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Report Number: ICRR0023848

1. Project Data

Project ID P143302	**Project Name** ET CJCP	
Country Ethiopia	**Practice Area(Lead)** Finance, Competitiveness and Innovation	
L/C/TF Number(s) IDA-54510,IDA-62630	**Closing Date (Original)** 30-Jun-2020	**Total Project Cost (USD)** 369,891,948.08
Bank Approval Date 13-May-2014	**Closing Date (Actual)** 31-May-2023	

	IBRD/IDA (USD)	Grants (USD)
Original Commitment	250,000,000.00	0.00
Revised Commitment	403,470,521.44	0.00
Actual	372,956,505.85	0.00

Prepared by	Reviewed by	ICR Review Coordinator	Group
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2. Project Objectives and Components

a. Objectives

As per the Financing Agreement (FA) on page 4, "the Project Development Outcome (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". The PDO statement in the PAD on page 9 is identical and was unchanged throughout the period of project implementation.

During the third restructuring in 2018, there was a minor change in the PDO statement. The term “industrial zones” was replaced with the term “industrial parks”.

b. Were the project objectives/key associated outcome targets revised during implementation?

Yes

Did the Board approve the revised objectives/key associated outcome targets?

Yes

Date of Board Approval

25-Jun-2018

c. Will a split evaluation be undertaken?

Yes

d. Components

As per the FA on pages 4-5, the project had four components as summarized below. New activities added in 2018 were drawn from the 2018 Restructuring paper and are also presented under each original component.

Component 1: Institutional and Regulatory Framework and Capacity Building (amount at approval of US$6.1million equivalent, estimated actual amount of US$ US$8.4 million). The objective of this component was to strengthen the legal and regulatory framework to underpin an effective industrial zones program, through the provision of consulting services and goods. Specific activities included: (i) support for the development of an effective legal, regulatory, and operational framework for Industrial Zone (IZ) development and operation, (ii) the support for the operationalization of the newly established Ethiopian Industrial Development Zone Corporation (EIDZC), (iii) the support for setting up and building the capacity of the Regulator that will oversee IZ development and operations, (iv) assistance to the Ethiopian Investment Agency (EIA) in the development of a Customer Relations Management (CRM) System, and (v) technical support for developing a framework, evaluating, and entering into legal agreements to accommodate various models for private sector participation in IZ development, operations, service provision, and investment. Moreover, the component aimed to strengthen the capacity of MoI in carrying out IZ investment promotion activities, including a strategy with a detailed action plan for investment promotion for the industrial sites.

- **Added activities during the 2018 AF:** The rationale of the AF was to leverage the recently enacted PPP Proclamation 1076/2018 which provides a legal framework for PPPs and support the Maximizing Finance for Development (MFD) agenda by providing technical assistance for the GoE to explore alternative funding models. The project was to provide transaction advisory for structuring PPPs for the operation and maintenance of Bole Lemi-II and Kilinto Industrial Parks (IPs), as well as to structure PPPs for the provision of IP-linked infrastructure such as housing for workers in the IPs.

Component 2: Support for Industrial Infrastructure (amount at approval of US$197.2 million equivalent, estimated actual amount of US$ 352.3 million): The goal of this component was to support the development of physical on-site and off-site infrastructure through the provision of consulting services, as well as goods and works. This component intended to implement the following activities: (i) develop detailed feasibility studies for developing Targeted IZs, (ii) provide goods and works aimed at supporting the development of physical on-site and off-site infrastructure for developing targeted IZs. The programmatic IZ financing window was expected to finance infrastructure investment in the two targeted IZs (Bole Lemi Phase 2 and Kilinto) subject to meeting formal "access" criteria. The IZs being developed were to include modern social and sustainable environmental processes within enterprises.

- **Added activities under the 2018 AF:** Due to cost increase, a significant part of the AF was to fund civil works for Kilinto and Bole Lemi IP, including feasibility studies, environmental and social assessments. The AF was also to cover the total losses to the project from foreign exchange fluctuations to complete the construction of Bole Lemi-II and Kilinto IPs, the total value added tax (VAT) of 15 percent to be deducted from the total contract amounts and ensure the reallocation from the project contingency amount.

Component 3: Enhancing IZ linkages to the local economy (amount at approval of US$17.2 million equivalent, estimated actual amount of US$3.0 million). The objective of this component was to support business linkages between domestic enterprises in producing and processing (upstream) activities, and marketing (downstream) activities in the industrial zones (IZs). This component had 2 sub-components as follows:

- **Sub-component 1**: Skills Development Center: This sub-component intended to support the setting-up of a skills development center to provide skill and job training to investors and workers in the targeted IZs; this center was to help serve the skills needs of investors who will be operating within the industrial zones through the provision of basic skills and working ethics training.
- **Sub-component 2**: Business-to-Business (B2) Linkage Fund: This sub-component intended to strengthen the business linkages between firms within the zones and the local private sector enterprises outside the zones by removing the binding constraints for these domestic enterprises to be qualified suppliers or subcontractors for bigger firms within the zones. Through the provision of matching grants to the domestic enterprises linked to the IZs, the objective of this intervention was to enhance the local firms' capacities, quality, productivity and market access.

- **Added activities under the 2018 AF:** The AF did not add activities under this component, but there was a reallocation of resources to existing activities.

Component 4: Project Management and Monitoring and Evaluation (Amount at approval of US$8.5 million equivalent, estimated actual amount of US$6.2 million). This component aimed to strengthen the capacity of the Project Implementation Unit (PIU) for expediting implementation, management, monitoring and evaluation through the provision of equipment, technical assistance, and operating support. The Project intended to finance core staff of the PIU, and to strengthen the capacity of the PIU by providing technical assistance through consultancies on specific technical issues. The Project intended also to fund Monitoring and Evaluation related activities that will be performed by the implementing agencies and specific tasks that cut across the project components. Finally, the Project was to conduct a rigorous impact evaluation based on scientific methods of selected interventions.

- **Added activities under the 2018 AF:** The AF intended to fund the deepening of safeguards interventions under the parent project and cover costs needed to complete the livelihood restoration activities for PAP for the Kilinto IP resettlement site, because the initial allocated funds in the parent project were spent on providing livelihood restoration activities for Bole Lemi-II IP PAPs. Under the AF, technical assistance aimed to ensure that appropriate regulatory measures are in place for the pharmaceutical industry in Ethiopia. Assistance was to be provided in partnership with the World Health Organization (WHO) to focus on areas of regulation that needed to be strengthened to streamline the approval process for a manufacturer wishing to produce locally and serve the local market.

