



# PARTNERSHIP FOR PROSPERITY

INCLUSIVE AND SUSTAINABLE  
INDUSTRIAL DEVELOPMENT FOR ETHIOPIA



UNITED NATIONS  
INDUSTRIAL DEVELOPMENT ORGANIZATION



Photo: Bringing key stakeholders together: The Prime Ministers of Ethiopia and Senegal and the Secretary-General of the United Nations hosted by the Director General of UNIDO at the Second ISID Forum, November 2014



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# 1. INTRODUCTION

## 1.1 INTRODUCTION TO THE BROCHURE

This brochure provides information on the Programme for Country Partnership (PCP) for Ethiopia. It serves as an introductory guide for people interested in this innovative approach to address inclusive and sustainable industrial development challenges.

The brochure is divided into six parts. Part 1 introduces the PCP, describing what it is and why it was developed. Part 2 describes the features of the PCP – government ownership; alignment with government development plans; a focus on a select few priority sectors; a strong partnership approach; and a rigorous monitoring and evaluation system – that combine to make it a unique and effective approach to technical assistance delivery and leveraging investment funds. Part 3 outlines the priority sectors identified for PCP Ethiopia. Part 4 outlines the cross-cutting issues that will also be addressed under the PCP Ethiopia. Part 5 explains how participation in the PCP is beneficial to each partner. Finally, Part 6 describes the governance and coordination mechanisms for the PCP, describing oversight and technical committees, as well as the secretariat and trust fund for implementation.

## 1.2 WHAT IS PCP?

The PCP is a model of partnership for achieving inclusive and sustainable industrialization at the country level. The PCP brings together actors in a multi-stakeholder platform to coordinate and optimize the contribution of each. The objective of the partnership is to accelerate the implementation and deepen the impact of the government's industrial development agenda. For UNIDO, it is a model to operationalize its new mandate for inclusive and sustainable industrial development (ISID). At the same time, it is a model that can be used to address a wide range of current development challenges, including those adopted as part of the Sustainable Development Goals (SDGs).

## 1.3 RATIONALE FOR THE PROGRAMME FOR COUNTRY PARTNERSHIP

Few countries in the world have reached a high stage of economic and social development without having developed an advanced industrial sector. It contributes to poverty reduction by generating employment and income through accelerated economic growth. The industrial sector also has extensive linkages with other sectors of the economy, in particular with services and agriculture.<sup>1</sup>



Opening session of the third ISID Forum. From left to right: World Bank Group President, Jim Yong Kim; UNECA Executive Secretary, Carlos Lopes; AUC Chairperson, Nkosazana Dlamini-Zuma; UN Secretary-General, Ban Ki-moon; UNIDO Director General, Li Yong; Prime Minister of Ethiopia, Hailemariam Dessalegn; Minister of Economy, Finance and Planning of Senegal, Amadou Ba; and EC Director General for International Cooperation and Development, Fernando Frutuoso de Melo.

<sup>1</sup> UNIDO. Combating Marginalization and Poverty through Industrial Development (2006). UNIDO Research Programme. Vienna. p.4.

Achieving inclusive and sustainable industrial development is a complex goal that no single organization or entity can manage successfully on its own. Ensuring that industrialization benefits everyone and safeguards the environment requires that resources and expertise from diverse actors are pooled. Partnerships allow for precisely this collective action.

Governments facing challenges in executing inclusive and sustainable industrial development will have partners to provide support and ensure inclusivity and sustainability through each step of the intricate process of industrialization. Because inclusive and sustainable industrial development is both a large and urgent priority, partnerships through the PCP model provide an effective mechanism for stakeholders to keep each other accountable and thereby translate commitment into unified and concrete action.

While the investment needs of developing countries to accelerate growth and development have never been greater, the financing landscape has never been more complex. **There are an increasing number of financial institutions, including a growing number of multilateral development banks (MDBs) and donors from emerging countries; the private sector is investing unprecedented amounts in developing countries; and non-governmental organizations and private foundations are continuing to increase their role in the post-2015 development agenda.** If we are to achieve development objectives, such as the SDGs, it is necessary to re-examine how we advance development and involve all these actors.

