and the Rural Transformation Centres (RTCs) - absorb the lion share of the financial volume. This is the most important flagship project of the PCP Ethiopia. And it also constitutes the most significant differences between the PCP and the standard UNIDO country programme. Flagship projects such as the agro-industrial parks are much larger than the portfolio of UNIDO TC projects. And they require significant “parallel funding” either from the government or from development partners. The “committed funds” to the agro-industrial parks (USD 1,192bn) constitute 90% of the total PCP financial volume (USD 1,320bn).⁷ The integrated agro-industrial parks therefore receive particular attention and constitute the main case study and key source of evidence. With this case study, the nature of the PCP (compared to the standard UNIDO country programme) and UNIDO's role and contribution to the PCP can be assessed best.

Data collection methods

Mixed methods were used for the data collection with an emphasis on qualitative data collection. The methods were:

Meetings at UNIDO Headquarters

In order to strengthen the participatory nature of the evaluation, the visit to UNIDO headquarters was used to arrange for a *focus group discussion* with key UNIDO staff involved in the PCP Ethiopia.

⁶ For reader friendliness the term “agro-industrial parks” is used as equivalent to the “Integrated Agro-Industrial Parks” or “IAIPs”.

⁷ PCP Ethiopia- Factsheet, TOR for the Terminal Evaluation of the PCP Ethiopia, Annex 6 and 7, Sept. 2019.

Bilateral interviews were conducted with selected staff, in particular staff that is involved in the priority sectors, i.e. agro-processing, leather and textile.

The list of persons met/interviewed is in Annex I.

Country mission

The ten days country mission (10 to 20 November 2019) to Ethiopia gave priority to key stakeholders and included other important stakeholders to the extent possible. The selection of stakeholders for interviews was done by the evaluators based on two criteria: 1) importance as a source of information for the evaluation, 2) stakeholder interest in the evaluation results. The results of this non-probability sampling (opposite of random) is captured in the stakeholder mapping in Annex G.

During the country mission, the following took place:

- Strategic interviews with
 - the main participating ministries
 - main Government agencies involved in the PCP priority sectors
 - key development partners contributing to the PCP
 - key UN country team members
 - business sector associations
- Focus group discussions with
 - UNIDO project staff during the weekly PCP Coordination Meeting and
 - UR and Director of the Regional Office Hub, new PCP Project Manager ETH since November 2018 and her team
- Visits to PCP flagship project: the evaluation mission visited the agro-industrial park in Yirgalem. Yirgalem was selected based on purposive sampling (meaningful selection) as this agro-industrial park has progressed most which allowed the evaluators to observe advanced construction. Interviews with stakeholders included:
 - Regional Industrial Park Development Corporations (RIPDCs) management
 - Rural Transformation Centres (RTC) management (Dilla)
 - potential end beneficiaries (i.e. pineapple and coffee farmers)
- Visits to UNIDO TC projects:
 - visit to a new training centre being built at the Ethiopian Coffee and Tea Authority in Addis Ababa
 - visit to the common footwear production facility established as part of the leather SME cluster project in Addis Ababa

Documents and websites review

There is a vast number of documents related to the PCP Ethiopia. Over 500 documents were made available to the evaluation team. This required a careful selection of documents to be reviewed. Priority was given to the documents that meet the following criteria:

- PCP documents which provide a bird's view on the PCP (e.g. PCP annual report)
- documents relevant for the case study
- documents relevant for portfolio analysis, i.e. TC project documents with a focus on evaluations and progress reports
- more recent documents dated between 2017 and 2019

For the project document review, a “project document review template” was used. Data collected with the template constituted the basis for the portfolio analysis (see below).

Additionally, websites and documents available through websites were used to collect *contextual information* related to the state of industrial development and the economy in Ethiopia and the business environment. The data collection related to contextual information was guided by a “context analysis template”.

Analytical framework

Evaluation framework

The *evaluation objectives, criteria and questions* provided the analytical framework of this evaluation. Data was collected, analysed and processed along these objectives, criteria and questions, which is summarized in the evaluation framework (Annex F).

The evaluation team used a “template for early findings and key evidence” as an interim product. The template provided a systematic way of collecting key evidence. Team members used individual templates that were then compared and aggregated. The templates were - together with the case study and the portfolio analysis - the main basis for drafting the evaluation findings, conclusions and recommendations.

Case study

As elaborated above, the main case study was the agro-processing sector - because of the dominant significance – and within that on the agro-industrial parks. Other UNIDO TC projects in this sector were also considered to the extent that they contribute to the main objective of the PCP in the agro-processing sector.

TC portfolio analysis of UNIDO TC projects and context analysis

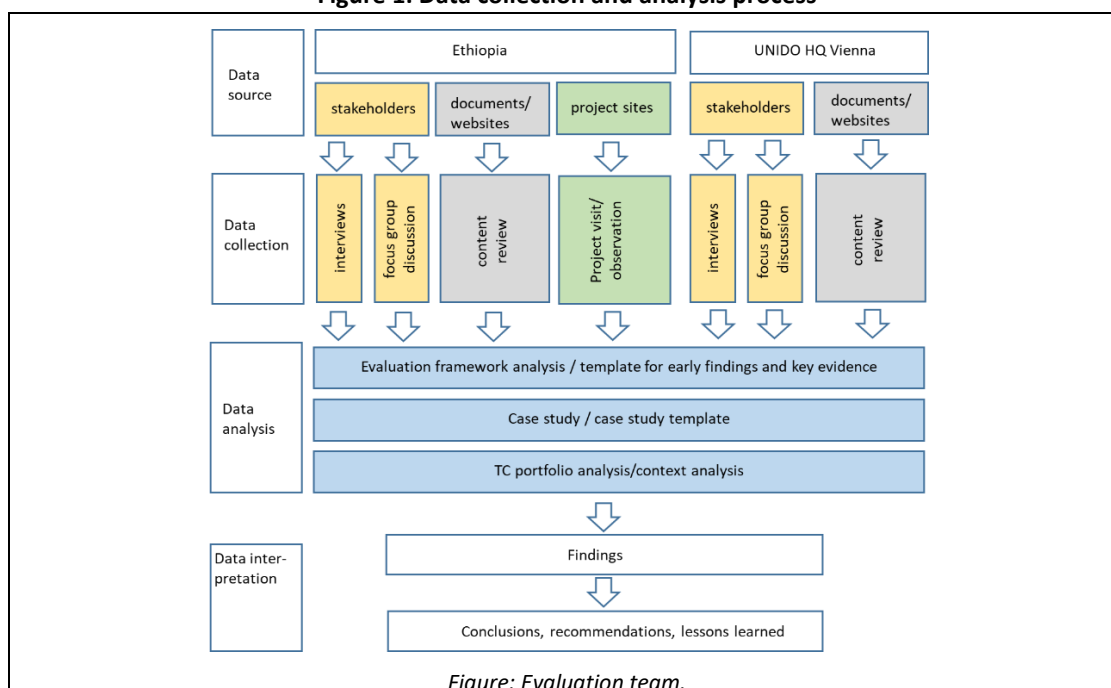
While the case study provided an opportunity for an in-depth analysis, the portfolio analysis of 28 UNIDO TC projects (completed and ongoing) offered an opportunity to have a systematic analysis of the universe of the UNIDO TC projects in Ethiopia.

The portfolio analysis was based on the aggregation of the “project document review templates”. Data collected with the template was the basis for the portfolio analysis. Data was aggregated and organised electronically. The results of the portfolio analysis are presented in Annex C.

Summary of data collection and data analysis process

The data collection and analysis process is visualized in Figure 1.

Figure 1: Data collection and analysis process



Evaluation Team

The evaluation was conducted by an evaluation team of three members: Mr. Urs Zollinger, International Evaluation Consultant (Team Leader); Mr. Johannes Dobinger, Chief, Independent Evaluation Division (EIO/IED) UNIDO (Team Member); and Mr. Ermias Assefa, National Evaluation Consultant (Team Member), with the participation and support of Ms. Michaela Berndt, Senior Evaluation Assistant and Mr. Francesco Cuda, Evaluation Analyst both from EIO/IED at UNIDO.

Limitations

This evaluation was faced with some of the common limitations of evaluations of this nature:

- only one of the four agro-industrial parks could be visited (Yirgalem); the three other pilot agro-industrial parks were not visited;
- not all stakeholders could be interviewed;
- possible bias of stakeholders interviewed;
- not all documents could be reviewed (over 500 relevant documents);
- uneven quality of secondary data;
- missing baseline data in some cases.

These limitations were mitigated by conducting a rather large number of interviews with different stakeholders and focus group discussions, which allowed for triangulation of data.

The evaluation team is confident that with the selected evaluation approach and the main source of evidence the evidence base is sufficiently robust in order to arrive at credible findings.

The PCP Ethiopia is a multi-partner initiative with the bulk of funding coming from the Government of Ethiopia (in particular for the agro-industrial park infrastructure investments) and additional significant funding coming from other partners, which adds another level of complexity to the evaluation. This did not constitute a major limitation for the work of the evaluation team, but ideally a PCP should be evaluated jointly by all key partners.

3. Country and PCP background

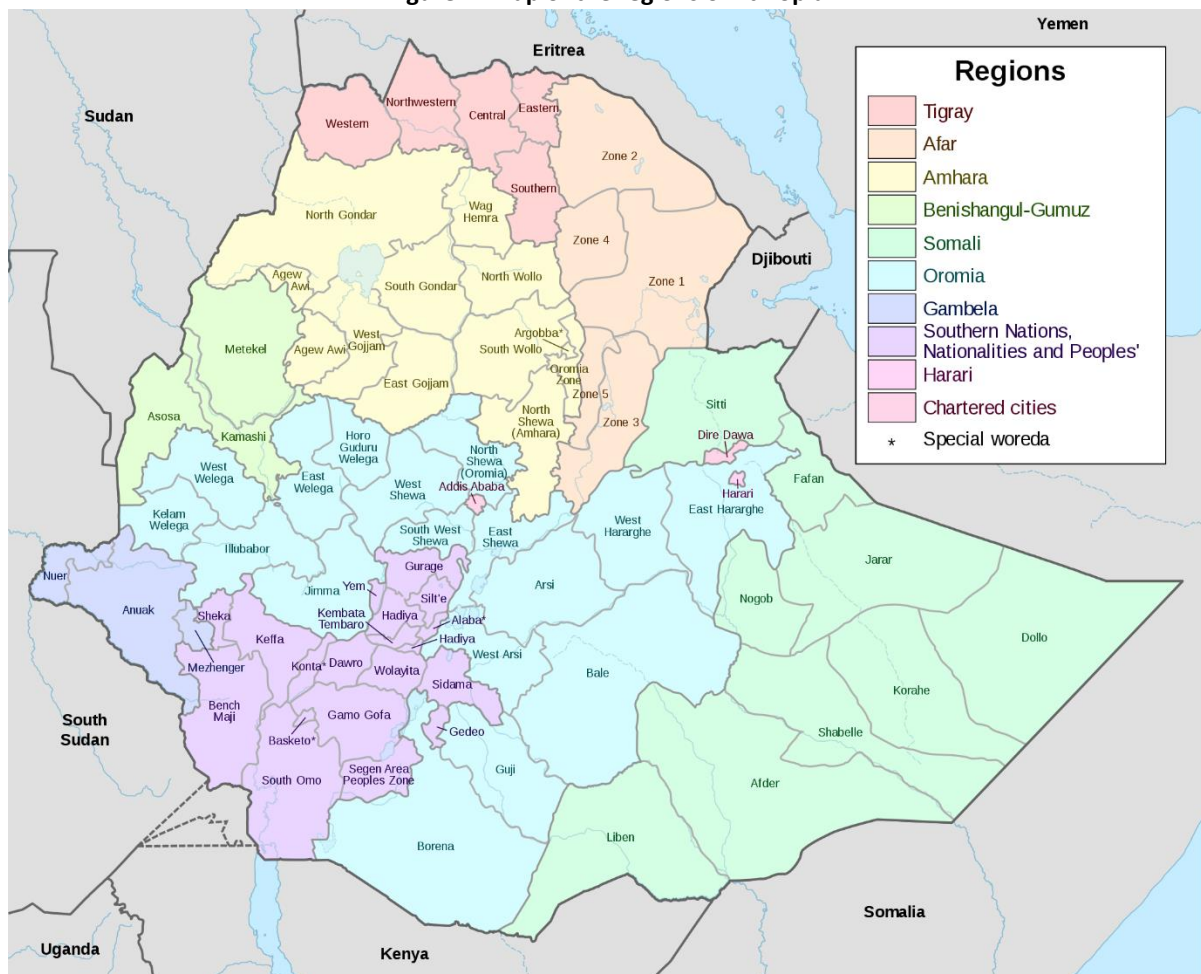
3.1 Country context

Overview

With about 112 million people, Ethiopia is the second most populous nation in Africa after Nigeria, and one of the fastest growing economies in Africa.⁸ The country covers an area of approximately 1.14 million square kilometres, which is almost twice the size of Kenya or France (see map Figure 2). Ethiopia is densely populated, especially in the highlands of the north and middle areas of the country, particularly around the capital Addis Ababa. The country is part of the Horn of Africa bordering Eritrea, Somalia, Kenya, South Sudan and Sudan. Being a landlocked country, Ethiopia has been using neighbouring Djibouti's main port. The recent peace with Eritrea (July 2018) may enable Ethiopia to access the Eritrean ports of Assab and Massawa for its international trade.

In the Human Development Index Ethiopia is in low human development category.⁹ Thanks to economic growth the share of the population living below the national poverty line decreased from 30% in 2011 to 24% in 2016.

Figure 2: Map of the regions of Ethiopia



Source: Wikimedia, based on boundaries used in UNOCHA 27 March 2013 map, updated on 6 November 2017.

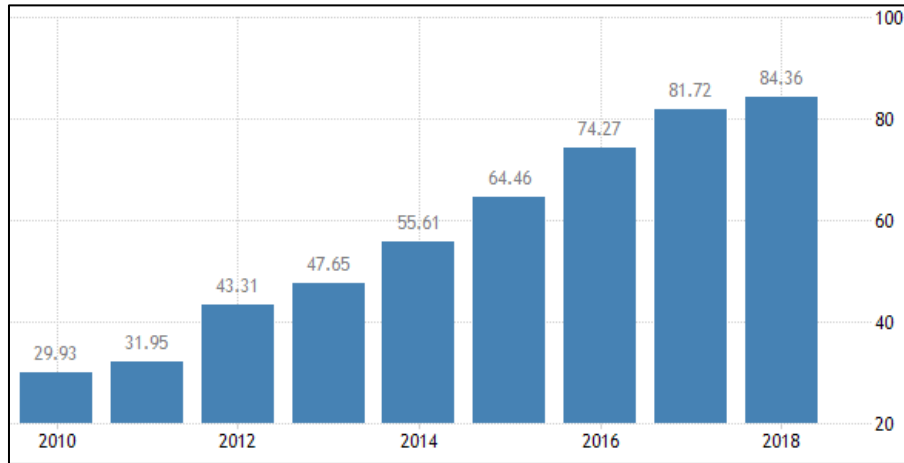
⁸ The Economist Intelligence Unit, <https://country.eiu.com/ethiopia>

⁹ Human Development Indices and Indicators: 2018 Statistical Update. Briefing note for countries on the 2018 Statistical Update, Ethiopia, UNDP, 2018.

Economy

Ethiopia's economy experienced a strong growth averaging 9.9% a year from 2007/08 to 2017/18, compared to a regional average of 5.4%.¹⁰ In 2018 the GDP was at USD 84 billion (Figure 3). Real GDP growth is expected to average 7.6% a year during the period 2020-24.¹¹

Figure 3: Ethiopian GDP 2010-2018 (USD bn)



Source: tradingeconomics.com

It is estimated that in 2020, the services sector accounts for 42% of GDP, followed by agriculture (32%) and industry (26%).¹² The industries sector has been the fastest growing sector over the past 10 years (Figure 4).

Figure 4: GDP by Sector

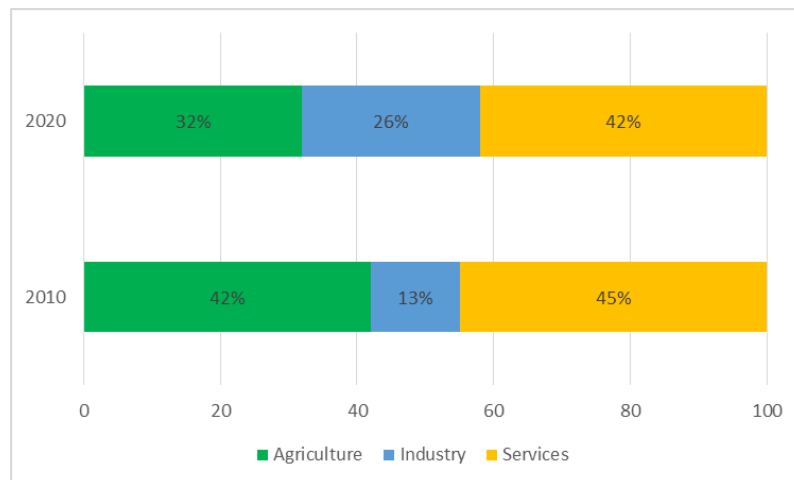


Figure: Evaluation Team, based on Ethiopia Country Environmental Analysis (CEA), The World Bank, 2017.

The industrial development is led by food and beverages manufacturing. About 47 percent of the value added by manufacturing industries to the national accounts was contributed by the food and beverages manufacturing industry; about 16 percent by the non-metallic minerals industry; and about 8 percent by machinery and equipment in 2015/16. The total number of persons employed by various manufacturing industries was reported as over 329,000 in 2015/16.¹³

¹⁰ World Bank, <https://www.worldbank.org/en/country/ethiopia/overview>

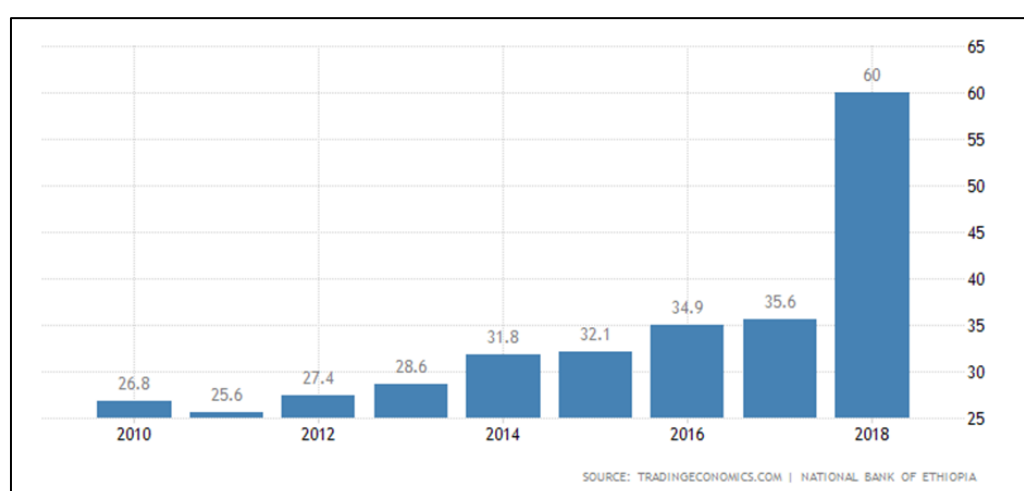
¹¹ The Economist Intelligence Unit, <https://country.eiu.com/ethiopia>

¹² Invest in Ethiopia - Structural reforms set to unlock East Africa's largest economy, Deloitte, June 2019, p.4.

¹³ Ethiopia National Human Development Report 2018 - Industrialization with a Human Face, UNDP, 2018, p. 13, 14.

The Ethiopian Government's Growth and Transformation Plan II (GTP II 2015-2020) aims at continuing expanding physical infrastructure through public investments and to transform the country into a manufacturing hub. GTP II targets an average of 11% GDP growth annually, and in line with the manufacturing strategy, the industrial sector is set to expand by 20% on average. Growth has been supported by rapidly growing services sectors amid continued urbanization. However, while growth in Ethiopia is expected to remain strong, it will be held back by a tighter fiscal stance, as the government continues its efforts to stabilize public debt. Over recent years, Ethiopia borrowed significant resources in particular also for infrastructure projects. **Government debt** was at USD 52 bn in July 2019.¹⁴ Government debt to GDP reached 60 percent in 2018 (Figure 5). In 2019 Ethiopia managed to reduce government debt to 57 percent of GDP. At the end of 2019, the IMF approved a USD 2.9 bn arrangements under the Extended Credit Facility (ECF) and the Extended Fund Facility (EFF) to contain debt vulnerabilities as one objective.¹⁵

Figure 5: Ethiopian government debt as percentage of gross domestic product (GDP)



Source: tradingeconomics.com

In terms of **Foreign Direct Investments (FDI)**, Ethiopia accounts for almost half of the total flows from the East African region. In total, FDI stocks were estimated at USD 22.2 billion, representing 27.7% of GDP in 2018, according to the latest data from UNCTAD.¹⁶ Despite a decrease in investments to USD 3.3 billion in 2018, Ethiopia maintained its top rank in East Africa, with investments in petroleum refining, mineral extraction, real estate, manufacturing and renewable energy. For 2019 the Ethiopian Investment Commission, a governmental body, has projected an increase of up to USD 5.1 billion in attracted investments for FY 2019.¹⁷

Table 1: Foreign Direct Investment in Ethiopia

FDI	2016	2017	2018
FDI Inward Flow (million USD)	3,989	4,017	3,310
FDI Stock (million USD)	14,926	18,943	22,253

Source: UNCTAD, 2019.

¹⁴ <https://newbusinessethiopia.com/economy/ethiopias-debt-surpasses-52-billion/>

¹⁵ International Monetary Fund (IMF), Press Release NO. 19/486, 20 December 2019.

¹⁶ The Least Developed Countries Report, UNCTAD, 2019.

¹⁷ <https://www.geopoliticalmonitor.com/fdi-in-ethiopia-is-abiymania-enough/>

In spite of the growing FDI, Ethiopia is still facing some issues preventing Ethiopia to achieve higher levels of foreign investments. Among the main ones are insufficient local access to credit and finance and a critical shortage of foreign currencies.

As a part of the Government initiative to develop the manufacturing sector and export oriented investments, the Development Bank of Ethiopia (DBE) promises to loan out 70% of investment projects in selected sectors including commercial farms, agro processing, export oriented businesses and manufacturing sector with the remaining 30% covered by owner's equity¹⁸.

Infrastructure

Infrastructure contributes to around 0.6% points to Ethiopia's annual per capita GDP growth over the last decade. Ethiopia's infrastructure main successes include developing Ethiopia Airlines, a leading regional carrier; upgrading its network of trunk roads; and rapidly expanding access to water and sanitation. The country's greatest infrastructure challenge lies in the power sector. The transport sector faces the challenges of low levels of rural accessibility and inadequate road maintenance.

In March 2018, the Government announced that spending had reached over USD 15bn thanks to a partnership between the Ethiopian Government, Chinese investors and their Government, the World Bank, European Union nations and the African Financial Development Bank. The Ethiopian Government plans to spend over USD 4bn on domestic road projects over the next ten years with the goal of improving the movement of goods to and from the capital, and using the capital as a transportation hub.¹⁹

Industrial development strategy of Ethiopia²⁰

The Government of Ethiopia has formulated an industrial development strategy (IDS) with clearly defined objectives, targets, budgets and institutional setups required for implementation. The IDS was launched in August 2003, based on the Government's broader development vision of an Agricultural Development-Led Industrialization (ADLI) (developed in the mid-1990s). The rationale behind ADLI is that agriculture development plays a leading role in the industrialization process given the agrarian nature of the Ethiopian economy (employing roughly 78% of the population) and its abundance of raw materials. The primary principle of the IDS is, therefore, linking industry and agriculture as industrial development should rely on agriculture (e.g. as a source of raw material and a market for outputs) and serve agriculture by providing agricultural inputs and consumer goods.

Three key overarching policy documents were developed to guide interventions in the sector over a 13-year period (2013-2025). These are: the *Industrial Development Roadmap*, which provides a strategic framework for industrial development for the next ten years. The *Industrial Development Strategy Plan*, which defines strategies, programmes and projects for the implementation of the Industrial Development Roadmap. And the Industrial Development Institutional Setup, which provides an institutional framework for industrial development. The strategic direction for industrial development encompassed and elaborated in the strategy and roadmap documents is in line with the Growth and Transformation Plan. The Industrial Strategic Roadmap and plan covers the GTP II period (2015-2020) and beyond up to 2025.

The overall goal of this set of policies is to bring about accelerated economic transformation in the country through enhancing industrialization, raising the share of the industrial sector of GDP from the current 13 per cent to 27 per cent by 2025, and the GDP share of the manufacturing sub-sector

¹⁸ <https://www.export.gov/article?id=Ethiopia-Project-Financing>

¹⁹ <https://www.borgenmagazine.com/infrastructure-in-ethiopia/>

²⁰ Programme for Country Partnerships – Ethiopia (main PCP document), UNIDO, December 2014.

from the current four per cent to 17 per cent by 2025. The above targets are expected to be reached by: i) further expanding and developing the existing manufacturing industry priority sectors; ii) diversifying the manufacturing sector to new sectors; iii) enhancing enterprise cultivation and entrepreneurship; iv) increasing public, local and foreign investment; and, v) developing and operating industrial zones and cities.

Ethiopia is now in the phase of producing its new medium/long-term development plans, i.e. the 10-Year Perspective Plan (2020-2030) and the “Home-Grown Economic Reform (2020-2025)²¹”, which are expected to shape the next years’ industrial development trajectory.

3.2 ODA and the United Nations

Official Development Assistance (ODA)

ODA consists of loans and grants by members of the Development Assistance Committee (DAC), by multilateral institutions, and by non-DAC countries to promote economic development and welfare in LDCs.²² ODA has been growing over the past years (Table 2).

Table 2: Official Development Assistance (ODA) to Ethiopia

ODA	2015	2016	2017
Net ODA (million USD)	3,235.5	4,073.5	4,117.5

Source: OECD, 2018

The largest share of ODA goes to the humanitarian aid (32%), followed by health and population (18%) (Figure 6).

Figure 6: ODA by sector

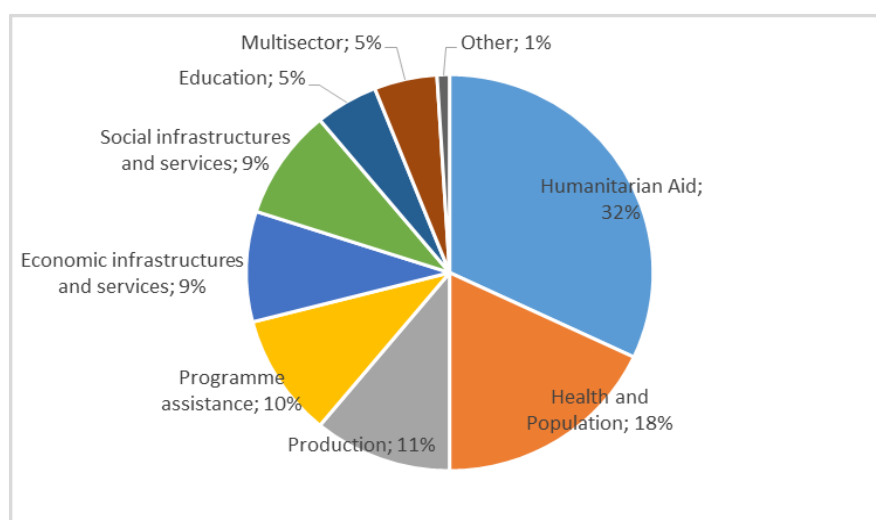


Figure: Evaluation Team, based on OECD data, 2018.

²¹ The Home-Grown Economic Reform capitalizes on the objectives of the past decade’s development plans, namely leveraging private sector development and participation in the Ethiopian economy, creating decent jobs and maintaining sustained growth trends. It focuses three layers: (i) macro-economic reforms mainly devoted to correct macroeconomic imbalances hampering growth, trade and competitiveness (FX, infrastructure, external debt, etc.); (ii) ease of doing business reforms; (iii) and sectoral reforms to adjuster sector-specific institutional and market failures. Conversely, the 10-Year Perspective Plan provides the key pillars, which are expected to drive the structural transformation of the economy: (i) agricultural transformation, (ii) manufacturing Industry, with focus on agro-processing, (iii) human capital development, exploiting the demographic dividend, (iv) infrastructure development, with a focus on energy, logistics and ITC; (v) sustainable urban development; (vi) mineral resource development; (vii) tourism, (viii) innovation and technology.

²² <https://www.indexmundi.com/facts/ethiopia/net-oda-received>

United Nations Development Assistance Framework for Ethiopia 2016-2020²³

The United Nations Development Assistance Framework (UNDAF) 2016-2020 represents the strategic response of the UN Country Team to the national development priorities articulated in the second Growth and Transformation Plan (GTP II). The UNDAF is the key programming instrument of the Delivering as One (DaO) process in Ethiopia. It also represents the foundation for joint strategic UN system support to the national development agenda. As the overarching strategic programmatic framework for the United Nations (UN) agencies, funds, programmes and entities in Ethiopia who are signatories of this document (among them, UNIDO), the UNDAF promotes and benefits from strong Government ownership and is guided by United Nations Development Group (UNDG) programming policies and the five key UNDG programming principles: a human rights-based approach; gender equality; environmental sustainability; capacity development; and results-based management.

Following the mainstreaming of the SDGs into GTP II, the UNDAF is also directly linked to the SDGs relevant to the Ethiopia context. This provides a solid foundation for close collaboration between the Government and the UN system in localizing and rolling out the SDGs during the life cycle of the UNDAF 2016–2020.

To continue Ethiopia's successful path towards becoming a middle income country and a climate resilient green economy by 2025, the UNDAF 2016-2020 is strategically focused on supporting Ethiopia's continued growth and transformation in five areas including inclusive growth and structural transformation, building resilience and green economy, investing in human capital and expanding basic social services, good governance, participation and capacity building, and equality and empowerment.

UNIDO contributes to the UNDAF and its Joint Work Plans promoting Inclusive and Sustainable Industrial Development (ISID) primarily through the implementation of the PCP Ethiopia. UNIDO participates in UNDAF Pillar I - Structural Transformation and Inclusive Growth and Pillar II - Resilient, Sustainable, and Green Economy. Specifically, UNIDO leads and convenes the Industry Result Group and is tasked with coordinating all UN activities in the country related to industrial development through the PCP. The PCP also contributes to the Agriculture and Climate Change Result Groups.

At the time of this evaluation, the development of the new UN Sustainable Development Cooperation Framework (UNSDCF) was ongoing. From the available documentation, in particular the Common Country Assessment (CCA), it is highly likely that industrial development will continue to be a key area of UN cooperation in Ethiopia.

3.3 UNIDO and the PCP Ethiopia

UNIDO presence in Ethiopia

UNIDO has been operating in Ethiopia since 1968 and more than 300 projects were implemented with the assistance of UNIDO in Ethiopia. Between 1999 and 2008, UNIDO implemented two phases of an integrated programme in Ethiopia. An independent evaluation commissioned by UNIDO of the Integrated Programme for Ethiopia yielded the following key recommendations at the time: (a) strengthen the institutional capacity development of key sectorial institutions to increase sustainability; (b) develop a sound framework for scaling up pilot project activities; and (c) establish a sound resource mobilization strategy, including public-private partnerships. These recommendations

²³ United Nations Development Assistance Framework for Ethiopia 2016-2020, United Nations Ethiopia, 2016.

constituted, among others, the basis on which the current PCP was designed within the framework of UNIDO's mandate to promote and support inclusive and sustainable industrial development.

Programme for Country Partnerships Ethiopia (PCP Ethiopia)

The PCP Ethiopia was developed through an extensive consultative and collaborative process with the Government in pursuit of the Government's goal to elevate the country to middle-income status within a decade and started its implementation in 2015. The PCP Ethiopia factsheet for a quick overview is provided in Annex A.

Thematic priorities

The PCP Ethiopia is rooted in the country's national development strategy for the period 2015 to 2020, the Growth and Transformation Plan II (GTP II). The GTP II aims at bringing about the structural transformation of the Ethiopian economy from one based on agriculture to one driven primarily by industries. The three priority sectors of the PCP – agro-food processing, leather and leather products, and textiles and garment – also lie at the heart of the GTP II.²⁴

These sectors and domains were chosen due to their strong prospects for job creation, strong linkages to the agricultural sector and smallholder farmers, high export potential, and capacities to attract business sector investments, both domestically and abroad.

Furthermore, three cross-cutting domains of interventions were also identified for their potential to enable the realization of the PCP's and Ethiopia's economic, social and environmental development objectives: (i) investment and trade facilitation; (ii) environment and energy; and (iii) institutional capacity-building.²⁵

The PCP Ethiopia results framework is aligned to the achievement of SDG 9 - industry, innovation and infrastructure, and SDG 17 - partnerships for the SDGs, while contributing to other SDG targets, e.g. SDG 5 - promote gender equalities and empower women, SDG 8 - decent work and economic growth, SDG 10 - reduced inequalities, especially in the domains of international trade and commerce, and SDG 4 - quality education, through industrial skills development initiatives and capacity-building partnerships with the Ethiopian TVET system, among others.

Financial volume of PCP Ethiopia

The current total financial volume of the PCP is with USD 1.32bn very large. The lion share of USD 1.27bn constitutes parallel funding.²⁶ The UNIDO TC project portfolio amounts to USD 51m (Table 3), including a dedicated project to support the PCP with a financial volume of USD 1m.

Table 3: PCP Ethiopia financial volume

UNIDO's TC portfolio (completed and ongoing)	Total number of projects within the framework of the PCP: 33 Total funding secured: USD 51,074,060 (09/2019)
Total investments leveraged (cumulative)	USD 1,269,366,575 (09/2019)
Total PCP volume	USD 1,320,440,635 (09/2019)
<i>Source: PCP Coordination Meeting – Progress Update, October 2019.</i>	

²⁴ Independent Mid-Term Evaluation of UNIDO's Programme for Country Partnerships (PCP), UNIDO, 2017, p.9.

