



UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION

Project of the Federal Democratic Republic of Ethiopia

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Project title:	UNIDO partnership model for de-risking investments in the Ethiopian coffee sector
Thematic area code:	Poverty Reduction through Productive Activities
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Duration:	3 years
Project site:	Federal Democratic Republic of Ethiopia
Government Co-ordinating agency:	Ministry of Agriculture (MoA) Ministry of Finance (MoF) Commercial Bank of Ethiopia (CBE) Ethiopian Coffee and Tea Authority (ECTA)
Counterpart/Partners:	Ethiopian Coffee and Tea Authority (ECTA) Commercial Bank of Ethiopia (CBE) Organization for Economic Co-operation and Development (OECD) illycaffè and Ernesto Illy Foundation International Coffee Organization (ICO)
Executing agency/ cooperating agency:	United Nations Industrial Development Organization (UNIDO)
Project inputs:	EUR 1,752,388
Counterpart inputs:	In kind
Support costs (13%):	EUR 227,811
Levy (1%)	EUR 19,801
Grand Total:	EUR 2,000,000

Brief description:

Coffee plays a fundamental role in Ethiopia: millions of people are relying on coffee production and it represents the leading export commodity, generating the largest share of foreign currency for the Country. Moreover, increased global coffee demand together with climate change may drive significant shifts and dynamic linkages in the coming decades, opening new venues for coffee production in Ethiopia (e.g. highlands can offer suitable coffee land for an increased and sustainable production).

Following the official request received from the Ethiopian Coffee and Tea Authority, the present project has been developed with the objective to increase volumes, quality and value of the Ethiopian coffee to contribute to SDG 9.3 (*Increase the access of small-scale industrial and other enterprises, in particular in developing countries, to financial services, including affordable credit, and their integration into value chains and markets*).

The initiative, formulated in close cooperation with local and international public and private stakeholders, operationalizes a risk sharing business model. In this context, the general strategy will be based on facilitating access to finance, through the establishment of a specific credit line dedicated to funding investment proposals selected for their high impact on the coffee sector as well as on the social and environmental context. The project will minimize investment risk by establishing a responsive framework, in cooperation with public and private counterparts, for enabling the development of private sector initiatives operating in the Ethiopian coffee value chain.

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List of Acronyms

AGR	Agro-Business Development Department (UNIDO)
AICS	Agenzia Italiana Cooperazione allo Sviluppo
CBE	Commercial Bank of Ethiopia
CDP	Cassa Depositi e Prestiti
CTC	Coffee Training Center
DFIs	Development Finance Institutions
ECTA	Ethiopian Coffee and Tea Authority
ECX	Ethiopian Commodity Exchange
ESIA	Environmental and social impact assessment
ESMPs	Environmental and social management plans
ESSPP	Environmental and Social Safeguard Policies and Procedures
EU	European Union
FAO	Food and Agricultural Organization
FDIs	Foreign Direct Investments
FY	Financial Year
GDP	Gross Domestic Product
GEF	Global Environmental Facility
GoE	Government of Ethiopia
GTP	Growth and Transformation Plan
IAIPs	Integrated Agro-Industrial Parks
ICO	International Coffee Organization
IFAD	International Fund for Agricultural Development
IFC	International Finance Corporation
ILO	International Labour Organization
IMF	International Monetary Fund
ISID	Inclusive and Sustainable Industrial Development
IT	Information Technology
JARC	Jimma Agricultural Research Center
KPIs	Key Project Indicators
M&E	Monitoring & Evaluation
MFI	Micro Finance Institutions
MoA	Ministry of Agriculture
MoTI	Ministry of Trade and Industry
MoF	Ministry of Finance
MoU	Memorandum of Understanding
MSME	Micro Small and Medium Enterprise
NBE	National Bank of Ethiopia
NGOs	Non-Governmental Organizations
OECD	Organization for Economic Co-operation and Development
PCP	Programme for Country Partnership
PFAN	Private Financing Advisory Network
PIU	Programme Implementation Unit
PIP	Proposal Identification Platform
PM	Project Manager
PPP	Public Private Partnership
PSC	Programme Steering Committee
SDGs	Sustainable Development Goals
SNNPR	Southern Nations, Nationalities and Peoples' Regions
TA	Technical Assistance
TC	Technical Cooperation
TWG	Technical Working Group
UBS	Unione Banche Svizzere
UNDP	United Nations Development Programme
UNCDF	UN Capital Development Fund
UNIDO	United Nations Industrial Development Organization
WB	World Bank
WCR	World Coffee Research Institute
WEF	World Economic Forum

A. CONTEXT

A.1 Coffee and the global demand

Increased coffee production may drive changes and dynamic linkages throughout the Ethiopian economy, including technical and institutional changes and the development of a class of productive Ethiopian entrepreneurs. And because coffee in Ethiopia involves millions of people in production, harvesting, processing, marketing and trade, this sector could also raise standards of living especially for many extremely poor rural people. Third, coffee may not only contribute to wider structural change but also embody that structural change in rising numbers of people from the subsistence sector and, in process, generating saving out of the high rates of profit made possible by low wages paid to a readily available flow of unskilled workers. This is a shift from lower to higher productivity activity, which can take place within agriculture just as much as from agriculture to urban manufacturing.