Contingency cost: (Amount at approval of US$21.0 million). These contingency costs were intended and were used to cover unanticipated costs due to changing market conditions and price fluctuation.

e. Comments on Project Cost, Financing, Borrower Contribution, and Dates

Project Cost: Actual project cost amounted to US$373.0 million against an original commitment of US$250.0 million (149.2 percent), and a revised commitment amount of US$403,5 million (92.4 percent).

Financing: The project was funded by two tranches of IDA credits totaling US$403,5 million, a Borrower contribution in the amount of US$10.0 million, and a contribution of the private sector in the amount of US$10.0 million, which is conceptually part of the total amount of private investments.

Borrower Contribution: There was a Borrower contribution in the amount of US$10.0 million, as planned in the PAD.

Dates: The project was approved on May13, 2014, and made effective on August 04, 2014. The project was restructured six times as follows:

- On November 1, 2014, the first restructuring aimed to extend the deadline stated in the legal covenant from October 31, 2014 to January 30, 2015.
- On May 20, 2015, the second restructuring arose from the change from the Ministry of Industry (MoI) into the Industrial Zones Development Corporation (IPDC), and the Project Implementing Entity necessitated changes to the project: (i) institutional arrangements informed by assessments of IPDC's in terms of technical, financial management and procurement capacity; and (ii) Legal Agreements. Specifically, the Financing Agreement was to be amended to enable the transfer of responsibilities.
- On June 25, 2018, the third restructuring approved (a) a slightly revised statement of the PDO, and (ii) an AF in the amount of US$175 million to enable the completion of activities of the parent project. The AF aimed to fill a financing gap resulting from (a) a substantial increase in scope of activities for the construction of Kilinto IP; (b) quality enhancements in key features of the IPs, (c) additional costs for reducing the construction period by 24 months to accommodate investor demand; (d) reduction in project funds due to the devaluation of the SDR against the U.S. dollar and inflation; and (e) additional technical assistance for safeguards, park operational sustainability and (f) US$10 million in contingency. There were also changes in the Results Framework (RF) as follows: PDO-level indicators were revised to (a) reflect increased scope of works (b) streamline some of the indicators to strengthen alignment with the PDO and (c) add/modify target values for subcomponents. Moreover, intermediate indicators were revised to reflect changes to the design under the parent project and to add new indicators on citizen engagement and gender. Finally, an extension of closing period by one-year until end-2021, and changes in procurement were adopted.

- **The 2020 MTR identified numerous requirements** which included (i) setting up an adequate system for solid waste management; (ii) updating the Environmental and Social Management Framework to include new and emerging industries; (iii) sealing and/or finding alterative mechanisms for the artisan wells to avoid water wastage; (iv) completion of the storm water drainage and effluent outfalls at Bole Lemi II IP; and (v) putting in place adequate measures and tools to properly manage liquid and solid waste from operating tenant firms;

- On April 27, 2021, the fourth restructuring was approved with the following changes: (i) an extension of the closing date of the project until May 31, 2022; (ii) a reallocation of resources among disbursement categories; and (iii) a revision and updating of the results framework as follows: as follows: (i) the Results Framework aimed to capture the results from the major interventions in addition to the originally envisaged result areas, (ii) key changes in the RF included an introduction of social development indicators, revision of an intermediate indicator to a PDO indicator on total sales from the IPs, disaggregated sub-indicators especially on women beneficiaries, revision of targets based on ongoing project achievements and clarification of definitions for the indicators.

- On May 26, 2022, the fifth restructuring paper sought extension of the closing date by 12 months from May 31, 2022, to May 31, 2023. The Government of Ethiopia had requested the extension of the project closing date in a letter dated April 20, 2022. With this extension, the cumulative extension period of the project will be 35 months hence requiring RVP approval.

- On May 25, 2023, the sixth restructuring aimed 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. 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.

The change in the PDO statement was minor and does not call for any split assessment of the PDO efficacy. However, a split assessment will be conducted to measure project performance against the 2021 Results frameworks when the PDO targets were reduced.

3. Relevance of Objectives

Rationale

"The Project Development Outcome (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." Overall, this PDO was in congruence with the World Bank's strategy in Ethiopia and the priorities of the borrower as discussed below.

The PDO was aligned with the FY18-FY22 Country Partnership Framework (CPF) for Ethiopia. The CPF for FY18-FY22 identified the key priority of promoting structural and economic transformation, aiming to achieve increased productivity through particularly an enhanced business and investment climate. The CPF was committed to supporting industrial parks infrastructure addressing business environment issues in order to reduce legal and administrative barriers to local and foreign investment and emphasized a deepening of gender integration, including greater women participation in the labor force.

Job creation was a key priority for the Ethiopia Government. In 2018, the urban unemployment rate was estimated at 19 percent, but even higher for youth (25 percent) and women (27 percent). Most youth were entering the informal services sector where productivity tended to be low, and unreliable work, leading to low wages. The government was keen to develop an industrial workforce that would drive economic transformation. Industrial parks focused on textiles and garments held the promise of significant formal sector job creation given their labor-intensive nature, especially for young women. Moreover, private investment, especially foreign, was essential to provide the financing, expertise and market access needed to create and operate the factories that would create jobs. The government was pursuing its strategy of moving away from public investment and opening up to foreign partners, and sales revenues were an important measure of the development level of local and foreign investment operations. The job creation for both local and foreign investors depended on the capital intensity of the investments.

The Government's development priorities in terms of jobs creation, structural transformation and economic development are articulated in the Government's Ten Years Perspective Development Plan (2021-2030). Under its strategic Pillars – Pillar 1 "Ensuring quality Economic growth" and Pillar 2 "Raising Production and productivity" - the focus is put on the manufacturing sector, increasing export revenues and substituting imports by reducing production costs, availing quality and massive infrastructure, linking incentives with export revenue and job creation performances. Specifically, it has included industrial parks as a means to build physical capital.

While the PDO was generally in line with the Government's long-term commitment to jobs creation and economic transformation and sufficiently ambitious, priorities in the context of this project changed slightly during implementation. A new chairman of the IPDC Board decided to make Hawassa IP the government's priority. At the same time, all of Kilinto was to be developed at once instead of in stages, and without the help of a private developer as initially planned. The change in focus for Kilinto in favor of pharmaceuticals impacted the achievement of the jobs target, given their more capital-intensive nature and the increased difficulty in attracting major investors. This also required additional work on the regulatory and environmental management frameworks. There were other changes in design, such as the introduction of a new highway to traverse Kilinto park, and upgrading of the wastewater treatment plants to use zero liquid technology, which resulted in a substantial increase in costs.

Overall, the relevance of objectives was substantially relevant by the project closing.