²⁵ PCP Ethiopia Annual Report 2018, UNIDO, 2019, p.11.

²⁶ Parallel funding: Financial contributions allocated by public (Government of Ethiopia and donors) or private partners towards objectives pursued in a PCP. Such resources are not channelled through UNIDO's accounts and accordingly not under the Organization's direct control.

USD 1,278bn (97%) of the total financial PCP volume is allocated to the agro-processing sector, in particular to the agro-industrial parks (Table 4). The objective is to establish four Integrated Agro-Industrial Parks (IAIPs) together with a series of Rural Transformation Centres (RTCs) per agro-industrial park to facilitate substantial value chain integration and mitigate the main constraints to investments in agro-industries (infrastructure, raw material supply, and trade logistics), while improving facilitation services for investors and support services to clustered firms and to farmers in the area. The long-term objective is to establish agro-industrial parks in 17 agro-industrial growth corridors (AIGC) in all regions of Ethiopia.²⁷

The second flagship project is the Modjo Leather City project, which is part of the Leather Initiative for Sustainable Employment Creation (LISEC), Component 2. The objective of the project is to create greater economic and decent employment opportunities for young men and women through the development of the Modjo Leather City Industrial Park and the Ethiopian leather industry value chain. Parallel funding at a similar scale to the agro-industrial parks has not yet been allocated to the Modjo Leather City project. However, in December 2019, the European Investment Bank received the official financing request from the Ministry of Finance for supporting the Mojo Leather City project for up to Euro 100m. This is a key step in order to advance this project.

Table 4: On-going and finalized projects under the PCP since its inception (Q3 2019)

Resource Mobilization Summary (USD)				
Project/Intervention	Committed Funds to PCP Projects Q3 2019			
	Grants - UNIDO	Parallel Funding	GoE Co-financing	In-kind (PS)
Priority Sectors				
Agro-Processing				
Integrated Agro-Industrial Parks	7,384,446	681,512,648	503,500,000	-
Coffee Value Chain	4,042,009		-	114,155
Fishery Value Chain	2,000,000		-	-
Diary Value Chain	189,456		-	-
Livestock Value Chain	654,000		-	-
Beles Value Chain	2,591,767		-	-
Moringa Value Chain	1,554,000		-	-
Total Agro-Processing	18,415,679	756,512,648	503,500,000	114,155
Textile & Apparel				
Capacity Building and Job Creation in the T&G Sector (I & II)	2,620,558	-	2,000,000	-
Total Textile and Apparel	2,620,558	-	2,000,000	-
Leather & Leather Products				
Leather Initiative for Sustainable Employment Creation	8,374,942	6,563,927	-	-
Leather Cluster Initiative	2,827,854	-	790,000	-
Total Leather and Leather Product	11,202,796	6,563,927	790,000	-
Cross-Cutting Interventions				
Trade and Investment Promotion				
Investment Forums (1 st and 2 nd)	450,000	-	-	-
SME Profiling and Benchmarking	65,000	-	-	-
SPX & IP	730,594	-	-	-
Total Trade and Investment Promotion	1,245,594	-	-	-
Energy & Environment				
ULH-MHP Technologies for Productive Use	1,532,780	-	-	-
Solar-Powered Water Sanitation System (I & II)	1,116,412	-	-	-
Total Energy and Environment	2,649,192	-	-	-
Institutional Capacity Building				
SINCE (I & II)	1,748,776	-	-	-
PPP SELAM Vocational Academy (I & II)	5,329,000	-	-	5,135,714
Women & Youth Entrepreneurship Program	1,015,364	-	-	-
Policy/Strategy/Roadmap Development (various projects)	507,733	-	-	-
Total Institutional Capacity Building	8,600,873	-	-	5,135,714
PCP Coordination	1,089,499	-	-	-
Total Coordination	1,089,499	-	-	-
Total PCP Portfolio to Q3 2019	45,824,190	763,076,575	506,290,000	5,249,869

Source: PCP Ethiopia Quarterly Report September 2019.

²⁷ "As part of the feasibility studies, 17 agro-industrial growth corridors (AIGC) were identified. One IAIP is planned to be developed in each of the AIGCs", Integrated Agro-Industrial Parks in Ethiopia, UNIDO, 2016, p.11.

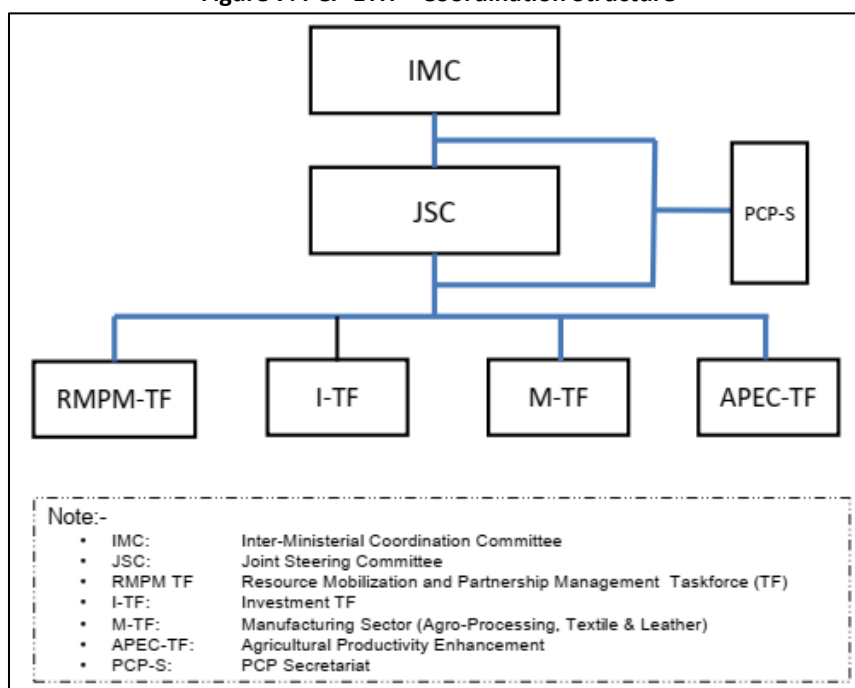
PCP coordination structure in Ethiopia

In terms of PCP governance, a national coordination mechanism was established under the leadership of the Government, bringing together all relevant ministries and PCP partners. The government-led coordination platform is composed of the High-level PCP Inter-Ministerial Coordination Committee as an apex body on top, the Joint Steering Committee, co-chaired by the Ministry of Finance and Economic Cooperation and Ministry of Trade and Industry, and technical task forces. The coordination structure was revised and modified in 2018 to fit changes in the administrative structure of the Government (Figure 7).

The PCP Secretariat, hosted by the UNIDO Regional Office in Addis Ababa, plays a convening function, provides support to governing bodies and task forces, and serves as a neutral broker. UNIDO also has a PCP Ethiopia technical team at UNIDO HQ to support overall coordination and implementation of the PCP Ethiopia.

UNIDO's Regional Office in Addis Ababa also covers Burundi, Madagascar, Rwanda, and Uganda. The Regional Office currently employs a UNIDO Representative (UR) and Director, one National Officer, three administrative staff, and one driver. The current UNIDO Representative and Director was appointed on 20 July 2018²⁸ and assumed office in November 2018. The UR and Director has also been appointed PCP Programme Manager, a function that had been previously assigned to staff at UNIDO HQ. In addition, the Office employs one Junior Professional Officer and project staff (local/international consultants) contracted under individual service agreements.

Figure 7: PCP-ETH – Coordination Structure



Source: PCP-ETH – Coordination Structure,
Endorsed by High Level Inter-Ministerial Committee – December 13, 2018.

²⁸ Information Circular. Senior Staff Appointments and Reassignments (UNIDO. IC/2018/15, 20 July 2018), UNIDO, 2018.

4. Evaluation Findings

4.1 Relevance of the PCP for Ethiopian development needs and UNDAF

Summary Finding 1: The PCP is in line with Government priorities and the UNDAF. The three priority sectors of the PCP - agro-processing, leather and leather products as well as textiles and garment – constitute an important part of the Ethiopian economy and are therefore relevant for the development needs of Ethiopia in terms of job and income creation. Of the three sectors, the agro-based sector is by far the most important for Ethiopia.

The PCP is relevant to the development needs of Ethiopia. The main objective of the PCP, to enhance the contribution of the manufacturing sector to job and income creation, is highly relevant in the current context of Ethiopia.

The PCP is fully aligned with Government development priorities as established in Growth and Transformation Plan II (GTP II). The PCP is also still in line with the recent Home-grown Economic Reform Agenda developed in September 2019 where it is stated “*Prioritize the development of manufacturing sectors with strong local content such as agro-processing and leather products*”²⁹. It is also aligned with the UNDAF pillar 1 (inclusive growth and structural transformation) and partially aligned with UNDAF pillar 2 (resilience and green economy).

The strategy of the Government is to increase value addition of agricultural products, including fruits, vegetables, livestock (including leather) and possibly also backward linkages within the textile value chain to include Ethiopian fibres such as cotton. The PCP is based on this strategy and hence is fully aligned with Government strategies.³⁰ According to interviews, the PCP may have inspired some key features of the new Growth and Transformation Plan III, including a multi-stakeholder and inter-ministerial partnership model and resource mobilization around a set of priority interventions.

Moreover, the private sector in Ethiopia is apparently rather young (about 20 years) and supporting the private sector is therefore an important strategy.

The three priority sectors of the PCP - agro-processing, leather and leather products as well as textiles and garment, are highly relevant for the Ethiopian economy. Interviews with government representative confirm the strong alignment of the PCP priority sectors with the industrial development priorities of the Government.

Agro-processing

Ethiopia is an agro-based economy. The agricultural sector employs over 65% of the total Ethiopian population. According to interviews, productivity and income are very low in agriculture, which is predominantly small-holder farming. In general, a farmer has less than 1 ha farmland. The potential to scale up production and exports of agro-processed goods in Ethiopia is high. Growth in the fruit and vegetables sector could help provide new job opportunities, reduce poverty, and drive more inclusive economic growth.³¹ Merchandise exports already increased from USD2.3bn in 2010 to USD3.2bn in 2017.³² The export of agro products is over 20 times bigger compared to leather or textile exports. Coffee accounted for 29% of total exports. Coffee is one of the commodities planned to be processed in the Yirgalem integrated agro-industrial park. According to the Ethiopian Coffee and Tea Authority, the region around Yirgalem is one of the most important coffee regions in

²⁹ A Home-grown Economic Reform Agenda: A Pathway to Prosperity, Office of the Prime Minister, September 2019, p. 27.

³⁰ GTP II Mid Term Review Report, page 32.

³¹ Creating markets in Ethiopia, The World Bank Group, IFC, 2019.

³² Invest in Ethiopia Structural reforms set to unlock East Africa’s largest economy, Deloitte, June 2019, p.4.

Ethiopia. There is a huge potential in the agro-processing industry. For example livestock: many animals are exported alive without meat processing, which would add value.

More broadly speaking, the integrated agro-industrial parks are seen by most interviewees as highly relevant with a high potential to generate jobs and income. The agro-industrial parks are viewed as a sensible approach, also because it is starting with four pilot parks before expanding.³³

While the Growth and Transformation Plan II did not include an explicit reference to the agro-industrial parks, it is evident from significant budget allocations that the Government has taken the agro-industrial parks as a centrepiece of the industrial development strategy. All interviews confirmed the high relevance of the agro-industrial parks initiative for the Government development plans. And agro-processing is in line with the “Home-grown Economic Reform Agenda”. Agro-industrial parks are also one of the targeted interventions under UNDAF pillar 1 (UNDAF 2016-2020 document).

Leather and leather products

Ethiopia has the largest livestock populations in Africa and the 10th largest in the world.³⁴ This provides a good basis for a thriving leather industry. The leather sector is one of the leading manufacturing sectors for Ethiopia. Currently, Ethiopia is exporting mainly finished leather followed by growing shoe exports, while other leather items including gloves, bags and small leather articles have a large potential for growth. Export of leather, which was USD 23m in 2013, reaches USD 133m in 2018 and it is forecasted to reach 800m USD according to the GTP II Plan.³⁵ However, during the last 3 years (2016-2018) Ethiopian exports of leather and leather products declined.³⁶ This is in line with a reduced global trade volume for leather and leather products.³⁷ Still, several stakeholders expressed the view that the leather sector is highly relevant for the Ethiopian economy and the planned Modjo Leather City – a PCP flagship project – is viewed as highly relevant.

Textile and garment

The textile and garment industry witnessed rapid growth, as a number of domestic and multinational firms are being engaged in the production of textile and garment for domestic and global markets. On the path to industrialize Ethiopia, the sector is given a prominent position in boosting exports, creating job opportunities and as a model to other sectors as well. The sector has become a top priority for Ethiopia as part of its goal to become a middle-income country by 2025. The key objective is to make the sector globally competitive and to bring the necessary structural transformation to the nation’s economy to export industrial outputs, create thousands of jobs, attract much-needed foreign currency and above all, contribute to poverty reduction. The total figure of exports for the textile sector was around 144m USD in 2017 compared to around USD 60m in 2010.³⁸

Critical factors

The feasibility of a manufacturing oriented development strategy is currently affected by a number of critical external factors. Foreign exchange shortages have been singled out by most interviewees as the most limiting factor for rapid industrial development. Other constraining factors mentioned by

³³ Originally in 2014, emphasis was put on the realization of one agro-industrial park (i.e. in Oromia Regional State). Then model was expanded to additional 3 Regional States: Amahara, SNNP and Tigray.

³⁴ Source: FAO Statistics.

³⁵ Ethiopian Investment Commission, 2019, <http://www.investethiopia.gov.et/index.php/investment-opportunities/strategic-sectors/leather-shoes-and-leather-products.html>

³⁶ UN Comtrade 2018.

³⁷ The Ethiopian Leather and Leather Products Sector: An Assessment of Export Potentials to Europe and Austria, Austrian Foundation for Development Research, March 2019.

³⁸ <https://oec.world/en/profile/country/eth/#Exports>

stakeholder are access to finance, access to land and electricity. Constraining factors are further elaborated in chapter 4.5.3.

4.2 Relevance of the PCP Ethiopia for inclusive and sustainable industrial development (ISID)

Summary Finding 2: The PCP, its flagship projects and the UNIDO TC projects adhere strongly to the principles of inclusive and sustainable industrial development (ISID). The integrated agro-industrial parks have a particularly strong inclusiveness dimension, as they are designed to not only generate thousands of jobs in rural areas for young inhabitants and in particular young women, but also to link the agro-industry with tens of thousands of small-holder farmers. The four pilot parks have also passed the Environmental Impact Statement Assessment (EISA). To what extent future investments by private companies will be guided by the ISID principles can't be assessed at this point.

The Lima Declaration, adopted by UNIDO's Member States in 2013, and reinforced by the recent Abu Dhabi declaration in 2019, set the foundation for a new vision of inclusive and sustainable industrial development (ISID) and highlighted the role of industrialization as a driver for development. Inclusive and sustainable industrial development (ISID) aims at sustained increases in living standards for all people and provides the technological solutions to environmentally sound industrialization. "Inclusive" in this context means that industrial development must include all countries and all people, as well as the private sector, civil society organizations, multinational development institutions, and all parts of the UN system, and offer equal opportunities and an equitable distribution of the benefits of industrialization to all stakeholders. The term "sustainable" addresses the need to decouple the prosperity generated from industrial activities from excessive natural resource use and negative environmental impacts.³⁹

The evaluation found many aspects of the PCP which demonstrate adherence to the vision of inclusive and sustainable industrial development. The PCP offers a pathway that is based on value addition, productivity enhancement, inclusiveness through job and income generation and environmental sustainability.

Integrated agro-industrial parks

The PCP's flagship initiative - the integrated agro-industrial parks - are an inherently inclusive model for decentralized agro-industrial development. The agro-industrial parks have the objective to generate thousands of jobs in rural areas through agro-processing companies to be established in the parks. The experience from other industrial parks (e.g. textile) shows that the parks mostly create jobs for young rural inhabitants and in particular young women between the ages of 18 and 30.⁴⁰ A recent study concluded that *"there is no doubt that the untapped potential for increased women's participation in manufacturing, especially in the recently launched industrial parks and integrated agro-industrial parks, are major opportunity to ensure growth and potential in this sector"*.⁴¹ Moreover, female-owned enterprises are concentrated in textile and garment and agro-processing industries.⁴²

The agro-parks are highly decentralized - managed by the Regional Industrial Park Development Corporations (RIPDC) - and intend to provide job opportunities to people that did not have access to

³⁹ <https://www.unido.org/inclusive-and-sustainable-industrial-development>

⁴⁰ [Ethiopia's Industrial Parks could Employ Hundreds of Thousands of Young Women, www.urbanemerge.com Dec 21, 2018.](https://www.urbanemerge.com)

⁴¹ A Study on Women in Manufacturing in Ethiopia, Ministry of Trade and Industry and UNDP Ethiopia, 2018.

⁴² Ethiopia National Human Development Report 2018 - Industrialization with a Human Face, UNDP, 2018, p. 56.

jobs in the agro-industry before. The rural transformation centres (RTCs) are intended to link the small-holder farmers to the companies in the agro-industrial parks. These intended interlinkages between farmers, RTCs and agro-industrial parks became apparent during the visit to the agro-industrial park in Yirgalem, the rural transformation centre in Dilla and the exchange with small-holder farmers. Pineapple and coffee farmers confirmed the potential benefits of the agro-industrial parks. As an illustrative example, the first company established in the Yirgalem agro-industrial park demonstrates that the concept can work. The company is producing avocado oil.⁴³ According to interviews, several thousand farmers have started to supply avocados to the company. Avocado oil also meets environmental standards. The avocado oil is sold as organic oil. Waste from the organic oil production is also organic and can be utilized further as animal feed or similar.

Most import from an inclusiveness perspective is the FAO study on required investments for productivity enhancement in small-holder farming.⁴⁴ This is important to strengthen the supply side to the agro-industrial parks. The success of the integrated agro-industrial parks concept will depend to a large extent on the implementation of the identified investment plan. Without it, potential investors will face challenges to source agricultural products effectively from the small holders.

Moreover, UNOPS was commissioned to undertake the Environmental Impact Statement Assessment (EISA) studies for the four agro-industrial parks and the related rural transformation centres (RTCs). The Ministry of Environment, Forest, and Climate Change (today called the Environment, Forest and Climate Change Commission (EFCCC)) has confirmed that the projects comply with the environmental requirements of the country and issued the Environment Clearance on August 9, 2018.

The Resettlement Action Plan has been prepared, and compensation payments have been effected for the people affected by the development of the agro-industrial parks and the related rural transformation centres (RTCs).

Modjo Leather City

The second flagship project is the Modjo Leather City project, which is part of the Leather Initiative for Sustainable Employment Creation (LISEC), Component 2. The objective of the project is to create greater economic and decent employment opportunities for young men and women through the development of the Modjo Leather City Industrial Park and the Ethiopian leather industry value chain. The project has a very strong environmental dimension. Its objective is to establish an environmental friendly leather tanning district driven by a network of tanneries. The construction of a common waste water treatment plant is a priority in order to reduce the environmental impact of the leather processing. Interviews confirm that for the ecological sustainability of the leather sector in Ethiopia, the Modjo leather city project is a necessity. Today the pollution in Modjo from tanneries is an important and pressing issue. Tanneries in Addis Ababa are apparently also willing to relocate to Modjo.

Portfolio analysis of UNIDO TC projects

The portfolio analysis of the UNIDO TC projects that support the PCP in Ethiopia shows that inclusiveness is referred to in 21 out of 28 projects. Equally, the environmental sustainability is referred to in 21 out of 28 projects.

⁴³ Avocados have a long tradition in the region, as the avocado trees provide shade to the coffee plants.

⁴⁴ Investment plans for Agro-commodity Procurement Zones (ACPZs) in Ethiopia, Food and Agriculture Organization (FAO), Addis Ababa, Ethiopia, 30 August 2019.

The portfolio analysis shows that *gender* is addressed quite systematically (strongly or moderately in 24 out of 28 projects), while youth is addressed in about half of the projects (strongly or moderately in 15 out of 28 projects). An example is the National Entrepreneurship Strategy, prepared by UNIDO in collaboration with UNCTAD. The strategy aims at establishing a conducive environment to foster entrepreneurship for all, but with a focus on women, youth, social and green entrepreneurs.⁴⁵

Finally, the portfolio analysis shows that half (14 out of 28) projects refer to the Agenda 2030 and the Sustainable Development Goals.

Environmental and social safeguards

Meeting environmental and social standards is a pre-condition for providing financial resources for some of the major development partners like the European Investment Bank (EIB) and the African Development Banks (AfDB). Both institutions have given the green light to support elements of the PCP.

Outlook

The agro-industrial parks will be equipped with waste water treatment plants, day care centres for children of employees and training centres for the company staff. However, to what extent future investments by private companies will be guided by the ISID principles cannot be assessed at this point. It is not clear which environmental and social safeguards will be put in place and whether inspections and enforcement will be sufficient.

4.3 Effectiveness in achieving outcomes

Summary Finding 3: The PCP achieved good interim results in the agro-processing sector in particular with regard to the flagship project. The construction of the four agro-industrial parks in different regions of the country is advancing, although significantly delayed. Results achieved in the leather sector are smaller and of the scale of traditional UNIDO TC projects. The Mojo Leather City project is delayed by several years. A breakthrough was the very recent official financing request from the Ministry of Finance to the European Investment Bank for supporting the Mojo Leather City project for up to Euro 100m. Results achieved in the textile and garment sector within the PCP are comparably small focussing on capacity building and policy advice. The UNIDO TC projects achieved results in several areas also outside the three PCP priority sectors.

Overview

Of the four PCP outcomes (Table 5) significant progress has been made on outcome 1 (agro-industrial parks) and outcome 4 (partnership coordination). These two outcomes are closely interlinked, with significant partnership building around the agro-industrial parks (see also chapter 4.5.2 and 4.5.3).

With regard to outcome 2 (textile manufacturing value added) less progress was made within the PCP. There is one UNIDO TC project (USD 2.6m) and one parallel funded project for the study on the textile and garment industry (USD 2m). Hence UNIDO cooperation in the area of textile industry has the traditional form of project-based technical cooperation rather than the one of a wider and active partnership of all relevant actors as foreseen in the PCP concept. This is not to say that the textile sector is not advancing. On the contrary, the textile sector is booming and several textile industrial

⁴⁵ PCP Coordination Meeting – Progress Update, UNIDO, October 2019, p.4.

parks are up and running.⁴⁶ However, success in the textile sector is only to a very limited extent related to the PCP.

With regard to outcome 3 (leather and leather products) the evaluation team found progress in relation to the “traditional” UNIDO TC projects and with a very recent breakthrough regarding the financing of the Modjo Leather City project. In December 2019, the European Investment Bank received the official financing request from the Ministry of Finance for supporting the Modjo Leather City project for up to Euro 100m.

While results achieved in the different priority sectors are uneven, interviews with stakeholders reveal – with a few exceptions - an overall satisfaction with progress achieved, in spite of the considerable delays compared with the original plans. The view is shared that the original PCP programme document (December 2014) was too ambitious with regard to targets and timeline.

Table 5: PCP outcomes as planned in 2014

	Outcomes	Targets
Outcome 1:	Fully functional and environmentally sustainable integrated agro-industrial parks (IAIPs) and associated rural transformation centres (RTCs) are operational, sourcing raw materials locally.	70 per cent of RTCs effectively conducting marketing and logistical function 70 per cent raw materials sourced locally 80 per cent of factories use RE and EE technologies effectively 90 large companies established in 4 IAIPs 60,000 for new jobs created (at least 30 per cent female)
Outcome 2:	Improved performance of textile industry and contributes to regional share of textiles in MVA (manufacturing value added).	Increase in cotton yield from 1.7 t/ha to 2.8 t/ha 50 per cent increase in the volume of processed cotton Increase of export revenue USD 2.7 billion 260,000 jobs created by 2020
Outcome 3:	The leather and leather products contributes to increased forex earnings.	Export revenue increase from USD 132 million to USD 1.4 billion Import of skins hides reduced by 50 per cent by 2020
Outcome 4:	Effective partnerships coordination to ensure sustainable scaling-up investment in the selected priority sectors (agro-food, textile and apparel and leather and leather products) under the leadership of the National Task Force.	(No targets in programme document)

Source: Programme for Country Partnership Ethiopia, Programme Document, December 2014

⁴⁶ “The textile industry in Ethiopia is booming. Some 350,000 jobs are going to be created by 2022. To this end, the government is having industrial parks built. In Hawassa, a city with 300,000 inhabitants around 270 kilometres south of the capital Addis Ababa, the plan has already borne fruit. Eighteen international textile companies have set up shop there, and 20,000 jobs have been created.” <https://www.deutschland.de/en/topic/business/germany-supports-the-textile-industry-in-ethiopia>

Agro-processing

Box 1 shows the key performance indicators (KPIs) for the agro-processing sector as reported by UNIDO in its latest progress report available to the evaluation team. These are not the original KPIs as reflected in Table 5. They have been revised in 2019 by the new PCP Project Manager and her team to fit the reality of the PCP Ethiopia.

Box 1: Key Performance Indicators – Agro-Processing

AGRO-PROCESSING
<ul style="list-style-type: none">• 4 IAIPs at 70% construction completion status in four Ethiopian strategic regions - Amhara, Tigray, Oromia and SNNPR.• 19,834 direct jobs created around the IAIPs initiative in 5 years.• USD 750 million in investments mobilized from the GoE and International Partners for the infrastructure development of the IAIPs.• 150 private companies ready to relocate their businesses within the IAIPs as soon as operational.• 2 International Investment Fora attracting 3,500 participants and several promotional regional events with the local business community organized.• 8 Value Chain Studies and 4 Strategic Analysis and Business Plans undertaken in the four strategic agro-corridors supplying the IAIPs.
<ul style="list-style-type: none">• 4 local value chains directly supported through TA, technology transfer and marketing - Coffee, Moringa, Beles and Fishery Vale Chains.• More than 17,000 smallholder farmers benefited from agricultural extension services and training in GAP.• 2 Farmers Unions and 4 Cooperatives grouping approx. 25,000 farmers upgraded production facilities through the acquisition and/or renovation of new equipment.• 6 new products from Beles and Moringa commercialized in both local and international markets.

Source: PCP Coordination Meeting – Progress Update, UNIDO, October 2019.

It is beyond the scope of this evaluation to verify each performance indicator. However, this evaluation can triangulate the information provided in relation to the results and also supplement the performance indicators with additional information from interviews conducted, documents reviewed, the project portfolio analysis and its own field visit to the agro-industrial park in Yirgalem in the Southern Nations Nationalities and Peoples' Regional State (SNNPR).

According to several sources, four integrated agro-industrial parks (IAIPs) in four different regions – Amhara, Tigray, Oromia and the Southern Nations Nationalities and Peoples' Regional State (SNNPR) – are currently under construction. The agro-industrial park in Yirgalem (SNNPR State) is reportedly the most advanced park. The ongoing infrastructure work in the agro-industrial park in Yirgalem and the rural transformation centre in Dilla (both visited by the evaluation team) demonstrate the full commitment of the Government to finalize the construction of the agro-industrial parks (see details in Box 2). The park provides space for approx. 150 companies. So far, the first company has started production in the Yirgalem agro-industrial park (avocado oil) employing at the time of production (seasonal) around 300 persons. The 19'834 jobs, which reportedly are created around the agro-

industrial parks are mainly related to construction and greenery work, thus they cannot be counted as sustainably created jobs.

The construction of the agro-industrial parks is challenging and the targets have not been achieved yet (see Table 5). There are several reasons for that. First, the construction of the agro-industrial parks requires significant resources and it took more time than expected to mobilize them. Second, the agro-industrial parks are huge. The land area for the four parks varies between 260 to 300 ha, equivalent to 360 to 420 football fields. The construction of a park of that scale takes time. Third, a new Government was formed in 2018 and it took some time to assure the continued support for the agro-industrial parks. Additionally, it took some time to strengthen the capacities of the Regional Industrial Park Development Corporations (RIPDC) that manage the parks.

A majority of stakeholders interviewed for this evaluation consider the agro-industrial park a promising path to create jobs and income for the rural population. This position is backed by the EU led multi-donor framework programme called “Promotion of Sustainable Ethiopian Agro-industrial Development” (PROSEAD, 2019-2026), which supports the PCP objectives in the agro-processing sector. PROSEAD has currently a financial volume of approx. USD 270m. Within the framework of PROSEAD, several development partners provide direct funding for the agro-industrial parks and the agro-commodity zones around the parks. This is further elaborated in Chapters 4.5.2 and 4.5.3.

Box 2: The Integrated Agro-Industrial Park in Yirgalem

The evaluation team visited the integrated agro-industrial park in Yirgalem in the Southern Nations Nationalities and Peoples' Regional State (SNNPR) on the 15 November 2019. Progress can be summarised as follows:

- The construction of the basic infrastructure is advancing. Road work in the park is in full swing including an access road from the main road to the park.
- Several buildings are finished, like the buildings for the park administration, trainings, business services, private services (health) and a day care. Apart from the administration building, the buildings are not yet in use.
- Four sheds are finished or almost finished. A number of plots of land are ready to be taken over by companies to build their buildings/sheds. A temporary power line is established and the water pump station is finished.
- Overall construction of the park is delayed. Reasons mentioned locally are related to security issues and the rainy season.
- The first company has started production of avocado oil. In 2019, two containers of avocado oil were exported. At the time of production (seasonal), about 300 workers were employed of which about 90% were women.
- The avocado production is accompanied by a GIZ project which is supporting avocado farmers.⁴⁷

Integrated Agro-Industrial park Yirgalem, shed for avocado oil production (right side)

⁴⁷ <https://www.giz.de/en/worldwide/69987.html>



Picture: Evaluation Team, 15 November 2019.

- Apart from one exception (avocado oil), production has not started yet.
- Some more companies will start production soon. The construction of a shed for a company producing coffee capsules is under construction.
- Greenery work has started around and between plots of land designated for companies. The greenery is mainly done by youth from the region (approx. 500).
- Pineapple farmers are looking forward to supply pineapples to the agro-industrial park. Cooperatives are ready to support the farmers.
- It will take time to complete the basic infrastructure and construction of some significant parts have not started yet (permanent power supply, waste water treatment plant, housing for workers).
- The construction of the Rural Transformation Centre in Dilla is also progressing. Several sheds are completed or almost completed, including the shed for live-stock, coffee, honey, horticulture. The administration building and training centre is also almost finished. Road work and the water pipe construction is ongoing.

**Rural Transformation Centre, Dilla,
sheds for coffee (right), honey (centre), horticulture (left background)**



Picture: Evaluation Team, 15 November 2019.

Box: Evaluation Team, based on site visit and interviews, 2019.

One key development partner involved in several large scale initiatives supporting Ethiopia's economic development has a view which diverges from the majority view, considering the agro-industrial parks an inefficient approach. This for several reasons. First, the agro-parks, managed by

the Regional Industrial Park Development Corporations (RIPDC), create a parallel structure to the other industrial parks managed by the Industrial Parks Development Corporation of Ethiopia (IPDC). Second the agro-parks absorb too many resources. Third, the regional governments in charge of the management of the agro-parks do not yet have sufficient capacity to manage the agro-industrial parks.

Apart from the agro-industrial parks, the PCP includes several other projects in the agro-processing sector. The activities in the coffee sector appear of particular relevance, as coffee is a major export product and therefore an important source of foreign currency. It is said that 20m people are linked to the coffee sector in Ethiopia. UNIDO assisted in establishing the new Ethiopian Coffee and Tea Authority and is supporting the improvement of the coffee value chain. There is also an interesting partnership with Illycaffè. Currently, a new training centre is being built at the location of the Ethiopian Coffee and Tea Authority. The evaluation team had an opportunity to visit the construction site.

Leather and leather products

Box 3 shows the key performance indicators for the leather and leather products sector as reported by UNIDO in its latest progress report available to the evaluation team. Results achieved are of a smaller scale compared with the results in the agro-processing sector, but of a larger scale compared with the textile sector.

Box 3: Key Performance Indicators – Leather and Leather Products

LEATHER AND LEATHER PRODUCTS

- 4,852 new jobs created in the industry, out of which 48% are women
- 376 SMEs reached in 3 strategic clusters in Addis Ababa and supported through business development services and production technology upgrading.
- 376 SMEs acquired specialized industrial skills through capacity building and on-the-job training.
- Average 12.5% increase in profit margin per unit for the SMEs in the 3 clusters.
- Average 8.3% increase in export volumes, equaling USD 5.5 million in export earnings.
- USD 780,000 mobilized from the public sector for supporting infrastructure and equipment upgrading within the 3 clusters.
- USD 15 million in grant allocated for upgrading the local leather value chain.

Source: PCP Coordination Meeting – Progress Update, UNIDO, October 2019.

The evaluation team visited the - since April 2019 operational - common footwear production facility established as part of the leather SME cluster project. The new machines were in operation and a training of the machine was ongoing. This project supports a leather cluster engaged in the manufacturing of shoes.⁴⁸ By June 2019, the five clusters supported by UNIDO employ 4,852 workers, 33% more than the number recorded as baseline in 2014. Out of these 4,852 workers, 48% are women and 90% aged below 24 years old. Out of 376 SMEs participating in these clusters, 273 SMEs

⁴⁸ EIFCCOS: Ethio-International Footwear Cluster Cooperative Society Ltd.

have directly benefitting from technology upgrading, especially within the EIFCCOS cluster, grouping 206 SMEs. Profit margins have on average increased by 12.5% and exports volume by 8%.⁴⁹ In scale, this is a “traditional” UNIDO TC project.

The second project, the leather initiative for Sustainable Employment Creation (LISEC), is of a different nature with potentially large-scale results. At the centre of the project is the over USD 100m Modjo Leather City initiative. Interviews confirm that the European Investment Bank has allocated USD 50m for the project (not authorized yet).