## 1.4 INTERNATIONAL DEVELOPMENT CONTEXT

The seventeen SDGs recently adopted at the *United Nations Sustainable Development Summit* are considerably more ambitious in scope than the Millennium Development Goals. They address not only development but also the manner in which it is pursued. The sums required are substantial. We have moved from talking about billions of dollars to trillions of dollars to combat poverty effectively. The United Nations Intergovernmental Committee of Experts on Sustainable Development Financing states that the required annual investment for global infrastructure alone is estimated at \$5 trillion to \$7 trillion<sup>2</sup> and concludes that current investment patterns will not deliver sustainable development.<sup>3</sup>

**The 2030 Agenda for Sustainable Development fully recognizes the crucial role of inclusive and sustainable industrial development. SDG #9 *Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation* is particularly relevant to UNIDO's mandate for inclusive and sustainable industrial development.**

The Lima Declaration, adopted in December 2013 by UNIDO Member States reaffirms "commitment towards achieving inclusive and sustainable industrial development, and [...] reaffirm[s] the unique mandate of UNIDO in supporting our countries in achieving this goal."<sup>4</sup> The Declaration is based on the recognition by Member States that poverty eradication "[...] can only be achieved through strong, inclusive, sustainable and resilient economic and industrial growth, and the effective integration of the economic, social and environmental dimensions of sustainable development."<sup>5</sup>

2 United Nations General Assembly. Report of the Intergovernmental Committee of Experts on Sustainable Development Financing. A/69/315. 15 August 2014 p.8.

3 United Nations General Assembly. Report of the Intergovernmental Committee of Experts on Sustainable Development Financing. A/69/315. 15 August 2014. p. 5.

4 Lima Declaration. Fifteenth Session of the UNIDO General Conference, Lima, Peru. 2 December 2013. Resolution GC.15/Res.1.

5 Lima Declaration. Fifteenth Session of the UNIDO General Conference, Lima, Peru. 2 December 2013. Resolution GC.15/Res.1.



## 2. FEATURES OF THE PROGRAMME FOR COUNTRY PARTNERSHIP

The PCP is a model of partnership at the country level that brings together actors in a multi-stakeholder platform to leverage investment funding, as well as coordinate and optimize the contribution of each. The PCP builds on UNIDO's past technical assistance service provision, but adds new features that make it especially relevant for current development challenges and achieving ISID objectives. The model of partnership at the country level has six distinct features.

- 1) Government ownership
- 2) Alignment with national development plans
- 3) A focus on selected priority sectors
- 4) A strong partnership approach
- 5) Leveraging for investment
- 6) Rigorous monitoring and evaluation system

### 2.1 GOVERNMENT OWNERSHIP

Government ownership is a critical feature of the PCP. Under the PCP, ownership goes far beyond government consultation and endorsement of the Programme; ownership is imbedded in the design of the Programme and is demonstrated through the actions of the host government.

The host government is responsible for overall guidance and leadership of the PCP and coordinates through two bodies. A high-level Joint Steering Committee (JSC), chaired by the highest authority in the government, is responsible for guidance and oversight of the PCP. A National Technical Task Force (NTTF) is responsible for the day to day operations of the PCP. In addition to the two PCP entities, the government uses inter-ministerial coordination meetings and coordinates with the programmes of development partners to ensure the efficient implementation of the PCP and alignment with industrial development objectives.

The host government also plays an important role in the mobilization of resources for the implementation of the PCP. This is done in part through the allocation of its own resources to leverage additional large-scale funding.

The host government also takes a leadership role in the PCP by creating a conducive environment for investment and business development. The host government is able to facilitate this dialogue between the private sector, development partners and itself using the PCP multi-stakeholder platform.

### 2.2 ALIGNMENT WITH NATIONAL DEVELOPMENT PLANS

An important feature of the PCP is its alignment to or full integration with the economic development plans of the host country. The alignment or integration with the host government's own development plan increases the probability of the success of the PCP by making the host government directly accountable for outcomes and in the process re-forges the government's ownership of the Programme. In Ethiopia, the PCP is part of the Growth and Transformation Plan II (GTP II) covering the period from 2015 to 2020. The overall objective of the GTP II is the structural transformation of the Ethiopian economy. It addresses important industrial development objectives such as increasing manufacturing value added as a percentage of the industrial sector's contribution to the gross domestic product, promoting exports, substituting imports and creating skilled employment. The GTP II was developed alongside the PCP, ensuring their seamless integration. The three priority sectors as set-out in the PCP – agro-food products, leather and leather products and textiles and apparel – also lie at the heart of the GTP II.

### 2.3 A FOCUS ON SELECTED PRIORITY SECTORS

Another important feature of the PCP, from where it draws strength, is its initial focus on a select number of priority sectors. Such an approach is important because it allows for a concentration of scarce resources on a limited number of priority sectors in

which Ethiopia enjoys a comparative advantage, ultimately enhancing the impact of PCP interventions. A targeted step-by-step approach allows for impact in priority sectors, increasing the probability of success, before progressing to other sectors.