Coffee trading is characterized by dramatic mood swings: price volatility may be amplified by speculative activity in commodity derivative markets and is difficult for policymakers to manage. But it is no reason not to support investment in coffee. There is a simple, deeper fact about the global trade that should guide strategic thinking: everything suggests that the long-term global expansion in demand for coffee will only continue. As incomes rise, people usually consume more: in China coffee consumption has been expanding at more than 16 % a year steadily for the past 10 years. Despite frequently unstable prices, there is a structurally strong global aggregate demand pull from which Ethiopia can benefit. Despite rising market interest in Robusta coffees, Ethiopia is still well placed to take advantage of global trends, given the richness in Arabica coffee cultivars, the wide variation in taste profiles and the scope for distinctive high-quality coffees from the country.

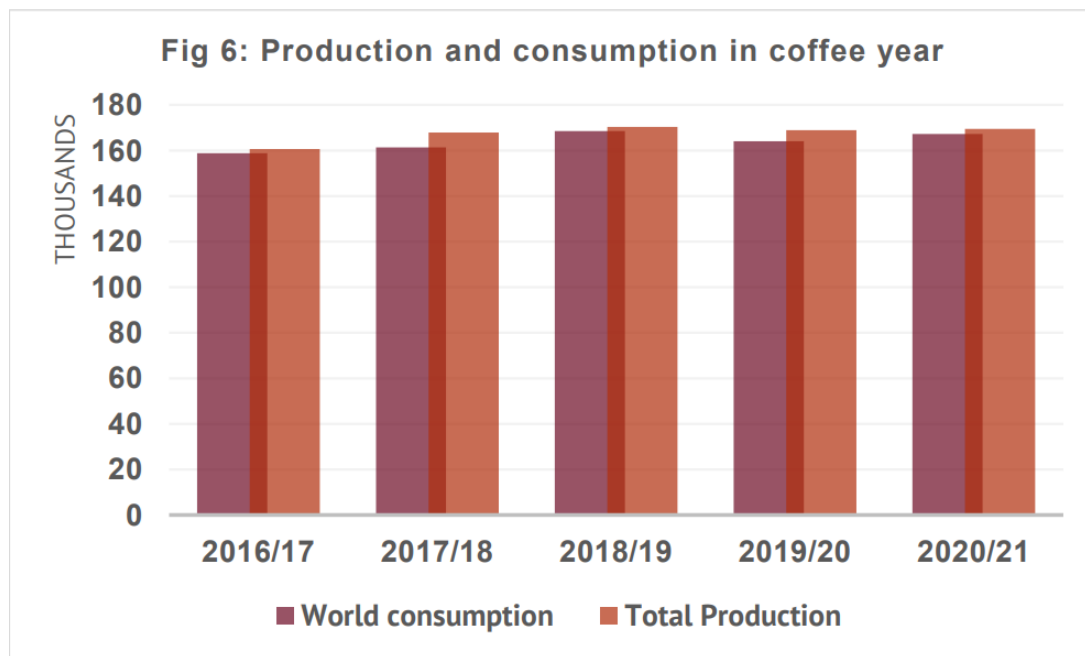
As outlined in the ICO coffee development report 2020, coffee year 2019/20 is a year of unprecedented challenges. Global coffee prices have trended downwards since November 2016 when the ICO composite indicator averaged 145.82 US cents/lb. The covid-19 pandemic presented an unprecedented joint supply and demand shock to the global coffee sector. Global output in 2019/20 is estimated at 169.34 million bags, 2.2% lower than in 2018/19.

Covid-19 has affected labour supply in a number of countries, either directly, due to illness, or indirectly, as government measures have restricted the movement of farm labourers and migrant workers. However, much of the supply for coffee year 2019/20 was unaffected by covid-19 as harvesting in most countries had already concluded by the time the pandemic occurred. Global coffee consumption is estimated to rise by 0.3% to 168.39 million bags in 2019/20. There was a surge in demand at the start of the pandemic as a result of panic-buying and stockpiling. Total production for coffee year 2020/21 is estimated at 169.50 million bags, representing a 0.3% increase on 168.94 million bags in coffee year 2019/20.