The project shows significant delays and the targets have not been achieved yet (see Table 5). The delays are partly due to the fact that within the PCP, the agro-processing sector was given priority over the leather sector by the Government.

Another key factor was the land issue and the compensation for the resettlement (about 200 households). Views among interviewees regarding the compensation of land vary significantly. While some are of the view that the land compensation issue is solved, others are of the view that land compensation is not solved yet and that there is a risk that the issue could create social unrest.

At one point, the Modjo Leather City project was apparently almost “dead”. According to interviews, it is mainly due to UNIDO’s consistent engagement that the project has recently been revived. According to interviews, a study tour with representatives of the Ministry of Finance, Ministry of Trade and Industry, the regional government and the Major of Modjo to the tanning district of Santa Croce (Italy) showing state of the art waste water treatment had a significant impact on key national stakeholders’ opinion on the Modjo Leather City project. This change of mind set in the Government with regard to the importance of the leather sector and the Modjo Leather City project can be considered an important interim results. UNIDO clearly contributed to that learning process.

In December 2019, the European Investment Bank received the official financing request from the Ministry of Finance for supporting the Mojo Leather City project for up to Euro 100m. Preliminary discussions are on-going with other donors (AfDB, Italy). If this project takes off, which looks more likely now, it will have a major effect on the leather sector in Ethiopia.

Furthermore, the European Union Delegation has transferred EUR 1m to the European Investment Bank to update the feasibility and other studies (e.g. EMAS) prepared by UNIDO and the Government for the realization of the MLC. The MLC will be part of a Special Economic Zone (SEZ) that will be realized in the basin of Modjo for a total investment of USD 6.4bn in the next 5 years.

Textile and garment

Box 4 shows the key performance indicators for the textile and garment sector as reported by UNIDO in its latest progress report available to the evaluation team. Results reported under the PCP are modest compared with the planned targets (Table 5). However, this is not to say that the textile sector is not important for the Government. The textile sector was largely supported outside of the PCP by the Government and other partners. As mentioned above, the textile sector is booming but results are not attributed to the PCP and are rightly not reported under the PCP.

⁴⁹ PCP Coordination Meeting – Progress Update, UNIDO, October 2019.

Box 4: Key Performance Indicators – Textile and Garment

TEXTILE AND GARMENT

- 369 new jobs created in the T&G industry in Mekelle area, Tigray region, all are women.
- 390 young women trained in Basic Technical Sewing Operators and Soft Skills.
- 2 training curricula on Basic Technical Sewing Operators and Soft Skills developed and handed over to Mekelle Garment College.
- 50 trainers from the Mekelle Garment College and private sector companies formed to deliver specialized industrial skill training.
- USD 2 million mobilized by the public sector to carry out an in-depth assessment of the T&G industry in the country and develop a national strategy to further boost employment and export in the sector.

Source: PCP Coordination Meeting – Progress Update, UNIDO, October 2019.

However, some important results have been achieved. Based on a request from Ministry of Trade and Industry, a comprehensive study on the textile and garment industry covering three components was completed and endorsed by the government and key sectoral private and public stakeholders in July 2018.⁵⁰ According to interviews, the results of the study have a potential impact on the entire textile and garment sector as it addresses key issues in the sector, i.e. productivity and competitiveness; product diversification; and capacity-building. Major challenges in the sector are very low wages (as low as USD 30.-/month) and high staff turnover. Moreover, the study could make significant contribution in showing the potential to enhance the value added in Ethiopia (e.g. sourcing of raw material in Ethiopia).

Another important result is the inauguration in September 2019 of the Mekelle Garment College Centre of Excellence, which has been realized through a UNIDO project.⁵¹ The project tackles youth unemployment and lagging economic opportunities as the main roots behind irregular migration and displacement.

Cross-cutting domains

The PCP has achieved results in several domains outside the three priority sectors. The portfolio analysis of the UNIDO TC projects conducted for this evaluation shows that half of the 28 projects included in the analysis are outside the priority sectors. However, some are related to the priority sectors like the two investment forums that were organised during the review period. The investment forums are widely recognised as important events in convening different stakeholders from government, private sector, experts and development partners. At the same time, stakeholders emphasise that the moment has come to go beyond information sharing, awareness creating and the exchange of ideas. With the agro-industrial parks now in an advanced stage of construction, stakeholders expressed the expectation that there is an increasingly pressing role for UNIDO to facilitate investment, both domestic and foreign.

Another results praised by several stakeholders is the *National Entrepreneurship Strategy* which has been finalized by UNIDO in collaboration with UNCTAD in July 2019.

⁵⁰ PCP Ethiopia Annual Report 2018, UNIDO, 2019.

⁵¹ <https://www.unido.org/news/unido-inaugurates-mekelle-garment-college-center-excellence-ethiopia>

4.4 Likelihood of impact and sustainability of PCP Ethiopia

Summary Finding 4: The impact of the PCP in the agro-processing sector can potentially be significant. Based on current progress and efforts of all stakeholders, impact and sustainability of results of the agro-industrial parks are moderately likely. However, there are still obstacles and risks and in order to achieve large-scale impact a lot of efforts are required. Still, the fact that many development partners rally behind the agro-industrial parks enhance the chances of long-term impact. Large-scale impact promised by the PCP approach in the leather sector appears more likely after the official financing request from the Ministry of Finance to the European Investment Bank for the Modjo Leather City project. The impact of the PCP on the textile sector will be modest, given the current level of activities and investment within the PCP.

Agro-processing

As shown in the previous chapter on the effectiveness of the PCP in agro-processing sector, many large-scale results at the level of outputs and outcomes have been achieved or will be achieved rather soon. It is however too early to measure large-scale impact at the level of jobs and income. The 19,834 jobs created around the agro-industrial parks are mainly related to the development of the agro-industrial parks themselves. As such, they are of a temporary nature. Agro-processing jobs in the parks have yet to be created as the parks and the rural transformation centres are still under construction. The first example of the avocado oil company employing 300 workers at the time of production (seasonal) is a first indication that the concept can work.

However, many challenges have yet to be overcome before the four agro-industrial parks are fully operational (e.g. permanent power supply, water quality (too acid), waste water treatment⁵²). Once the parks are fully operational, the big question is how rapidly companies will move to the agro-industrial parks. As in the end it is the companies that create jobs and pay salaries. According to interviewees, many companies have expressed interest to move to the agro-industrial parks. The number of interested companies indicated by different stakeholders varies from 60 to 150 companies, mainly domestic companies. The interest in investment opportunities is also supported by the results of the two agro-industry investment forums co-organized by the Government and UNIDO (2016, 2018). Both forums showed high interest in doing business in Ethiopia.

At the same time, there are – as further elaborated in chapter 4.5.3 on private investment - a number of challenges for doing business in Ethiopia (e.g. access to financing, access to foreign currencies) which may affect the ability and willingness of companies to invest in the agro-industrial parks.

Moreover, it should be noted that the agro-industrial parks are only one element in the value chain and that the supply side needs as much attention in terms of quality and productivity. The productivity in agriculture which is predominantly small-holder subsistence farming is reportedly very low. The quality and productivity challenges have been recognised by many national stakeholders (e.g. the Agricultural Transformation Agency) and development partners. In response to a request from the Ministry of Finance and Planning of the Governments of Ethiopia, the EU commissioned FAO to conduct a study to estimate the investments required for productivity enhancement in small-holder farming in the four agro-commodity procurement zones (ACPZs) located around the four agro-industrial parks, i.e. in Central Eastern Oromia (Bulbula), Western

⁵² It is reported that the Korean Exim Bank is prepared to provide USD 50 m for the water treatment plants.

Tigray (Baeker), South West Amhara (Bure) and Eastern SNNPR (Yirgalem).⁵³ The study finds that much of the budget required is already available as ongoing and pipeline projects. This finding enhanced **the likelihood that the agro-industrial parks will succeed**. The gap of public financing is estimated at USD 515m by the FAO study (Table 6).

The EU lead multi-donor framework programme PROSEAD - *Promotion of Sustainable Ethiopian Agro-industrial Development (2019-2026)* - is an important example that demonstrates the willingness of development partners to support the Government's efforts to speed up Ethiopia's rural transformation through an agro-industrial strategy linking agricultural modernisation with industrial development while catalysing investments (domestic and foreign).⁵⁴ PROSEAD is another factor that enhanced the likelihood that the agro-industrial parks will succeed.

Table 6: Total investment gap costing for the four pilot agro-commodity procurement zones (ACPZs) around the four agro-industrial parks (USD million)

ACPZ Costing	Bulbula	Baeker	Bure	Yirgalem	Total
Increased production and productivity	37	94	120	17	268
Increased commercialization	38	44	81	48	211
Institutional strengthening	-9	10	11	24	36
Total	67	148	212	89	515

Source: Investment plans for Agro-commodity Procurement Zones (ACPZs) in Ethiopia, Food and Agriculture Organization (FAO), Addis Ababa, Ethiopia, 30 August 2019.

Other development partners like the African Development Bank and Italian Agency for Development Cooperation (AICS) are supporting the development of the agro-industrial parks (see chapter 4.5.3 on public investment).

Moreover, investors in the agro-industrial parks could help strengthen the supply side in demonstrating good agricultural practices.

The joint efforts of the national and regional Government and the development partners enhance the likelihood of impact of the PCP in the agro-processing sector on jobs and income. Interviews with stakeholders show that in general, the Government and development partners are optimistic that barriers can be overcome.

Still, broader and longer-term impact and sustainability of results of the agro-industrial parks, while likely, are not guaranteed as there are many factors that affect the future course. It may take several years until a significant part of the four agro-industrial parks will be rented out to production companies.

The extent to which the long-term objective to establish 17 agro-industrial parks in 17 agro-industrial growth corridors (AIGC) will be sustainable cannot be assessed at this point. Public financing of all 17 parks (including the surrounding rural transformation centres) will be a major challenge, also in view of the current government debt burden (see Figure 5).

⁵³ Investment plans for Agro-commodity Procurement Zones (ACPZs) in Ethiopia, Food and Agriculture Organization (FAO), Addis Ababa, Ethiopia, 30 August 2019.

⁵⁴ Promotion of Sustainable Ethiopian Agroindustrial Development (PROSEAD), European Commission, 2019 (Power Point).

Leather and leather products

At this point, it is too early to assess the broader impact of the PCP in the leather and leather products sector. As shown in the previous chapter on the effectiveness of the PCP in the leather sector, some impact in terms of jobs created and increased earnings can be demonstrated (Box 3). However, they are rather small-scale resulting from “traditional” UNIDO technical cooperation projects. The PCP promise of large-scale impact is not in sight yet. This is mainly because the flagship project in the leather sector – the Modjo Leather City – has not started yet. Modjo Leather City can potentially have a significant impact on the leather sector in Ethiopia in terms of jobs and income. After the official financing request from the Ministry of Finance to the European Investment Bank for the Modjo Leather City project (Dec. 2019), large-scale impact promised by the PCP approach in the leather sector appears possible.

Textile and garment

At this point, it is too early to assess the impact of the PCP in the textile sector. The PCP has not developed the same dynamics in this sector compared with the agro-processing sector. The impact of the PCP on the textile sector is likely to be modest. However, the study on the textile and garment industry could have an impact on the textile industry for example with regard to reducing the staff turnover in the industrial parks. Also, the in-country added value of the textile sector is apparently limited compared to the agro-processing sector. In this regard, the UNIDO study could make significant contribution in showing the potential to enhance the value added in Ethiopia (e.g. sourcing of raw material in Ethiopia).

Portfolio analysis of UNIDO TC projects

The portfolio analysis of UNIDO TC projects finds that in about two thirds of the project documentation the contribution to long-term changes, benefits and development results is assessed favourably or moderately favourable (19). In nine cases, this question could not be answered based on the project documentation.

4.5 PCP Ethiopia as alternative approach for UNIDO cooperation at country level

4.5.1 Ownership by the Government

Summary Finding 5: Government ownership of the PCP Ethiopia is very strong, demonstrated by the significant financial commitments to the PCP priorities. The high-level inter-ministerial coordination mechanism is highly appreciated by stakeholders creating ownership across several ministries.

One of the key features of the PCP approach is, that it should be owned by the host government. The UNIDO PCP Policy states that ownership “... entails strategic guidance from the highest political level as well as leadership in the development and implementation of the PCP, including the mobilization of resources. Countries participating in the PCP contribute, among other things, with their own financial and human resources in order to implement the programme. UNIDO supports the government in setting up an inter-ministerial coordination body to effectively manage the PCP. This national body brings together all ministries relevant to industrial development, including the ministry of finance, and development partners. It is responsible for overall PCP coordination, prioritizes projects, ensures synergies between funding and investment from partners, and monitors progress.”⁵⁵

⁵⁵ Director General’s Bulletin, UNIDO Policy on the Programme for Country Partnership, DGB/2018/04, UNIDO, 23 February 2018, para. 12.b.

The evaluation team found, that Government ownership of the PCP Ethiopia is very strong. This came out clearly during interviews with Government representatives, PCP stakeholders and partners and through data and document review. Strong Government ownership is also demonstrated by the significant financial commitments to the PCP priorities. The Government has allocated USD 520m to the four pilot regions for the construction of the integrated agro-industrial parks (more details in chapter 4.5.3)

Strong ownership started very early in the PCP process with strong commitment to the PCP at the highest level by the previous Prime Minister of Ethiopia, as was already found by the PCP mid-term evaluation.⁵⁶ Strong ownership continues with the new Prime Minister and the new Cabinet. The PCP Annual Report states that “ ... full commitment and ownership of the PCP by the new Administration was confirmed in December 2018 during the Inter-Ministerial Coordination Committee ... ”.⁵⁷ In particular, the new Government is very supportive of the agro-industrial parks flagship project, as was confirmed in interviews.

As envisaged in the UNIDO PCP Policy, the Government of Ethiopia has established a High Level Inter-Ministerial Coordination Committee in order to provide strategic direction, to coordinate the national management of PCP and to ensure effective implementation with adequate funding.⁵⁸ The membership of the High Level Inter-Ministerial Coordination Committee reflects broad ownership among several ministries (Box 5). The coordination mechanism is highly appreciated by stakeholders and viewed as contributing to ownership across several ministries (see also chapter 3.3. for an overview of the PCP coordination structure).

Box 5: Membership of the PCP High Level Inter-Ministerial Coordination Committee (IMC)

- Ministry of Trade and Industry (MOTI)
- Ministry of Agriculture (MOA)
- Ministry of Finance (MOF)
- Ministry of Innovation and Technology (MOIT)
- Ministry of Science and Education (MOSE)
- Environment, Forestry and Climate Change Commission (EFCCC)
- Ethiopian Investment Commission (EIC)
- UNIDO
- Representatives of relevant regional government bureaus

Source PCP-ETH – Coordination Structure, Indorsed by High Level Inter-Ministerial Committee – December 13, 2018, p. 4.

4.5.2 Multi-stakeholder partnership, synergies and coordination

Summary Finding 6: The PCP successfully established the envisaged multi-stakeholder partnership. It significantly strengthened the partnership and coordination among different ministries. The steering mechanisms established are viewed by stakeholders as very valuable and important for the success of the PCP. The partnership between the Government and development partners works at the level of the PCP task forces as well as at the level of the PCP flagship projects, the agro-industrial parks and to some extent the Modjo Leather City project. Partnership with the private sector is weak until now. Sustainability of partnerships relies on a - consciously - narrow number of partners. Several UNIDO

⁵⁶ Independent Mid-Term Evaluation of UNIDO’s Programme for Country Partnerships (PCP), UNIDO, 2017, p. 20.

⁵⁷ PCP Ethiopia Annual Report 2018, UNIDO, 2019, p.8.

⁵⁸ PCP-ETH – Coordination Structure, Indorsed by High Level Inter-Ministerial Committee – December 13, 2018, p. 3.

TC projects are not related to the PCP priorities and synergies between those projects and the PCP are therefore marginal.

One of the key features of the PCP is that it is supposed to be rooted in a long-term multi-stakeholder partnership. The UNIDO PCP Policy states that *“under the umbrella of the PCP, greater synergy is made possible between ongoing and new interventions from partners. The PCP links the inclusive and sustainable industrial development efforts of the respective national government, United Nations entities, development partners, financial institutions, the business sector, academia and civil society.”*⁵⁹

Government

At the Government level, a strong inter-ministerial partnership for the development of the agro-processing sector was developed as a consequence of the PCP. Through the PCP coordination structure the inter-ministerial coordination was strengthened significantly. The structure includes the High Level Inter-Ministerial Coordination Committee (see chapter 4.5.1), the Joint Steering Committee and several task forces (see also chapter 3.3. for an overview of the PCP coordination structure). The enhanced partnership and coordination among different ministries was praised by many interviewees, including from the Ministry of Finance, the Ministry of Trade and Industry and the Ministry of Agriculture.

The enhanced partnership and coordination goes beyond the level of ministries and includes also Government agencies, like the Agriculture Transformation Agency (ATA) or the Ethiopian Investment Commission (EIC), which are aligning their policies and strategies to the development of the new agro-industrial parks.

While smaller in scale, the Modjo Leather City project has also created a multi-partnership among various Government entities, i.e. the Ministry of Finance, Ministry of Trade and Industry, the regional government and the Mayor of Modjo.

It is worth mentioning that the strong partnership and coordination among different ministries continued after the change of Government in Ethiopia in 2018, which provides a positive sense for longer-term ownership and sustainability.

Finally, the evaluation team found a strong partnership between the Government and UNIDO. The mutual commitment to the PCP Ethiopia by the previous Prime Minister of Ethiopia and UNIDO laid the strong foundation for the strong partnership. Over the years, the partnership was further reinforced resulting in strong mutual trust.

Development partners

Development partners participate at the level of the PCP coordination in various task forces. For instance, the Resource Mobilization and Partnership Management Task Force (RMPM-TF) is chaired by the State Minister of the Ministry of Finance (MoF), and includes representatives from UNIDO, Development Finance Institutions (DFIs), development partners (DPs), UN agencies, the Ethiopian Investment Commission (EIC) and selected representatives from relevant ministries and the private sector.⁶⁰ These steering mechanisms are viewed by development partners as very valuable and important for the success of the PCP.

⁵⁹ Director General's Bulletin, UNIDO Policy on the Programme for Country Partnership, DGB/2018/04, UNIDO, 23 February 2018, para. 12.b.

⁶⁰ Source PCP-ETH – Coordination Structure, Indorsed by High Level Inter-Ministerial Committee – December 13, 2018, p. 7.

At the intervention level, the PCP has managed to bring important development partners with significant resources into the agro-processing sector. Most notably is the EU led multi-donor framework programme called “*Promotion of Sustainable Ethiopian Agro-industrial Development*” (PROSEAD, 2019-2026). PROSEAD brings together development partners like the African Development Bank, European Investment Bank, the Korea International Cooperation Agency (KOICA) or the International Fund for Agricultural Development (IFAD) behind the PCP agro-processing priority. The Italian Agency for Development Cooperation (AICS) is another important partner that has joined the PCP multi-stakeholder alliance in support of the agro-processing sector at a very early stage.

PROSEAD and also the investment plans prepared by FAO for agro-commodity procurement zones (ACPZs) around the four agro-industrial parks demonstrate the multi-stakeholder partnership and the synergies between different projects of several development partners in support of the agro-industrial parks and the agro-commodity zones.

One development partner expressed the view, that at one point it was perceived, that the agro-industrial parks initiative was almost abandoned and that only thanks to several important development partners, the agro-industrial parks initiative continued. This hints towards a strong partnership commitment.

While smaller in scale, the Modjo Leather City project has also established a multi-stakeholder partnership with several development partners (e.g. European Investment Bank, the African Development Bank, the Italian Agency for Development Cooperation). Moreover, FAO and USAID are – according to the LISEC project team - addressing the live stock value chain which are all on the same PCP platform.

The fact that Ethiopia is a country with the presence of many development partners was clearly an important factor to facilitate the multi-stakeholder partnership approach of the PCP.

The move to a few large-scale national flagship projects like the agro-industrial parks was also seen as a successful attempt to move away from the small, isolated and fragmented project approach of development partner. One interviewee emphasised that the move away from a project approach to a programme approach was led by the UN and appears to be working well in the agro-processing sector and to a lesser extent in the leather sector.

The PCP is also viewed as a useful platform for broader discussion that helps avoid duplication.

Private sector

The mid-term evaluation of UNIDO’s PCP concluded that the private sector requires a stronger voice and engagement in the PCPs.⁶¹ This evaluation finds that the private sector participation in the PCP is still weak and basically limited to the participation of the Manufacturing Sector Taskforce (M-TF) in which business is represented by the Chamber of Commerce and sectoral associations (e.g. Ethiopian Leather Association).⁶² The private sector is yet at an early stage of development in Ethiopia. The new PCP Investment Promotion Task force is expected to bring on board representatives from the investor community in the Country.

⁶¹ Independent Mid-Term Evaluation of UNIDO’s Programme for Country Partnerships (PCP), UNIDO, 2017, p. 10.

⁶² PCP-ETH – Coordination Structure, Indorsed by High Level Inter-Ministerial Committee – December 13, 2018, p. 8.

Sustainability of partnerships

The sustainability of partnerships relies on a rather small number of partners. However, this narrow base is a result of a conscious decision of the Government to focus on a few priority sectors and a few flagship projects, in particular the agro-industrial parks. The current set of partners is fully committed to the PCP. This will stay so for the foreseeable future. However, the PCP partnerships hinge to a large extent on the concept of the agro-industrial parks; as for other topics development partners are not (yet) on board with a comparable commitment.

Also, the fact that the Government is not yet paying and not yet hosting the PCP secretariat indicates that PCP operational coordination is not yet fully institutionalized within the Government.

Synergies between UNIDO TC projects and the PCP

The evaluation team made an attempt to assess the synergies between the UNIDO TC projects and the PCP. The portfolio analysis of 28 UNIDO TC projects showed that – based on the project documentation – 11 projects had a strong interaction with the PCP and four had either a moderate or weak link. In the other 13 projects, the project documentation did not address the interaction with the PCP.

While in the agro-processing sector there are clear links and synergies between the UNIDO value chain projects (e.g. dairy, meat) and the agro-industrial parks, links of some other UNIDO TC projects to the PCP are less obvious: e.g. training academy in heavy duty equipment and commercial vehicles in Ethiopia (in partnership with Volvo); support to the Government of Ethiopia on the improvement of its strategy and policy for the development of technology-based chemical industry; improving public health through solar-powered water sanitation systems in Ethiopia; or the low carbon low emission clean energy technology transfer programme. In short, synergies between the UNIDO TC projects outside the agro-processing sector appear to be limited.

4.5.3 Facilitation of large-scale public & private investment (“parallel funding”)

Summary Finding 7: The PCP has been very successful in facilitating parallel funding from the Government of Ethiopia and from development partners for the agro-processing sector. Parallel funding from development partners for the leather and textile sector is - within the PCP - very small until now, although the European Investment Bank very recently received an official financing request from the Ministry of Finance for the Modjo Leather City project. So far the PCP has not been successful in facilitating significant private sector investment. The lack of private sector investment is primarily due to the fact that the agro-industrial parks are still under construction. External factors such as limited access to finance also play an important role.

One of the key features of the PCP is that it is supposed to facilitate the mobilization and coordination of three streams of financial resources - development assistance, public finance and business sector investment – under the leadership of the host government.⁶³

Public investment & development assistance (parallel funding, as of September 2019)

The Government has allocated USD 520m to the four pilot regions for the construction of the integrated agro-industrial parks which is used for the infrastructure of the four agro-industrial parks

⁶³ Director General's Bulletin, UNIDO Policy on the Programme for Country Partnership, DGB/2018/04, UNIDO, 23 February 2018, para. 12.c.

and the rural transformation centres (Table 7). This significant amount allocated for the agro-processing sector constitutes about 40% of the total PCP financial volume of USD 1,32bn. Government allocation within the PCP to the two other PCP priority sectors is comparatively small (USD 2m to the textile sector, USD 790,000 to the leather sector).⁶⁴

Table 7: Budget (in USD) Allocated to the Four Pilot Regions for the Construction of Integrated Agro-Industrial Parks for 2017/18, 2018/19 and 2019/20 Fiscal Year

Region	Year			Total
	2017/18	2018/19	2019/20	
Tigray	14,070,000	12,059,997	12,059,997	38,189,994
SNNPR	46,923,333	40,220,000	40,220,000	127,363,333
Oromia	80,406,667	68,920,000	68,920,000	218,246,667
Amhara	50,400,000	43,200,000	43,200,000	136,800,000
Total	191,800,000	164,399,997	164,399,997	520,559,994

Source: PCP Coordination Office, based on Government data, November 2019.

The second largest public budget allocation to the PCP comes through the PROSEAD programme of the European Union. PROSEAD – which stands for “*Promotion of Sustainable Ethiopian Agro-industrial Development*” is a multi-donor framework programme (2019-2026). As of August 2019, the programme has mobilised USD 270m. In addition to EU funding of USD 50m, major contributors are the European Investment Bank (USD 67m), the Agriculture Transformation Agency (ATA) from the Ethiopian Government (USD 50m), South Korea (USD 50m), the African Development Bank (USD20 m), the International Fund for Agricultural Development (IFAD, USD 15m) and others. PROSEAD is supporting the four agro-industrial parks and their catchment areas.⁶⁵

The third largest public budget allocation to the PCP comes from the African Development Bank with USD 160m. The resources are also dedicated to the infrastructure development of the four agro-industrial parks.⁶⁶

The largest bilateral donor to the PCP is the Italian Agency for Development Cooperation (AICS). By November 2019, AICS has allocated USD 90m to the agricultural value chain development related to the four agro-industrial parks.⁶⁷

The European Union has – in addition to PROSEAD – also allocated USD 75m to the agriculture value chain development in relation to the agro-industrial parks.⁶⁸

In total, parallel public funding in support of the agro-industrial parks amount to USD 1.115bn. This is a very significant volume.

⁶⁴ The extent to which the Government is allocating financial resources to the textile and leather sector outside of the PCP was not within the scope of this evaluation.

⁶⁵ Promotion of Sustainable Ethiopian Agro-industrial Development (PROSEAD), European Commission, 2019 (Power Point).

⁶⁶ Data provided by the PCP Coordination Office, November 2019.

⁶⁷ Ibid.

⁶⁸ Ibid.

Figure 8: Parallel public funding in support of the agro-industrial parks

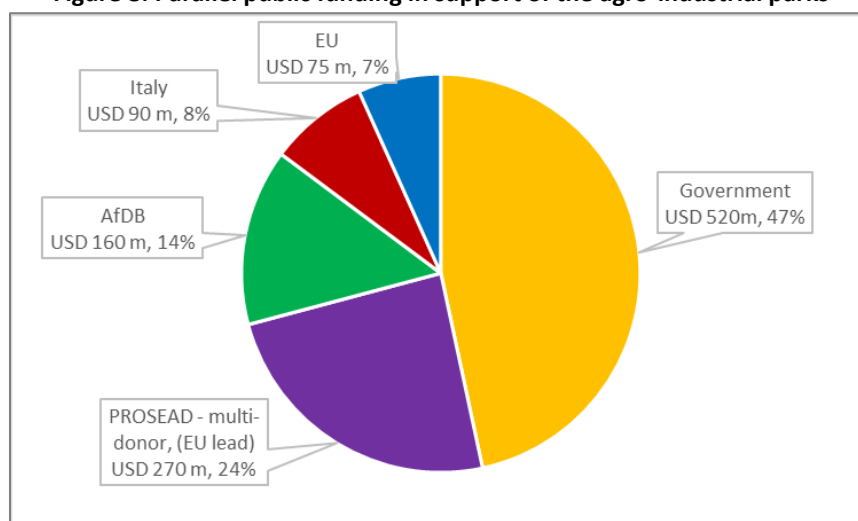


Figure: Evaluation Team, based on data provided by the PCP Coordination Office, November 2019.

Several interviewees lamented the fact that most bilateral donors have not (yet) joined the PCP. The view was expressed that most bilateral donors follow their own priorities and not the priorities as established in the PCP. Also the fact that the World Bank with a portfolio in Ethiopia of approx. USD 13bn does not support the agro-industrial parks is seen as a deficit. Efforts were undertaken to bring the World Bank on board but without success as the World Bank has a different concept of „Parks“. However, the agricultural growth programme and the livestock sector development programmes supported by the World Bank are focussing on the agro-industrial corridors, where the four pilot agro-industrial parks are located. Moreover, the Work Bank is funding a USD 50m national quality infrastructure programme, which is also indirectly beneficial to the agro-industrial parks.⁶⁹

In December 2019, the European Investment Bank received the official financing request from the Ministry of Finance for supporting the Mojo Leather City project for up to Euro 100m. This is a key step in order to advance this project.

Private investment

So far the PCP was not successful in facilitating massive private sector investment to the agro-industrial parks. As of now, only one company has invested in the agro-industrial park in Yirgalem. The company is producing avocado oil (see chapter 4.3). Another company is expected to start soon (production of coffee capsules). The lack of private sector investment in the agro-industrial parks is primarily due to the fact that the agro-industrial parks are still under construction as the evaluation team could witness in the agro-industrial park in Yirgalem.

According to interviewees, many companies have expressed interest to move to the agro-industrial parks. The number of interested companies indicated by different stakeholders varies from 60 to 150, mainly domestic companies.

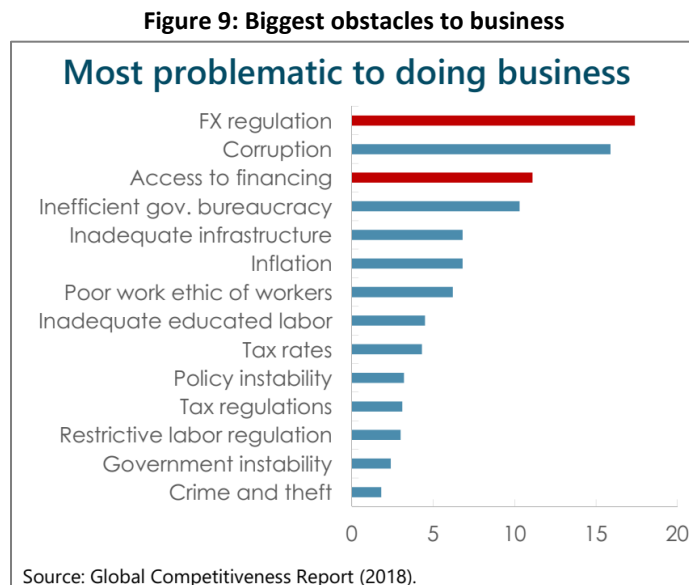
The general interest in investment opportunities is also supported by the results of the two agro-industry investment forums co-organized by the Government of Ethiopia and UNIDO (2016, 2018). Both forums showed a high interest in doing business in Ethiopia. The second forum in 2018 was attended by 2,350 people thereby almost doubling the participation from the first forum. The

⁶⁹ While the World Bank used UNIDO for the peer review of the design of the quality infrastructure project, for the implementation the World Bank went for a bidding process in which UNIDO cannot participate.

directory of investment opportunities featured 58 Ethiopian companies operating in the agro-food processing, textiles and leather sectors.⁷⁰ However, according to interviewees, it is one of the challenges of the investment forums that it is not possible to report on actual investments made which could be attributed to the forums.

The evaluation team found that the Ethiopian Investment Commission joined the efforts to mobilize resources for the agro-industrial parks late. In fact, the involvement during the first two investment forums was limited, according to the Investment Commission. However, this has changed and the agro-industrial parks are now central to the Investment Commission, according to the representative interviewed during the evaluation. The Commission is planning to set up one-stop services in the agro-industrial parks. This may prove highly valuable, as there are many factors, which have an influence on investment decisions (apart from infrastructure). One of the biggest obstacles for doing business is the limited access to finance, which was mentioned by many stakeholders interviewed during this evaluation. Another challenge mentioned several times is the shortage of foreign currency which has for example implications on the repatriation of profits (foreign companies).

Both findings are corroborated by the global Competitiveness Report 2018 (Figure 9).



Source: *The Home Grown Economic Reforms and Development, Partners Role, Update to DAG Head of Agencies, Ministry of Finance, October 2019 (Power Point).*

Other elements mentioned, which may affect the investment climate negatively are:

- Unreliable supply side (agro-commodity);
- Domestic companies get less support in terms of tax breaks and access to finance compared with foreign companies;
- The fact that Ethiopia has not yet signed the New York Arbitration Convention;
- Unrest in the country.

On the positive side, there are several factors that should have a positive impact on the investment climate in the future. Factors mentioned during interviews are listed in below Box 6.

⁷⁰ Completion Report, Second International Agro-industry Investment Forum in Ethiopia, UNIDO, 5 August 2019.

Box 6: Factors with positive impact on investment climate in future

- The peace process with Eritrea is expected to accelerate economic growth, in particular in the north of the country.
- The Africa Continental Free Trade Area (AfCFTA) is expected to have a positive impact on the investment climate.
- Investment plans for agro-commodity procurement zones (ACPZs). This FAO study identified the required investments for productivity enhancement in small-holder farming.⁷¹ This is important to strengthen the supply side to the agro-industrial parks.
- To address the difficulty in accessing financing, the European Investment Bank is considering a loan of Euro 100m for intermediated loans for SMEs (not only agro-industrial parks). Of the Euro 100m, Euro 40m are dedicated for a leasing element focussing on agro-industrial parks.
- The government is considering the conduct of future agro-industry investment forums in the regions in order to support the regional governments in their efforts to mobilize private investment for the agro-industrial parks. This might be an interesting “value proposition” as – according to one interviewee – Addis Ababa is crowded with events similar to the investment forum.
- Thanks to a USD 3bn financing agreement between the Government of Ethiopia and the Government of China for advancing the electrification of the country the power supply for the agro-industrial parks should improve.⁷²
- The Korean Exim Bank is apparently prepared to provide USD 50m for the water treatment plants in the agro-industrial parks.

Box: Evaluation Team, based on interviews conducted during evaluation, November 2019.