The PCP Ethiopia priority sectors were selected based on job creation potential, availability of raw materials, export potential and ability to attract investment.

## **2.4 A STRONG PARTNERSHIP APPROACH**

Partnership lies at the heart of PCP and is its defining feature. The partnership in PCP includes a wide range of actors, including MDBs and the private sector. The PCP brings these actors together, and offers its unique technical assistance and coordination services to help ensure that diverse development goals are coordinated in a manner that creates a synergy and supports the host government to reach its development objectives.

## **2.5 LEVERAGING FOR INVESTMENT**

An innovative feature of the PCP is its focus on leveraging overseas development assistance (ODA) funds for larger investment. The traditional conception of a project has a clear beginning and end. UNIDO projects under PCP, however, are not designed to accomplish an immediate development objective alone, but to leverage additional resources to accomplish a far larger development objective than would be possible acting by itself. UNIDO employs its technical assistance to support investment by the private sector and MDBs in the targeted sector. This may include, among others, providing a range of upstream support activities such as diagnostics and feasibility studies to facilitate investment by partners.

The concept of leveraging technical assistance funds for investment is closely linked to partnerships. It is through partnerships facilitated under PCP that UNIDO is well-placed to leverage funds for investment.





## 2.6 RIGOROUS MONITORING AND EVALUATION SYSTEM

Monitoring, reporting and evaluation under the PCP is bolstered through a combination of government and PCP monitoring and reporting procedures. The PCP monitoring and evaluation strategy includes project monitoring, field visits, regular reporting, and data collection on a biannual basis. Annual progress reports will be prepared on the status of results (outputs), as well as resource mobilization and utilization. The focus will be on the achievement of the benchmarks indicated in the results framework of the PCP.

In Ethiopia, the NTTF undertakes monitoring and reporting activities for the overall programme implementation of the PCP. Monitoring of the PCP begins with a comprehensive baseline assessment, addressing the priority sectors in order to obtain a clear picture of the level of their development prior to the PCP. The baseline assessment and subsequent monitoring work is done in collaboration with the Central Statistical Agency of Ethiopia. The PCP Secretariat holds monthly coordination meetings and provides, through the team leader and the field office, technical updates on programme implementation and monitoring reports to the NTTF every four months.

In Ethiopia, reporting on the progress of PCP is integrated into the reporting system of both the federal and the regional governments. As the PCP is fully integrated with the government's economic development plan, progress reports, including PCP elements, are drafted by the Ministry and submitted to the Minister for follow-up. Furthermore, regular reports from the ministries to the Prime Minister contain PCP components.

The PCP will be subject to a mid-term review and a final evaluation. A mid-term review (during the second year) of the PCP will be carried out in collaboration with national partners. The review will seek to assess the design of the PCP, examine performance against outcomes, and assess the actual delivery against planned outputs – whether outputs are being converted into expected outcomes, and whether the strategies and partnerships are effective and efficient. Regular monitoring reports will be distributed to all stakeholders to assess relevant achievements and address remaining challenges. Donor partners will play a central role in monitoring PCP interventions.

At the end of the fifth year, an in-depth independent evaluation will be carried out in collaboration with the Evaluation Group, the UNIDO Regional Programme, the UNIDO Field Office, and national partners. The evaluation will be conducted to document lessons learned and outline options for the way forward.





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### 3. PRIORITY SECTORS IN ETHIOPIA

This section describes the three priority sectors selected for the PCP Ethiopia. The limited number of industrial sectors enables UNIDO to concentrate its diverse, in-house expertise. This focus brings together a multi-disciplinary team to provide sectoral and cross-cutting interventions. As such, the PCP presents one integrated service package for the host country.

#### 3.1 AGRO-FOOD PROCESSING

Agriculture is the backbone of Ethiopia’s economy. A central objective of the Government of Ethiopia is the structural transformation of the economy from low-productivity agriculture to more productive manufacturing and industry.

The agricultural sector directly supports more than 75 per cent of the population, and 85 per cent of export earnings are derived from it. Smallholder farmers are the main producers of agricultural outputs. They are largely supply-driven and farming plots are often scattered over large areas, leaving production highly fragmented and with large post-harvest losses.

Finite land and a growing population (of workers and consumers) require that larger amounts of food are produced by fewer people thereby increasing the importance of off-farm livelihoods. If agriculture is to endure as a source of economic growth for Ethiopia, structural transformation is needed.