Rating

Substantial

4. Achievement of Objectives (Efficacy)

OBJECTIVE 1

Objective
To contribute to job creation by attracting investments and improving competitiveness of enterprises in the targeted industrial zones and their linked domestic enterprises

Rationale
Theory of change

As there was no theory of change in the PAD, the ICR team developed a theory of change (page 8 of the ICR) which is summarized below:

The key activities included: (i) the strengthening and the operationalization oof the institutional and regulatory framework, (ii) the investment promotion, (iii) the support for industrial infrastructure, and (iv) the creation of a skills center, a B2B platform and a linkage Fund. The expected outputs included: (i) a new incentive regime established, (ii) A One Stop Shop created in selected zones, (iii) staff and people trained, (iv) a larger constructed area as a ratio of the total planned area, and (v) a total contract value among firms supported by the Linkage Fund. The key expected outcomes included the following: (i) an increase in the local SMEs supported by the linkage program and working with firms located within Industrial Parks, (ii) an increase in the number of jobs created by activities linked to the supported IPs, (iii) an increase in the total sales value of goods and services of IP tenant firms in the supported IPs, and finally (iv) an increased private investment by firms located within the supported industrial parks, including foreign direct investment.

While the theory of change did not discuss the assumptions for its feasibility and the attribution of the expected outcome, it was overall valid. There was a logical linkage between the identified activities, and the expected outputs and outcome. Regarding attribution of outcome, the IDA resources provided a critical impetus to the achieved results, with limited contribution from the Government and private sector resources.

Because the project was expanded with the 2018 AF, this review has used the indicators and targets adopted for the expanded project to assess efficacy.

Outputs

- The Industrial Park Regulatory function was established as planned. The ICR notes that the project supported the preparation and passage of the Industrial Parks Proclamation (886/2015) and the Industrial Parks Regulation (2017). The Industrial Parks Proclamation codifies the designation, development, and management of IPs in Ethiopia and specifies the rights and obligations of IP developers, operators, and firms operating in IPs.
- The Bole Lemi II and Kilinto IPs were completed and able to accommodate private investors willing to build their own factory sheds. One of the key innovations under the project was the introduction of serviced industrial land rather than building full factory sheds using scarce public finance.
- A permanent skills training center was fully furnished and equipped, ready for operationalization, at Bole Lemi II to ensure continuity and institutionalization.
- The target of at least one private sector participation arrangement made for IP management, development, operations and/or sub-operation was not achieved
- The number of local SMEs supported by the linkage program and working with firms located within Industrial Parks was 31, against a target of 40, and a baseline of nil.
- The cumulative percentage share of women-owned/led SME firms was partially achieved, reaching 26.60 percent against a target of 30 percent and a baseline of nil.

- The training target was exceeded, with 7,616 employees receiving training against a target of 7,500, of which 90 percent are women against a target of 70 percent.
- The target for the number of trained trainers was largely exceeded, reaching 203, against a target of 110, and baseline of nil.
- The target for the serviced land in the supported Industrial Parks was fully achieved, reaching 273.21 hectares, against a target of 273.0 hectares, and a baseline of 105.00 hectares.
- The target for the proportion of leased land to the total available serviced land in the targeted IPs was 19.25 percent against a target of 70 percent, and a baseline of nil.

Outcome

Jobs

- The target for the number of local SMEs supported by the linkage program and working with firms located within Industrial Parks was partially achieved, reaching only 31 against a target of 40.00 and a baseline of nil. The cumulative percentage share of women-owned/led SME firms was partially achieved, reaching only 26.60 against a target of 30.0 percent.
- The target for the number of jobs created by activities linked to the supported IPs was partially achieved, reaching 19,090 against 46,000 and a baseline of nil. The number of jobs to be created was increased from 32,000 to 46,000 when the scope of the project was enlarged with additional financing in 2018. This includes 1,458 service jobs created in the IPs, such as cleaning and food services and transportation of employees. The target for the share of women for this indicator was achieved, reaching 64.04 percent against a target of 64 percent.
- The target for the number of jobs created by activities linked to the supported IPs, including jobs created in the firms operating in the supported IPs, was partially achieved, reaching 12,294 against a target of 45,000 and a baseline of nil. However, Table 2 of the ICR also notes that this includes jobs attributed to the skills development program (6,182) that should not be counted as a development outcome as this program facilitated employment but did not create jobs. The target for the number of jobs created by firms in the industrial parks was increased from 30,000 to 45,000 in the additional financing. The target for the share of women for this indicator was exceeded as it reached 94 percent against a target of 64 percent.
- The target for the number of jobs created by activities linked to the supported IPs, of which, jobs created by local suppliers supported by the linkage fund was partially achieved, reaching 307 against a target of 1000, and a baseline of nil. The target for the share of women for this indicator was also exceeded, reaching 64 percent, against a target of 53 percent.
- Women have been the primary beneficiaries of this project. Of all the jobs created in the factories, 90 percent were held by women. Since most of them came from rural areas, their income increased substantially compared to what they would have earned in agriculture. A beneficiary survey conducted as part of the borrower's completion report found that of the 215 randomly selected female workers in Bole Lemi II and Kilinto factories, 25 percent were very satisfied while 67 percent were somewhat satisfied.
- Most employees come from low-income households. It is estimated that 90 percent of women factory workers have been drawn from rural areas outside Addis Ababa. Thus, jobs in the two IPs will have pulled some young women out of poverty and improved the living standards of others in the bottom 40 percent.

Sales

- The target for the total sales value of goods and services of IP tenant firms in the supported IPs and local suppliers to exporting firms in all IPs and to firms within the two supported IPs was exceeded, reaching US$300.07 million against the original target of US$280 million.

Investment

- The target for private investment by firms located within the supported industrial parks was exceeded, reaching US$136.0 million against a target of US$100.0 million and a baseline of 0. Of this, 93 percent is foreign direct investment against a target of 70 percent.

Even though the project exceeded the original sales and investment targets, the job outcomes were partially achieved. The ICR notes that job creation has been delayed by limited investment in targeted sectors. The target was not achieved due to the new focus on pharmaceuticals in Kilinto, which was less labor intensive compared to the initially envisaged sectors such as garments, textiles, and leather goods. The target was not achieved even though the definition of job creation was expanded to include those created in construction and for project-affected persons (PAPs). The ICR highlights that while job outcomes are still below targets, there is a likelihood of increased job prospects in the medium term. Current investors have already indicated additional planned employment of 17,000 (ICR, table 3). At project closure, five new leases had been signed for Bole Lemi II and one, focused on leather goods, is a significant job creator. Investor construction of factory sheds is underway and 11 new MOUs have been signed with interested companies. The construction is expected to generate significant temporary employment. The ICR highlights (paragraph 36) that the two IPs have the potential for many more jobs. The land currently leased represents only 19 percent of the available space, while the target at project closure was 70 percent.