4.5.4 Focus on priority sectors

Summary Finding 8: The PCP Ethiopia has – until now - a very strong focus on the agro-processing sector. In fact, the significance of the agro-processing sector is one of the striking features of the PCP Ethiopia. For development partners the PCP is largely synonymous with agro-industrial parks. The leather sector has the potential to become a second priority sector. The textile sector is marginal within the PCP.

One other key feature of the PCP is that it should focus on a selected number of priority sectors or areas essential to the government’s inclusive and sustainable industrial development agenda. The UNIDO PCP Policy states that UNIDO should “... *design a programme consisting of mutually reinforcing projects. A focused approach enables UNIDO to concentrate its diverse, in-house expertise in order to maximize impact.*”⁷³

Currently the PCP focusses on one of the three priority sectors, i.e. the agro-processing sector. In fact, the significance of the agro-processing sector is one of the striking feature of the PCP Ethiopia. Total funds committed to the agro-processing sector of USD 1,278bn constitute 97% of the total financial PCP volume (Figure 10).

Within the agro-processing sector, the agro-industrial parks absorb the lion share of the financial volume. This is the most important flagship project of the PCP in Ethiopia. And it also constitutes the most significant differences between the PCP and a standard UNIDO country programme. Flagship

⁷¹ Investment plans for Agro-commodity Procurement Zones (ACPZs) in Ethiopia, Food and Agriculture Organization (FAO), Addis Ababa, Ethiopia, 30 August 2019.

⁷² PCP Coordination Meeting – Progress Update, Oct. 2019.

⁷³ Director General’s Bulletin, UNIDO Policy on the Programme for Country Partnership, DGB/2018/04, UNIDO, 23 February 2018, para. 12.e.

projects such as the agro-industrial parks are much larger than standard UNIDO TC projects. And they require significant “parallel funding” either from the government or from development partners. The committed funds of USD 1,192bn to the agro-industrial parks constitute 90% of the total PCP financial volume (USD 1,320bn).⁷⁴

Figure 10: PCP Ethiopia financial allocation to sectors (as of 09/2019)

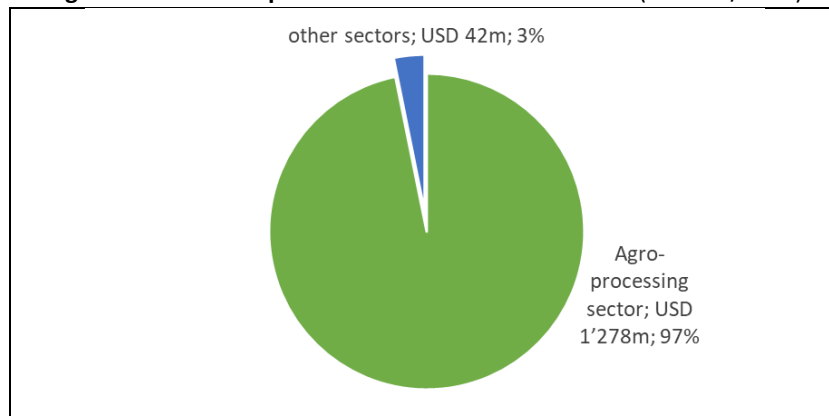


Figure: Evaluation Team, based on PCP Ethiopia Quarterly Report Sept. 2019.

It could be argued that the strong focus on the agro-processing sector is motivated (and justified) by the fact that the export of agro products is over 20 times bigger compared to leather or textile exports (see relevance chapter 4.1)

Interviews with development partners confirmed the financial analysis. For development partners the PCP is largely synonymous with agro-industrial parks. Stakeholders view the strong focus on the agro-processing sector favourably. It reflects a move away from fragmented, isolated projects of development partners to large national projects.

The other two PCP priority sectors leather and textile receive much less attention and financial resources from the Government and the development partners. Government allocation (parallel funding) within the PCP to the two other PCP priority sectors is comparatively small (USD 2m to the textile sector, USD 790,000 to the leather sector).⁷⁵

Still, the PCP and UNIDO continued to support the leather sector. According to interviews, UNIDO kept the leather sector on the table. The study tour with high-level Government representative to the water treatment plant in the tanning district of Santa Croce (Italy) was an important step in order to convince the Government of the relevance of the Modjo Leather City project. When the Modjo Leather City project takes off, parallel funding from development partners for the leather sector will potentially increase significantly. In December 2019, the European Investment Bank received the official financing request from the Ministry of Finance for supporting the Mojo Leather City project for up to Euro 100m.

The textile sector received least attention with the PCP. Textile sector stakeholders felt that the sector was not well represented in the PCP. Interviews suggested that this is partly attributed to the limited capacity UNIDO in-house in the textile sector. However, this is not to say that the textile sector is not important for the Government. According to the Ministry of Finance, the textile sector was largely supported outside of the PCP by the Government. In particular the booming industrial parks, managed by the Industrial Park Development Corporation (IPDC), are very much focussing on

⁷⁴ PCP Ethiopia Quarterly Report Sept. 2019.

⁷⁵ PCP Ethiopia Quarterly Report Sept. 2019.

the textile sector. The extent to which the Government is allocating financial resources to the textile sector outside of the PCP was not within the scope of this evaluation.

UNIDO TC projects

The focus on the agro-processing sector is also reflected in the UNIDO TC projects. Of the 33 completed or ongoing projects, 12 are related to the agro-processing sector. 36% of UNIDO’s technical cooperation portfolio (budget) is used for the agro-processing sector. Two projects are in the leather sector and one project is in the textile and garment sector. 22% of UNIDO’s technical cooperation portfolio (budget) is used for the leather and leather products sector and 5% is used for the textile and garment sector (Figure 11). 18 projects and 37% of the TC portfolio are in other sectors or are crosscutting. This includes projects in the area of environment, chemical industry, quality infrastructure, solar-power and investment promotion. Of the other projects, only investment promotion appears to be crosscutting.

Of the eight pipeline projects, seven are in agro-processing or agro value chains development such as coffee.⁷⁶

The data from the PCP reporting is confirmed by the portfolio analysis conducted by this evaluation. Using a slightly smaller sample (28 projects), the portfolio analysis found that UNIDO had nine projects in the agro-processing sector, four in the leather sector, 1 in the textile sector and 14 cross cutting projects. This implies that half of the UNIDO TC projects are not within the three priority sector. So while there is a clear emphasis on the agro-processing sector, overall the UNIDO TC projects are only partially focussing on the three priority sectors.

Figure 11: UNIDO’s TC portfolio (ongoing and completed projects, as of 09/2019)

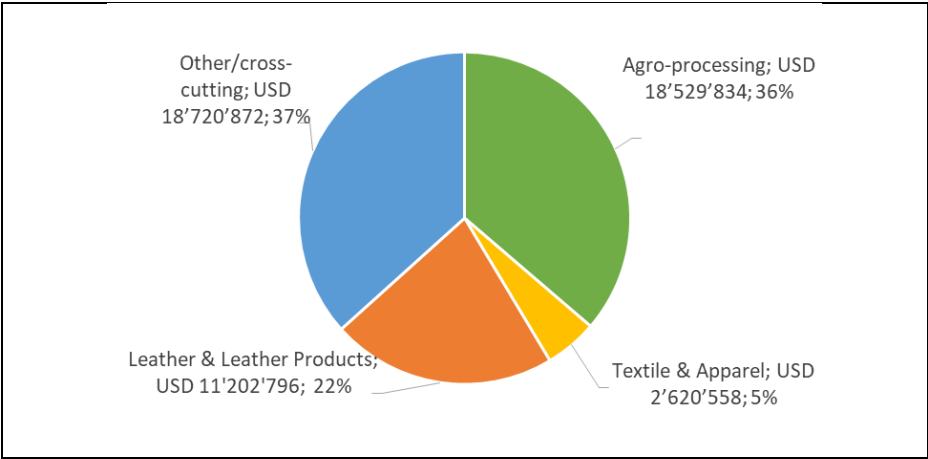


Figure: Evaluation Team, based on PCP Ethiopia Quarterly Report Sept. 2019.

It is important to note that Government and development partners are interested in the PCP flagship initiatives and do not see the UNIDO TC project outside the three priority sectors as part of the PCP.

⁷⁶ PCP Ethiopia Quarterly Report Sept. 2019.

4.6 UNIDO's role in and contribution to PCP in Ethiopia

4.6.1 UNIDO's primary role in the PCP Ethiopia and its comparative advantage

Summary Finding 9: UNIDO's primary role in the PCP Ethiopia is that of a facilitator of coordination and convener of stakeholders as well as a provider of technical expertise. UNIDO is recognized as a knowledgeable actor and UNIDO staff is attested that they know their subject. UNIDO technical competence is also acknowledged because of its long presence and engagement in Ethiopia. UNIDO also plays a role as policy advisor. There is an increasing demand for UNIDO to facilitate private investment, both domestic and foreign.

Coordination and convening support role

While the overall responsibility and ownership for PCP coordination is with the Government, UNIDO has a key role within the PCP to facilitate the convening of partners and the overall operational coordination of the PCP.⁷⁷

UNIDO's operational coordination support to the PCP Ethiopia has three components:

- First, the UNIDO PCP Programme Manager who is also the UNIDO Representative and Director of the Regional Hub in Ethiopia has to overall lead with regard to UNIDO's convening and coordination role. The PCP Programme Manager has the overall responsibility for the interaction with the Government and the development partners.
- The second component is the PCP Secretariat established by UNIDO in coordination with the Government (located in the UNIDO office). The PCP Secretariat is headed by the PCP Coordinator. The PCP Coordinator's main task is to facilitate the high-level inter-ministerial meetings, the joint steering meetings and the different task force meetings.
- A third component of coordination support is at the level of the projects. UNIDO has appointed in all three priority sectors (agro-processing, leather, textile) national project coordinators.

The assessment of UNIDO's convening and coordination role is overwhelmingly positive. This came out of many interviews with various stakeholders. UNIDO's coordination role in the PCP is consistently praised and appreciated and viewed as a crucial component of the PCP approach. Inter-ministerial meetings for instance which are facilitated by UNIDO are highly appreciated and viewed as adding real value thanks to UNIDO. The evaluation also found that the way UNIDO manages the relations with the Government is highly appreciated. Key staff managed to establish excellent working relations with Government representatives.

The coordination mechanism set up by UNIDO is welcomed by development partners for strengthening the dialogue with the Government (see chapters 3.3, 4.5.2.). The evaluation found that the way UNIDO manages the relationship with development partners is viewed favourably, although at times it is perceived as a bit ad-hoc. As an example for an inconsistent flow of information mentioned was the Modjo Leather City project, whose status was not always clear to stakeholders.

However, key staff managed to establish excellent working relations with representatives of international organisations.

⁷⁷ Director General's Bulletin, UNIDO Policy on the Programme for Country Partnership, DGB/2018/04, UNIDO, 23 February 2018, para. 11.

More generally, stakeholders expressed the view that the need for coordination of development partners' activities in Ethiopia is very high as a large number of development partners are present ("*donor crowded country*") which could lead to high fragmentation of interventions (chapter 3.1).⁷⁸

Most stakeholders expressed the view that UNIDO's role in coordination support is crucial for the success of the PCP. UNIDO is seen as a neutral international actor who can lead the industrialization focused PCP with some authority. In this regard it was stressed that UNIDO's coordination support is based on the acquired professional authority of UNIDO in Ethiopia through a long history of technical cooperation, including in the PCP priority sectors.

It came out from interviews, that UNIDO's role to facilitate coordination is very welcome also in order to supplement the coordination capacities of the ministries and there are clear expectations that the coordination support from UNIDO should continue. It was moreover stressed by several interviewees that UNIDO's coordination support could be extended to the regional level and the collaboration with the regional level governments should be strengthened.

UNIDO's *convening* support was also stressed by stakeholders. While the Government appreciates UNIDO's success in bringing development partners to the PCP, development partners appreciate UNIDO's good access to Government and the fact that UNIDO had helped mobilize budgetary resources for common development priorities. The two agro-industry investment forums co-organized by the Government of Ethiopia and UNIDO (2016, 2018) are viewed by many stakeholders as useful examples of UNIDO's convening role in bringing together the right mix of people.⁷⁹

UNIDO's coordination support at the *project level* is also highly appreciated by stakeholders. Both the Government and development partners see UNIDO's coordination support to the development of the agro-industrial parks of particular importance. Strong evidence for the appreciation of UNIDO's coordination role is the fact that within the EU led PROSEAD, UNIDO has been given the task of "*Coordination of the integrated agro-industrialisation process in Ethiopia*" (Box 7). The importance of the coordination function is underlined by the allocation of over Euro 9m to this task, financed by the EU, the African Development Bank and Italy.⁸⁰

Box 7: Purpose of UNIDO's coordination role within PROSEAD (2019)

The main purpose of this project is to establish coordination and governance framework to harmonize activities of all stakeholders involved in the Ethiopian IAIP's and the governance of the IAIP, as well as to address issues affecting agro-industrial performance in Ethiopia. The project falls within the Promotion of Sustainable Ethiopian Agro-industrial Development (PROSEAD) project funded by the European Development Fund of the European Commission to the tune of € 45 Million to accelerate the mobilisation of public investments and leverage private investments for the realisation of the IAIPs and to synergise with current government and donors' investments in the development of agricultural value chains and specifically, component 5 of the PROSEAD to address the overall coordination of the IAIP programme.

Source: Project document "Coordination of the integrated agro-industrialisation process in Ethiopia – PROSEAD component 5", project ID no. 190001, UNIDO, 2019.

UNIDO also plays a valued coordination role in the coffee sector and is well connected to various stakeholders. However, to what extent this is related to the PCP is yet unclear.

⁷⁸ The USD 1bn 'Beautifying Sheger' programme was mentioned as an example which risks of being highly fragmented.

⁷⁹ Another example mentioned which demonstrates UNIDO's convening role: UNIDO facilitated the contact between Ethiopia and China which lead to a meat export agreement.

⁸⁰ Project document "Coordination of the integrated agro-industrialisation process in Ethiopia -PROSEAD component 5", project ID no. 190001, UNIDO, 2019.

Finally it is fair to say that the results achieved with regard to multi-stakeholder partnerships (chapter 4.5.2) can be partially attributed to UNIDO's coordination and convening support role.

The fact that at the time of this evaluation, the financing of the PCP Secretariat was not secured, was mentioned with concern by several interviewees. The Government has requested UNIDO in a letter to maintain the PCP Secretariat for the foreseeable future.⁸¹ The concern seems justified, as UNIDO managements stressed that in future, the PCP operational coordination role should be transferred to the government and UNIDO will keep supporting and accompanying the PCP in Ethiopia, since other several new PCPs in other countries have been recently initiated.

UNIDO's role as provider of technical expertise

UNIDO has a portfolio of 33 completed or ongoing technical assistance projects in Ethiopia which fall into the PCP period. The financial volume of these projects amounts to USD 51m (by 09/2019). Both the absolute number of projects and the financial volume are evidence for UNIDO's role as provider of technical expertise to the industrialisation process of Ethiopia, although not all projects fall within the PCP priorities as demonstrated above (chapter 4.5.4, Portfolio Analysis Annex C).

UNIDO's role as provider of technical expertise was positively emphasised in interviews. For instance the Government highly values UNIDO's expertise related to the development of agro-industrial parks. Development partners recognized UNIDO's role in providing or mobilizing technical expertise. More generally, UNIDO is perceived as a knowledgeable actor and UNIDO staff is attested that they know their subject.

UNIDO technical competence is also acknowledged because of its long presence and engagement in Ethiopia. UNIDO is credited for having built over the years a strong network, trust and credibility. The leather sector was mentioned as an example in which UNIDO is seen as having a clear comparative advantage due to its long engagement in the sector. More broadly, the PCP is seen by some as a continuation, at a next level, of this history of technical cooperation.

Development partners also appreciated UNIDO's flexibility in developing technical assistance projects. Projects can be developed together.

UNIDO's role as policy advisor

UNIDO also plays a role as policy advisor. However, it is a consensus among stakeholder, that the PCP is very much focussing on the flagship projects, in particular the agro-industrial parks. This requires significant technical and coordination support from UNIDO in terms. In comparison, UNIDO's role as policy advisor is viewed as more modest, a view shared by many stakeholders, including UNIDO staff.

The mid-term evaluation of the PCP in 2017 came to a similar finding and stated that in Ethiopia UNIDO's advisory role is more seen so far at a technical level for instance with regard to the agro-industrial parks.⁸² UNIDO advice is sought primarily at the technical, implementation level and less at the policy level.

However, this evaluation team could identify several activities that can be understood as part of policy advice (Box 8). This shows that UNIDO is playing a policy advisory role, at least to some extent.

⁸¹ Ministry of Finance, 5 September 2019.

⁸² Independent Mid-Term Evaluation of UNIDO's Programme for Country Partnerships (PCP), UNIDO, 2017, p. 29.

Box 8: Examples of UNIDO policy advisory services to Ethiopia within the PCP

- A study on the *textile and garment industry* was completed and endorsed by the government and key sectoral private and public stakeholders in July 2018. According to interviews, the results of the study have potentially an impact on the textile and garment sector as it addresses key issues in the sector, i.e. productivity and competitiveness; product diversification; and capacity-building.
- The *National Entrepreneurship Strategy* was finalized by UNIDO in collaboration with UNCTAD and validated by MoTI in July 2019. The strategy aims at establishing a conducive environment to foster entrepreneurship for all, but with a focus on women, youth, social and green entrepreneurs, eliminating silos and roadblocks to business establishment and operations, building an ecosystem that takes into account regional diversity, rural development, and aims at creating local higher value added in manufacturing and services. The National Entrepreneurship Strategy (July 2019) which was conducted by UNIDO in collaboration with UNCTAD was praised by several stakeholders.
- A policy paper was produced and submitted to MoTI in June 2019 under UNIDO's project to support the development of a technology-oriented *chemical industrial* policy framework and development roadmap. The exercise included i) research on the current development status and policy framework in Ethiopia's chemical industry, and on sector selection and prioritization within the chemical sector; ii) delivery of foreign development experience and R&D policies; iii) elaboration of the current development strategy and policy in the chemical sector; and iv) improvement of the current Chemical Technology Roadmap.
- The *Ethiopian Trade Show and Exhibition Sector* study was finalized in June 2019. The study is aimed at presenting a preliminary assessment of trade show offerings in Ethiopia and in the region as well as an analysis of existing business/trade fair physical facilities in Addis Ababa. It also provides some observations on sectoral growth prospects in view of the expected demand for business/trade fair events in the country and region. The study will serve as a basis to develop a Master Plan for the realization of a new Exhibition/Conference Centre, following a formal request for support from the PM and MoTI in February 2019.
- A Study Tour to Japan led by the Minister from Ministry of Trade and Industry took place in May 2019 to provide exposure and experience sharing visit to Ministry of Trade and Industry leadership on Japan's economic development discourse especially industrial development, which is largely SME based with practical relevance to Ethiopia.
- A Strategic Plan for the regional industrialization and SME cluster development in Ethiopia was prepared in 2018. The Strategic Plan is supporting the Ministry of Industry in developing a master plan for creating international standard SME clusters including required physical infrastructures and creating conducive business environment for the emergence of globally competitive SMEs.

Source: Interviews and PCP Ethiopia, Quarterly Report, UNIDO, September 2019.

UNIDO's role in supporting the Government in mobilizing investment

Results achieved with regard to the facilitation of large-scale public and private investment has been discussed above (in chapter 4.5.3). The evaluation found that the PCP has been successful in facilitating parallel funding from development partners for the agro-processing sector while parallel funding for the leather and textile sector are - within the PCP - very small. The evaluation also found that so far the PCP has not been successful in facilitating private sector investment for reasons related to the progress of the agro-industrial parks but also external factors beyond the control of the PCP. Both, success and lack of success can partly be attributed to UNIDO's support in mobilizing investment. Having UNIDO supporting the PCP enhances credibility of and trust in the PCP, which is important for potential donors and as contributed to funding decision, according to stakeholder. According to the interview with the Government, the UNIDO participation in the PCP helped the Government to mobilize resources from development partners. The UNIDO participation created the necessary confidence. The "UNIDO stamp" is seen as a "quality label".

More generally, it is fair to say that UNIDO's coordination and convening role (discussed above) has also contributed to the Government mobilization of PCP funding from development partners. The coordination and convening role partly overlap with the fund raising efforts.

The most specific UNIDO activity in terms of mobilizing investment are the investment forums which were organized twice during the period under review. The forums are widely recognised as important events in convening different stakeholders from government, private sector, experts and development partners. However, according to interviewees, one of the challenges of the investment forums is the fact that it is not possible to report on actual investments made that could be attributed to the forums. With the agro-industrial parks now in an advanced stage of construction, stakeholder expressed the expectation that there is an increasingly pressing role for UNIDO to facilitate investment, both domestic and foreign.

4.6.2 UNIDO, PCP and the UN system

Summary Finding 10: The strategic cooperation between the Government and UNIDO within the PCP contributed to industrial development becoming a UN strategic priority within the many development challenges faced by Ethiopia. Cooperation within the UN system has taken place with some agencies and can be further developed.

Industrial development in UNDAF and UNSDCF

The current UN programmatic document (UNDAF 2016-2020) already identified industrial development and SDG 9 as an important development priority. UNIDO contributed to pillars one and two (inclusive growth and structural transformation; resilient and green economy).⁸³

Currently the new UN sustainable development cooperation framework (UNSDCF) is being prepared. From the available advanced documents for the common country assessment (CCA) done jointly by UN agencies it can be seen that industry keeps being of central importance: "Sustained growth and a structural transformation of the economy primarily require growth in industry and, in particular, growth in the manufacturing sector."

Given the strong presence and large volume of UN cooperation in Ethiopia it is also remarkable that UNIDO is co-leading the economic development pillar together with UNDP.

The Human development report (HDR) for Ethiopia 2018, titled "Industrialization with a human face" also adds to the general recognition of the nexus between inclusive industrialization and sustainable human development. This is a major achievement as the HDR is a central document for the UN in any country. The report also recommends some of the strategic priorities of the PCP, such as agro-industrial development, industrial parks, cluster and SME development, to be emphasized.

Cooperation with UNDS entities

The most remarkable concrete cooperation with direct relation to the PCP was the one with FAO. Based on the integrated agro-industrial park strategy developed by UNIDO and the Government, FAO elaborated a comprehensive assessment and action plan to enhance small-holder farmers' capacity to link up with industrial enterprises. In concrete terms, FAO has led the preparation of

⁸³ The opinion was expressed, that in view of the progressing UN reform, UNIDO needs to capitalize on the PCP as an innovative and cost effective approach in delivery of programmes with broader impact. PCP's unique features in mobilizing multiple partners, while the ownership remains with the Government, seems to be in harmony with the new UN reform agenda and more attention should be given to the efforts of repositioning UNIDO as a key player in the UN system and partner to member states in ISID.

comprehensive investment plans for each of the four pilot agro-industrial parks in Ethiopia. This is considered by stakeholders as an essential element of the overall agro-industrial park strategy and provides the basis for the expected results in terms of inclusiveness. It also differentiates the agro-industrial park strategy from the regular industrial parks investment, which in many cases do not prioritize linkages with the local economy. Hence the UNIDO FAO cooperation can be considered as exemplary as both agencies combine their expertise in different sectors in order to achieve inclusive and sustainable development results.

UNIDO, in cooperation with UNCTAD, developed the National Entrepreneurship Strategy, which has been praised by several stakeholders for its high relevance and good quality.

So far other UN agencies have not been very actively involved in the PCP. UNDP used to participate up until recently. There are not many UN agencies actively involved in the industry space. The membership of the joint steering committee and the different task forces do not emphasize the participation of other agencies, with the exception of the agricultural productivity task force, where also the meeting minutes show active FAO participation.

4.6.3 UNIDO's implementation management strengths and weaknesses for a PCP approach

Summary Finding 11: UNIDO's capacity to manage the PCP was strengthened by transferring the responsibility for the PCP management from UNIDO headquarters to the UNIDO field office in Addis Ababa. The continued dominance of "individual projects" as core management vehicle at UNIDO makes internal coordination multi-layered and rather cumbersome. The evaluation team found different interpretations of the PCP concept ranging from "platform" for multi-stakeholder partnership & coordination to development "programme" with objectives, targets, KPIs, budget etc.

UNIDO internal structure and coordination; some constraints

Following the recommendation of the PCP mid-term evaluation (2017), the responsibility for the PCP management was transferred from UNIDO headquarters to the UNIDO field office in Addis Ababa in 2018. The UNIDO Representative is now also the PCP Programme Manager. This decision is widely supported and appreciated by the Government and UNIDO staff. At the same time, the Government stressed that the several changes of the UNIDO Representative in the past negatively affected the smooth continuity of the PCP. The current UNIDO Representative is the third Representative since the PCP started in 2015.

Weekly PCP coordination meetings have been introduced.⁸⁴ As a result, UNIDO internal coordination of activities in Ethiopia has reportedly improved. However, internal coordination is also viewed as rather heavy and resources intensive, in particular when staff time spent on coordination is costed (opportunity cost). Another challenge is the fact that UNIDO project staff has to interact with project managers at headquarters as well as with the UNIDO country office in Ethiopia. This is related to a UNIDO management arrangement that the project responsibility and accountability is with technical project managers based in Vienna. Some coordination difficulties between the UNIDO country office and headquarters were experienced in the past.

The overall PCP coordination is further complicated by the fact that the external coordination focuses primarily on the PCP priority sectors and the flagship projects, the internal coordination comprises all UNIDO TC projects in Ethiopia, many of which are not linked to the PCP priorities. While the overall

⁸⁴ This evaluation team could benefit from the meeting and conduct a group discussion during the meeting.

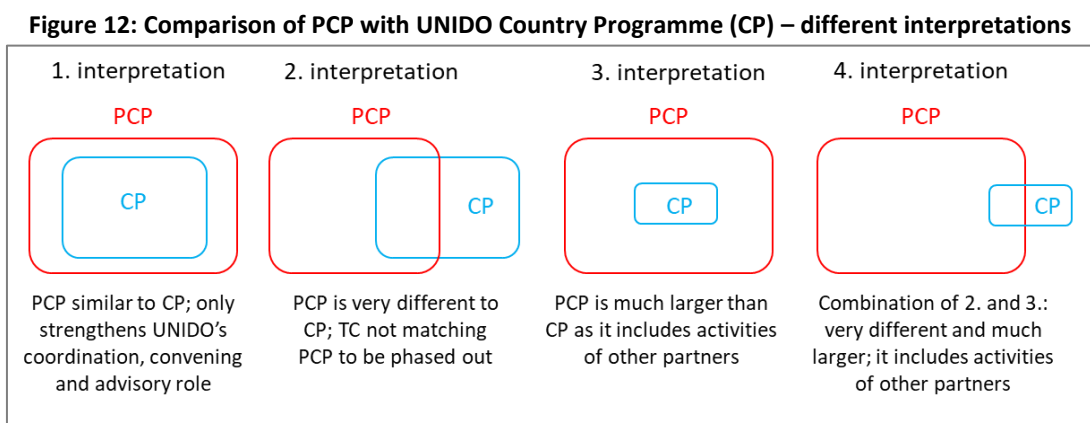
coordination of the PCP is led by the Government, the coordination of the UNIDO TC projects is primarily a UNIDO internal affair.

Another challenge is the somewhat unclear role of the regional bureau for Africa based at headquarters with regard to the PCP, while at the same time UNIDO staff and some stakeholders lamented the limited human capacity in the UNIDO regional office in Ethiopia and the PCP Secretariat.⁸⁵

UNIDO is faced with several additional constraints. UNIDO staff highlighted the fact that UNIDO has not enough seed money to get new ideas started. Also, the lack of a clear funding strategy which would allow for better communication with donors was emphasised. In this regard, UNIDO is viewed as still being too fragmented adhering to the traditional way of working with project managers operating rather independently with the consequence that donors are approached individually rather than based on PCP and its priorities. Finally, the UNIDO guidelines for technical cooperation are still the old ones, which are based on a project approach and do not take into account the newly developed UNIDO PCP policy⁸⁶ and guideline⁸⁷.

PCP conceptual challenges

The PCP mid-term evaluation (2017) found that the “*comprehension by UNIDO staff of the PCP approach varies. While some staff see the PCP to be very similar to the UNIDO country programmes (CPs), others view the PCP to be very different.*”⁸⁸ (Figure 12).



Source: Independent Mid-Term Evaluation of UNIDO's Programme for Country Partnerships (PCP), UNIDO, 2017, p.22.

The evaluation team found that there are different interpretations and applications of the PCP Ethiopia, oscillating between a “platform” and a “programme”. The dominant view expressed by stakeholders is that the PCP is a “platform” for multi-stakeholder partnership and coordination. However, the PCP document of 2014 suggests that the PCP is a “programme” including a logframe with development objectives and targets (e.g. number of jobs created). Moreover, UNIDO defines the PCP as follows: “*The PCP is a programme to support a country in achieving its long-term ISID goals.*”⁸⁹ The notion that the PCP is only a platform is also in contrast with the PCP reporting which

⁸⁵ The UNIDO regional office (which is also the country office for Ethiopia) has five staff members and one driver.

⁸⁶ Director General's Bulletin, UNIDO Policy on the Programme for Country Partnership, DGB/2018/04, UNIDO, 23 February 2018, para. 13.

⁸⁷ Administrative Instructions, UNIDO Guidelines on the Programme for Country Partnership, AI/2018/01, UNIDO, 23 February 2018, p.5.

⁸⁸ Independent Mid-Term Evaluation of UNIDO's Programme for Country Partnerships (PCP), UNIDO, 2017, p.21.

⁸⁹ Director General's Bulletin, UNIDO Policy on the Programme for Country Partnership, DGB/2018/04, UNIDO, 23 February 2018, para. 9.

includes projects and KPIs at the outcome level (e.g. number of jobs created). If the PCP is only a platform, then the reporting should be limited to results related to coordination, resources mobilized, number of partnerships, etc. What is more, the current PCP (and PCP reporting) includes all UNIDO TC projects in Ethiopia, including projects that are not related to PCP priorities. It was mentioned that some projects had to be “forced” into the PCP, even if they were not based on the PCP. The view was expressed that the PCP benefited from projects, but the projects did not benefit from the PCP. By some, the PCP is not seen as a UNIDO programme as it is beyond UNIDO.

Within UNIDO staff there are also different views about what the PCP should include and whether there should be non-PCP UNIDO activities in Ethiopia outside of the PCP (Figure 12, 4. interpretation).

The evaluation team found, that the PCP is a hybrid: it includes the parallel funded activities of partners in the three priority sectors. And it also includes the UNIDO TC portfolio. The two overlap only to some extent (Figure 12, 4. interpretation). The PCP is about the three priority sectors. Activities of all actors coordinated within the PCP framework should be considered part of the PCP. While some UNIDO TC projects contribute to the development of the priority sectors, others do not.

This issue is becoming increasingly important as the PCP matures. While in the initial phase UNIDO plays a key role as a driver and promoter of the PCP, in the medium to long term this role is supposed to be played more and more by the Government. The Government and the key development partners of the PCP have no interest or mandate to monitor or manage the overall UNIDO country activities. Hence, with a view to an increased take-over of PCP responsibilities (e.g. monitoring, organization of task forces) by Government and key partners there is a need to distinguish between the Government driven and multi-partner supported PCP on the one hand and the internal coordination and management of all UNIDO technical cooperation activities in the country.

4.6.4 Monitoring, reporting and evaluation

Summary Finding 12: While stakeholders are generally satisfied with the monitoring and reporting (M&R) activities, the M&R is not done in a systematic manner and only partially reporting on indicators and targets as established at the outset. The result is an overly positivistic reporting focussing on achievements while largely underreporting on missed targets. A key challenge is the reporting on overall PCP funded activities for which UNIDO cannot be accountable. This reflects a broader challenge of the PCP being kind-of two-in-one, a Government owned programme with a strong focus on a few very large flagship projects and a UNIDO country portfolio with comparatively small TC projects.

This chapter is about monitoring and reporting, which is a management function, understood as a systematic collection of data on specified indicators during the project implementation and the reporting on them. Evaluation is about the planning and management of independent evaluations.

The reporting on the PCP with annual reports and quarterly progress reports is informative and provides reasonable data on activities and results achieved. The key performance indicators presented in the progress update to the PCP Coordination Meeting (October 2019) provide a crisp, aggregated, quantitative view of the PCP achievements (see chapter 4.3 on effectiveness). The PCP Annual Report 2018 presents selected achievements in 2018 against the Sustainable Development Goals.⁹⁰ Good data is also available regarding financial resources, both for PCP activities funded by the Government and development partners on the one hand and UNIDO TC projects on the other

⁹⁰ PCP Ethiopia Annual Report 2018, UNIDO, 2019, p. 17.

hand which are partly funded by the same development partners. Interviews with various stakeholders reflect a general satisfaction with this reporting.

However, the PCP monitoring and reporting is not done systematically. Most importantly, monitoring and reporting is not systematically based on the indicators originally introduced in the logical framework of the project document (December 2014) or any formal revision, as requested by the UNIDO PCP Guidelines.⁹¹ In particular, no reference is made to the targets set for the indicators (an example is presented in Table 8). This makes it virtually impossible to know the extent to which the PCP is on track to achieve its objectives. The current ad-hoc reporting on results is an overly positivist reporting focussing on progress and achievements, while not reporting on delayed milestones and/or missed targets, or risk to be considered.

According to several interviews, the original PCP log frame of December 2014 was not really used as the basis for its monitoring. The PCP logical framework was also never updated, even not when it became clear, that the targets were too ambitious both in terms of scale and timing.