Agro-industries are the link between agriculture and industry and present an opportunity for Ethiopia to take a further step in its economic development, moving from agriculture toward light industry. Agro-industries already account for the largest share of manufactured goods in Ethiopia and its development is crucial given its close connection with the agricultural basis of the Ethiopian economy. The strong linkages to the rest of the economy and the use of abundant agricultural products as inputs create a positive climate for the development of agribusiness.

Integrated agro-industrial parks (IAIPs) are one option to transform Ethiopian agricultural production from being fragmented and supply-driven to becoming organized, safe, demand-led and quality-oriented. IAIPs are accompanied by rural transformation centres (RTCs) that act as nodal points, connecting farmers to the IAIPs. The RTCs will also establish primary processing facilities, cold and dry storage facilities, and improved agro-logistics systems.



### 3.2 LEATHER AND LEATHER PRODUCTS

Ethiopia has one of the largest livestock herds in Africa. The Government of Ethiopia plans to utilize these resources through the development of its leather and leather products sector in an effort to create more jobs and boost exports. The leather and leather products sector is already one of the most successful of Ethiopia's economy due to its strong backward linkages to the rural economy and its labour intensive nature.

A long-term solution would be the development of a commercialized livestock sub-sector that would also support the emergence of a robust meat industry. Nonetheless, important challenges confront the industry as it strives to strengthen its capabilities in the face of increasing global competition. To assist the Government of Ethiopia in developing a leather cluster on the basis of the existing concentration of tanneries in the town of Modjo, UNIDO finalized a feasibility study regarding the establishment of the Modjo Leather City.

UNIDO will support the Government in the mobilization of resources for the Modjo Leather City. The Organization will also help establish four footwear and leather goods clusters with a budget of \$20 million, as well as strengthen the fashion design and training capabilities of the Leather Industry Development Institute with an estimated budget of \$10 million.

### 3.3 TEXTILES AND APPAREL

The textile sector has potential as a starting point for economic and social development, with job creation as the main immediate objective. This is a strategy many developing countries have used.

A high raw materials potential, low wages and low energy costs give the Ethiopian textile sector a competitive advantage over other countries and regions. Ethiopia grows some of the world's finest cotton and has a rich spinning and weaving history.

Like the agro-food processing sector, raw material shortages are one of the challenges faced by Ethiopian textile and clothing industries. An insufficient supply of quality raw materials, weak spinning and ginning industries, lack of skills, low capabilities in institutions that provide support along the textiles and apparel value chain and, most notably, weak trade logistics, are all significant obstacles to the development of this sector.

The Textile Industry Development Institute, established by the Ministry of Industry, provides investment promotion, consultancy, training, and research and marketing services in an effort to boost the sector's competitiveness.

In collaboration with its partners, UNIDO will support the Government of Ethiopia and the private sector to promote investment, increase the supply of quality raw materials, improve the skills of the workforce, build the capacity of support institutions, and significantly improve trade logistics.





## 4. CROSS-CUTTING ISSUES

In support of the three priority sectors, the PCP in Ethiopia addresses a number of cross-cutting issues.

### 4.1 INSTITUTIONAL CAPACITY-BUILDING

In addition to institutional capacity-building to support the management and implementation of large-scale programmes, institutional capacity-building is also required to support the growth of the private manufacturing sector and to achieve industrialization targets. The Ethiopian Industrial Development Institutional Setup proposes an institutional framework for industrial transformation that includes the improvement of existing institutions, the establishment of new ones, as well as the strengthening of the National Industrial Development Council for oversight. Strengthening institutional capacity is one of the most important cross-cutting issues as Ethiopia endeavours to capitalize on the large investment flows coming into the country, and to achieve its industrial development goals.

Through the PCP, UNIDO will work to: (1) strengthen the analytical capacity of the Ministry of Industry in the generation of industrial intelligence and policy (primarily in agro-industries); (2) establish an “industrial observatory” – to observe and benchmark industrial practices in other countries – to help inform policy and industrial practices in Ethiopia; and (3) leverage impact for inclusive and sustainable industrial development through South-South and triangular industrial cooperation.

### 4.2 INVESTMENT PROMOTION

Investment promotion is critical in order to leverage small-scale interventions, such as ODA, into large-scale investment flows for inclusive and sustainable industrial development. Under the PCP Ethiopia, investment promotion will not be limited to the three priority sectors, but will also extend to other industrial sub-sectors. Interventions to promote investment include organizing large events that bring potential investors and government officials together to

discuss investment opportunities. Targeted material is produced as background to these events, including investment brochures, market information, sector profiles and project portfolios.