Even though the ICR notes increased prospects for job creation, these are more in the medium to long term. The actual achievement of the job at 41% is much lower than the target despite three years of extension and Additional Financing. Also, as noted in the ICR (para 79), the addition of trainees (6,182) as new jobs in the project M&E reporting was not appropriate. The ICR (para 98) also candidly acknowledges the high risk to development outcomes even though most of the factors are beyond the project's control. The uncertainty over the renewal of AGOA privileges, security risks and lack of reliable power continued to dampen investor enthusiasm for garment and textile production in Bole Lemi II. Thus, the review rates the achievement of the objective as Modest.

Rating
Modest

OBJECTIVE 1 REVISION 1

Revised Objective
To contribute to job creation by attracting investments and improving competitiveness of enterprises in the targeted industrial zones and their linked domestic enterprises

Revised Rationale

Below is the assessment of the project's efficacy measured against the 2021 results framework. The target for overall jobs created remained unchanged, but the target for jobs created by activities linked to the supported IP firms was reduced substantially. The target for sales was also lowered too much and was driven by the delays in infrastructure development which were undermining the achievement of this objective in the short term.

Theory of change

The theory of change presented under the Objective 1 is suitable for the assessment of the PDO measured against the 2021 Results Framework.

Outputs

- Overall, the outputs measuring the project performance toward the PDO using the 2021 Results Framework are identical to those delineated under the Objective 1.

Jobs

- The target for the number of jobs created by activities linked to the supported IPs was partially achieved, reaching 19,090 against 46,000 and a baseline of nil. This includes 1,458 service jobs created in the IPs, such as cleaning and food services, as well as transportation of employees. The target for the share of women for this indicator was achieved, reaching 64.04 percent against a target of 64 percent.
- The target for the number of jobs created by activities linked to the supported IPs, of which, jobs created in the firms operating in the supported IPs was partially achieved, reaching 12,031 against a revised target of 15,000, and a baseline of nil. The target for the share of women for this indicator was exceeded as it reached 94 percent against a target of 64 percent.
- The target for the number of jobs created by activities linked to the supported IPs, of which, jobs created by local suppliers supported by the linkage fund was exceeded, reaching 307 against the revised target of 250, and a baseline of nil. The target for the share of women for this indicator was also exceeded, reaching 64 percent, against a target of 53 percent.
- The other outcomes remain the same as discussed above.

Sales

- The target for the total sale value of goods and services linked to the supported industrial parks was largely exceeded, as it reached US$300.07 million against a revised target US$20.0 million. The ICR notes that the target for sales was also lowered too much and was driven by the delays in infrastructure development which were undermining the achievement of this objective in the short term. The target for investment was raised after the MTR due to the major investment associated with the Soufflet factory. While this was not expected to affect sales before project closure, once the project was extended by another two years, the sales target should have been increased. (ICR, para 68)

Investment

- The target for the private investment by firms located within the supported industrial parks was exceeded, reaching US$136.0 million against a target of US$100.0 million, and a baseline of 0, of which 93 percent is foreign direct investment against a target of 70 percent.

While the project exceeded the revised sales and investment targets, as well as the revised intermediate jobs targets related to jobs created in the firms operating in the supported IPs and by local suppliers, the overall jobs target was same as original and was not achieved due to limited investment in targeted sectors. Even though the target was not achieved due to factors beyond the project control, the target should have been reduced to reflect the actual reality. Also, as noted in the ICR (para 79), the various sub-components on jobs did not add up to the total, while the addition of trainees as new jobs in the project M&E reporting was not appropriate. Moreover, even though the project significantly exceeded the revised sales target, the target for sales was also lowered too much and could have been revised once the project was extended by two years. Even though the ICR notes increased prospects for job creation, these are more in the medium to long term, and the ICR also notes the high risk to development outcome. The review rates the achievement of the objective against the revised targets as Modest.

Revised Rating
Modest

OVERALL EFFICACY

Rationale
Overall, the project successfully supported the preparation and passage of the Industrial Parks Proclamation (886/2015) and the Industrial Parks Regulation (2017). While the project exceeded the original sales and investment targets, the jobs target was not achieved due to limited investment in targeted sectors. Even though the ICR notes increased prospects for job creation, these are more in the medium to long term. The actual achievement of the job at 41% is much lower than the target despite three years of extension and Additional Financing. Also, as noted in the ICR (para 79), the addition of trainees (6,182) as new jobs in the project M&E reporting was not appropriate. The ICR (para 98) also candidly acknowledges the high risk to development outcomes given the uncertainty over the renewal of AGOA privileges, security risks and lack of reliable power continued to dampen investor enthusiasm for garment and textile production in Bole Lemi II. Thus, the efficacy is rated as Modest.

Overall Efficacy Rating	Primary Reason
Modest	Low achievement

OVERALL EFFICACY REVISION 1

Overall Efficacy Revision 1 Rationale
The target for jobs created remained unchanged, but the target for IP firms was reduced substantially. While the project exceeded the revised sales and investment targets, as well as substantially met or exceeded the revised intermediate jobs targets (related to jobs created in the firms operating in the supported IPs and by

local suppliers), the overall jobs target was not achieved due to limited investment in targeted sectors. The target for sales was also lowered too much and was driven by the delays in infrastructure development which were undermining the achievement of this objective in the short term. The actual achievement of the job at 41% is much lower than the target despite three years of extension and Additional Financing. Even though the target was not achieved due to factors beyond the project control, the target should have been reduced to reflect the actual reality. Also, as noted in the ICR (para 79), the various sub-components on jobs did not add up to the total, while the addition of trainees as new jobs in the project M&E reporting was not appropriate. Thus, the efficacy against the revised targets is rated as Modest.

Overall Efficacy Revision 1 Rating	Primary Reason
Modest	Low achievement

5. Efficiency

The assessment of the economic efficiency is based on the ICR material presented on pages 22-23 of the ICR. While operational efficiency was not covered in the ICR section covering efficiency, additional material summarized below was provided upon request.

<u>**Economic efficiency**</u>

The efficiency of the project was hampered by higher costs, construction delays, and slow uptake by investors. The project cost amounted to US$373 million, albeit with a significant expansion of scope on infrastructure development. Higher investment costs upfront and a longer time frame for benefits undermined the economic rate of return (ERR). The decision to focus on pharmaceuticals at Kilinto further affected the calculation as it resulted in relatively fewer jobs. Using a similar methodology to that used in the project appraisal, the revised ERR is only 4.5 percent. With a discount rate of 10 percent, the net present value is decidedly negative at US$188 million. This contrasts with an ERR of 25.2 percent at the time of appraisal, and 10.7 percent when additional financing was approved in 2018.