Table 8: Example from PCP Logframe (2014)

Outputs	Indicators	Targets
Output 1: Establish four integrated agro-industry parks and 50 rural transformation centers	<ul style="list-style-type: none"> • Construction of IAIP infrastructure • Management of the IAIP in place • Efficient and environmentally sound energy technologies and materials use in all processing plants • 80 per cent raw materials sourced locally • Effective (market) information systems • Effective transportation, packaging, and storage systems in place • Adopt standards/regulation and certification scheme for design of IAIPs 	<ul style="list-style-type: none"> • 80 per cent of IAIPs operating at 75 per cent of capacity • 75 per cent of RTC operating at 75 per cent capacity (to be determined after the feasibility study) • 80 per cent RTCs have access to clean energy • At least 80 per cent factories in the IAIPs are certified for safe food production • More than 60 per cent of the factories use joint storage, packaging and transportation system

Source: PCP Programme Document, UNIDO, December 2014, p. 27.

PCP Ethiopia reporting is mainly done on the basis of individual TC project logframe reporting. However, according to interviews and a group discussion, many project documents do not have baselines or targets or project indicators are not aligned with the PCP indicators but rather aligned with donor requirements. Moreover, some projects simply do not fit into the PCP.⁹² What is more, project managers' primary line of reporting goes to the UNIDO project manager based at headquarters and not to the PCP Programme Manager or the PCP Coordinator both based in the UNIDO office in Addis Ababa, which complicates the collection of reporting data. In addition, the portfolio analysis conducted for this evaluation showed that progress reports were only available for 15 out of 28 UNIDO TC projects.

Additionally, there is no systematic monitoring and reporting on the *overall funded activities* within the PCP activities. This is significant, as the parallel funded activities constitute over 95% of the total financial volume of the PCP. These are not UNIDO activities and as such out of UNIDO's hands.

⁹¹ "PCP project- and programme-level progress is reported against the baseline defined during the country diagnostic and the PCP results framework,..." Administrative Instructions, UNIDO Guidelines on the Programme for Country Partnership, AI/2018/01, UNIDO, 23 February 2018, p.5.

⁹² Example: "Preparation of a HCFC phase-out management plan Phase II", project ID no. 180168.

According to interviews, there is also a lack of guidance from UNIDO headquarters regarding how to monitor and report on parallel funded activities, in particular Government funded activities. A certain challenge in this regard is to decide whether or not an activity can be considered to be part of the PCP. What are the criteria to include or not include a parallel funded activity in the PCP reporting? The result is that the reporting is rather ad hoc and not systematic.

The challenge to report on overall funded activities reflects a broader conceptual challenge of the PCP. The PCP Ethiopia is a hybrid. On the one hand the PCP is a Government owned programme with a strong focus on a few very large flagship projects supported by large development partners (agro-industrial parks, Modjo Leather City). On the other hand the PCP is a UNIDO country portfolio with a “traditional” set of comparatively small TC projects⁹³ (of which not all have a clear link to the PCP priorities). This blurs the accountability framework. Monitoring and reporting is closely linked with accountability. UNIDO, which expects to do the monitoring and reporting of the entire PCP, is not accountable for most (95%) of the PCP activities.

Evaluation

The PCP Ethiopia has been evaluated twice, once in 2017 as part of the independent mid-term evaluation of all three PCP pilot countries⁹⁴ and once in 2019 with the present evaluation. Both evaluations were conducted following international standards for evaluation. It is worth noting that the present evaluation was financed from the budget of the UNIDO evaluation office because no resources were allocated to conduct the evaluation within the PCP budget, although an independent evaluation should have been allocated in the PCP budget, as required by the UNIDO PCP policy.⁹⁵

Evaluative evidence (expected to be available from systematic monitoring and reporting, mid-term reviews or project evaluations) at the time of this evaluation was limited. The portfolio analysis conducted for this evaluation of UNIDO TC projects shows that by Nov. 2019, three (3) out of 28 projects were evaluated (Annex C). The important project supporting the implementation of an agro-industrial park (budget USD 1,482,105) was not evaluated, although it was supposed to be evaluated according to the project document.⁹⁶ This evaluation could not clarify why the evaluation was not conducted. According to the project manager, the responsibility for the evaluation was with the donor.

UNIDO rules (independent evaluation is mandatory for projects with budgets over USD 2m) require an evaluation for nine out of the 28 projects at the end of the project cycle. One was evaluated. The other eight will be evaluated once they reach the end of the project duration. In conclusion, while there is no issue of compliance with regard to the in-depth evaluations of the PCP activities, the fact remains that there is little evaluative evidence generated through systematic monitoring and reporting, mid-term or final project evaluations.

While there is regular ad-hoc progress reporting, there is no monitoring and evaluation plan that would systematically outline monitoring, reporting and evaluation including timelines and responsibilities. It is also important to note that currently the responsibility for the reporting is with the PCP Secretariat at the UNIDO office in Addis Ababa and not with the Government.

⁹³ The portfolio analysis conducted for the evaluation of 28 UNIDO TC projects shows that the median project budget is about USD 1,2 m.

⁹⁴ Independent Mid-Term Evaluation of UNIDO’s Programme for Country Partnerships (PCP), UNIDO, 2017.

⁹⁵ Director General’s Bulletin, UNIDO Policy on the Programme for Country Partnership, DGB/2018/04, UNIDO, 23 February 2018, para. 13.

⁹⁶ “The project shall be subject to a mid-point evaluation and a final independent evaluation during the final year.” Project Document, “Technical support for the implementation of an integrated agro-industrial park in Ethiopia, Project ID no. 150410, UNIDO, 2015. p. 11.

The PCP team recognizes, that the current monitoring and evaluation system needs to be improved. The PCP team is in the process of working with UNIDO Headquarters for the introduction of an Integrated Results Performance Framework (IRPF).

4.6.5 Recommendations from the Independent Mid-term Evaluation (2017)

Summary Finding 13: Within the PCP Ethiopia, the recommendations from the independent mid-term evaluation related to leadership, resource mobilisation and implementation support have been largely implemented. Partially implemented is the recommendation to UNIDO Member States to support financially the PCP trust fund. Not implemented are the two recommendations related to systematic monitoring and private sector involvement.

The evaluation team reviewed the implementation of the recommendations from the independent mid-term evaluation, which took place in 2017 (Annex D). It shows that out of the 11 recommendations, six recommendations are the subject of the present evaluation. Five recommendations are not the subject of the present evaluation as they are addressed to UNIDO headquarters (mainly about the PCP concept and the expansion of the PCP to other countries).

Of the six recommendations relevant for the PCP Ethiopia, three are largely implemented. The recommendation related to strengthening of the PCP lead at the country level has been implemented by transferring the PCP management from headquarters to the country office (recommendation 4 part one). The strengthening of the capacity at the country level to support the resource mobilisation of Member States for PCP 'overall/parallel funding' (recommendation 5) has been implemented by a special advisor to the Ministry of Finance sponsored with UNIDO to enhance resources mobilization and strategic partnership building efforts support.⁹⁷ Recommendation 6 related to supporting the governments in implementing the large-scale parallel funded PCP projects has also been implemented through various TC projects.

Partially implemented is the recommendation addressed to UNIDO Member States to support the PCP through UNIDO TC projects (recommendation 11). There are still only a few Donor Member States doing that in Ethiopia.

Two recommendations are not or only insufficiently implemented. They relate to the improvement of the PCP logical framework and the systematic monitoring and reporting of the PCP (recommendation 3) and strengthening of the private sector voice in the PCP (recommendation 7). It should be noted however, that these recommendations will need to be addressed at UNIDO HQ level to provide specific guidance and tools to each PCP to operationalize it.

⁹⁷ PCP Ethiopia Quarterly Report, UNIDO, September 2019, p.11

5. Conclusions, recommendations and lessons learned

5.1 Conclusions

Ambitious agro-industrial development programme

The PCP Ethiopia is a highly relevant, potentially high impact, ambitious agro-industrial development programme. The financial volume is huge (currently USD 1.32bn). With 97% of financial resources allocated to agro-industrialisation, the PCP Ethiopia is – until now – fundamentally an agro-industrial development programme. At its heart are the agro-industrial parks. Beyond the four pilot parks the long term objective is to establish parks in 17 agro-industrial growth corridors (AIGC).⁹⁸ The agro-industrial parks, together with the rural transformation centres (RTCs) have the potential to transform the entire agro-based economy in the country and to create tens - if not hundreds of thousands of jobs in rural areas while at the same time transforming the small-holder farming in the country by linking them to the agro-industrial parks through the rural transformation centres. However, at this point, we can only talk about the likelihood for large-scale results in terms of jobs and income generated, not actual large-scale results achieved yet. The current pathway, within the current context, is promising.

The allocation of financial resources by the Government to the development of the agro-industrial parks is impressive (over USD 500m) and clearly shows very strong national ownership and commitment. The fact that the EU led multi-donor coalition with the European Investment Bank, the African Development Bank and others is supporting the PCP Government's efforts to speed up Ethiopia's transformation through an agro-industrial strategy linking agricultural modernisation with industrial development is a major achievement which enhances the potential success of this PCP significantly.

Impact drivers (success factors)

Several impact drivers contributed to the advancement of the PCP Ethiopia:

- Industrialization is a key Government priority reflected not only in policy papers but also in terms of budget resources. This facilitates the mobilisation of high levels of funding.
- Ethiopia can be characterised as a “developmental state”⁹⁹. This implies that there is an openness to intervene in the market in order to promote developmental change. This provides fertile ground for a high Government ownership of the PCP and similar initiatives.
- Ethiopia maintains high levels of ODA, a prerequisite for the good performance in terms of external funding from development partners.
- UNIDO had a large cooperation portfolio and field presence before the PCP started. This provided UNIDO with a solid track record and trust from Government and other stakeholders. It also meant that there were considerably more human resources on the ground to support the PCP from the beginning.

⁹⁸ “As part of the feasibility studies, 17 agro-industrial growth corridors (AIGC) were identified. One IAIP is planned to be developed in each of the AIGCs”, Integrated Agro-Industrial Parks in Ethiopia, UNIDO, 2016, p.11.

⁹⁹ The Oxford Handbook of the Ethiopian Economy, January 2019

Challenges

For the PCP Ethiopia and in particular the agro-industrial parks to succeed, the following challenges must be addressed:

First, the construction of the four agro-industrial parks and the associated set of rural transformation centres have yet to be completed. Key challenges are, among others, the full electrification and the construction of waste water treatment plants. With Chinese and Korean support, it should be possible to address those issues. But it will take time. Moreover, it will take a long time to fully implement the agro-industrialisation in all 17 agro-industrial growth corridors (10-15 years). The stakes are high, but the potential benefits are also huge.

Second, the public investment-driven growth model has limits and the ratio between GDP and government debt will put a limit to the expansion of public investment. As envisaged in the Ethiopian Home-grown Economic Reform Plan, future growth should be led by the private sector. Private companies in the agro-processing sector need to set up production in the parks. They need to be convinced that the agro-industrial parks offer a comparative advantage vis-à-vis other locations in Ethiopia or abroad. Reaching out to the private sector must therefore be a priority and it must be accelerated. It requires a close and concerted effort of various actors, in particular the national and regional Governments, the Ethiopian Investment Commission, UNIDO's investment promotion team and others. The government intention to conduct a third agro-industry investment forum in 2020 is certainly commendable.

In order to realize the long-term objective of establishing agro-industrial parks in 17 agro-industrial growth corridors (AIGC), a realistic and long term (e.g. 10 to 15 years) financing plan for the construction of the basic infrastructure of the agro-industrial parks, including the surrounding rural transformation centre, needs to be developed. The financing strategy for the basic infrastructure should probably also consider private investments.

Third, it is essential to realize that the success of the agro-industrial strategy also depends on external factors beyond what can be addressed within the PCP. Key issues are access to finance for private companies, the availability of foreign currencies, increased productivity of small holder farming and last but not least peace and stability in the country. These are some of the fundamental assumptions underlying the PCP agro-industrialisation logic. The recent IMF arrangement of USD 2.9bn to address macroeconomic imbalances and reduce debt vulnerabilities is certainly encouraging.¹⁰⁰

Fourth, the other priority sectors of the PCP, leather and textile, also offer good potential for inclusive and sustainable industrial development in Ethiopia. The PCP has made some progress in the leather sector through the Mojo Leather City initiative (based on UNIDO's experience from long standing technical cooperation for the leather industry in the country). Making the textile industry more inclusive and sustainable is a very relevant objective for the PCP, but unless good potential for more funding from Government, development partners and private sector emerge, chances are small that progress will be made in that direction.

Fifth, the theory of change (ToC) of the PCP Ethiopia needs to be further refined to include additional assumptions, impact drivers and to adjust the levels of intermediate changes and outcomes. While the results of this terminal evaluation (2020) suggests that the general PCP theory of change developed in 2017 within the mid-term evaluation of the PCP framework is a basis, it also tells us that the specific ToC for the PCP Ethiopia misses some important factors (see annex E). It appears that the

¹⁰⁰ International Monetary Fund (IMF), Press Release NO. 19/486, 20 December 2019.

ToC of 2017 underestimated the complexity of the PCP approach in particular with regard to achieving results at the outcome level.

PCP and UNIDO

The potential benefits - ten thousands of jobs and income opportunities - go way beyond the scope of traditional UNIDO country programmes. It is fair to say that – as envisaged in the UNIDO PCP Policy - the **PCP Ethiopia is accelerating inclusive and sustainable industrial development (ISID)** by facilitating the mobilization of partners, expertise and resources and that the PCP Ethiopia triggers and is part of a long-term development process. UNIDO plays a very important role within the PCP Ethiopia in support of coordination, resource mobilisation and provider of technical expertise. While the UNIDO TC portfolio of USD 51m constitutes less than 4% of the total financial volume of the PCP (USD 1.32bn), UNIDO contributes to a programme of unparalleled scale in the history of UNIDO. The PCP Ethiopia shows that the PCP is a very interesting alternative approach for UNIDO cooperation at country level.

Though UNIDO plays an important role, the PCP is not to be confused with a UNIDO country programme. 96% of the budget of the PCP Ethiopia is controlled by the Government or development partners. This means there is a shared accountability for achieving results and sustainable impact. The question of accountability within the PCP is very important and it has direct implications on monitoring and reporting. There is a challenge between accountability and reporting within the PCP. While UNIDO is responsible for the reporting, it is not solely accountable for most activities. This needs to be addressed. UNIDO can only play a supporting role with regard to the overall reporting of all PCP activities.

UNIDO need to focus its activities in Ethiopia on supporting the implementation of the PCP. However, if there are resources available for activities outside the PCP priorities (e.g. Montreal Protocol), there is no reason why resources should not be used. However, these projects should not be artificially “forced” into the PCP. They don’t belong there.

While in the first phase of the PCP UNIDO played a key role as a driver and promoter of the PCP, in the medium to long term this role is supposed to be played more and more by the Government, at the next level of PCP maturity. UNIDO needs to coordinate with the Government on the roadmap for this transition to happen.

5.2 Recommendations

Recommendation 1:

The PCP Ethiopia should be extended by a **second five-year phase** (2020-2024). Activities are in the middle of being implemented and it would be way too early to end the PCP. Major challenges faced by the agro-industrialisation require continued support of all partners.

Responsibility: Government with support of UNIDO

Recommendation 2:

The PCP Ethiopia should focus on the implementation of the **flagship projects**, the integrated agro-industrial parks and the Modjo Leather City project. Both flagship projects still face significant challenges that must be overcome in order to achieve the objectives. Investment in the supply side

of the agro-industrial parks should also be a priority, as envisaged by the FAO investment study and EU multi-donor programme PROSEAD.

The textile sector should be maintained as a potential target sector instead of a priority sector.

Responsibility: Government, in coordination with Regional Government, UNIDO, EU, FAO, AfDB, EIB, AICS.

Recommendation 3:

More attention should be given to the **private sector**, in particular with regard to the agro-industrial parks and private investment for building production facilities, taking into consideration the following elements:

- Develop mitigation strategies to overcome obstacles and challenges for private companies to invest in the agro-industrial parks (e.g. access to finance, access to foreign currency)
- Support regional governments managing the agro-industrial parks in their efforts to attract private investment to the agro-industrial parks.
- The investment forums co-organized by the Government and UNIDO need to move from an information and meeting platform to an actual investment generator. The success of the investment forum should be measured by the number and volume of investments generated.
- It should be considered to organize more targeted and focused investment forums at the regional level around major crops (e.g. in Hawassa for the Yirgalem agro-industrial park; coffee, fruit and vegetables, etc.).
- The Ethiopian Investment Commission should be fully involved in the organization of the forums.

Responsibility: Government, with support of UNIDO.

Recommendation 4:

While the PCP is already strongly owned by the government, the **PCP operational coordination**, currently with UNIDO, should over time be transferred to the Government in order to ensure longer-term sustainability. This includes the responsibilities of monitoring, reporting as well as coordination of PCP task forces and meetings, etc. This transition should be planned and initiated now. UNIDO should always continue with its supporting role as convener, provider of technical expertise, policy advisor and facilitator of fundraising by Government.

Responsibility: Government, with support of UNIDO.

Recommendation 5:

Develop a **monitoring and reporting system** that clearly distinguishes between the Government owned PCP (Government accountability) and the PCP related UNIDO TC portfolio (UNIDO accountability). The monitoring and reporting system should clearly define how these two activities are systematically monitored, and by whom and when. The monitoring and reporting system must be institutionalized, solid and practical. UNIDO HQ should provide guidance and tools for a PCP monitoring and reporting system, to allow, then further aggregation at UNIDO corporate level as part of the IRPF system.

Responsibility: UNIDO in coordination with the Government

Recommendation 6:

The **theory of change** of the PCP Ethiopia needs to be further refined and customized to include additional specific assumptions, drivers of change and adjust the levels of intermediate change and main outcomes, thereby building on the preliminary revised theory of change for the PCP Ethiopia suggested by this evaluation team in Annex E (part II).

Responsibility: UNIDO

Recommendation 7:

Further strengthen the role of the **PCP Programme Manager** in Ethiopia and make UNIDO project managers (based at headquarters and project field staff) who are responsible for PCP projects, to be directly co-reporting and accountable to the PCP Programme Manager.

Responsibility: UNIDO.

Recommendation 8:

In the next phase of the PCP, develop guidelines for private companies investing in agro-industrial parks on **ISID principles**.

Responsibility: Government with support of UNIDO.

5.3 Lessons learned

This final chapter contains some lessons learned which are relevant for other PCP countries and for the overall concept of the PCP.

1. **Potential:** PCPs can be very large involving hundreds of millions of USD. The potential benefits of PCPs in creating tens of thousands of jobs and income opportunities go far beyond the scope of traditional UNIDO country programmes. PCPs have the potential to accelerate inclusive and sustainable industrial development (ISID) by facilitating the mobilization of partners, expertise and resources and that the PCPs can trigger long-term development processes. PCPs have the potential to transform entire industries.
2. **Impact drivers:** The following impact drivers enhance a PCP's potential for success. They should be borne in mind by UNIDO management when embarking on PCPs in other countries as the absence of such drivers might lead to sub-optimal results or require the presence of other, alternative impact drivers (e.g. a very good investment climate and strong private sector):
 - **Industrialization is a key Government priority** reflected not only in policy papers but also in **terms of budget resources**. This makes high levels of parallel funding possible.
 - **A country can be characterised as a “developmental state”¹⁰¹**. This implies that there is an openness to intervene in the market in order to promote developmental change at the aggregate level, i.e. beyond individual technical cooperation projects. This provides fertile ground for a high Government ownership of the PCP.
 - **A country receives high levels of ODA**, a prerequisite for the good performance in terms of parallel funding from development partners.

¹⁰¹ The Oxford Handbook of the Ethiopian Economy, January 2019

- **UNIDO had a large cooperation portfolio before the PCP started.** This provides UNIDO with a solid track record and trust from Government and other stakeholders. It also means that there are considerable human resources on the ground to support the PCP from the beginning.
3. **Challenges:** PCPs are very different to UNIDO country programmes and face the following challenges:
 - PCPs have a much **longer time horizon** compared to UNIDO country programmes. While UNIDO country programmes have a duration of four to five years, PCPs are likely to have a time horizon of 10-15 years to demonstrate impact. Given the scale of the PCPs and the time horizon, implementation can be very challenging.
 - **Development partners:** Given the large scale, it takes a long time to bring other development partners on board. However, they can be convinced and become key partners in the PCP.
 - **Private sector:** The PCP is fundamentally a government led industrial development approach which risks not meeting the same enthusiasm from private sector actors. To make sure that industrial development is ultimately driven by the private sector requires some more thinking. How to assure private sector commitment to the PCP is a key success factor.
 4. **UNIDO role:** UNIDO can play a very important role within a PCP in support of coordination, support to resource mobilisation and provider of technical expertise. The PCP can be a very valuable approach for UNIDO cooperation at country level.
 5. **Reporting:** The question of accountability within the PCP has direct implications on reporting. While UNIDO seems to be responsible for the overall PCP reporting, it is not accountable or in control for most PCP activities. UNIDO can only play a supporting role with regard to the reporting of most of the PCP activities. While accessing/getting data/information is a challenge, the main PCP monitoring and reporting responsibility should be assumed by the Government with continuous support from UNIDO.

Annex A: PCP Ethiopia Factsheet

Source: PCP Coordination Meeting – Progress Update, October 2019

PCP	Ethiopia
Programme Manager	Aurelia Patrizia Calabro
Current status¹⁰²	Implementation Programming phase: started September 2014 Implementation phase: started March 2015 Expected completion date: December 2019
National policy framework¹⁰³	Growth and Transformation Plan II (GTP II)
Priority sectors	Agro-processing, leather and leather products, textiles and garment
Main participating ministries	Ministry of Trade and Industry (MoTI) Ministry of Finance (MoF) Ministry of Agriculture (MoA)
Key development partners	Financial institutions: African Development Bank (AfDB), European Investment Bank (EIB), World Bank (WB) Bilateral/multilateral financing partners: Italian Agency for Development Cooperation (AICS), European Union (EU), China, Russian Federation, Japan, Austrian Development Agency (ADA), Swedish International Development Cooperation Agency (SIDA), Montreal Protocol, OPEC Fund for International Development (OFID), PTF (Multilateral Facilities) UN entities: FAO, UNDP, UNCTAD Business sector: Illycaffè and Volvo (PPDP), Calzedonia, Velocity, DBL and H&M (MoU) Other relevant partners: Government of Ethiopia and specialized agencies: among others, Ethiopian Textile Industry Development Institute (ETIDI), Ethiopian Leather Development Institute (LIDI), Coffee Training Authority (CTA), Federal Small & Medium Manufacturing Industries Development Agency (FeSMMIPA), etc.)
UNIDO's TC portfolio (completed and ongoing)	Total number of projects within the framework of the PCP: 33 Total funding secured ¹⁰⁴ in USD: 51,074,060 (09/2019)
Total investments leveraged¹⁰⁵ (cumulative)	USD: 1,269,366,575 (09/2019)
Total PCP volume¹⁰⁶	USD: 1,320,440,635 (09/2019)

¹⁰² Refers to the current PCP phase (programming/implementation/completion).

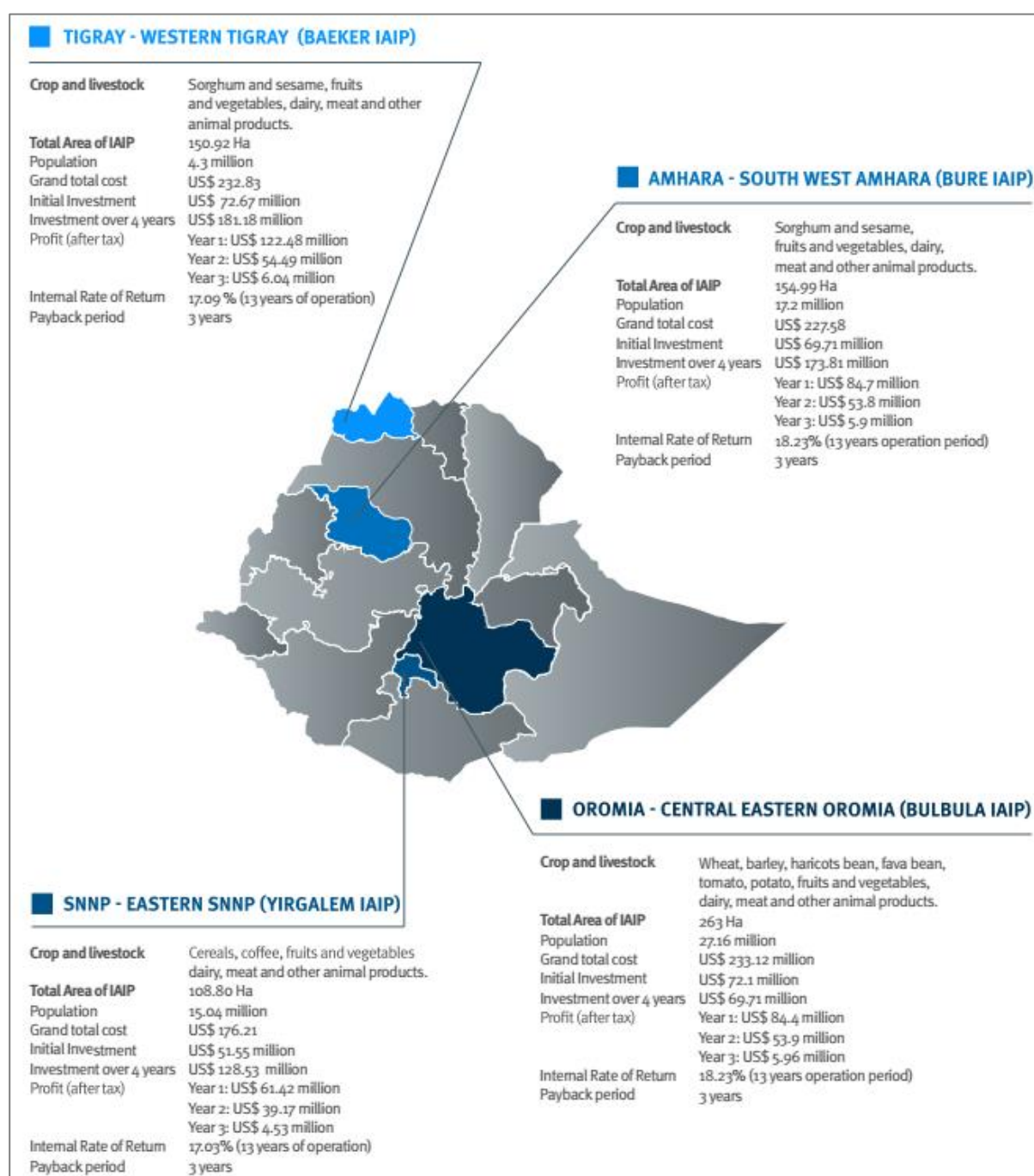
¹⁰³ Refers to the main national policy supported by the PCP.

¹⁰⁴ Funding secured: the total budget (excluding programme support costs) under signed agreements for UNIDO programme and projects.

¹⁰⁵ Funding leveraged: Financial contributions allocated by public or private partners towards objectives pursued in a PCP. They are contributed partly as a result of UNIDO interventions within the framework of the PCP. Such resources are not channelled through UNIDO's accounts and accordingly not under the Organization's direct control.

¹⁰⁶ Total PCP volume: UNIDO's portfolio with funding secured + investments leveraged.

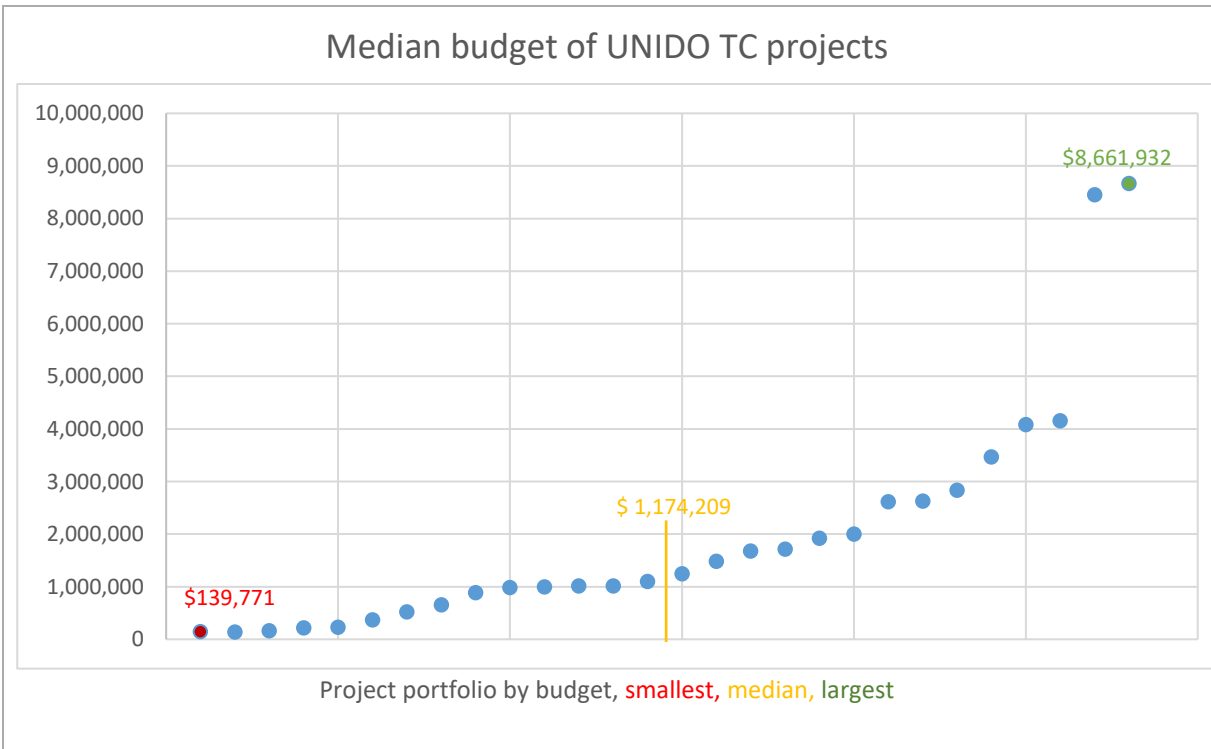
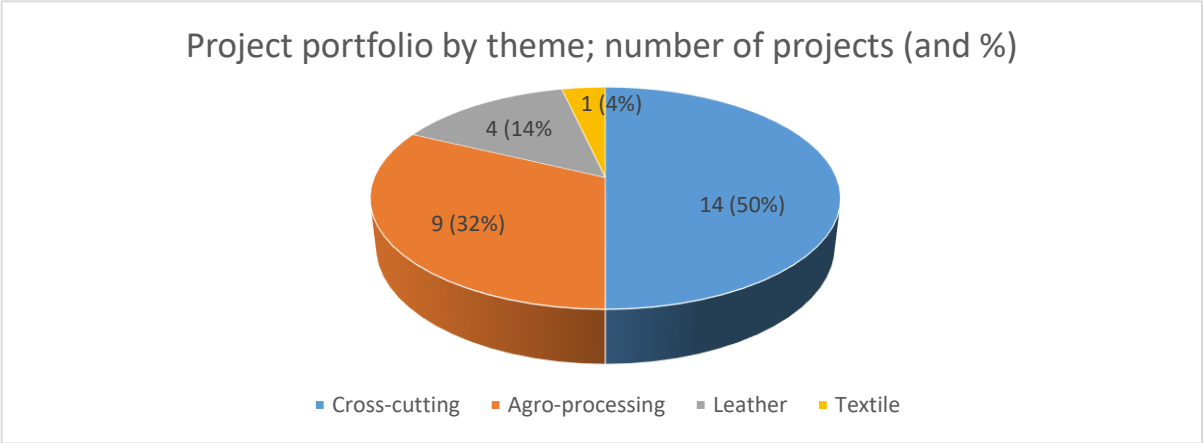
Annex B: Location and key information on integrated agro-industrial parks (IAIPs)



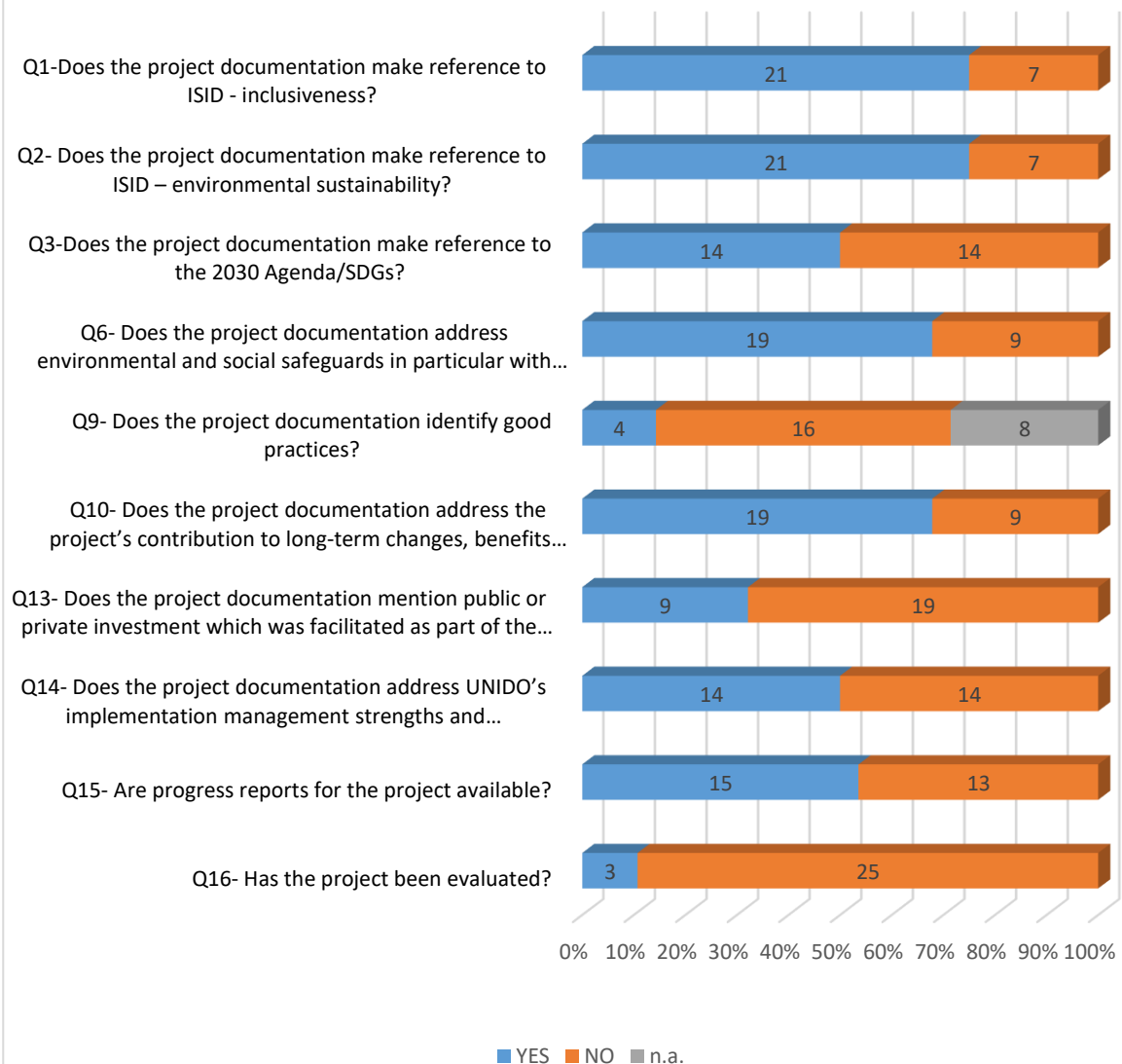
Source: Integrated Agro-industrial Parks (IAIPs), UNIDO, 2017

Annex C: Portfolio analysis of UNIDO TC projects in PCP Ethiopia

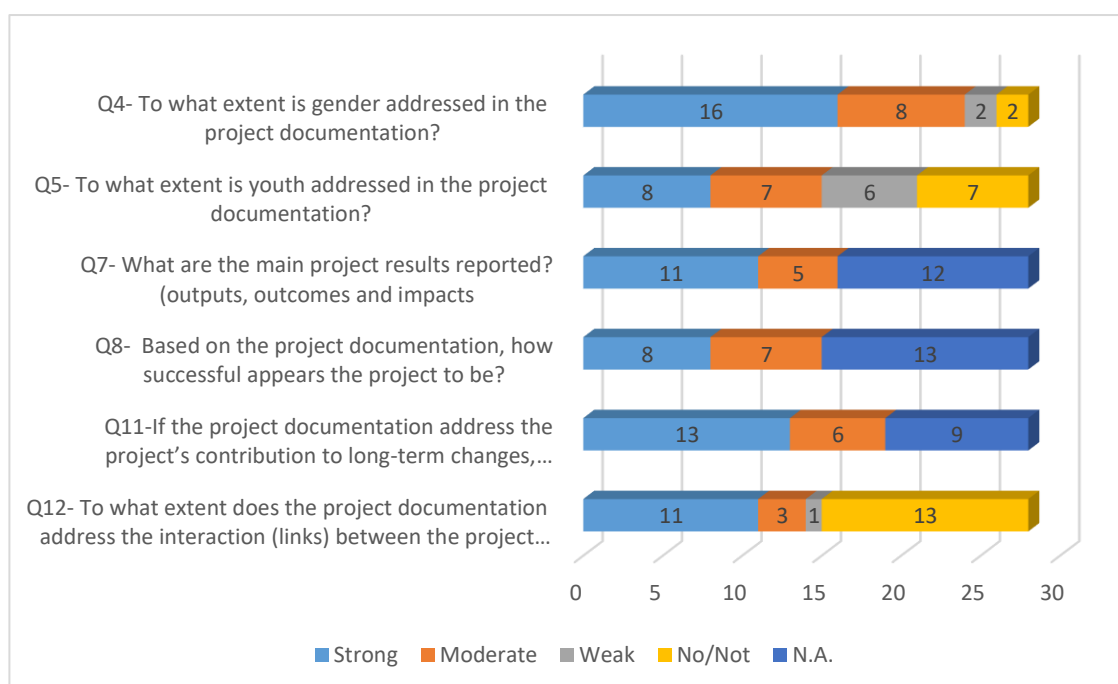
The portfolio analysis was conducted as part of this evaluation. The portfolio analysis included 28 ongoing and completed UNIDO TC projects as part of the PCP Ethiopia (2015-2019, see list of projects below).