Through its technical assistance, UNIDO can build capacity in investment promotion institutions to strengthen monitoring and evaluation mechanisms, and tools and methodologies for regular data collection on investment impact.

In this regard, UNIDO can also mobilize its network of investment and technology promotion offices (ITPOs) to assist potential foreign and domestic investors to identify, promote and establish investment and technology partnerships. In particular, partnerships can be established between enterprises from Ethiopia and from ITPO host countries – Japan, Italy, Bahrain, China, Republic of Korea and the Russian Federation. An outcome of investment promotion efforts would be that national and international investors are presented with profiled companies operating in the agro-industry and agro-processing field.

### 4.3 INDUSTRIAL ZONES

Industrial zones address many of the challenges identified with respect to the development of the country’s industrial sector. Industrial zones provide a catalyst for private investment, as proven by the large number of foreign investors establishing production facilities in such environments. Industrial zones offer the opportunity to link local small-scale suppliers to the resident manufacturers, allowing local firms to access global value chains. Funding for the establishment of industrial zones comes from private and public sources. Foreign investors have contributed a substantial amount of funding, while the Government of Ethiopia has also invested considerable public funds into industrial parks as part of its industrialization strategy.

Industrial zones provide enterprises with basic infrastructure – roads, energy, water, sewerage and telecom services – and inexpensive land. They can also provide restructured public services and policies, skills development training, and buildings for rent or lease.

#### 4.4 TRADE FACILITATION

A critical constraint to the development of light industries in Ethiopia is high trade costs. These include high freight handling costs, high costs of financial services rendered by banks, long delays in the authorization of letters of credit, long customs procedures, high customs costs, and logistical inefficiency. The PCP Secretariat will collaborate with its partners to support relevant government institutions in the following areas: (1) create an information and knowledge centre on import-export procedures, tariffs and best practices in logistics operations to reduce information asymmetries among businesses, public institutes and investors, and improve national competitiveness; (2) train public officials in trade facilitation and develop a better understanding of the different practices applied by other countries; and (3) analysis of current institutional responsibilities and regulatory powers to eliminate redundancies and improve ineffective procedures in public institutions.

#### 4.5 ENVIRONMENT AND ENERGY

Energy is essential to achieving the goals of the three priority sectors under PCP Ethiopia and of industrial productivity in general. Industrial parks are often located in rural areas close to raw material supply.

However, this also results in more limited access to a reliable energy supply, leading to losses of production time. In addition, energy is often not consumed efficiently, further increasing input costs. Industrial parks can harness locally available renewable energy resources, such as bio-waste or small hydropower stations, to power their operations. Moreover, a systematic and integrated approach to energy use and efficiency can result in substantial energy savings, increasing the productivity and competitiveness of industries. In Ethiopia, an estimated 300,000 metric tonnes of animal by-products are dumped annually in open fields. Apart from the loss of a valuable economic resource, this creates an environmental problem.

The PCP will assist the Government of Ethiopia to: (1) design industrial complexes with superior environmental standards, and improve the management of waste, water, energy, emissions and hazardous chemicals through targeted interventions at various stages of the leather, textiles and apparel, and agro-food value chains; and (2) establish renewable energy sources – small hydropower stations – in rural transformation centres.





## 5. BENEFITS TO THE PARTNERS

### 5.1 BENEFITS TO THE PRIVATE SECTOR

Private sector investment is increasingly recognized as an essential means for achieving economic growth, creating jobs and reducing poverty. While traditional development assistance remains important, large-scale private sector investment is critical to the structural transformation of an economy. In addition to investment, the private sector also brings technologies and a wealth of knowledge that is often highly specialized; knowledge that is required by young people in developing countries to get skilled and productive employment.

The PCP can facilitate the work of the private sector in host countries, helping to ensure that the long-term interests of the private sector and the development objectives of the host country reinforce each other. Participation in the PCP provides clear advantages to the private sector.

- i) By participating in the PCP, the private sector is provided with a platform through which to engage with the government in a dialogue concerning the investment and business environment.
- ii) Through the PCP, technical assistance provided by UNIDO is able to help coordinate public and private investment, as well as reduce initial costs for investors by identifying pre-requisites for investment such as infrastructure needs – power, water, roads, etc. – and undertaking feasibility studies and baseline data collection.
- iii) Through its technical assistance, UNIDO is able to build the capacity of local workforces ensuring that they have the skills and knowledge needed to engage in high-skilled labour. This provides people from developing countries with a better opportunity to gain skilled employment that is in demand, and it benefits companies by providing them with a workforce equipped with appropriate skills.