Economic efficiency will depend on how quickly jobs can be created now that the parks are virtually finished. The COVID-19 pandemic and the internal conflict affected investment generation in 2020-22. Moreover, uncertainty over the renewal of AGOA privileges, security risks and lack of reliable power continued to dampen investor enthusiasm for garment and textile production in Bole Lemi II. Nonetheless, assumption was made that the 17,000 jobs planned by existing and new lease holders will materialize by 2025, and that the total number of jobs will rise steadily to 90,000 by 2040. If 90,000 jobs can be attained by 2035, the ERR will rise to 5.0 percent.

There are probable benefits from foreign exchange earnings. Addressing the foreign exchange constraint was one of the government's reasons for launching an export-oriented IP strategy in the first place. The decision to focus on pharmaceuticals was partly driven by the prospect of reducing demand for foreign exchange. The calculation is complicated as it must be confined to net foreign exchange earnings after accounting for imported inputs. With some reasonable assumptions, the ERR rises to 5.8 percent but the NPV remains at negative US$162 million.

The B2B linkage pilot project did not prove to be efficient. The amount spent on matching grants was roughly equivalent to the total sales made by the time of project closure (US$1.9 million). This contrasts with an initial sales target of US$13.6 million and a revised target of US$4.6 million. In fact, the PIU was instructed to attempt to recover US$1.2 million from non-performing recipients. The TA sub-component was no more efficient, generating sales of only US$1 million compared to project expenses of US$4 million. However, the linkage pilot played an important role in exploring the challenge of increasing IP benefits for domestic enterprises and the wider economy, identifying key policy issues, and laying the foundation for the government's subsequent strategy.

Operational efficiency.

The original project budgeted US$8.5 million out of a total budget of $250 million for project management and M&E. This amounts to 3.4% which seems reasonable. After the Additional Financing, this amount was increased to US$12.5 million, with an actual expenditure of US$6.2 million (2% of total project expenditure) at the closure of the project. However, the project was restructured six times, including two project extensions, in addition to the one-year extension required for the AF, indicating that the project could have been completed more quickly. The project was closed 35 months after the initial closing date.

Based on the respective economic and operational efficiency described above, overall project efficiency is rated modest on balance.

Efficiency Rating

Modest

a. If available, enter the Economic Rate of Return (ERR) and/or Financial Rate of Return (FRR) at appraisal and the re-estimated value at evaluation:

	Rate Available?	Point value (%)	*Coverage/Scope (%)
Appraisal		0	0 ☐ Not Applicable
ICR Estimate		0	0 ☐ Not Applicable

* Refers to percent of total project cost for which ERR/FRR was calculated.

6. Outcome

The relevance of objectives was substantial, reflecting the congruence between the PDO, the World Bank's strategy for Ethiopia, and the Government's priorities of boosting job creation, despite a slight change during project implementation. Efficacy assessed against the original and revised targets is modest, given the partial achievement of the jobs indicator. Efficiency was overall modest reflecting the limited economic returns and operational shortcomings.

Overall, the outcome rating is Moderately Unsatisfactory before and after the restructuring. It is noted that 94% was disbursed at the time of the 2021 restructuring when the sales and intermediate job targets were reduced. Thus, the overall outcome is rated as Moderately Unsatisfactory.

a. **Outcome Rating**
Moderately Unsatisfactory

7. Risk to Development Outcome

The assessment of the risk to development outcome draws from the ICR material on page 37.

Uncertainty in the country's peace and security is the key risk to the achieved outcome. The ICR notes that risks to the long-term outcomes of the project remain high (para 38). While potential investors are interested in IPs funded by this project, the current political and security context, restrictions on foreign exchange, and continued loss of AGOA eligibility make it hard to predict the impact of these factors on the achieved outcome. While a peace agreement has been reached with Tigray, tensions exist in neighboring Amhara, while unrest continues in Oromia. This context may not help attract sufficient pharmaceutical companies, and the economic benefits by those who do come will likely be modest. The World Bank suggested a revised strategy for Kilinto to include other sectors, but this was not being actively considered by the authorities. More important will be high-level leadership from the authorities to reassure investors of their commitment to the IPs, including effective support from public institutions.

Other risks might be mitigated by the Economic Opportunities Program (P163829). This combined IPF and P4R program is focused on results. It includes components to strengthen investment promotion, further build the capacity of IPDC, reinforce environmental standards across IPs, improve working conditions and productivity, and support linkages to domestic suppliers. The capacity to attract investors will depend on the eventual connection to permanent and reliable power, which was not achieved by project closure. Inadequate water supply at Bole Lemi may also pose a problem. Finally, there is a reputational risk for both the government and the World Bank if the IPs remain underutilized and PAPs continue to complain.

8. Assessment of Bank Performance

a. Quality-at-Entry

The project design approach drew from global and regional experience. The design reflected global experience with IPs, both their successes and failures. The number of disappointing experiences across Africa pointed to a gradual approach, focusing on the most promising locations close to Addis Ababa and developing them in stages. Global examples underscored the advantages of private developers. Weak linkages to the domestic economy across the world suggested the importance of including a linkage pilot. The challenge of attracting and keeping rural women to a manufacturing environment was also well-understood, calling for a sourcing and skills development component. The IP strategy enjoyed strong leadership which had a clear vision of diversifying the economy through IP-based manufacturing, drawing on East Asian successes.

The Bank provided adequate resources to fund the IP preparatory work. One source was the Project Preparation Facility (PPF) of U$3.55 million, which helped in building technical capacity through (a) strengthening the capacity of the Recipient's Ministry of Industry for the development program for Industrial zones; and (b) provision of consultants' services for Project coordination and management of the activities, and for the preparation of (i) key design studies and knowledge sharing, and (ii) the Social and Environmental Safeguard Instruments, the Project Implementation Manual, and the Procurement Manual.

The Bank could have better supported the preparation of the linkage and skills development programs. An analytical study titled " Skills for competitiveness and growth in the manufacturing sector" was completed during project preparation to identify the gaps and the mismatch in the labor market and was used to design the pilot program under the project. However, there were policy constraints that should have been addressed at the outset as follows: (i) first, the requirement that suppliers pay duties and taxes on their imported inputs, unlike IP firms, (ii) second, the low minimum wage undermined the objective of the skills development pilot to reduce staff turnover, and (iii) third, the advantages of selling to the local economy, rather than to IP firms, might have been foreseen. The government is only now considering adapting and streamlining those policies.

Implementation and M&E arrangements. Initially, the project was to be based at the Ministry of Industry, but the Ethiopia Industrial Zone Development Corporation (EIZDC) was moved out of the Ministry and re-established as an independent State-Owned Enterprise (SOE), the Industrial Parks Development Corporation (IPDC). The government decided to relocate the PIU in the new corporation, and the Ethiopian Investment Agency (EIA) was also replaced by the Ethiopian Investment Commission (EIC). Overall, the institutional setup for project implementation was adequate.

