



RESTRUCTURING PAPER
ON A
PROPOSED PROJECT RESTRUCTURING
OF
ETHIOPIA COMPETITIVENESS AND JOB CREATION PROJECT
APPROVED ON MAY 13, 2014
TO
FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA

FINANCE, COMPETITIVENESS AND INNOVATION

EASTERN AND SOUTHERN AFRICA

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ABBREVIATIONS AND ACRONYMS

CJC	Competitiveness and Job Creation
IPDC	Industrial Parks Development Corporation
IPs	Industrial Parks
MoF	Ministry of Finance
NQIDP	National Quality Infrastructure Development Project
PDO	Project Development Objective
ROW	Right of Way
WWTPs	Waste Water Treatment Plants



Note to Task Teams: The following sections are system generated and can only be edited online in the Portal.

BASIC DATA

Product Information

Project ID P143302	Financing Instrument Investment Project Financing
Original EA Category Full Assessment (A)	Current EA Category Full Assessment (A)
Approval Date 13-May-2014	Current Closing Date 31-May-2023

Organizations

Borrower Federal Democratic Republic of Ethiopia	Responsible Agency
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Project Development Objective (PDO)

Original PDO

The Project Development Objective (PDO) is to contribute to job creation by attracting investments and improving competitiveness of enterprises in the targeted industrial zones and their linked domestic enterprises.

Current PDO

The Project Development Objective (PDO) is to contribute to job creation by attracting investments and improving competitiveness of enterprises in the targeted industrial parks and their linked domestic enterprises.

Summary Status of Financing (US\$, Millions)

Ln/Cr/Tf	Approval	Signing	Effectiveness	Closing	Net		
					Commitment	Disbursed	Undisbursed
IDA-62630	25-Jun-2018	29-Jun-2018	11-Dec-2018	31-May-2023	175.00	139.27	29.27
IDA-54510	13-May-2014	20-May-2014	04-Aug-2014	31-May-2023	250.00	227.20	0



Policy Waiver(s)

Does this restructuring trigger the need for any policy waiver(s)?

No

I. PROJECT STATUS AND RATIONALE FOR RESTRUCTURING

A. Project status

The project closing date was extended twice since the original closing date of July 7, 2021 under the Additional Financing (AF) of the project, with the latest restructuring done in April 2022 to accommodate the Government's request for another extension of the closing date by a year to May 31, 2023. The rationale for the extension of time was to finalize the following main activities: (i) complete the permanent power connection to the two Industrial Parks (IPs) financed under the project; (ii) ensure full takeover of the two IPs by IPDC from the construction contractors; (iii) finalize the testing and commissioning of the Waste Water Treatment Plants (WWTPs) and electrical systems; (iv) complete the Livelihood Restoration intervention for Kilinto community; (v) resolve all Project related right of way (ROW) issues and any outstanding grievances; (vi) finalize preparation and approval of safeguard instruments; and (vii) complete the Business-to-Business (B2B) linkage program and the skills development program. The last mission carried in March 2023 noted good progress on the implementation of some of the above-listed activities since the last ISM in September 2022, but a few critical activities are still underway and expected to be completed by project closing.

The project remains overall on track in terms of meeting targeted results. The targets for two out of the three PDO results have been exceeded and almost all intermediate results have been achieved with some of them exceeding the set targets. The two IPs financed under the Project have generated over US\$159.3 million in sales value (against a target of US\$ 20m) and mobilized private investment of over US\$115.9 million (against a target of US\$100m) at the end of February 2023. However, the jobs target is not yet met as it is significantly dependent on investment actualization, which was impeded by the COVID-19 pandemic, the country's internal conflict and resulting effects such as the suspension of the AGOA trade agreement. Only 18,990 jobs were created by investors and activities linked to the IPs (out of which 66% held by women), against a target of 46,000 jobs. There have been some job losses at the IPs mainly as a result of the suspension of AGOA preferential access which has resulted in significant decline of orders from U.S buyers. However, the investment pipeline for the two IPs has significantly improved in recent months and is expected to increase moving forward. As of end of February 2023, a total of 22 investors have signed a lease agreement to invest in Bole Lemi II and Kilinto IPs and are at different stages of operations. This is an encouraging development and shows the significant potential for more investments if peace and stability can be maintained. With the current rate of job creation of 18,990 from only about 24% of operational land, the potential for job creation (beyond the project target of 46,000), private capital mobilization and export generation is quite significant, though it may take a few years for the two IPs to operate at full capacity. Furthermore, the certification program for SMEs that benefited from Technical Assistance (TA) on B2B linkages under the project has been completed. These firms have been linked with the WB-financed National Quality Infrastructure Development Project (NQIDP) being implemented by the Ministry of Trade and Regional Integration (MoTRI) for complementary support on quality compliance and certification.