In more general terms, with its long presence in many developing countries, UNIDO is well-placed to support industrial development initiatives by new actors. The Organization can provide insight on a

country's industrial sector, as well as act as a neutral broker between the government and the private sector.

### 5.2 BENEFITS TO MULTILATERAL DEVELOPMENT BANKS

Multilateral development banks (MDBs) are critical actors in the economic development of countries. They have the means that enable developing countries to invest in their infrastructure. The effectiveness of a loan or grant from MDBs can be further enhanced by its delivery through a PCP framework. Through the PCP, a MDB has a ready-made partnership platform to integrate its loan or grant with inputs from other development partners and inputs from the private sector in line with the development objectives of the host government. Participation in the PCP provides advantages to MDBs.

- i) Through the PCP, UNIDO offers its technical assistance services, such as pre-investment studies, providing MDBs with high-quality and objective information to help inform investment decisions. In this manner, technical assistance is directly linked to increased investment, creating a situation where the MDB, the host government and local populations all benefit.
- ii) Through the PCP, investment can be better coordinated, ensuring that the impact of investments by MDBs is enhanced. Investments from MDBs and the private sector, for example, will be coordinated so as to bolster the others' investment. This can be further reinforced by inputs from other development partners and the host government, creating a strong synergy and delivering higher returns on investment, whether it is in terms of loan repayment or number of beneficiaries.
- iii) Through the PCP, UNIDO technical assistance services can improve the effectiveness of MDB programmes through building the capacity of the host government to manage and implement large-scale programmes and projects. Capacity-building comprises interventions on subjects such as monitoring and reporting, procurement, management competencies, and budget forecasting and monitoring.

### 5.3 BENEFITS TO DEVELOPMENT PARTNERS

Development partners, such as donor countries and foundations, are critical actors in international development. They often have a wealth of experience, expertise and the financial means to help meet national and international development targets. Participation in the PCP offers development partners an opportunity to enhance the reach and effectiveness of their ODA through several means.

- i) Through the coordinating mechanism of the PCP, funds and expertise from development partners can be combined or work in parallel with investments from MDBs, private sector actors and the host government to upscale the development impact. For example, funds or expertise to support the upgrading of selected agricultural value chains in Ethiopia can be coordinated with an investment in rural road infrastructure or the establishment of an integrated agro-industrial park. Through bringing the separate initiatives together, each has a much larger development impact than would be achieved without a coordinated effort.
- ii) Through the PCP, technical assistance by UNIDO can support investment opportunities for businesses in the donor country. UNIDO uses its neutral broker position to help ensure that the development objectives of the donor country, and the economic development and job creation interests of the host country, can be converged with the long-term business interest of the potential investor. This creates a win-win-win situation where the objectives of each actor are reached in a sustainable and inclusive manner.

### 5.4 BENEFITS TO UNITED NATIONS AGENCIES

United Nations (UN) agencies are sources of technical expertise and have vast experience throughout the developing world. UN agencies can play an important role in the PCP through working in parallel and in coordination with other interventions to enhance development impact. There are also clear advantages for UN agencies to be part of the PCP.

- i) Through the PCP, technical assistance interventions of UN agencies can reach more beneficiaries and make a bigger impact on each. For example, an investment in market infrastructure can be coordinated with a training programme by the Food and Agricultural Organization of the UN (FAO) to improve food handling practices in a selected community, region or country. This allows both interventions to achieve a greater development impact.