The initial results framework was well designed, but risks mitigation measures were not discussed in the ICR. PDO indicators focused on the level of jobs and sales, distinguishing between IP firms and local suppliers to those firms. Thus, the three key outcomes included in the PDO – jobs, competitiveness, and linkages – were captured. The level of exports was also relevant given the urgent need for more foreign exchange in Ethiopia. However, no targets were set for exports and this was eventually dropped. A full set of intermediate indicators was included, to assess primarily progress on the IP regulatory framework, investment promotion, and the serviced land in IPs. While attracting investment was also highlighted in the PDO, it is an intermediate result whose ultimate aim is job creation.

Overall, the project's initial approach and design were adequate despite some policy weaknesses that had to be addressed during implementation. Similarly, implementation arrangements and M&E design was appropriate with moderate shortcomings. The ICR did not systematically discuss the risk mitigation measures identified at appraisal. On balance, the project quality at entry is rated as Moderately Satisfactory.

Quality-at-Entry Rating

Moderately Satisfactory

b. Quality of supervision

Regular project supervision was strong. Supervision missions were conducted every six months, with detailed aide memoires outlining key issues and next steps. In-between missions, supervision was provided by a strong local team. A comprehensive project paper in 2018 provided a full update of project performance and the justification for the additional financing. Extensive technical support was provided by the World Bank Group staff with global experience. An overview of the IP strategy in Ethiopia was completed in 2022 and provided an important analysis of lessons learned along with recommendations for next steps. However, problems remained in the area of environmental and social safeguards, aggravated by weak capacity in the PIU, and major problems arose from pre-project resettlement for Bole Lemi I and Kilinto, managed by the government, which limited any leverage by the World Bank.

The World Bank staff displayed creative resilience in the face of multiple implementing challenges. They adjusted to the change in implementing agency one year after project approval. Significant additional financing was provided when the government expanded the scope of the project. Support was provided on the regulatory framework for pharmaceuticals when this was introduced as a new priority. The project was hit by three successive shocks in its final stage as follows: (i) just as most of the infrastructure was nearing completion, the COVID-19 pandemic erupted in March 2020, (ii) eight months later the conflict in Tigray began, and (iii) in January 2022, Ethiopia lost its duty and quota free access to the U.S. market due to alleged human rights violations related to this conflict. Extensions were approved when COVID-19 contributed to project delays. At the end, an alternative was found to complete the power supply component through a different World Bank project. The following Bank support spearheaded project implementation: (i) the WB provided TA support to the development of a new national linkage strategy, (ii) the assistance to PAPs was extended to persons previously resettled by the government when it became clear that there were lingering problems, and (iii) a key local World Bank private sector specialist, who had been involved in the early years, was brought back to help complete the project when it was recognized that it was in trouble.

The World Bank staff showed flexibility when facing different perspectives and practices from the Ethiopia Government. While the Bank shared international experience through workshops and study tours, the recommended approach conflicted with some of the ideology and practices which had prevailed in Ethiopia. For instance, (i) the emphasis on private developers was particularly new for an administration accustomed to state-led development, (ii) the insistence on competitive bidding open to foreign suppliers, feasibility studies, strong environmental protection measures, and special treatment of PAPs was seen as too cumbersome, and (iii) the Bank also advised that pharmaceuticals were a high-risk option and not a priority as labor-intensive sectors such as garments and textiles at Ethiopia's early stage of development. On the above issues and many more, Bank staff settled on a course of action that would ensure the continuity of dialogue and business with an important Bank partner.

The World Bank staff had to accommodate with the changing leadership and priorities of the government. The project was implemented under five different managers in the Ministry of Industry and IPDC, and four different commissioners at EIC. In addition, a special advisor to the Prime Minister became chairman of the IPDC Board and decided to make Hawassa IP the government's priority, diverted scarce human resources at IPDC to ensure its rapid completion. Then, he decided that the timeline for Bole Lemi II and Kilinto should be condensed from three years to 9 months, based on the experience with Hawassa, but without accompanying efforts to promote greater investor interest. The above decisions increased costs while raising the risk that sufficient investors might not be secured in time to justify the expense. The change in focus for Kilinto in favor of pharmaceuticals impacted the achievement of the jobs target, given their more capital-intensive nature and the increased difficulty in attracting major investors.

The detailed design of the main infrastructure component could have been improved. At the time of additional financing in 2018, the revised cost for building on-site infrastructure at Bole Lemi II was three times the initial estimate (US$153 million vs US$53 million). This was partly due to the much higher cost of water and power supply and wastewater management. This obliged the project team to reduce investments in factory sheds from 17 sheds to only 2, thereby saving US$57 million but reducing the attractiveness of the IP for investors. While the budget for Kilinto increased because of the decision to forego a private developer and implementation in stages, the cost of power supply and wastewater management was once again seriously underestimated. The revised budget for power supply was US$70 million compared to only US$9 million initially, and for wastewater management US$26 million. The increased cost for wastewater treatment was due in large part to the new focus on pharmaceuticals and the desire to meet the growing demand from foreign investors for high environmental standards. As a result, the government made a decision to adopt a zero-liquid discharge technology for the waste treatment system.

Two decisions might have been reconsidered to reduce risks. First, a focus on only one IP, ideally Bole Lemi II, would have simplified the project, accelerated its completion, and increased the probability of finding sufficient investors by project closure. Second, the decision to drop the provision of factory sheds made it somewhat more difficult to attract the targeted garment producers. The logic of encouraging more stable, long-term investors by obliging them to invest in their own factories and save on scare public finance had a certain appeal, but it has probably dampened investor interest. On the other hand, when the authorities decided to focus on pharmaceuticals for Kilinto, this decision proved promising as standard factory sheds would not have suited the specialized needs of this sector. The Bank wanted to start gradually with one IP, but the government insisted on two. In retrospect, such ambition exceeded the capacity of the implementing agency.

On M&E aspects, the results framework underwent several changes and the key indicator of job creation remained the priority throughout. However, the target should not have been raised so much at the time of additional financing, given the decision to refocus Kilinto on pharmaceuticals. The 2021 restructuring could have revised the overall jobs target to be more realistic and aligned with the intermediate targets though more than 90% was already disbursed by that time.

Overall, quality of supervision was strong, despite moderate shortcomings. Supervision missions were regular, and Bank staff displayed creative resilience and flexibility in managing shocks and the dialogue with a Borrower who changed some of its policies and priorities and its team members. However, as noted above, the Bank could have considered simplifying the design, and adapted better to address the implementation challenges during implementation. Hence, the quality of supervision is rated as Moderately Satisfactory.