B. Rationale for restructuring



During the last supervision mission in March 2023, the Bank was informed that after long delays due to ROW issues and design change at Kilinto site, the civil works contracts for both Bole lemi II and Kilinto under Component 2 of the project to build cable trenches would not be completed as planned as part of the contract with Ethiopian Electric Utility (EEU) for the setting up of power connection from the substations to the IPs. Despite multiple efforts by MoF, IPDC and WB to facilitate the delivery of needed materials and supplies, no material was delivered as of the end of the Mission (March 17, 2023). The PIU also confirmed that it is unlikely that the needed materials will be delivered on time and the actual power connection will be completed by May 31, 2023. Hence, the management recommended for IPDC to cancel the ongoing contract financed by the CJC project and integrate it in a different World Bank financed project. Indeed, IPDC needed to find a mechanism to complete the permanent power connection for the two IPs as it will be difficult to effectively mobilize investment without reliable and adequate power supply. The current operational investors have been provided with temporary power supply.

II. DESCRIPTION OF PROPOSED CHANGES

The proposed change is to proceed with the cancellation of US\$ 21.5 million uncommitted amount under the project that is not expected to be utilized within the remaining project implementation period. This was requested by the Government of Ethiopia on April 27, 2023. This amount will come from LOAN - IDA-62630, which is currently disbursed at 82.21 percent and has remaining balance of US\$ 21.65 million.

The cancelled amount will be integrated in a new WB energy project that will launch a new procurement for the installation of the necessary cable trenches that will provide permanent power connection from the substations to both IPs.

III. SUMMARY OF CHANGES

	Changed	Not Changed
Components and Cost	✓	
Cancellations Proposed	✓	
Reallocation between Disbursement Categories	✓	
Technical Analysis	✓	
Implementing Agency		✓



DDO Status		✓
Project's Development Objectives		✓
Results Framework		✓
Loan Closing Date(s)		✓
Disbursements Arrangements		✓
Disbursement Estimates		✓
Overall Risk Rating		✓
Safeguard Policies Triggered		✓
EA category		✓
Legal Covenants		✓
Institutional Arrangements		✓
Financial Management		✓
Procurement		✓
Implementation Schedule		✓
Other Change(s)		✓
Economic and Financial Analysis		✓
Social Analysis		✓
Environmental Analysis		✓

IV. DETAILED CHANGE(S)**COMPONENTS**

Current Component Name	Current Cost (US\$M)	Action	Proposed Component Name	Proposed Cost (US\$M)
Component 1: Institutional and Regulatory Framework and Capacity Building	8.10	No Change	Component 1: Institutional and Regulatory Framework and Capacity Building	8.10
Component 2: Support for Industrial Infrastructure	384.20	Revised	Component 2: Support for Industrial Infrastructure	362.70
Component 3: Enhancing IP linkages to the local economy	10.20	No Change	Component 3: Enhancing IP linkages to the local economy	10.20



Component 4: Project Management and Monitoring and Evaluation	12.50	No Change	Component 4: Project Management and Monitoring and Evaluation	12.50
Contingency	10.00	No Change	Contingency	10.00
TOTAL	425.00			403.50

CANCELLATIONS

Ln/Cr/Tf	Status	Currency	Current Amount	Cancellation Amount	Value Date of Cancellation	New Amount	Reason for Cancellation
IDA-54510-001	Disbursing	XDR	161,600,000.00	0.00	09-May-2023	161,600,000.00	
IDA-62630-001	Disbursing	XDR	121,700,000.00	15,934,778.00	09-May-2023	105,765,222.00	BORROWER'S REQUEST FOR COUNTRY REASONS

REALLOCATION BETWEEN DISBURSEMENT CATEGORIES

	Current Allocation	Actuals + Committed	Proposed Allocation	Financing % (Type Total)	
				Current	Proposed
IDA-62630-001 Currency: XDR					
iLap Category Sequence No: 1		Current Expenditure Category: Gds,Wks,NCS,CS,Trng,Wkshp,OC-PIE			
	121,600,000.00	94,584,927.18	105,715,222.00	0.00	0.00
iLap Category Sequence No: 2		Current Expenditure Category: Gds,Wks,NCS,CS,Trng,Wkshp,OC-EIC			
	100,000.00	48,107.20	50,000.00	0.00	0.00
Total	121,700,000.00	94,633,034.38	105,765,222.00		



The World Bank

Ethiopia Competitiveness and Job Creation Project (P143302)

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