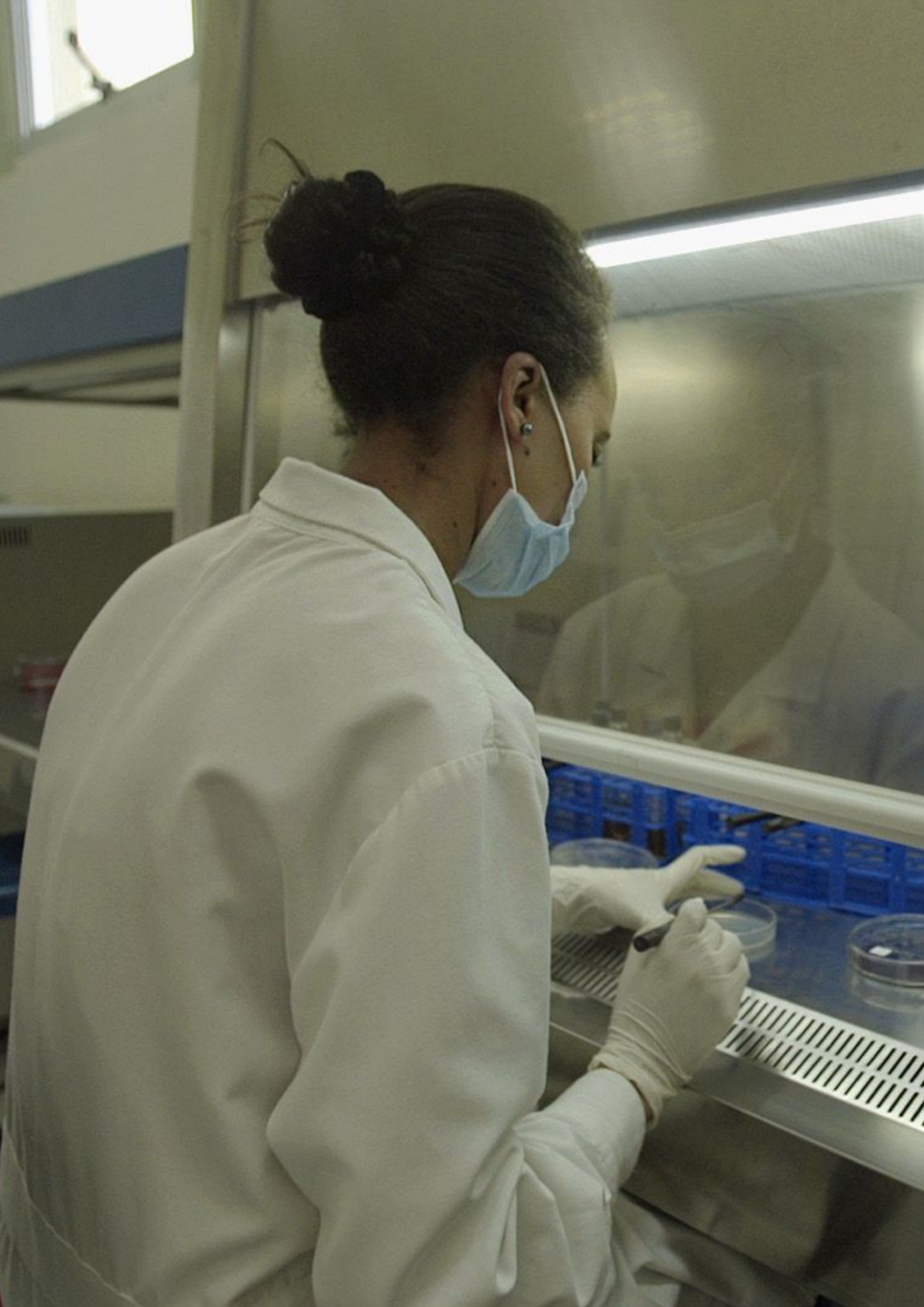
Moreover, the PCP builds on and complements UN structures and frameworks already present in the country. The UN Development Assistance Framework and the One UN initiative are examples.

### 5.5 UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION

UNIDO is one of the key actors in the PCP, playing two important roles.

- i) UNIDO performs a coordinating role through the PCP Secretariat. It provides support to the two governing bodies of the PCP – JSC and NTTF – and helps ensure that the inputs of a diverse set of partners (outlined previously) create an effective synergy.
- ii) UNIDO's technical support to governments remains similar to its traditional technical assistance role. However, where technical assistance was previously developed around a project with a clear beginning and end, technical assistance under the PCP is designed to leverage additional resources. Industrialization requires roads and utilities; it needs infrastructure and capital investment; it needs modern technology and market access. To this end, UNIDO identifies and designs technical interventions under the PCP not only for their immediate outcomes (as was the traditional practice), but also for their strategic impact on the broader industrial development objectives of the host country. This allows for the leveraging of additional funds through domestic revenue mobilization, as well as loans and private finance.

Through this approach, the PCP does not crowd out private investment or government borrowing to finance development, but instead provides assistance that facilitates the crowding-in of large-scale private and public financing.



## 6. PCP GOVERNANCE AND COORDINATION

The following section describes how the PCP works at the operational level.