Quality of Supervision Rating

Moderately Satisfactory

Overall Bank Performance Rating

Moderately Satisfactory

9. M&E Design, Implementation, & Utilization

a. M&E Design

The assessment of the M&E design draws from the ICR material provided on page 28.

The results framework in the PAD was overall relevant, with specific and measurable indicators aimed to capture the contribution of achieved outputs and outcomes to the PDO. PDO indicators focused on the level of jobs and sales, and the framework also tracked the level of exports as a measure of firm competitiveness. The level of exports as an indicator was triggered by the urgent need for more foreign exchange in Ethiopia, but no targets were set for exports. The level of investment was also highlighted as a PDO indicator whose ultimate aim was job creation. A full set of intermediate indicators was also included to assess progress on achieving a number of key outputs including the IP regulatory framework, the private management of infrastructure, linkages, and revenue generation by the implementing agency. The impact on gender was covered with targets set for the proportion of female employees and trainees. The usual monitoring systems were to be set up in the PIU and the project committed to conducting impact evaluations under the full responsibility of the World Bank. In all, while M&E design was comprehensive, M&E arrangements to collect, consolidate and disseminate achieved results needed to be more explicit.

b. M&E Implementation

The assessment of M&E implementation draws from the ICR material provided on pages 28-31.

The PIU monitored the results framework on a monthly basis. Sales and employment were recorded every month for all IP firms and companies supported by the linkage program. Jobs created in construction and services such as employee transport were also monitored, and all job data was gender disaggregated. The PIU also tracked the status of new lease holders. While data collection was often inaccurate, it was used in the Implementation Status and Results Reports and Aide Memoires to provide a picture of the project impact on the ground.

The M&E implementation benefitted from three evaluation initiatives as follows: (i) two independent impact evaluations were conducted by the Africa Gender Innovation Lab, (ii) a separate study examined wages and compensation in Ethiopia's industrial parks, and (iii) a comprehensive review of the overall industrial park strategy was conducted by the World Bank. This evaluation work provided to the Bank and Borrower teams just-in time information related to particular aspects of the project implementation including gender, wage and compensation, and the overall IP strategy.

The results framework was revised twice to reflect the expanded scope through AF and implementation challenges on the ground. In the context of the 2018 restructuring, PDO-level indicators were revised to (a) reflect increased scope of works (b) streamline some of the indicators to strengthen alignment with the PDO (c) add/modify target values for subcomponents not accounted in the current RF. The key indicator of job creation remained the priority throughout. However, the target should not have been raised so much at the time of additional financing, given the decision to refocus Kilinto on pharmaceuticals. This explains part of the failure of the project to reach its main goal. Also, the various sub-components on jobs did not add up to the total, while the addition of trainees as new jobs in the project M&E reporting was not appropriate. Even though the 2021, restructuring adjusted the targets, the overall job target remained the same even though the target for IP firms was reduced substantially, and the sale target was significantly lowered. At the same time, the measure of exports was dropped. This was driven by the delays in infrastructure development which were undermining the achievement of the 'competitiveness aspect' referenced in the PDO in the short term. Once the project was extended by another two years, the sales target should have been increased.

c. M&E Utilization

The assessment of M&E utilization draws from the ICR material provided on page 31.

The internal assessments of the skills development program were helpful in project implementation and generated a variety of practical lessons which were incorporated into the scale-up. The subsequent evaluation at the end of this component served as input into the institutionalization of training at a permanent facility at Bole Lemi II. The reviews of the B2B linkages program helped explain the reasons for its limited success. They supported the decision to downsize the matching grants scheme. However, it proved difficult to offer practical suggestions that could be immediately implemented due to the various external factors beyond the control of the project.

However, as noted above during implementation, the project could have better utilized the M&E data to revise the results targets, given the changing priorities on the ground with less focus on job intensive sector which was the key objective of the project. Overall, even though the M&E design was well thought through with moderate shortcomings, there were significant shortcomings during implementation to revise the results framework and targets to address the changing conditions on the ground. As the ICR notes, this explains part of the failure of the project to reach its main goal. Thus, the overall M&E is rated as Modest.

M&E Quality Rating

Modest

10. Other Issues

a. Safeguards

The assessment of safeguards compliance draws from the ICR material on pages 33-34 of the ICR. There was compliance with triggered policies, but there were delays in following safeguards procedures, as well as pending issues related to groundwater supply, wastewater management and unresolved right-of-way. At project closure, compliance with E&S safeguards was rated MU.

The project was classified as a Category A, and two safeguard policies were triggered as follows: (i) Environmental Assessment (OP/BP 4.01) and (ii) Involuntary Resettlement (OP/BP 4.12). Adverse impacts were related to the construction of sheds and establishment of industries at Bole Lemi Phase II and proposed Kilinto IZs.

Environmental procedures were followed but often with significant delays. An Environmental and Social Management Framework for both IPs and an ESIA for Bole Lemi II were prepared and disclosed in 2014 before project approval. Also, an ESIA for Kilinto IP was updated and redisclosed in 2017. Subsequently, an environmental and social audit report was done for (a) Bole Lemi II and Kilinito IPs, and (b) 14 B2B linkage beneficiaries. However, the 2020 MTR identified numerous requirements which included (i) setting up an adequate system for solid waste management; (ii) updating the Environmental and Social Management Framework to include new and emerging industries; (iii) finding alterative mechanisms for the three artisan wells to avoid water wastage; (iv) completion of the storm water drainage and effluent outfalls at Bole Lemi II IP; and (v) putting in place adequate measures and tools to properly manage liquid and solid waste from operating tenant firms.

Groundwater supply remains uncertain, and the IP agenda faces wastewater management challenges. Investors have been complaining of inadequate water supply in 2023 as water from Bole Lemi II was being diverted to Bole Lemi I, and wastewater management has proven challenging. The MTR underlined the importance of adequate and proper testing and commissioning of the WWTPs, but this could not be fully completed for Bole Lemi II by project closure due to a lack of appropriate liquid waste with the required waste characteristics and volume. The two pharmaceutical companies operating in Kilinto installed their own wastewater treatment facilities but not the clothing and textile firms in Bole Lemi II. The latter relied on the main WWTP, but since it was not operating, their discharge flowed through the conventional treatment plant at Bole Lemi I.