Results of analysis



Results of analysis



List of 28 projects included in portfolio analysis

1. Productive work for youth and women through MSMEs promotion in Ethiopia , ID 100092, \$ 1,015,556;
2. Private public partnership project: training academy in heavy duty equipment and commercial vehicles in Ethiopia, ID 120211, \$1,924,724;
3. Investment Promotion on Environmentally Sound Management of Electrical and Electronic Waste in East Africa with Focus on Ethiopia , ID 120227, \$ 999,140;
4. HCFC phase out plan (I), ID 120619, \$ 139,771;
5. Improving the Sustainability and Inclusiveness of the Ethiopian Coffee Value Chain through Private and Public Partnership, ID 130144, \$ 4,153,885
6. Preparation of Feasibility Study & Business Plan for Piloting Integrated Agro-Food Parks (IAFP) in Ethiopia, ID 130164, \$ 522,253;
7. Establishing Moringa-based Economic Development Program to Improve the Livelihood of Rural Women in Ethiopia, ID 140330, \$1,101,689;
8. Training Institute for Commercial Vehicles Drivers in Ethiopia: A Private-Public Partnership Project to Support Specialized Skills Development, ID 140347, \$2,838,011;
9. Phase 2 (Extension) of the Technical Assistance Project for the Up-Grading of the Ethiopian Leather and Leather Products Industry, ID 150201, \$2,618,352;
10. Technical support for the implementation of an integrated agro-industrial park in Ethiopia, ID 150410, \$1,482,105;
11. Productive work for youth and women through MSMEs promotion in Ethiopia, ID 140092, \$1,015,556;
12. First international agro-industry investment forum in Ethiopia, ID 150471, \$220,095;
13. Reducing irregular migration in northern Ethiopia, ID 160044, \$371,802;

14. Leather Initiative for Sustainable Employment Creation (LISEC), ID 160086, \$8,450,708;
15. UNIDO technical assistance to the project #Stemming irregular migration in northern and central Ethiopia#, ID 160089, \$1,713,979;
16. Engineering design work for integrated agro-industrial parks and rural transformation centers in Ethiopia, ID 160110, \$1,246,729;
17. Upgrading the livestock value chain in Ethiopia, ID 160252, \$ 654,000;
18. Technical and institutional capacity-building for increasing production and developing the aquaculture and fisheries value chains in Ethiopia, ID 160276, \$2,000,000;
19. Capacity-building and job creation for youth and women in the textile sector in migration prone areas of Ethiopia, ID 170040, \$2,628,274;
20. Support to the Government of Ethiopia on the improvement of its strategy and policy for the development of technology-based chemical industry, ID 170052, \$139,791;
21. Improving public health by solar-powered water sanitation systems in Ethiopia, ID 170160, \$231,456;
22. Dairy for Development (D4D): Creating jobs along the dairy value chain in Amhara State, Ethiopia. Phase 1: North Gondar dairy value chain inception study, ID 170226, \$165,333;
23. Phase 2: Improving public health through solar-powered water sanitation systems in Ethiopia, ID 180206, \$884,956;
24. Support for the integrated agro-industrialization process in Ethiopia-PROSEAD component 5, ID 190001, \$3,467,342;
25. Low Carbon Low Emission Clean Energy Technology Transfer Programme, ID 120601, \$1,678,000;
26. Integrated Industrial Upgrading and Enterprise Development Approach, ID 130316, \$983,980
27. Supporting business-friendly and inclusive national and regional policies, and strengthening productive capabilities and value chains, ID 170049, \$8,661,932;
28. Technical Assistance Project for Upgrading of the Ethiopian Leather and Leather Products Industry, ID 101072, \$4,085,543.

Annex D: Review of implementation of recommendations from the independent mid-term evaluation (2017) within PCP Ethiopia

Recommendations from the Independent Mid-term Evaluation (2017)	Management response		Review of implementation of recommendations within the PCP Ethiopia by evaluation team (November 2019)
	Level of acceptance (2017)	Status of implementation (as of November 2019)	
CONCEPT RELATED RECOMMENDATIONS			
1. UNIDO should better define the PCP concept in order to establish realistic expectations.	Fully accepted	Completed	Not subject of the PCP Ethiopia Evaluation
2. UNIDO to develop a theory of change for the PCP in order to explain to stakeholders (including UNIDO staff) the PCP's concept and intervention logic and the pathway to impact, in particular the hierarchy of objectives. The theory of change might build on the theory of change used in the present evaluation.	Fully accepted	Ongoing	Not subject of the PCP Ethiopia Evaluation
3. UNIDO and PCP country governments to improve the PCP logical frameworks and the monitoring of the PCP framework. The following elements need to be addressed:	Fully accepted	Ongoing	Not implemented
a. Establish realistic indicator-targets and timeframes for higher level results (outcomes and impact).			Not implemented
b. Establish accountabilities for achieving results (who is accountable for what, i.e. government, UNIDO, development partners).			Not implemented
c. Use and make explicit reference to UNIDO KPIs were possible (e.g. number of jobs).			Partially implemented
d. UNIDO should develop and establish a PCP monitoring framework at PCP programme level in order to allow management consistency, clarity and aggregated results reporting. Progress towards achieving targets as stated in the logical framework must be systematically monitor and report. Establish a monitoring plan (when, what, by whom).			Not implemented
RECOMMENDATIONS RELATED TO STRUCTURE AND CAPACITY			
4. UNIDO to strengthen the PCP lead from UNIDO's side at the country level and assure a strong UNIDO country presence in PCP countries. The 'high level' leadership requires an experienced senior UNIDO staff member, e.g. a UNIDO Representative or similar. This is particularly important for:	Partially accepted	Ongoing	Implemented
a. the interaction with governments at the highest possible level,			
b. for outreach activities to development partners, and			
c. alignment of UNIDO activities to PCP priority sectors.			

In order to strengthen country based leadership it is necessary that UNIDO TC project managers also report to the UNIDO Representative (or similar). And in order to assure close alignment of new UNIDO TC projects with PCP priorities the UNIDO Representative must validate new projects as it is the practice with the new SAP workflow.			Implemented
The 'high level' PCP leader should be supported by a strong and dynamic 'Chief Operational Officer' responsible for the operational side of the PCP and the interaction with stakeholders at the technical level.			Implemented
5. UNIDO should strengthen its capacity at the country level to support the resource mobilisation of Member States for PCP 'parallel funding', in particular funding from development financial institutions (DFIs). This requires good understanding of the DFIs working modalities and funding requirements. UNIDO headquarters should support the work done at the country level with regard to the DFIs.	Partially accepted	Ongoing	Implemented
6. UNIDO should keep advising and accompanying Member States in the implementation of large-scale PCP projects like for example the agro-industrial parks. In doing so, UNIDO and the Government should consider potential financial, time schedule and reputation risks in a realistic manner. If government financing is the only source of funding, UNIDO and the government should study implementation modalities. While implementation responsibility is clearly with the government, UNIDO should go beyond providing feasibility studies or business plans, and be ready to provide technical assistance/technical cooperation as needed in line with its ISID mandate.	Fully accepted	Ongoing	Implemented
RECOMMENDATION RELATED TO PRIVATE SECTOR			
7. Member States (PCP countries) to give the private sector a stronger voice in the PCPs at the country level in particular during the design phase in order to facilitate large-scale private investment later in the process. UNIDO could further facilitate this process as needed.	Fully accepted	Ongoing	Not implemented
RECOMMENDATIONS RELATED TO THE EXPANSION OF THE PCP			
8. Incorporate as much as possible the key PCP features in all UNIDO different modalities of technical cooperation or services to its member states. Keep the other cooperation modalities as needed, for Member States which (a) do not wish to adopt the PCP because they consider the PCP too demanding or too risky, or (b) which do not have the necessary pre-conditions (i.e. strong government ownership, financial resource allocation by government to PCP, capacity to take the leadership, basic infrastructure).	Fully accepted	Ongoing	Not subject of the PCP Ethiopia Evaluation
9. As the PCPs require different ways of using UNIDO's capacities and resources in particular at the country level UNIDO should cautiously expand the PCPs to more programme countries. This allows for further organizational learning and addressing the areas for improvement.	Fully accepted	Ongoing	Not subject of the PCP Ethiopia Evaluation
10. UNIDO and Member States to upgrade the current approaches of cooperation by incorporating - in a modular manner - key features of the PCP, i.e. (a) high level 'alliance' with government, (b) enhanced policy advisory role of UNIDO, (c) coordination support provided by UNIDO, (d) enhanced convening role of UNIDO, (e) UNIDO support in resource mobilisation for parallel funding.	Partially accepted	Ongoing	Not subject of the PCP Ethiopia Evaluation
11. Member States (PCP countries and donor countries) should support the PCP through UNIDO TC projects and/or the UNIDO Partnership Trust Fund. In order for the PCPs to succeed, UNIDO requires 'seed' money to kick-start the PCP (e.g. with feasibility studies). 'Seed' money has an important catalytic role in the PCP. UNIDO TC projects can also support the implementation of large-scale PCP projects.	Fully accepted	Ongoing	Partly implemented

Annex E: PCP theory of change

Table of Contents

1. Assessment of the PCP theory of change of 2017 based on findings from evaluation of PCP Ethiopia (2020)

- Table 1: PCP theory of change (2017); ratings based on findings from evaluation of PCP Ethiopia (2020)
- Figure 1: PCP theory of change (2017); ratings based on findings from evaluation of PCP Ethiopia (2020)

2. Preliminary revised theory of change for the PCP Ethiopia (2020)

- Figure 2: Preliminary revised theory of change for the PCP Ethiopia (2020)

1. Assessment of the PCP theory of change of 2017 based on findings from evaluation of PCP Ethiopia (2020)

Rational

In 2017, a mid-term evaluation assessed the PCP concept and the implementation of the PCP in the three pilot countries Ethiopia, Senegal and Peru. As part of the evaluation methodology, a theory of change was developed. The theory of change (ToC) methodology was used for three reasons. First, as an explicit theory of change was not formulated when launching the PCP, the development of a theory of change retrospectively helped the evaluation team as well as the evaluation stakeholders to better understand the PCP concept. Second, the theory of change provided an analytical framework against which the PCP was assessed. Third, since the evaluation was only a mid-term evaluation, expected results were not achieved at that time. The theory of change allowed for assessing the likelihood that expected results would be achieved in future.¹⁰⁷

The evaluation team developed the theory of change behind the PCP in 2017 based on UNIDO PCP documents and in consultation with UNIDO staff including a workshop. The present paper is an attempt to assess to what extent the theory of change developed at the time is valid, based on the results of the Independent Terminal Evaluation of the Programme for Country Partnership in Ethiopia (2020). The results might be used to further develop the ToC of PCPs.

Methodology

In order to assess the validity of the theory of change of the PCP, we have taken the theory of change as developed in 2017 and the ToC assessment of the PCP Ethiopia case study (2017). Each PCP element was assessed again with the latest findings from the terminal evaluation of the PCP Ethiopia (2020). The elements include the “pre-conditions” that need to be in place before a PCP can start, the “assumptions” on which the ToC is based, “UNIDO’s role in the PC” and the “results” at different levels. Based on the findings from the evaluation (2020) we have rated each element and compared it with the rating of 2017 (see table below). The advantage of the terminal evaluation (2020) is that the implementation of the PCP is more advanced and that the assessment of the ToC

¹⁰⁷ Independent Mid-Term Evaluation of UNIDO’s Programme for Country Partnerships (PCP), UNIDO, 2017, p.3.

can mostly be based on actual results rather than on the likelihood of expected results (with the exception of long-term impact).

It is important to remember that a theory of change is an attempt to capture a complex reality in a simplified manner by identifying the fundamental logic and assumptions behind a concept.

Assessment of ‘pre-conditions’

The three pre-conditions as defined in 2017 - government ownership, government leadership and availability of basic infrastructure - are rated the same in 2017 and 2020 (no. PC.1 – PC.3). In addition, the terminal evaluation (2020) has identified four “impact drivers” which contributed to the advancement of the PCP Ethiopia. These “impact drivers” are conceptually similar to “pre-conditions” as used in the ToC of 2017. The impact drivers are:

- Industrialization is a key Government priority reflected not only in policy papers but also in terms of budget resources. This makes high levels of parallel funding possible.
- A country can be characterised as a “developmental state”. This implies that there is an openness to intervene in the market in order to promote developmental change at the aggregated level, i.e. beyond individual technical cooperation projects. This provides fertile ground for a high Government ownership of the PCP.
- UNIDO had a large cooperation portfolio before the PCP started. This provided UNIDO with a solid track record and trust from Government and other stakeholders. It also means that there were considerable human resources on the ground to support the PCP from the beginning.
- A country receives high levels of ODA, a prerequisite for the good performance in terms of parallel funding from development partners.

Such “impact drivers” can be added to any revised PCP ToC. (ODA is partially captured in assumption A.4). Impact drivers have also been used in the GEF’s “review of outcomes to impact (ROTI)” TOC assessment approach¹⁰⁸.

Assessment of ‘assumptions’

The ToC of 2017 identifies seven assumptions on which the PCP ToC is based (no. A.1 - A.7). The 2020 assessment shows that the assumptions are largely accurate. They are assessed very similarly compared to 2017. However, it seems that some important assumptions are missing in the ToC of 2017. The PCP logic seems to assume the following:

- the complexity of large-scale projects like the agro-industrial parks is manageable in the country concerned; they can be implemented within 4-5 years;
- regional governments have the capacities to implement large-scale projects like the agro-industrial parks;
- significant financial resources can be made available by development partners with a rather short time (1-2 years);
- there are no major security issues in the country;

The terminal evaluation (2020) tells us that these factors had a significant effect on the implementation of the PCP in Ethiopia, in particular the implementation of the large-scale projects like the agro-industrial parks and the Modjo Leather City project. These factors - which are not

¹⁰⁸ The Roti Handbook, GEF EO, 2009 (<https://www.gefio.org/sites/default/files/ieo/ieo-documents/ops4-m02-roti.pdf>)

captured by the PCP ToC - led to significant delays in implementation and the achievement of outcomes.

Assessment of 'UNIDO's role in the PCP'

The four different roles for UNIDO, included in the ToC of 2017 (no.1. – 4.) appear to be sufficient in order to capture UNIDO's support function in the PCP. The 2020 assessment arrives at almost the same ratings as in 2017. The four roles are all assessed favourably.

Assessment of 'results'

The five elements of "intermediate change I" in the ToC of 2017 (no. 5. – 9.) appear to capture the right key interim results. The 2020 assessment arrives at almost the same ratings as in 2017 with the exception of the "public resources mobilized" (no. 8) that is rated significantly higher.

The evaluation clearly demonstrated that private sector investment can only be expected to flow in at a significant scale once most of the other 4 elements of "intermediate change I" are in place. For example, in the case of Ethiopia, most of the public funding is used to construct the physical infrastructure of the agro-industrial parks. However, in other countries the infrastructure might be built by the private sector.

In the case of the PCP Ethiopia ToC, and in view of the still unsatisfactory rating of the private investment (no. 7) it seems that private investment can only be achieved at a later stage and thus needs to be moved to the level intermediate change II.

The two elements of "intermediate change II" in the ToC of 2017 (no. 10. - 11.) are relevant in order for the PCP to succeed. Both have improved and are rated slightly higher in 2020 compared with 2017. However, it appears that something is missing because at the "outcome level" (no. 12.), the ToC is puzzling (see figure below). Almost all elements leading to "outcomes" are favourably rated (no. 6., 8., 10., 11., A.6, A.7). Yet, the outcome is unsatisfactory (moderately). Partly this can explain the unsatisfactory results regarding private investment as of now. However, it seems that the ToC must be missing other elements. As addressed above, the ToC appears to be based on additional assumptions that are not captured in the ToC of 2017.

The ToC of 2017 needs to be further developed in order to better explain achievement at the outcome level (no.12.). One way could be – as mentioned above – to add additional assumptions. Another way could be to add additional "intermediate changes II" necessary to achieve the outcome. One example could be to add "*national and regional government capacities to implement large-scale projects strengthened*". Another one could be "necessary productive infrastructure established".

The "impact level" (no. 13.) seems appropriately defined and the likelihood to achieve impact is rated the same in 2020 as in 2017. With a certain time lag, it appears likely (moderately) that the impact can still be achieved in spite the unsatisfactory rating of the outcome level. Which was too ambitious timewise.

Conclusion

Based on the results of the terminal evaluation (2020) we can conclude that the PCP theory of change developed in 2017 mostly works but that it misses some important factors. It appears that the ToC of 2017 underestimated the complexity of the PCP approach in particular with regard to achieving results at the outcome level. Therefore, the theory of change of the PCP needs to be further refined to include additional assumptions and intermediate changes (see next section "Preliminary revised theory of change for the PCP Ethiopia (2020)").

Table 1: PCP theory of change (2017); ratings based on findings from evaluation of PCP Ethiopia (2020)

<p>Rating scale: +++ highly satisfactory, ++ satisfactory, + moderately satisfactory, - moderately unsatisfactory, -- unsatisfactory, --- highly unsatisfactory, ? unclear/not enough evidence</p> <p>Rating scale for <u>pre-conditions</u> and <u>assumptions</u>: +++ highly accurate, ++ accurate, + moderately accurate, - moderately inaccurate, -- inaccurate, --- highly inaccurate, ? uncertain/not enough evidence</p>		
Original theory of change (2017): elements to be tested (see figure below)	Ratings 2020 (2017) ¹⁰⁹	Text from the Terminal Evaluation of the PCP Ethiopia (2020); basis for rating
<i>Have the following 'pre-conditions' been in place when the PCP started?</i>		
– PC.1 Strong Government ownership and commitment at highest national authority level (strong ministry of industry commitment is required but not sufficient pre-condition); financial resource allocation from the Government to PCP;	+++ (+++)	Government ownership of the PCP Ethiopia is very strong, demonstrated by the significant financial commitments to the PCP priorities. The high -level inter-ministerial coordination mechanism is highly appreciated by stakeholders creating ownership across several ministries.
– PC.2 Government is willing and has the capacity to take the leadership in the PCP; ministry of finance required to play a leading role in resource and partner mobilization;	+++ (+++)	In terms of PCP governance, a national coordination mechanism was established under the leadership of the Government, bringing together all relevant ministries and PCP partners. The government-led coordination platform is composed of the High-level PCP Inter-Ministerial Coordination Committee as an apex body on top, the Joint Steering Committee, co-chaired by the Ministry of Finance and Economic Cooperation and Ministry of Trade and Industry, and technical task forces. The coordination structure was revised and modified in 2018 to fit changes in the administrative structure of the Government
– PC.3 Some basic infrastructure must be in place (e.g. roads, energy, ports, airports)	+ (+)	Ethiopia's infrastructure main successes include developing Ethiopia Airlines, a leading regional carrier; upgrading its network of trunk roads; and rapidly expanding access to water and sanitation. The country's greatest infrastructure challenge lies in the power sector. The transport sector faces the challenges of low levels of rural accessibility and inadequate road maintenance. In March 2018, the Government announced that spending had reached over USD 15bn thanks to a partnership between the Ethiopian Government, Chinese investors and their Government, the World Bank, European Union nations and the African Financial Development Bank. The Ethiopian government plans to spend over USD 4 bn on domestic road projects over the next ten years with the goal of improving the movement of goods to and from the capital, and using the capital as a transportation hub.
<i>How accurate are the following assumptions?</i>		
– A.1 UNIDO has the capacity and resources at HQ and at country level to play the	++ (++)	UNIDO's capacity to manage the PCP was strengthened by transferring the responsibility for the PCP management from UNIDO headquarters to the UNIDO field office in Addis Ababa.

¹⁰⁹ Ratings of the ToC assessment for the PCP Ethiopia case study (2017).

coordination and convening role among development partners; this includes the assumption that UNIDO has the capacity to support resource mobilisation for governments;		UNIDO's coordination and convening role has contributed to the Government mobilization of PCP funding from development partners.
– A.2 UNIDO <i>internal</i> coordination between different departments is functioning (required to play a credible coordination and convening role with external partners)	<div>+</div> <div>(+)</div>	Weekly PCP coordination meetings have been introduced. As a results, UNIDO internal coordination of activities in Ethiopia has reportedly improved. However, internal coordination is also viewed as rather heavy and resources intensive, in particular when staff time spent on coordination is costed (opportunity cost). Also a challenge is the fact that UNIDO project staff has to interact with the project managers at headquarters as well as with the UNIDO country office in Ethiopia. This is related to a UNIDO management arrangement that the project responsibility and accountability is with technical project managers based in Vienna. Some coordination difficulties between the UNIDO country office and headquarters were experienced in the past.
– A.3 Government willing to give UNIDO facilitation role (with regard to coordination and convening role)	<div>+++</div> <div>(+++)</div>	While the overall responsibility and ownership for PCP coordination is with the Government, UNIDO has a key role within the PCP to facilitate the convening of partners and the overall operational coordination of the PCP.
– A.4 Partners are in principle willing to engage and interested to invest	<div>+++</div> <div>(+++)</div>	ODA has been growing over the past years (USD 3,235.5 m (2015); USD 4,073.5 m (2016); USD 4,117.5 m (2017). In terms of Foreign Direct Investments (FDI), Ethiopia accounts for almost half of the total flows from the East African region. In total, FDI stocks were estimated at USD 22.2 billion, representing 27,7% of GDP in 2018, according to the latest data from UNCTAD.
– A.5 National industrial development strategy is convincing to partners	<div>++</div> <div>(?)</div>	A majority of stakeholders interviewed for this evaluation consider the agro-industrial park a promising path to create jobs and income for the rural population. This position is backed by the EU led multi-donor framework programme called “Promotion of Sustainable Ethiopian Agro-industrial Development” (PROSEAD, 2019-2026) which is supporting the PCP objectives in the agro-processing sector. PROSEAD has currently a financial volume of approx. USD 270m. One important development partner has a view which diverges from the majority view, considering the agro-industrial parks an inefficient approach.
– A.6 Context related assumptions: political continuity in country	<div>++</div> <div>(+++)</div>	A new Government was formed in 2018 and it took some time to assure the continued support for the agro-industrial parks. However, strong ownership continues with the new Prime Minister and the new Cabinet. In particular, the new Government is very supportive of the agro-industrial parks flagship project, as was confirmed in interviews.
– A.7 Context related assumptions: enabling economic environment i.e. demand for goods and services produced in priority sectors	<div>++</div> <div>(++)</div>	The potential to scale up production and exports of agro-processed goods in Ethiopia is high. Growth in the fruit and vegetables sector could help provide new job opportunities, reduce poverty, and drive more inclusive economic growth. Merchandise exports already increased from USD2.3bn in 2010 to USD3.2bn in 2017. Export of leather, which was USD 23 million in 2013 reaches UDS 133 million in 2018 and it is forecasted to reach 800 million USD according to the GTP II Plan. However, during the last 3 years (2016-2018) Ethiopian exports of leather and leather products declined. This is in

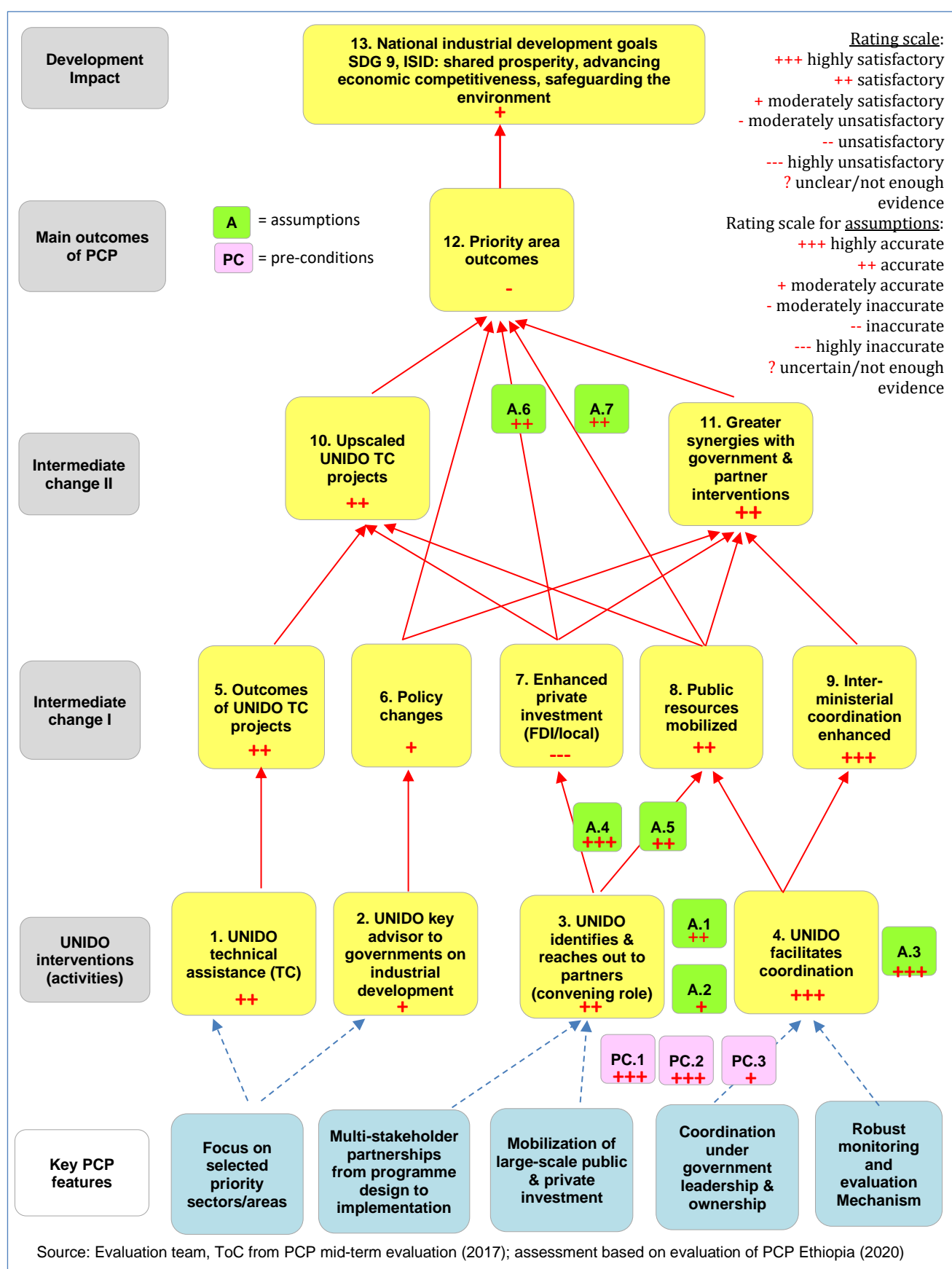
		<p>line with a reduced global trade volume for leather and leather products. Still, several stakeholder expressed the view that the leather sector is highly relevant for the Ethiopian economy and the planned Modjo Leather City – a PCP flagship project – is viewed as highly relevant.</p> <p>The textile and garment industry witnessed rapid growth, as a number of domestic and multinational firms are being engaged in the production of textile and garment for domestic and global markets. In the path to industrialize Ethiopia, the sector is given prominent position in boosting export. The sector has become a top priority for Ethiopia as part of its goal to become a middle-income country by 2025. The total figure of export for textile sector was around 144 million USD in 2017.</p>
<i>How do you assess UNIDO's role in the PCP?</i>		
– 1. UNIDO technical assistance	++ (++)	UNIDO's primary role in the PCP in Ethiopia is that of a facilitator of coordination and convener of stakeholders as well as a provider of technical expertise. UNIDO is perceived as a knowledgeable actor and UNIDO staff is attested that they know their subject. UNIDO technical competence is also acknowledged because of its long presence and engagement in Ethiopia.
– 2. UNIDO key advisor to governments on industrial development (e.g. PCP Diagnostic)	+ (+)	UNIDO's role as policy advisor is viewed as more modest, a view shared by many stakeholders, including UNIDO staff. UNIDO advice is sought primarily at the technical, implementation level and less at the policy level. This evaluation team could identify several activities which can be understood as part of policy advice. This shows that UNIDO is playing a policy advisory role, at least to some extent.
– 3. UNIDO identifies & reaches out to partners (convening role)	++ (+)	UNIDO's primary role in the PCP in Ethiopia is that of a facilitator of coordination and convener of stakeholders as well as a provider of technical expertise.
– 4. UNIDO facilitates coordination	+++ (+++)	UNIDO's coordination role in the PCP is consistently praised and appreciated and viewed as a crucial component of the PCP approach. Inter-ministerial meetings for instance which are facilitated by UNIDO are highly appreciated and viewed as adding real value thanks to UNIDO.
<i>Results: To what extent have the following changes been achieved or are likely to be achieved?</i>		
– 5. Outcomes of UNIDO TC projects	++ (++)	<p>Apart from the agro-industrial parks, the PCP includes several other projects in the agro-processing sector. The activities in the coffee sector appear of particular relevance, as coffee is a major export product and therefor an important source of foreign currency. UNIDO assisted in establishing the new Ethiopian Coffee and Tea Authority and is supporting the improvement of the coffee value chain. Currently, a new training centre is being built at the location of the Ethiopian Coffee and Tea Authority.</p> <p>With regard to outcome 3 (leather and leather products) the evaluation team found progress in relation to the "traditional" UNIDO TC projects. The evaluation team visited the - since April 2019 operational - common footwear production facility established as part of the leather SME cluster project. The new machines were in operation and a training of the machine was ongoing. This project supports a leather cluster engaged in the manufacturing of shoes. By</p>