### 6.1 HIGH-LEVEL JOINT STEERING COMMITTEE

The overall guidance of the PCP is provided by the high-level Joint Steering Committee (JSC). The JSC is responsible for: (1) providing strategic direction and aligning the development programmes of partners to the priorities of the government; (2) setting priorities for programme activities; (3) ensuring coordination among the various development partners, MDBs, private sector actors and different public institutes involved in the Programme; and (4) mobilizing resources for the projects and programmes of the PCP Ethiopia.

In the PCP Ethiopia, the JSC is composed of: Ministry of Industry, Ministry of Agriculture, Ministry of Trade, private sector, development partners, MDBs (such as the World Bank, the International Finance Corporation and the African Development Bank), UNIDO, FAO, and other partners from the public and private sector to be determined at a later stage.

### 6.2 NATIONAL TECHNICAL TASK FORCE

The JSC is supported by the National Technical Task Force (NTTF) which is responsible for the day to day operations of the PCP. Its main responsibilities are to: develop action plans; review implementation status and challenges and recommend mitigation measures; provide technical backstopping; and monitoring and reporting. The general objective of the Task Force is to champion the implementation of projects.

The NTTF is composed of: Ministry of Industry, Ministry of Agriculture, Ministry of Finance and Economic Cooperation, Food, Beverage and Pharmaceutical Industry Development Institute, Ethiopian Meat

and Dairy Industry Development Institute, Textile Industry Development Institute, Leather Industry Development Institute, Investment Promotion Council, UNIDO and representatives of relevant regional governments.

### 6.3 THE ROLE OF THE PCP SECRETARIAT

The Secretariat for PCP Ethiopia serves two critical functions. The first role of the Secretariat is its convening function, providing support to the two governing bodies and to the host government to ensure that the diverse inputs of partners are channelled towards common objectives. The PCP Secretariat also leads and coordinates the development of new projects, manages the implementation of ongoing projects and supports the other partners in the mobilization of funds. Second, the Secretariat serves as a neutral broker to ensure that programmes are implemented in an inclusive and sustainable manner.

It is through the Secretariat that UNIDO employs its technical services. The Organization provides two modes of technical support to the PCP. First, it provides targeted technical assistance on challenges related to inclusive and sustainable industrial development. Such technical assistance is based on UNIDO's traditional role in technical assistance cooperation. UNIDO has a dedicated PCP team composed of a multi-disciplinary group of experts at UNIDO headquarters with experience in the priority sectors that is responsible for providing technical assistance.

The second mode of support to the Secretariat is programme management. Through the Secretariat, UNIDO helps ensure that the inputs of partners are coordinated in a manner that is economically feasible, environmentally sustainable and socially responsible. As part of its support for Programme management, UNIDO also helps to identify and design PCP technical interventions for their strategic impact on the broader industrial development objectives of the host country.

The Secretariat is hosted within the Ministry of Industry, allowing for direct communication with multiple actors and ensuring direct channels for monitoring and reporting.

## 6.4 PARTNERSHIP TRUST FUND

A Partnership Trust Fund will be established to ensure the smooth implementation of PCP activities. Through voluntary contributions, this trust fund is expected to support the development, coordination and launching of PCPs. It will also contribute to the organization of global forum activities dedicated to the promotion of partnership initiatives primarily targeting governments, the private sector and MDBs.

Specific activities to be implemented under the trust fund include: (1) in partnership with the PCP country government, develop an industrialization strategy and review its current industrial policy framework;

(2) in partnership with contributors and recipients of the trust fund, conduct relevant global forum activities demonstrating and promoting the added value of partnerships in achieving inclusive and sustainable industrial development; (3) preparatory and partnership programme development activities in selected countries (primarily least developed countries); (4) coordination of the PCP in close consultation with the host government and other partners; (5) joint activities with the government, private sector entities and MDBs to contribute primarily to the operationalization of partnership programmes; and (6) implementation of PCP components where bridging a funding gap has the potential to trigger additional large-scale funding flows.



For more information, please contact:

**Dejene Tezera**

Unit Chief, Agribusiness Development Branch

and

Team Leader, Programme for Country Partnership for Ethiopia

Email: [D.Tezera@unido.org](mailto:D.Tezera@unido.org)

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**UNITED NATIONS  
INDUSTRIAL DEVELOPMENT ORGANIZATION**

Vienna International Centre, P.O. Box 300, 1400 Vienna, Austria  
Telephone: (+43-1) 26026-0, Fax: (+43-1) 26926-69  
E-mail: [unido@unido.org](mailto:unido@unido.org), Internet: [www.unido.org](http://www.unido.org)