Community development activities, including provision of basic services, such as water, electricity, and access roads, have been implemented at the Bole Lemi II resettlement area. There were 191 households relocated to allow for the expansion of Bole Lemi. In addition, the World Bank noted that the communities affected by the earlier construction of Bole Lemi I, financed by the Government of Ethiopia, had not been adequately supported. Thus, access roads and drainage, a kindergarten and primary school, water supply and connections, power supply and connections, and livelihood restoration activities such as a dairy business, sheds for poultry, fattening and mill services were provided for both Bole Lemi I and II PAPs. In addition, PAPs were given priority in jobs created by the project. Accordingly, 56 PAPs were employed in factories, 61 PAPs were employed in construction, and 18 PAPs had jobs in services in the IPs. The project had a functional grievance redress mechanism (GRM) which was accessible to PAPs and the community. About 225 complaints had been registered and resolved by the time of the MTR (2020).

PAPs at Kilinto were resettled by the government prior to the commencement of project preparation, but a livelihood restoration intervention was initiated under the project. The project managed to install the animal feed processing plant which became operational by December 2022. The delay in implementing the animal feed processing initiative stemmed from the weak capacity of the local level stakeholders and high turnover in the city administration responsible for such community support, uncertainty over representative leadership of the PAPs, and social safeguard staff turnover in the PIU. The choice of an animal feed plant remains somewhat unusual and risky, and its sustainability is therefore a concern.

While the project effectively implemented RAPs prepared for both Bole Lemi II and Kilinto, emerging right-of-way issues posed new challenges toward the end of the project. The connection of power supply to both IPs required acquiring additional land occupied by PAPs associated with Bole Lemi I and Kilinto. In both cases, resettlement had been undertaken by the state and it was the responsibility of the government to manage this adjustment to the RAP. However, the authorities had some difficulty fulfilling their obligations as called for in the Financing Agreement. Some right-of-way issues remained unresolved in the final months, delaying civil works for the power cable trenches, which were all included in the post-closure action plan.

The final rating on safeguards at project closure was **Moderately Unsatisfactory** due to issues related to environmental safeguard risks. The WB requested the government allocate a sufficient budget and address all outstanding safeguard risks. However, according to the latest update from the Government, most of these actions have not been implemented to date due to a lack of budget.

b. Fiduciary Compliance

Financial Management: Financial management was rated moderately satisfactory throughout the project implementation. Quarterly Interim Financial Reports (IFRs) and annual audits were submitted on time. The audit opinion on the project financial statements over the project life were unqualified (clean). However, the management letter identified internal control weakness which include existence of long outstanding advances, weaknesses in the project's fixed asset management, and existence of undocumented designated account (DA) balance. The project resolved most of the issues. The undocumented balance of US$3.06 million at the project disbursement deadline date of September 30, 2023 is expected to be refunded back to International Development Association. The close follow up on the financial management of IPDC beyond this project, has helped strengthen IPDC's system and has been part of the institutional building support to IPDC.

Procurement: Procurement proved challenging throughout project implementation. While it was also consistently rated as moderately satisfactory in Implementation Status and Results Reports (ISR), the project faced significant delays and challenges on the major and high value contracts, including the detailed design consultancy service, the procurement for the construction contractors for Bole Lemi II and QIP and procurement of CRM and ERP systems. There were instances where technical considerations were downplayed in favor of costs, with subsequent problems. The borrower's own Implementation Completion and Results Report (ICR) also found several anomalies, including inconsistencies between evaluation reports and contract agreements, and the absence of a procurement audit report. Frequent changes in procurement and contract management specialists weakened the project's capacity.

c. Unintended impacts (Positive or Negative)

d. Other

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11. Ratings

Ratings	ICR	IEG	Reason for Disagreements/Comment
Outcome	Moderately Satisfactory	Moderately Unsatisfactory	Efficacy is rated as Modest due to shortcomings in achievement of the jobs objective.
Bank Performance	Satisfactory	Moderately Satisfactory	There were moderate shortcomings, both during quality at entry and supervision.
Quality of M&E	Substantial	Modest	There were shortcomings in M&E implementation.
Quality of ICR	---	Substantial	

12. Lessons

The ICR identified a few lessons and several findings and recommendations which are delineated on pages 38-39 of the ICR. This review has identified two lessons which are rephrased below.

When designing and implementing a project having an IP agenda, a strong engagement and a sustained dialogue between the Bank and the Borrower teams are critical to reconcile and align the Bank IP experience and preferences and the Government policies and priorities. Designing and implementing an IP agenda is a colossal task that has important political economy and micro and macroeconomic implications. The process of establishing an IP requires a sustained dialogue between the Bank and the Government teams to ensure alignment of views and approaches on how better to build and manage the IP and to reconcile the roles and responsibilities of the public and private sectors in this exercise. If this alignment falters, there are important implementation consequences. For this project, the main reasons behind the delays in the timely commencement of the infrastructure development and the skills development and linkages programs were the changes in mandates and leadership within the government related to the IP agenda. This led to conflicting interests and a lack of ownership of the project, its plans, and institutional dynamics. The shift in government priorities towards Hawassa was critical. The resulting changes in the scope and design of the project, the modalities, and the timeframe for implementation affected the various project components and, ultimately, the achievement of the main development objective of job creation. In that regard, the World Bank needs to reflect on how to resist major changes in project design which risk undermining a project's economic viability and the achievement of its objectives.

Establishing IP entails addressing important environmental and social safeguards issues and requires adequate financial resources and timely hiring qualified expertise to manage implementation challenges and emergencies. On the one hand, by the project closing, there were still groundwater supply and wastewater management challenges. On the other hand, displaced persons associated with Bole Lemi I and Kilinto were resettled and compensated by the government prior to project approval. Ultimately, access to land to lay power cables was blocked by Bole Lemi I PAPs, who were resettled before the World Bank engagement, as a way to leverage more compensation. In the case of Kilinto, livelihood restoration for PAPs, who were moved by the government before the World Bank engagement, was the issue that continues to challenge the project team 10 years after resettlement. The World Bank should either build all necessary resettlement into project design or else find ways to strengthen the borrower's ownership of social safeguards. Timely hiring of qualified experts and proper budgeting of sufficient resources to fund resettlement and compensation are key to ensuring the safe closing of projects supporting the IP establishment, and it is essential to mobilize global expertise and knowledge and build institutional capacity and systems at the early stages of the program.

13. Assessment Recommended?

No

14. Comments on Quality of ICR

The ICR provides a detailed storyline of the operation context, the implementation challenges and the achieved results. The ICR is evidence-based, and internally consistent. The quality of evidence in the ICR is adequate, and the ratings are consistent with the guidelines. The results orientation and the quality of analysis were satisfactory, as illustrated by accurate figures, footnotes, references and annexes. Additional material was provided by the project and ICR team upon request, in order to have a complete and updated picture of the project achieved outcomes. However, the ICR document was lengthy, with 33 pages of text against the 15 suggested by OPCS.

Overall, the quality of the ICR is rated as Substantial.

a. Quality of ICR Rating
Substantial