		<p>June 2019, the five clusters supported by UNIDO employ 4,852 workers, 33% more than the number recorded as baseline in 2014. With regard to outcome 2 (textile manufacturing value added) less progress was made within the PCP. There is one UNIDO TC project (USD 2.6m) and one parallel funded project for the study on the textile and garment industry (USD 2m). However, some important results have been achieved. Based on a request from Ministry of Trade and Industry, a comprehensive study on the textile and garment industry covering three components was completed and endorsed by the government and key sectoral private and public stakeholders in July 2018. Another important result is the inauguration in September 2019 of the Mekelle Garment College Center of Excellence, which has been realized through a UNIDO project.</p> <p>The UNIDO TC projects achieved results in several areas also outside the three PCP priority sectors.</p>
- 6. Policy changes	<p>+</p> <p>(+)</p>	<p>A study on the textile and garment industry was completed and endorsed by the government and key sectoral private and public stakeholders in July 2018. According to interviews, the results of the study have potentially an impact on the textile and garment sector as it addresses key issues in the sector, i.e. productivity and competitiveness; product diversification; and capacity-building.</p> <p>The National Entrepreneurship Strategy was finalized by UNIDO in collaboration with UNCTAD and validated by MoTI in July 2019.</p> <p>A Strategic Plan for the regional industrialization and SME cluster development in Ethiopia was prepared in 2018. The Strategic Plan is supporting the Ministry of Industry in developing a master plan for creating international standard SME clusters including required physical infrastructures and creating conducive business environment for the emergence of globally competitive SMEs.</p>
- 7. Enhanced private investment (FDI/local private sector)	<p>---</p> <p>(---)</p>	<p>So far the PCP has not been successful in facilitating significant private sector investment. The lack of private sector investment is primarily due to the fact that the agro-industrial parks are still under construction. External factors such as limited access to finance also play an important role.</p>
- 8. Public resources mobilized (e.g. from DFIs)	<p>++</p> <p>(--)</p>	<p>The PCP has been very successful in facilitating parallel funding from the Government of Ethiopia and from development partners for the agro-processing sector. Parallel funding from development partners for the leather and textile sector is - within the PCP - very small until now, although the European Investment Bank very recently received an official financing request from the Ministry of Finance for the Modjo Leather City project.</p>
- 9. Inter-ministerial coordination enhanced (e.g. MoF, MoFA, Mol, etc.)	<p>+++</p> <p>(+++)</p>	<p>It significantly strengthened the partnership and coordination among different ministries.</p>
- 10. Upscaled UNIDO TC	<p>++</p> <p>(+)</p>	<p>UNIDO contributes to a programme of unparalleled scale in the history of UNIDO. The PCP Ethiopia shows that the PCP can be a very interesting alternative approach for UNIDO cooperation at country level.</p> <p>The potential benefits - ten thousands of jobs and income opportunities - go way beyond the scope of traditional UNIDO country programmes.</p> <p>PCPs have the potential to transform entire industries.</p>

		<p>Leather sector: results achieved are of a smaller scale compared with the results in the agro-processing sector,</p> <p>Textile sector: results reported under the PCP are modest compared with the planned targets.</p>
<p>– 11. Greater synergies with government & partner interventions; partners can be companies, Development Financial Institutions, bilateral donors, etc.</p>	<p>++ (+)</p>	<p>The PCP successfully established the envisaged multi-stakeholder partnership. It significantly strengthened the partnership and coordination among different ministries. The partnership between the Government and development partners plays at the level of the PCP task forces as well as at the level of the PCP flagship projects, the agro-industrial parks and to some extent the Modjo Leather City project. Partnership with the private sector is weak until now. Sustainability of partnerships relies on a - consciously - narrow number of partners. Not all UNIDO TC projects are related to the PCP priorities and synergies between those projects and the PCP are therefore marginal.</p>
<p>– 12. Priority area outcomes <i>[by end of 2019]</i></p>	<p>- (+)</p>	<p>The PCP achieved good interim results in the agro-processing sector in particular with regard to the flagship project. The construction of the four agro-industrial parks in different regions of the country is, although significantly delayed, advancing.</p> <p>The construction of the agro-industrial parks is challenging and the targets have not been achieved yet. There are several reasons for that. First, the construction of the agro-industrial parks require significant resources and it took more time to mobilize them than expected. Second, the agro-industrial parks are huge. The land area for the four parks varies between 260 to 300 ha, equivalent to 360 to 420 football fields. The construction of a park of that scale takes time. Third, a new Government was formed in 2018 and it took some time to assure the continued support for the agro-industrial parks. Additionally, it took some time to strengthen the capacities of the Regional Industrial Park Development Corporations (RIPDC) which manage the parks.</p> <p>Results achieved in the leather sector are smaller and of the scale of traditional UNIDO TC projects. The Modjo Leather City projects is delayed by several years. A breakthrough was the very recent official financing request from the Ministry of Finance to the European Investment Bank for supporting the Mojo Leather City project for up to Euro 100m.</p> <p>Results achieved in the textile and garment sector within the PCP are comparably small focussing on capacity building and policy advice.</p>
<p>– 13. National industrial development goals; SDG 9; ISID: shared prosperity, advancing economic competitiveness, safeguarding the environment <i>[likelihood to achieve the development goals]</i></p>	<p>+ (+)</p>	<p>The impact of the PCP in the agro-processing sector can potentially be significant. Based on current progress and efforts of all stakeholders, impact and sustainability of results of the agro-industrial parks are moderately likely. However, there are still many obstacles and risks and in order to achieve large scale impact a lot of efforts are required. Still, the fact that many development partners rally behind the agro-industrial parks enhance the chances of long-term impact. The large scale impact promised by the PCP approach in the leather sector appears more likely after the official financing request from the Ministry of Finance to the European Investment Bank for the Modjo Leather City project. The impact of the PCP on the textile sector will be modest, given the current level of activities and investment within the PCP.</p>

(see Figure 1 next page)

Figure 1: PCP theory of change (2017); ratings based on findings from evaluation of PCP Ethiopia (2020)



Source: Evaluation team, ToC from PCP mid-term evaluation (2017); assessment based on evaluation of PCP Ethiopia (2020)

2. Preliminary revised theory of change for the PCP Ethiopia (2020)

Below is a suggested revised theory of change for the PCP Ethiopia based on the results of the terminal evaluation of 2020. This is only a preliminary draft and the PCP team Ethiopia is encouraged to further develop and refine the ToC for the PCP Ethiopia.

Changes compared to the ToC of 2017 are in red.

UNIDO interventions

Based on the key features of the PCP, UNIDO has identified four support areas to the PCP. We can call them the UNIDO interventions (or UNIDO's role in the PCP).

- 1. UNIDO technical assistance
- 2. UNIDO key advisor to governments on industrial development (e.g. PCP Diagnostic)
- 3. UNIDO identifies & reaches out to partners (convening role)¹¹⁰
- 4. UNIDO facilitates coordination

Intermediate change I

The next level in the theory of change – the intermediate change I – is about the outcomes directly emanating from UNIDO interventions. The expected outcomes from UNIDO interventions are:

- 5. Outcomes of UNIDO TC projects
- 6. Policy changes
- ~~Enhanced private investment (FDI/local private sector) (moved)~~
- 7. Public resources mobilized (e.g. from Development Finance Institutions (DFIs))
- 8. Inter-ministerial coordination enhanced

Intermediate change II

The next level – the intermediate change II – is about the expected changes triggered by earlier outcomes. At the same time, this level captures the main objectives of the PCP:

- 9. Upscaled UNIDO TC
- ~~10. National and regional government capacities to implement large-scale projects strengthened~~
- 11. Greater synergies with government & partner interventions; partners can be companies, Development Finance Institutions, bilateral donors, etc.

Main outcomes of the PCP and development objectives

Intermediate change I and II lead – in theory - to the main outcomes of the PCP, i.e.

- ~~12. Enhanced private investment (FDI/local private sector)~~
- ~~13. Necessary productive infrastructure established~~

~~the outcomes in the selected industrial priority areas (ToC element no. 13.) such as for example job creation~~ which ultimately lead to the development objectives (ToC element no. 14).

Pre-conditions

A couple of pre-conditions need to be in place before a PCP can start. They can also be regarded as criteria to qualify for a PCP. These are:

- PC.1 Strong Government ownership and commitment at highest national authority level (strong ministry of industry commitment is required but not sufficient pre-condition); financial resource allocation from the Government to PCP; **industrialization is a key**

¹¹⁰ from document 'UNIDO's Programme for Country Partnership – An Overview', p. 8.

Government priority reflected not only in policy papers but also in terms of budget resources; this facilitate the mobilisation of high levels of parallel funding.

- PC.2 Government is willing and has the capacity to take the leadership in the PCP; ministry of finance required to play a leading role in resource and partner mobilization;
- PC.3 Some basic infrastructure must be in place (e.g. roads, energy, ports, airports).

There are likely to be more pre-conditions required to be in place before a PCP can start. However, above appear to be the key pre-conditions.

Impact drivers

Impact drivers are significant factors that, if present, are expected to contribute to the ultimate realisation of project impacts. The theory of change identifies the following impact drivers for the PCP Ethiopia:

- ID.1 Ethiopia can be characterised as a “developmental state”. This implies that there is an openness to intervene in the market in order to promote developmental change. This provides fertile ground for a high Government ownership of the PCP.
- ID.2 UNIDO had a large cooperation portfolio before the PCP started. This provided UNIDO with a solid track record and trust from Government and other stakeholders. It also meant that there were considerably more human resources on the ground to support the PCP from the beginning.
- ID.3 Ethiopia maintains high levels of ODA, a prerequisite for the good performance in terms of parallel funding from development partners.)

Assumptions

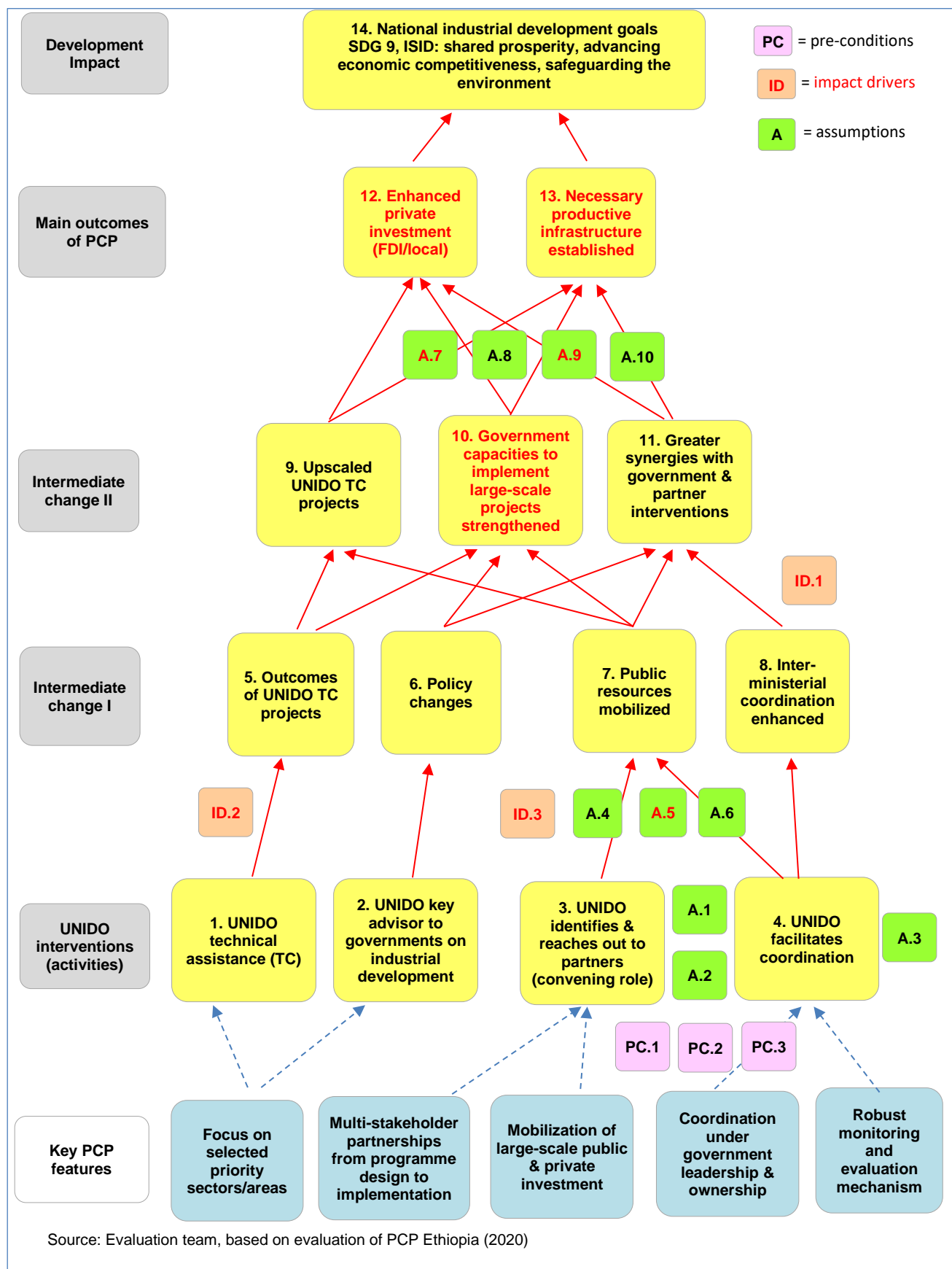
Assumptions are an important element in any theory of change. If assumptions are wrong, then the theory of change may not work or collapse entirely. The PCP theory of change is based on several fundamental assumptions:

- A.1 UNIDO has the capacity and resources at HQ and at country level to play the coordination and convening role among development partners; this includes the assumption that UNIDO has the capacity to support resource mobilisation for governments;
- A.2 UNIDO *internal* coordination between different departments is functioning (required to play a credible coordination and convening role with external partners)
- A.3 Government willing to give UNIDO facilitation role (with regard to coordination and convening role)
- A.4 Partners are in principle willing to engage and interested to invest
- A. 5 Significant financial resources can be made available by development partners with a rather short time (1-2 years)
- A.6 National industrial development strategy is convincing to partners
- A. 7 The complexity of large-scale projects like the agro-industrial parks is manageable in the country concerned; they can be implemented within 4-5 years
- A.8 Context related assumptions: political stability in country
- A. 9 There are no major security issues in the country
- A.10 Context related assumptions: enabling economic environment i.e. demand for goods and services produced in priority sectors

There are likely to be more underlying assumptions. However, this ToC is trying to identify the key assumptions without which the PCP logic is likely to fall apart.

(see Figure 2 next page)

Figure 2: Preliminary revised theory of change for the PCP Ethiopia (2020)



Annex F: Evaluation Framework

Evaluation objectives, criteria and questions	Source of information and data collection methods	Data analysis methods
<i>Objective 1: Assess the relevance and the results of the PCP in Ethiopia.</i>	-	-
<i>Relevance: How relevant is the PCP in Ethiopia?</i>	-	-
1.1. Is the PCP and its main objectives relevant with regard to the development needs of Ethiopia and Government stakeholders? Are the industrial development strategies of the PCP feasible given Ethiopia's economic development context and regional/global position?	PCP document review Website review (context) Interviews with: - Ministry representatives - Development partners - Business representatives - End beneficiaries (potential)	Content analysis of documents and websites Content analysis of interview notes Case study Context analysis
1.2. To what extent were the PCP interventions aligned with country's national and UNDAF development priorities and what is the added value of the PCP to the UNDAF?	PCP document review Website review (Gov, UN) Interviews with: - Ministry representatives - Development partners	Content analysis of documents and websites Content analysis of interview notes Case study
1.3. To what extent are the PCP interventions linked to the principles of ISID (in particular inclusiveness and environmental sustainability of industrial development) and to the country's 2030 Agenda and to the achievement of the national Sustainable Development Goals (SDGs)?	PCP document review TC project documents review UNIDO staff focus group discussion	Content analysis of documents TC portfolio analysis Case study Content analysis of focus group discussion notes
1.4. To what extent were gender and youth addressed by UNIDO interventions?	TC project documents review	Content analysis of documents TC portfolio analysis Case study
1.5. To what extent have environmental and social safeguards been taken into consideration, in particular with regard to potentially up-scaled investments and finance?	TC project documents review Interviews with: - UNIDO staff - UNIDO project staff	Content analysis of documents TC portfolio analysis Content analysis of interview notes Case study
<i>Effectiveness: To what extent have the PCP and related interventions achieved the intended outcomes?</i>	-	-
1.6. What have been the qualitative and quantitative results (outputs, outcomes and impacts) of PCP interventions? Do the results correspond to those envisaged in the PCP documents?	PCP progress reports, TC project evaluations and progress reports Interviews with:	Content analysis of progress reports and evaluations TC portfolio analysis

	<ul style="list-style-type: none"> - UNIDO staff - Ministry representatives - Development partners - Business representatives - End beneficiaries (potential) Project visits/observations	Content analysis of interview notes Case study
1.7. What were successful interventions? Which good practices could be identified?	PCP progress reports, TC project evaluations and progress reports Interviews with: <ul style="list-style-type: none"> - UNIDO staff - Ministry representatives - Government agency representatives - Development partners - Business representatives Project visits/observations	Content analysis of progress reports and evaluations TC portfolio analysis Content analysis of interview notes Case study
Sustainability and impact: How lasting are the effects of the PCP?	-	-
1.8. What are the prospects for contributing to long-term changes, benefits and development results?	PCP progress reports, TC project evaluations and progress reports Interviews with: <ul style="list-style-type: none"> - UNIDO staff - Ministry representatives - Government agency representatives - Development partners - Business representatives 	Content analysis of progress reports and evaluations TC portfolio analysis Content analysis of interview notes Case study
<i>Objective 2: Assess the PCP in Ethiopia as an alternative approach for UNIDO cooperation at the country level.</i>	-	-
Intermediate change: To what extent do the key features of the PCP concept work?	-	-
2.1. How strong is the ownership among stakeholders (e.g. government and other key stakeholders)?	Interviews with: <ul style="list-style-type: none"> - Ministry representatives - Government agency representatives - Development partners - Business representatives 	Content analysis of interview notes Case study
2.2. To what extent is the PCP focussed on the selected priority sectors?	PCP document review TC project document review	Content analysis of documents TC portfolio analysis Case study

2.3. How strong is the multi-stakeholder partnership in the PCP Ethiopia?	Interviews with: - Ministry representatives - Government agency representatives - Development partners - Business representatives	Content analysis of interview notes Case study
2.4. To what extent has the PCP facilitated large-scale public & private investment (“parallel funding”)?	PCP document review TC project document review	Content analysis of documents TC portfolio analysis Case study
2.5. To what extent were synergies between different projects within/outside the PCP realized?	Interviews with: - Ministry representatives - Government agency representatives - Development partners - Business representatives	Content analysis of interview notes Case study
<i>Objective 3: Assess UNIDO’s role in and contribution to the PCP in Ethiopia.</i>	-	-
<i>Implementation and efficiency: How did UNIDO contribute to the implementation of the PCP?</i>	-	-
3.1. What was UNIDO’s primary role in the PCP? What was UNIDO’s comparative advantage?	Interviews and focus group discussion with: - UNIDO staff - UNIDO project staff - Ministry representatives - Government agency representatives - Development partners - Business representatives	Content analysis of interview and focus group discussion notes Case study
3.2. What are UNIDO’s implementation management strengths and weaknesses for a PCP approach, including the UNIDO Ethiopia office capacity?	PCP progress reports, TC project evaluations and progress reports Interviews and focus group discussion with: - UNIDO staff - UNIDO project staff - Ministry representatives - Government agency representatives - Development partners - Business representatives	Content analysis of progress reports and evaluations TC portfolio analysis Content analysis of interview and focus group discussion notes Case study
3.3. How adequate does UNIDO manage relations with the government and other key stakeholders?	Interviews and focus group discussion with: - UNIDO staff - UNIDO project staff - Ministry representatives	Content analysis of interview and focus group discussion notes Case study

	<ul style="list-style-type: none"> - Government agency representatives - Development partners - Business representatives 	
3.4. How has UNIDO external coordination (with constituents, UN partners, etc.) and internal coordination (between sectors, technical departments, regions and sub regions) promoted the realization of the PCP and related projects' outcomes?	Interviews and focus group discussion with: <ul style="list-style-type: none"> - UNIDO staff - UNIDO project staff - Ministry representatives - Government agency representatives - Development partners - Business representatives 	Content analysis of interview and focus group discussion notes Case study
3.5. How clearly defined are the roles and responsibilities of the different UNIDO organizational units towards the PCP?	Interviews and focus group discussion with: <ul style="list-style-type: none"> - UNIDO staff - UNIDO project staff 	Content analysis of interview and focus group discussion notes Case study
3.6. To what extent have the PCP and related interventions been monitored, evaluated and reported on? Are results documented (at the output, outcome and impact level)?	PCP progress reports, TC project evaluations and progress reports	Content analysis of progress reports and evaluations TC portfolio analysis Case study
3.7. In how far have recommendations from the Independent Mid-term Evaluation, which are relevant to the PCP in Ethiopia, been implemented?	<ul style="list-style-type: none"> - PCP documents - PCP Mid-term evaluation - Management response to MTE recommendations - Update on implementation of recommendations 	Content analysis

Annex G: Stakeholder mapping

key stakeholder for this evaluation; to be included in the evaluation (priority)

important stakeholders for this evaluation; to be considered to the extent possible

additional stakeholder for this evaluation; to be considered if feasible

		Importance as a source of information for evaluation	
		High	Moderate
Stakeholder interest in the evaluation results	High	<p>Participating ministries:</p> <ul style="list-style-type: none"> – Ministry of Trade and Industry (MoTI) – Ministry of Finance (MoF) – Ministry of Agriculture (MoA) – State Ministries <p>Government agencies involved in the PCP priority sectors:</p> <ul style="list-style-type: none"> – Regional Industrial Park Development Corporations (RIPDCs) – Agricultural Transformation Agency (ATA) <p>UNIDO:</p> <ul style="list-style-type: none"> – UNIDO senior management, Vienna – UNIDO staff involved in priority sectors, Vienna – UNIDO PCP project staff (Ethiopia) – UNIDO office staff (Ethiopia) <p>Donors:</p> <ul style="list-style-type: none"> – European Union (EU) – European Investment Bank (EIB) – Italian Development Cooperation Agency (AICS) – African Development Bank (AfDB) – World Bank <p>UN entities:</p> <ul style="list-style-type: none"> – UN Resident Coordinator – FAO 	<p>Government agencies involved in the PCP priority sectors:</p> <ul style="list-style-type: none"> – Rural Transformation Centres (RTC) – Ethiopian Leather Development Institute (LIDI) – Coffee Training Authority (CTA) – Federal Small & Medium Manufacturing Industries Development Agency (FeSMMIDA), etc.) – Ethiopian Textile Industry Development Institute (ETIDI) – Industrial Park Development Corporation (IPDC)
	Moderate	<p>Business sector:</p> <ul style="list-style-type: none"> – Ethiopian Investment Commission – Industry associations (agro-processing, leather, textile) – Foreign investor producing avocado juice and oil in the SNNP IAIP (Dutch company) – Illycaffè – Calzedonia – ENEL <p>UNIDO:</p> <ul style="list-style-type: none"> – UNIDO staff involved in building partnerships with and in mobilizing resources from development partners, Vienna] – UNIDO staff working on IRPF, Vienna – UNIDO staff regional bureau, Vienna 	<p>End beneficiaries (<u>potential</u>):</p> <ul style="list-style-type: none"> – SMEs (linked to IAIPs, Modjo Leather City, ETIDI) – Farmers (linked to IAIPs) – Workers (workers at IAIPs, Modjo Leather City) <p>Donors:</p> <ul style="list-style-type: none"> – GIZ – Japan – Swedish International Development Cooperation Agency (SIDA) <p>UN entities: UNDP, UNOPS, ITC</p> <p>Business sector: Volvo (PPDP), Velocity, DBL, H&M</p>

Source: Evaluation team.

Annex H: Country map and project sites



Annex I: List of persons met

UNIDO HQ Vienna

- Ms. Jasmina Bosto, Industrial Development Officer, Operations Integration Division
- Mr. Bashir Conde, Industrial Development Officer, Rural Entrepreneurship, Job Creation and Human Security Division
- Ms. Vittoria Curreri, Project Associate, Agro-Industries Technology Division
- Mr. Andrea De Marco, Industrial Development Expert, Agro-Industries Technology Division
- Mr. Victor Diwandja Djemba, Chief, Regional Division – Africa
- Mr. Javier Guarnizo, Director, Office of Evaluation and Internal Oversight
- Mr. Stefan Kratzsch, Industrial Development Officer, Investment Promotion Division
- Ms. Sara Landstroem, Project Associate, Rural Entrepreneurship, Job Creation and Human Security Division
- Ms. Yvonne Lokko, Industrial Development Officer, Food Systems and Nutrition Division
- Ms. Juliet Kabege, Industrial Development Officer, Food Systems and Nutrition Division
- Ms. Adriana Milikovicova, Programme Expert, Operations Integration Division
- Ms. Matilda Muweme, Programme Officer, Regional Division – Africa
- Mr. Philippe Scholtes, Managing Director, Programme of Technical Cooperation (PTC)
- Mr. Kjell Sundin, Investment promotion and Partnership Expert, Investment Promotion Division
- Mr. Dejene Tezera, Director, Department of Agri-Business
- Mr. Naoki Torii, Industrial Development Expert, Climate Technology & Innovations Division
- Mr. Cong Wu, Industrial Development Officer, Standards and Quality Infrastructure Division
- Mr. Jie Zhao, Industrial Development Officer, Operations Integration Division
- Mr. Ciyong Zou, Director, Department of Partnerships and Results Monitoring

UNIDO Ethiopia

- Ms. Aurelia Patrizia Calabro, UNIDO Representative and Director of the Regional Hub in Ethiopia, PCP Programme Manager, United Nations Industrial Development Organization, Addis Ababa
- Mr. Asegid A. Mebratu, National Programme Officer, Regional Hub in Ethiopia, United Nations Industrial Development Organization, Addis Ababa
- Ms. Ludovica Amatucci, JPO, Regional Hub in Ethiopia, United Nations Industrial Development Organization, Addis Ababa
- Mr. Fasil Reda, PCP Coordinator, PCP, Addis Ababa
- Mr. Andrea Ghione, CTA, IAIP project, Addis Ababa
- Ms. Ludovica Marangoni, PSD Expert, YoWEP/IAIP
- Mr. Yassin Awale, CTA, LISEC, Addis Ababa
- Mr. Wondu Legesse Gizaw, National Project Coordinator, LISEC, Addis Ababa
- Mr. Abdissa Adugna, National Investment Promotion Expert, LISEC, Addis Ababa
- Mr. Mesfin Shimelis, National Project Coordinator, LCET, Addis Ababa
- Mr. Tsegabu Teka, National Project Coordinator, Textile Project, Addis Ababa
- Mr. Nega Kebedom, Investment Promotion Coordinator, Investment Promotion, Addis Ababa
- Ms. Isabella Rodriguez, Project coordinator, Coffee project, Addis Ababa

Government of Ethiopia and Government Agencies

- Mr. Admasu Nebebe, State Minister, Ministry of Finance, Addis Ababa
- Mr. Dawit Ayele Haylemariam, Advisor, Ministry of Finance, Addis Ababa
- Mr. Teka Gebreyesus, State Minister, FDRE Ministry of Trade and Industry, Addis Ababa

- Ms. Ambassador Mesganu Arga Moach, State Minister Ministry of Trade and Industry:
- Mr. Techane Adugna, Director, Agricultural Commercialization Clusters Program, Agriculture Transformation Agency (ATA), Addis Ababa
- Mr. Sani Redi Ahmed, State Minister, Agriculture Development Sector, Ministry of Agriculture, Addis Ababa
- Mr. Gebregziabher Gebreyohannes, State Minister, Livestock Sector, Ministry of Agriculture, Addis Ababa
- Ms. Hanna Arayaselassie Zemichael, Deputy Commissioner, Industrial Parks Division, Ethiopian Investment Commission, Addis Ababa
- Mr. Adugna Debela Bote (PhD), Director General, Ethiopian Coffee and Tea Authority, Addis Ababa
- Mr. Asfaw Abebe Eregnew, Director General, Federal Small & Medium Manufacturing Industry Development Agency, Addis Ababa
- Mr. Seleshi Lemma, Director General, Ethiopian Textile Industry Development Institute
- Mr. Yared Messfin, Deputy Director General of Technique Sector, Ethiopian Textile Industry Development Institute

Integrated Agro-industrial Park Yirgalem (SNNPR)

- Mr. Biru Wolde Gujo, CEO, SNNPRS-Industrial Parks Development Corporation, Hawassa
- Mr. Natnael Million Kobamo, Deputy CEO & Director of Industrial Parks Operation & Mgt Directorate, SNNPRS-Industrial Parks Development Corporation, Hawassa
- Mr. Tilahun Birhanu, Deputy CEO/operation, Regional Industrial Park Development Corporations, Hawassa

Private Sector

- Mr. Daniel Getachew, Secretary General, Ethiopian Leather Industry Association, and Representative of the Ethiopian Highland Leather, Ethiopian Leather Industries (ELIA), Addis Ababa
- Mr. Ageazi Hailemariam, Secretary General, Ethiopian Textile and Garment Manufacturers' Association
- Mr. Damena Beco, Sourcing and Location Manager, Sunvad, Organic Avocado Oil, Hawassa
- Mr. Meaza Tebeje, Ribboning Manager, Sunvad, Organic Avocado Oil, Hawassa
- Mr. Teshome Barenga, Union Head, Coffee Farmers Association/Cooperatives, Aleta Wondo, Hawassa
- Mr. Desalegn Degfe, Union Deputy Head, Coffee Farmers Association/Cooperatives, Aleta Wondo, Hawassa

Development Partners

- Ms. Fatouma D. Seid, FAO Representative to Ethiopia, Food and Agriculture Organisation of the United Nations, Addis Ababa
- Mr. Dominique Davoux, Team Leader – Rural Transformation, Delegation of the European Union to Ethiopia, Addis Ababa,
- Mr. Hailemariam Heilemeskel, Agriculture Consultant, African Development Bank, Addis Ababa
- Ms. Senidu Fanuel, Sr. Private Sector Development Specialist, World Bank, Addis Ababa
- Mr. Michele Boario, Senior Economist, Italian Agency for Development Cooperation, Addis Ababa
- Mr. Alessio Bello, Project Officer, Italian Agency for Development Cooperation, Addis Ababa

- Ms. Eleni Kyrou, Head of Representation to Ethiopia and the African Union, European Investment Bank, Addis Ababa
- Mr. Govind Venuprasad, Coordinator, Supporting Indian Trade and Investment for Africa (SITA), International Trade Centre, Geneva, Switzerland

Annex J: List of documents

UNIDO documents and websites

- Director General's Bulletin, UNIDO Policy on the Programme for Country Partnership, DGB/2018/04, UNIDO, 23 February 2018.
- Administrative Instructions, UNIDO Guidelines on the Programme for Country Partnership, AI/2018/01, UNIDO, 23 February 2018.
- Director General's Bulletin: Charter of the Office of Evaluation and Internal Oversight, DGB/2019/07, UNIDO, 26 March 2019.
- Director General's Bulletin: Evaluation Policy, DGB/2018/08, UNIDO, 1 June 2018)
- Programme for Country Partnership Accelerating Inclusive and Sustainable Industrial Development; (https://www.unido.org/sites/default/files/files/2019-2019.07/PCP_Leaflet_English_0.pdf), UNIDO, 2019.07/PCP_Leaflet_English_0.pdf)
- Programme for Country Partnerships – Ethiopia (main PCP document), UNIDO, December 2014.
- PCP Ethiopia Annual Report 2018, UNIDO, 2019.
- PCP Ethiopia Quarterly Report, UNIDO, September 2019
- PCP Coordination Meeting - Progress Update, UNIDO, October 2019.
- Independent Mid-Term Evaluation of UNIDO's Programme for Country Partnerships (PCP), UNIDO, 2017.
- UNIDO's Programme for Country Partnership (PCP) Mid-term evaluation, Ethiopia Case Study - Final Version, 6 October 2017.
- Integrated Agro-Industrial Parks in Ethiopia, UNIDO, 2016.
- Project Document, "Technical support for the implementation of an integrated agro-industrial park in Ethiopia, Project ID no. 150410, UNIDO, 2015.
- Completion Report, Second international agro-industry investment forum in Ethiopia, UNIDO, 5 August 2019.
- Information Circular. Senior Staff Appointments and Reassignments (UNIDO. IC/2018/15, 20 July 2018), UNIDO, 2018.
- <https://www.unido.org/inclusive-and-sustainable-industrial-development>, 2019.
- Mid-term Review of the Implementation of the UNIDO Policy (2015) and Strategy (2016-2019) on Gender Equality and the Empowerment of Women, UNIDO, 2019.
- Industrial Park Development in Ethiopia – Case Study Report, UNIDO, 2019.
- PCP-ETH – Coordination Structure, Indorsed by High Level Inter-Ministerial Committee – December 13, 2018
- Project document, "Preparation of a HCFC phase-out management plan Phase II", project ID no. 180168
- Strategic Plan, Regional Industrialization and SME Cluster Development in Ethiopia, Foundation for MSME Clusters (FMC), mandated by UNIDO, 2018.

Government documents and websites

- A Homegrown Economic Reform Agenda: A Pathway to Prosperity, Office of the Prime Minister, September 2019.
- The Home Grown Economic Reforms and Development - Partners Role - Update to DAG Head Of Agencies, Ministry of Finance, October 2019 (Power Point).

- Letter from the Ministry of Finance to the UNIDO UR regarding the continuation of the PCP, 5 September 2019.
- Integrated Agro-Industrial Parks (IAIPs) in Ethiopia, Federal Democratic Republic of Ethiopia Ministry of Industry, 2018.
- Second International Agro Industrial Forum, Federal Democratic Republic of Ethiopia, Ministry of Industry, 2018.
- Investment Opportunities in Integrated Agro-industrial Parks, Federal Democratic Republic of Ethiopia Ministry of Industry, 2018.
- Highlights on Business and Investment opportunity in Ethiopia, Embassy of the Federal Republic of Ethiopia, 2016.
- A Study on Women in Manufacturing in Ethiopia, Ministry of Trade and Industry and UNDP Ethiopia, 2018.
- The Second Growth and Transformation Plan (GTP II) Midterm Review Report, National Planning Commission, The Federal Democratic Republic of Ethiopia, 2018.
- Ethiopian Investment Commission, 2019,
<http://www.investethiopia.gov.et/index.php/investment-opportunities/strategic-sectors/leather-shoes-and-leather-products.html>

Development partner documents and websites

- United Nations Development Assistance Framework for Ethiopia 2016-2020, United Nations Ethiopia, 2016.
- Ethiopia National Human Development Report 2018 - Industrialization with a Human Face, UNDP, 2018.
- Human Development Indices and Indicators: 2018 Statistical Update. Briefing note for countries on the 2018 Statistical Update, Ethiopia, UNDP, 2018.
- Investment plans for Agro-commodity Procurement Zones (ACPZs) in Ethiopia, Food and Agriculture Organization (FAO), Addis Ababa, Ethiopia, 30 August 2019.
- Project document “Coordination of the integrated agro-industrialisation process in Ethiopia - PROSEAD component 5”, project ID no. 190001, UNIDO, 2019.
- Promotion of Sustainable Ethiopian Agroindustrial Development (PROSEAD), European Commission, 2019 (Power Point).
- Ethiopia Integrated Agro-Industrial Parks Support Project, African Development Bank, 2018.
- World Bank, <https://www.worldbank.org/en/country/ethiopia/overview>, 2019.
- Creating markets in Ethiopia, The World Bank Group, IFC, 2019.
- Ethiopia Country Environmental Analysis (CEA), The World Bank, 2017.
- <https://newbusinessethiopia.com/economy/ethiopias-debt-surpasses-52-billion/>, 2019.
- International Monetary Fund (IMF), Press Release NO. 19/486, 20 December 2019.
- The Least Developed Countries Report, UNCTAD, 2019.

Other documents and websites

- Invest in Ethiopia Structural reforms set to unlock East Africa’s largest economy, Deloitte, 2019.
- The Oxford Handbook of the Ethiopian Economy, Fantu Cheru, Christopher Cramer, Arkebe Oqubay, 2019.
- The Economist Intelligence Unit, <https://country.eiu.com/ethiopia>, 2019.

- Ethiopia's Industrial Parks: A Data Pack on recent performance, Cepheus Research & Analytics, 2019.
- Hawassa Industrial Park Impression from a Japanese perspective, Kenichi Ohno (GRIPS) Tokyo, 2017.
- Global Competitiveness Report, 2018
- Tradingeconomics.com, 2019.
- Ethiopia's Industrial Parks could Employ Hundreds of Thousands of Young Women, www.urbanemerge.com Dec 21, 2018.
- <https://newbusinessethiopia.com/economy/ethiopias-debt-surpasses-52-billion/>
- <https://www.geopoliticalmonitor.com/fdi-in-ethiopia-is-abiymania-enough/>, 2019.
- <https://www.export.gov/article?id=Ethiopia-Project-Financing>
- <https://www.borgenmagazine.com/infrastructure-in-ethiopia/>
- <https://www.indexmundi.com/facts/ethiopia/net-oda-received>
- <https://www.deutschland.de/en/topic/business/germany-supports-the-textile-industry-in-ethiopia>
- <https://www.giz.de/en/worldwide/69987.html>
- <https://oec.world/en/profile/country/eth/#Exports>

TERMS OF REFERENCE

INDEPENDENT TERMINAL EVALUATION OF THE PROGRAMME FOR COUNTRY PARTNERSHIP IN ETHIOPIA

Independent Evaluation Division,
Office of Evaluation and Internal Oversight

Vienna, September 2019

- I. BACKGROUND
- II. NATIONAL CONTEXT
- III. UNIDO PRESENCE IN THE COUNTRY
- IV. EVALUATION PURPOSE AND OBJECTIVES
- V. SCOPE AND FOCUS
- VI. EVALUATION APPROACH AND METHODOLOGY
- VII. EVALUATION QUESTIONS AND REVIEW CRITERIA
- VIII. TIME SCHEDULE AND DELIVERABLES
- IX. EVALUATION TEAM COMPOSITION
- X. QUALITY ASSURANCE

BACKGROUND

Under the provisions of the United Nations Industrial Development Organization (UNIDO) Charter of the Office of Evaluation and Internal Oversight¹¹¹ and the UNIDO Evaluation Policy¹¹², the Independent Evaluation Division (EIO/IED) within the Office of Evaluation and Internal Oversight (EIO) is responsible for the management and conduct of evaluations at project, programme and country level, cross-cutting, thematic and other strategic evaluations.

UNIDO's mandate for Inclusive and Sustainable Industrial Development (ISID) is anchored within the internationally agreed 2030 Agenda and the 2013 Lima Declaration. The Sustainable Development Goal (SDG) 9 - *Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation* is at the core of UNIDO's mandate and working agenda. Achieving inclusive and sustainable industrial development requires a broader range of resources than any individual entity can provide.

In light of the above, UNIDO embraced an innovative multi-stakeholder partnership model to promote inclusive and sustainable industrial development - the Programme for Country Partnership (PCP). Aligned with the national development agenda, the PCP supports Member States in achieving their industrial development goals through four key features: (i) host government ownership; (ii) focus on selected priority sectors or areas; (iii) a multi-stakeholder partnership; and (iv) facilitation of large-scale public and private investment and finance¹¹³.

In mid-2014, Ethiopia and Senegal were selected as the first two pilots of the programme. In December 2015, Peru became the third PCP pilot country. Following a multidisciplinary technical mission to Ethiopia by UNIDO during August and September 2014, consultations with development partners, the business sector and financial institutions, among others, and under the overall leadership of the Government of Ethiopia (GoE), the programme document for the PCP Ethiopia was signed in February 2015 and implementation began in March 2015.

In 2017, the Office of Evaluation and Internal Oversight (EIO) conducted an independent mid-term evaluation of UNIDO's Programme for Country Partnership (PCP)¹¹⁴. Based on a rather short pilot phase (2015-2017), the purpose of the mid-term evaluation was to draw lessons from the early implementation of the pilot phase of the PCP to further improve the PCP concept. The PCP mid-term evaluation was conducted on the basis of the three above mentioned pilot countries that were implementing the PCP concept.

In order to close the accountability and learning cycle for each PCP, and as provided in the PCP operational guidelines, and in EIO evaluation guidelines, all UNIDO CP (and PCP) must conduct an independent terminal evaluation. The main objectives of an independent PCP terminal evaluation (PCP TE) is to assess the performance and utility of PCP-related activities in the concerned PCP country. The TE will also assess the consistency,

¹¹¹ UNIDO (2019). Director General's Bulletin: Charter of the Office of Evaluation and Internal Oversight (DGB/2019/07, 26 March 2019)

¹¹² UNIDO. (2018). Director General's Bulletin: Evaluation Policy (DGB/2018/08, 1 June 2018)

¹¹³ UNIDO (2019) Programme for Country Partnership Accelerating Inclusive and Sustainable Industrial Development; (https://www.unido.org/sites/default/files/files/2019-07/PCP_Leaflet_English_0.pdf)

¹¹⁴ UNIDO. (2017). Independent mid-term evaluation of UNIDO's Programme for Country Partnership (PCP) (ODG/EVQ/IEV/17/R.6, December 2017)

harmonization and alignment of UNIDO interventions with United Nations efforts, the Sustainable Development Goals (SDGs) under the 2030 Agenda, national priorities and identify areas for improvement and further feed into the development of the next PCP phase for the specific country, or any new PCP.

NATIONAL CONTEXT

Ethiopia's economy: Development and outlook^{115 116}

With about 105 million people (2017), Ethiopia is the second most populous nation in Africa after Nigeria and the fastest growing economy in the region. However, it is also one of the poorest, with a per capita income of USD 783. Ethiopia's Human Development Index (HDI)¹¹⁷ value for 2017 was 0.463, which put the country in the low human development category, positioning it at 173 out of 189 countries and territories.¹¹⁸

Ethiopia's economy experienced strong, broad-based growth averaging 10.3% a year from 2006/07 to 2016/17, compared to a regional average of 5.4%. Ethiopia's real gross domestic product (GDP) growth decelerated to 7.7% in 2017/18. Industry, mainly construction and services accounted for most of the growth. Agriculture and manufacturing made lower contribution to growth in 2017/18 compared to the previous year. Private consumption and public investment explain demand-side growth, the latter assuming an increasingly important role. However, weaker agricultural commodity prices, particularly coffee, and persistent foreign exchange shortages have weighed on activity.

Higher economic growth brought with it positive trends in poverty reduction in both urban and rural areas. The share of the population living below the national poverty line decreased from 30% in 2011 to 24% in 2016. The Ethiopian Government's Growth and Transformation Plan II (GTP II) aims to continue expanding physical infrastructure through public investments and to transform the country into a manufacturing hub. GTP II targets an average of 11% GDP growth annually, and in line with the manufacturing strategy, the industrial sector is set to expand by 20% on average, creating more jobs. Growth has been supported by rapidly growing services sectors amid continued urbanization. However, while growth in Ethiopia is expected to remain strong, it will be held back by a tighter fiscal stance, as the government continues its efforts to stabilize public debt.

The Industrial development strategy of Ethiopia¹¹⁹

¹¹⁵ The World Bank Group (last updated: 12 April 2019). Ethiopia. Retrieved from <https://www.worldbank.org/en/country/ethiopia/overview#1>

¹¹⁶ World Bank. 2019. Global Economic Prospects, June 2019: Heightened Tensions, Subdued

Investment. Washington, DC: World Bank. doi: 10.1596/978-1-4648-1398-6. License: Creative Commons Attribution CC BY 3.0 IGO.

¹¹⁷ The HDI is a summary measure for assessing long-term progress in three basic dimensions of human development: a long and healthy life, access to knowledge and a decent standard of living. (UNDP)

¹¹⁸ UNDP. (2018). Human Development Indices and Indicators: 2018 Statistical Update. Briefing note for countries on the 2018 Statistical Update. Ethiopia

¹¹⁹ Final programme document (UNIDO project No. 150037)

([https://open.unido.org/api/documents/2279305/download/Final%20Programme%20Document%20\(150037\)](https://open.unido.org/api/documents/2279305/download/Final%20Programme%20Document%20(150037)))

The Government of Ethiopia (GoE) has formulated an industrial development strategy with clearly defined objectives, targets, budgets and institutional setups required for implementation. Three key overarching policy documents were developed to guide interventions in the sector over a 13-year period (2013-2025).

These are: The Industrial Development Roadmap (IDR), which provides a strategic framework for industrial development for the next ten years; the Industrial Development Strategy Plan (IDSP), which defines strategies, programmes and projects for the implementation of IDR; and, the Industrial Development Institutional Setup (IDIS), which provides an institutional framework for industrial development. The strategic direction for industrial development encompassed and elaborated in the strategy and roadmap documents is in line with the Growth and Transformation Plan (GTP). The industrial strategic road map and plan covers the GTP II period (2015-2020) and beyond up to 2025.

The overall goal of the industrial development strategy is to bring about accelerated economic transformation in the country through enhancing industrialization, raising the share of the industrial sector of GDP from the current 13 per cent to 27 per cent by 2025, and the GDP share of the manufacturing sub-sector from the current four per cent to 17 per cent by 2025. The above targets are expected to be reached by i) further expanding and developing the existing manufacturing industry priority sectors; ii) diversifying the manufacturing sector to new sectors; iii) enhancing enterprise cultivation and entrepreneurship; iv) increasing public, local and foreign investment; and, v) developing and operating industrial zones and cities.

Industrial development and the Sustainable Development Goals (SDGs)¹²⁰

Industrial development has taken a lead role in the SDGs in the form of Goal 9 – Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation, which is at the core of UNIDO's mandate and working agenda. Goal 9 encompasses three important aspects of sustainable development: infrastructure, industrialization and innovation. Infrastructure provides the basic physical systems and structures essential to the operation of a society or enterprise. Industrialization drives economic growth, creates job opportunities and thereby reduces income poverty. Innovation advances the technological capabilities of industrial sectors and prompts the development of new skills.

As a key driver of the global development agenda to eradicate poverty and advance sustainable development, inclusive industrial and sustainable development makes a critical contribution towards addressing the economic, social and environmental dimensions of development in a systemic and holistic manner.

The commitment to the SDGs was, among other, the basis for the formulation of Ethiopia's second Growth and Transformation Plan (GTP II).

United Nations Development Assistance Framework for Ethiopia 2016-2020¹²¹

The United Nations Development Assistance Framework (UNDAF) 2016-2020 is the fourth UNDAF in Ethiopia and represents the strategic response of the UN Country Team to the national development priorities articulated in the abovementioned second Growth and Transformation Plan (GTP II). Signed between the Federal Democratic Republic of Ethiopia

¹²⁰ UNDP. (2018). ETHIOPIA | National Human Development Report 2018. Industrialization with a Human Face

¹²¹ United Nations Ethiopia. (2016). United Nations Development Assistance Framework for Ethiopia 2016-2020

and the United Nations Country Team, the UNDAF is the key programming instrument of the Delivering as One (DaO) process in Ethiopia. It also represents the foundation for joint strategic UN system support to the national development agenda. As the overarching strategic programmatic framework for the United Nations (UN) agencies, funds, programmes and entities in Ethiopia who are signatories of this document (among them, UNIDO), the UNDAF promotes and benefits from strong Government ownership and is guided by United Nations Development Group (UNDG) programming policies and the five key UNDG programming principles: a human rights-based approach; gender equality; environmental sustainability; capacity development; and results-based management.

Following the mainstreaming of the SDGs into GTP II, the UNDAF is also directly linked to the SDGs relevant to the Ethiopia context. This provides a solid foundation for close collaboration between the Government and the UN system in localizing and rolling out the SDGs during the life cycle of the UNDAF 2016–2020.

In particular, the UNDAF responds to a total of 149 of the 169 targets of the SDGs, leading to an average SDGs integration rate of 88 per cent with full alignment for the goals dedicated to end poverty (SDG 1), to end hunger (SDG 2), to achieve gender equality (SDG 5), to ensure access to water and sanitation for all (SDG 6), access to sustainable and modern energy (SDG 7), employment and decent work for all (SDG 8), resilient infrastructure and sustainable industrialization (SDG 9), reduce inequalities (SDG 10), sustainable consumption and production patterns (SDG 12), combat climate change (SDG 13), Life on Land (SDG 15) and Peace and Justice, building strong institutions (SDG 16).

To continue Ethiopia's successful path towards becoming a middle income country and a climate resilient green economy by 2025, the UNDAF 2016-2020 is strategically focused on supporting Ethiopia's continued growth and transformation in five areas including inclusive growth and structural transformation, building resilience and green economy, investing in human capital and expanding basic social services, good governance, participation and capacity building, and equality and empowerment.

UNIDO contributes to the UNDAF and its Joint Work Plans (JWPs) through the realization of ISID and the implementation of the PCP model. UNIDO participates in UNDAF Pillar I - Structural Transformation and Inclusive Growth and Pillar II - Resilient, Sustainable, and Green Economy. Specifically, UNIDO leads and convenes the Industry Result Group and it is mainly accountable for the outcome - By 2020 private sector driven industrial and service sector growth is inclusive, sustainable, and competitive and job rich, being tasked with coordinating all UN activities in the country related to industrial development through the PCP. The PCP also contributes to the Agriculture and Climate Change Result Groups. An overview on the UNDAF areas in which UNIDO is engaged can be found in annex 5.

UNIDO PRESENCE IN THE COUNTRY

UNIDO has been operating in Ethiopia since 1968. This year marked also the beginning of the first UNIDO project and ever since, more than 300 projects have been implemented with the assistance of UNIDO in Ethiopia.

Between 1999 and 2008, UNIDO implemented two phases of an integrated programme in Ethiopia. An independent evaluation commissioned by UNIDO of the Integrated Programme for Ethiopia yielded the following key recommendations: (a) strengthen the institutional

capacity development of key sectorial institutions to increase sustainability; (b) develop a sound framework for scaling up pilot project activities; and, (c) establish a sound resource mobilization strategy, including public-private partnerships.

These recommendations constituted, among other, the basis on which the current Partnership Country Programme for Ethiopia was designed within the framework of UNIDO's mandate to promote and support inclusive and sustainable industrial development. The PCP in Ethiopia was developed through an extensive consultative and collaborative process with the GoE in pursuit of the Government's goal to elevate the country to middle-income status within a decade and started its implementation in 2015.

UNIDO's PCP in Ethiopia¹²²

The PCP in Ethiopia focuses on three priority sectors, namely: (i) agro-food processing; (ii) textiles and apparel; and (iii) leather and leather products.

Furthermore, three cross-cutting domains of interventions were also identified for their potential to enable the realization of the PCP's and Ethiopia's economic, social and environmental development objectives: (i) investment and trade facilitation; (ii) environment and energy; and (iii) institutional capacity-building.

These sectors and domains were chosen due to their strong prospects for job creation, strong linkages to the agricultural sector and smallholder farmers, high export potential, and capacities to attract business sector investments, both domestically and abroad.

The PCP Ethiopia results framework is strictly aligned to the achievement of SDG 9 - Industry, Innovation and Infrastructure, and SDG 17 - Partnerships for the Goals, while contributing to other SDG targets, e.g. SDG 5 - Promote Gender Equalities and Empower Women, SDG 8 - Decent Work and Economic Growth, SDG 10 - Reduced Inequalities, especially in the domains of international trade and commerce, and SDG 4 - Quality Education, through industrial skills development initiatives and capacity-building partnerships with the Ethiopian TVET system, among others.

In terms of PCP governance, a national coordination mechanism was established under the leadership of the GoE, bringing together all relevant ministries and PCP partners. The government-led coordination platform is composed of the High-level PCP Inter-Ministerial Coordination Committee (IMC) as an apex body on top, the Joint Steering Committee, co-chaired by the Ministry of Finance (MoF) and Ministry of Trade and Industry (MoTI), and four technical task forces. The coordination structure was revised and modified in 2018 to fit new changes in the administrative structure of the government.

The PCP Secretariat is hosted by UNIDO that plays a convening and coordination function, provides support to governing bodies and task forces, and serves as a neutral broker. It is housed within UNIDO's Regional Hub in Addis Ababa, Ethiopia. UNIDO also has a PCP Ethiopia technical team at the Organization's Headquarters to support overall implementation of the PCP Ethiopia.

Additionally, as part of the continued effort to strengthen coordination and the decision-support system for ministries and the PCP, IMC, MoF, the Ministry of Agriculture (MoA), UNIDO and the Agricultural Transformation Agency (ATA) engaged in a series of consultations and agreed with the *Bill and Melinda Gates Foundation* to expand the scope of

¹²² UNIDO. (2019). PCP Ethiopia Annual Report 2018

a web-based resource mapping, project appraisal and monitoring system, formerly developed for MoA, to include industry-related partner-supported projects.

An overview factsheet for the PCP Ethiopia and project specific factsheets are contained in annex 6 and 9 respectively. The PCP projects' overview and related budgetary information are detailed in annexes 7 and 8.

UNIDO Field Office in Ethiopia

The Regional Office (RO) Hub in Addis Ababa, Ethiopia also covers additional countries including Burundi, Madagascar, Rwanda, and Uganda. The FO currently employs a Director and UNIDO Representative (UR), one National Officer, three administrative staff, and one Senior Driver/Team Assistant. The current Director and UNIDO Representative of the RO was appointed on 20 July 2018¹²³ and assumed office on 1 November 2018. In line with a specific recommendation of the Independent PCP Mid-term Evaluation, carried out in 2017, the UR is now acting as PCP project manager, a function that before was based at UNIDO HQ. In addition, the RO in Addis Ababa employs one Junior Professional Officer and hosts the PCP secretariat and other project staff (local/international consultants) contracted under individual service agreements.

EVALUATION PURPOSE AND OBJECTIVES

The purpose of the PCP TE is to collect evidence of what has been achieved as a result of the implementation of the PCP in Ethiopia during the period 2015-2019 and to determine the contribution of UNIDO interventions to the changes, beyond actually measuring progress towards predetermined outcomes, objectives and impact.

The independent PCP terminal evaluation is designed as a forward-looking exercise, outcome/impact oriented, utilization focused and highly participatory, enabling the stakeholders, the Government, UNIDO and donors to understand the outcomes and impact they have influenced. It seeks to identify best practices and areas for improvement in order to draw lessons to enhance the performance of the PCP in Ethiopia and other countries implementing PCPs.

It is recognized that projects/programmes constitute the building stones of the PCP in Ethiopia and, thus, the basis for the evaluation. However, the focus of the PCP TE will, inter alia, be on a country- and strategic level to answer the key questions: What is the added value of the UNIDO PCP to Ethiopia's national development strategies? What difference did the set of interventions under the PCP make in the country? How did the PCP contribute to inclusive sustainable industrial development in the country?

Findings and recommendations from this terminal evaluation will be incorporated into the planning process for future UNIDO cooperation in Ethiopia and elsewhere.

In order to do so, the evaluation will assess:

¹²³ UNIDO. (2018). Information Circular. Senior Staff Appointments and Reassignments (UNIDO. IC/2018/15, 20 July 2018).

- The extent to which the expected PCP features are in place on the PCP Ethiopia, e.g.:
 - UNIDO Convening role
 - UNIDO Technical expertise/knowledge provided,
 - UNIDO facilitating/supporting the government in mobilizing significant funds, and its integration/contribution to national/sectorial development plans.
 - Government ownership/leadership
- The relevance of UNIDO PCP related interventions, their alignment to the country's national and UNDAF development priorities, SDGs and the level of national ownership of the PCP and UNIDO interventions in Ethiopia;
- What outcomes and impact have been achieved (or are likely to achieve) as a result of UNIDO activities in the country and whether these results correspond to those envisaged by UNIDO PCP programme documents;
- The contribution of UNIDO PCP interventions to relevant changes in Ethiopia;
- UNIDO's positioning in the country and the value added by UNIDO in response to national needs and the SDGs/2030 agenda as a consequence of the PCP;
- The performance of UNIDO, including involved HQ and field based organisational units, with regard to the implementation of UNIDO PCP-related interventions in the country.
- How the potential opportunities for synergies and linkages and the cooperation between different projects within and outside the PCP were exploited for increased magnitude of results/impact for the country.

SCOPE AND FOCUS

The PCP TE will cover all related UNIDO PCP interventions in Ethiopia during 2015 to 2019. However, as the results of the independent mid-term evaluation of UNIDO's PCP will be taken as a basis for the period 2015 to September 2017, emphasis of the PCP TE will be on the period September 2017 to December 2019.

The PCP TE will follow-up and build on previous evaluations' findings and recommendations. As a forward-looking exercise it will be drawing lessons from the current PCP and identifying areas for improvement to enhance the relevance and effectiveness of UNIDO interventions in Ethiopia. In doing so, it will focus as much as possible on outcome and impact-level evidence to complement findings from relevant past evaluations and reviews.

The main emphasis of the evaluation will be on the PCP as an alternative approach for UNIDO cooperation at the country level. Therefore, the partnership element of the PCP will be analysed in depth and the PCP programme document will be the main reference framework against which the evaluation is carried out.

The independent PCP TE will also draw on information from a selected sample of projects that are representative of the broader PCP portfolio. The selection of projects for case study analysis will be based on the following criteria:

- Projects related to the implementation of PCP key features (support key priority sectors, establish a multi-stakeholder partnership and facilitate large-scale finance and investment).
- Project (or groups of projects) with focus on defined PCP impacts such employment creation for UNIDO, income generation, environmental sustainability.
- Evaluability of project at outcome and impact level considering progress towards completion and availability of documentation such as prior reviews or evaluations.

EVALUATION APPROACH AND METHODOLOGY

Evaluation approach

The independent terminal evaluation of the PCP in Ethiopia will be conducted in accordance with the Charter of the Office of Evaluation and Internal Oversight and the UNIDO Evaluation Policy.

While the PCP TE will be conducted independently, EIO/IED seeks to conduct the TE using a highly participatory approach, which will involve stakeholders, including the GoE and other relevant national counterparts, donors, beneficiaries, UNIDO and project staff. Thus, ensuring the buy-in and utility of recommendations and lessons learned emerging from this evaluation.

The PCP TE will be based, inter alia, on the following main elements:

Inception phase:

During the briefing of the evaluation team at UNIDO HQ an initial meeting, involving the evaluation team and main stakeholders, including UNIDO field staff, government counterparts, donors, and beneficiaries will be organized using video conferencing in order to ensure a common understanding of the evaluation process.

During the inception phase, the evaluation team will conduct a counterpart/stakeholder mapping, identifying the projects in which the various counterparts/stakeholders were involved. These include government counterparts, private sector representatives, other United Nations (UN) organizations, multilateral organizations, donors, beneficiaries, and UNIDO as well as project staff.

An inception report will be prepared by the evaluation team to further elaborate the relevant theory of change specific for PCP Ethiopia (see annex 11), evaluability assessment, re-scoping and elaborating the evaluation methods and tools and the evaluation schedule and work plan. The inception report will be shared with key stakeholders and cleared by the Director, EIO.

Partnership country programme interventions are located within various regions in the country. The inception report will consider the geographical distribution of interventions (see annex 10).

In determining the detailed evaluation scope and approach, the evaluation team will consider both, the counterpart/stakeholder mapping and the geographical distribution.

Data collection and Field mission:

An evaluation mission to Ethiopia will be carried out in order to verify and triangulate data, collect additional information and data and to ensure adequate involvement of Ethiopian stakeholders and counterparts in the evaluation process.

At the end of the evaluation mission an exit workshop will be held in the field with the participation of main stakeholders. The aim of the workshop is to validate data, and evaluation findings, and to share evaluation conclusions and increase ownership and understanding of the recommendations. In addition, debriefing(s) to relevant key stakeholders (e.g. PCP Steering Committee, relevant ministries) might be conducted as needed.

Reporting

The evaluation team will present its preliminary findings to management and staff at UNIDO Headquarters. A draft evaluation report will be prepared following annexes 2 (see also 3 and 4) and circulated for comments and factual validation. The reporting language will be English.

The draft evaluation terms of reference (TOR) and the draft evaluation report will be shared with the national counterparts, the main donors and relevant UNIDO staff members for comments and factual validation. This consultation also seeks stakeholder's engagement on the findings and recommendations. The evaluators will take comments into consideration when preparing the final version of the evaluation report to be submitted to the Director, EIO for final review and clearance. The final evaluation report will serve the evaluation team as a basis for the preparation of an evaluation brief and an infographic that are to be submitted by the Evaluation team leader to the Director, EIO for review, finalization, clearance and publication together with the final evaluation report six to eight weeks after the evaluation field mission.

Methodology

These evaluation terms of reference provide some information as regards the methodology, but it should not be regarded as exhaustive. It is instead meant to guide the evaluation team in elaborating appropriate more detailed evaluation methodology that should be proposed, explained and justified in the inception report.

In terms of data collection, the evaluation team should use a variety of methods ranging from desk review (project and programme documents, progress reports, mission reports, UNIDO Open Data Platform, evaluation reports, etc.) to individual interviews, focused group discussions, statistical analysis, surveys and direct observation at project sites.

The evaluation team should ensure that the findings are evidence based. This implies that all perceptions, hypotheses and assertions obtained in interviews will be validated through secondary filtering and cross checks by a triangulation of sources (a broad range of stakeholders including government counterparts, private sector representatives, policy makers, other UN organizations, multilateral organizations, bilateral donors, implementing partners and the beneficiaries), methods, data, and theories.

The data collection and analysis tools will be developed by the evaluation team during the inception phase.

The evaluation will take into consideration the independent mid-term evaluation of UNIDO's programme for country partnership (PCP) that was conducted in 2017 and that covered, inter alia, the PCP in Ethiopia. It will review evidence of follow up to relevant evaluation recommendations and the use of lessons learned by UNIDO programme management of this and other relevant past evaluations. It will also assess to which extent these evaluated projects reached further impact and were sustainable. In addition, the ET will consider relevant recommendations of UNIDO thematic evaluations related to the portfolio of this PCP evaluation. A list of reference evaluations is provided in annex 11.

EVALUATION QUESTIONS AND REVIEW CRITERIA

The PCP terminal evaluation will consider the OECD/DAC criteria¹²⁴ (relevance, effectiveness, efficiency, sustainability, and impact).

At this point, the following indicative questions are to guide this evaluation. During the inception phase, the ET will review, prioritize and further define the respective set of evaluation questions and develop the respective evaluation matrix accordingly.

1. Programme design: was the planning adequate?¹²⁵

1.1 Is the programme design well documented, logical and plausible based on a realistic theory of change?

1.2. To what extent were the potential opportunities for synergies/ linkages/ cooperation between different projects within/outside the PCP, built into the design for increased magnitude of results/impact to the country?. Which are the key differences with a traditional CP approach?

2. Relevance: How relevant is the PCP in Ethiopia?

2.1. Is the PCP and its main objectives relevant with regard to the development needs of Ethiopia and the GoE stakeholders? Are the industrial development strategies of the PCP feasible given Ethiopia's economic development context and regional/global position?

2.2. What was UNIDO's primary role in the PCP? What was UNIDO's comparative advantage?

2.3. To what extent were the PCP interventions aligned with country's national and UNDAF development priorities?

2.4. To what extent has the PCP added value to the UNDAF?

2.5 To what extent are the PCP interventions linked to the principles of ISID (in particular inclusiveness and environmental sustainability of industrial development) and to the country's 2030 Agenda and to the achievement of the national Sustainable Development Goals (SDGs)?

3. Effectiveness: To what extent have the PCP and related interventions achieved the intended outcomes?

3.1. Has the PCP effectively created a platform that enables inclusive and sustainable industrial development?

¹²⁴ OECD/DAC Criteria for Evaluating Development Assistance. Sources: *The DAC Principles for the Evaluation of Development Assistance*, OECD (1991), *Glossary of Terms Used in Evaluation*, in 'Methods and Procedures in Aid Evaluation', OECD (1986), and the *Glossary of Evaluation and Results Based Management (RBM) Terms*, OECD (2000).

¹²⁵ Findings from the Independent Mid-term evaluation will be the main basis for answering design-related questions.

3.2. What have been the qualitative and quantitative results (outputs, outcomes and impacts) of PCP interventions? Do the results correspond to those envisaged in the PCP documents?

3.3. What were successful interventions? Which good practices could be identified?

4. Sustainability and impact: How lasting are the effects of the PCP?

4.1. How strong is the ownership among stakeholders (e.g. government and other key stakeholders)?

4.2. What are the prospects for contributing to long-term changes, benefits and development results?

4.3. How likely is the continuation of the multi-stakeholder partnership and the institutionalization of the approach after the end of the PCP?

5. Efficiency: How efficiently have the PCP and related UNIDO interventions been managed in the country?

5.1. What are UNIDO's implementation management strengths and weaknesses for a PCP programmatic approach?

5.2 How has UNIDO external coordination (with constituents, UN partners, etc.) and internal coordination (between sectors, technical departments, regions and sub regions) promoted the realization of the PCP and related projects' outcomes?

5.3 To what extent have the PCP and related interventions been monitored, evaluated and reported on? Are results documented (at the output, outcome and impact level)?

6. Cross-cutting issues

6.1. To what extent were gender and youth addressed by the PCP?

6.2. To what extent have environmental and social safeguards been taken into consideration by the PCP?, in particular with regard to potentially up-scaled investments and finance?

7. UNIDO PCP Management: How adequate is the support provided by UNIDO?

7.1. How adequate is the support provided by UNIDO with regard to coordination, support and monitoring of PCP projects implementation?

7.2. How adequate does UNIDO manage relations with the government and other key stakeholders?

7.3. How clearly defined are the roles and responsibilities of the different UNIDO organizational units towards the PCP? How significant was the role of the UNIDO field office in Ethiopia?

7.4. In how far have recommendations from the Independent Mid-term Evaluation been implemented?

TIME SCHEDULE AND DELIVERABLES

The PCP terminal evaluation is scheduled to take place between September 2019 and January 2020. A one-week evaluation field mission is envisaged during November 2019.

Activity	Responsibility	Estimated month
Preparation of evaluation terms of reference	IED	August 2019
Collection of documentation	IED	August/September 2019
Identification of evaluation team (ET) members	IED	August/September 2019
Initial interviews at HQ	ET	October 2019
Inception report	ET	October/November 2019
Field mission(s) in Ethiopia	ET, supported by PCP team leader and UNIDO FO	Mid-/end-November 2019
Presentation of preliminary findings at UNIDO HQ	ET	November 2019
Draft report	ET	November 2019
Exit evaluation workshop in Ethiopia	ET	November 2019
Collection and incorporation of comments into report	ET	December/January 2019
Preparation of an evaluation brief and of an infographic	ET	December/January 2019
Issuance of final report and evaluation brief	IED	January/February 2020

EVALUATION TEAM COMPOSITION

The evaluation team will include:

- 1) One senior international evaluator and team leader (with wide experience in development of evidence-based policy development)
- 2) One or two national evaluation consultants with strong expertise in evaluation techniques and development aid
- 3) One IED evaluation officer, who will also act as evaluation manager.

The international and national consultant(s) will be contracted by UNIDO, EIO/IED. The tasks of the consultants are specified in their respective job descriptions, attached to these terms of reference as annex 1.

All members of the evaluation team must not have been involved in the design and/or implementation, supervision and coordination of any intervention to be assessed by the evaluation and/or have benefited from the programmes/projects under evaluation.

QUALITY ASSURANCE

All UNIDO evaluations are subject to quality assessments by the UNIDO Office of Evaluation and Internal Oversight. Quality control is exercised in different ways throughout the evaluation process (briefing of consultants on evaluation methodology and process, review of inception report and evaluation report). The quality of the evaluation report will be assessed and rated against the criteria set forth in the Checklist on evaluation report quality in annex 3 to these evaluation terms of reference



UNITED NATIONS
INDUSTRIAL DEVELOPMENT ORGANIZATION

Further information:

evaluation@unido.org

<http://www.unido.org/evaluation>