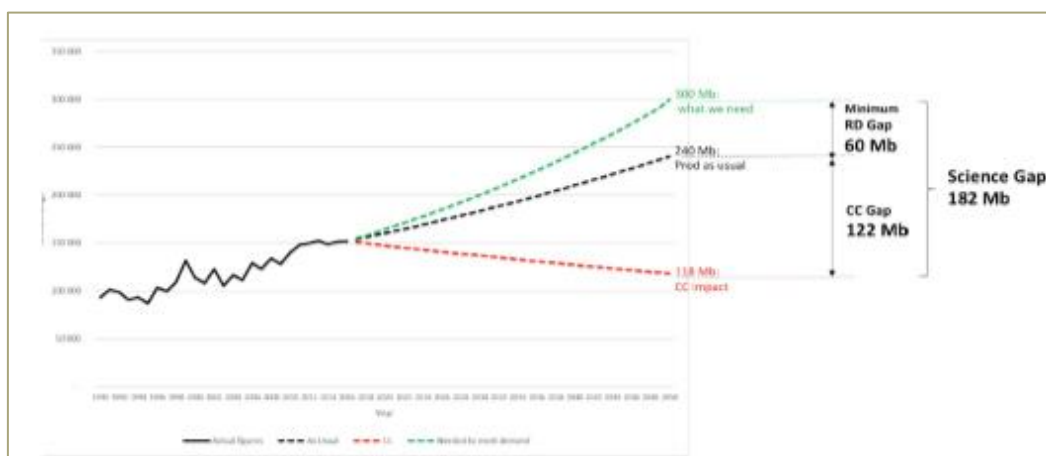
According to the ICO coffee market report June 2021, World coffee consumption is projected to increase by 1.9% to 167.2 million bags in 2020/21 compared to 164.1 million bags for coffee year 2019/20, but still 0.8% below the level of 168.5 million bags before the outbreak of the pandemic. With the easing of pandemic restrictions related to covid-19 and the subsequent prospects of economic recovery, world consumption is expected to continue growing. Consumption in importing countries is anticipated to increase by 2.3%, to 116.7 million bags, while domestic consumption in coffee-exporting countries is expected to increase by 1% at 50.5 million bags.

The supply/demand ratio is expected to tighten as total supply is forecast 1.4% higher than demand in coffee year 2020/21 as compared to 3.2% in 2019/20. With the expected reduction in outputs from many exporting countries in coffee year 2021/22, total supply is likely to fall

below world consumption thus **world production will barely meet world demand.** (ICO coffee market report June 2021).



According with the World Coffee Research, the coffee sector cannot sustainably prosper in the long term without addressing the significant predicted gaps between coffee production and demand, in the midst of challenges including climate change, labour shortages, low profitability, soil degradation, and chronic low yields. The global coffee industry has an unprecedented opportunity to make strategic investments in agricultural research, extension and education to address this gap and ensure that the coffee sector is productive for industry, profitable for farmers, and sustainable for the world. Understanding that the future impacts of climate on coffee are limited by the fundamental unpredictability of the climate system, in the worst-case scenario, the predicted global production gap by 2050 may be as large as 182 million bags—more than double 2016 global production (WCR, 2017). This trend forecasted in 2017 is in line with the ICO data on supply/demand ratio outlined above .



Forecast up to 2015 of the Gap between Coffee Global Production and Demand. Source: WCR Report 2017

Due to the global nature of the commodity, the reduced availability of coffee will have a negative impact on all the stakeholders involved, but smallholder farmers in developing countries will be particularly affected. In particular, small-scale producers are at a disadvantage because they have little capital to invest, use traditional techniques, depend on family labor and lack contact with international market players.

Nevertheless, Governments alone cannot provide enough capital for an effective transition in coffee agriculture: as a consequence, investment flows could be achieved by leveraging the private sector to invest in the coffee value chain. However, international companies' investments in coffee growing areas are usually made difficult mainly due to three classes of risks:

- **Production risks:** Weather events (droughts, floods, hurricane, cyclone, sudden drop or increase of temperature, frost, and so on), pest and disease outbreaks, and so on, are major risks that, negatively affecting yields, lead to production volatility;
- **Enabling environment risks:** Changes in government or business regulations, macro-economic environment, political risks, conflict, trade restrictions are major enabling environment risks that lead to financial losses;
- **Market risks:** These are risks that materialize on the market level. They include commodity and input price volatility, exchange rate and interest rate volatility, and counterparty default risk.

At local level there is a need to facilitate private sector actors (that have a different perception of the investment risk compared to international investors) and reduce production and exports costs of high yielding, disease resistant, sustainable and high-quality coffee. Although significant business opportunities related to the coffee value chain are available, a primary obstacle to their development is access to finance (especially in Countries with lack of Foreign Currency e.g. Ethiopia).

A.2 Ethiopian Coffee Sector

Ethiopia is the second most populated Country in Africa with a rural population accounting for the 79.69% (WB 2017); thus, given the bulk of the rural population deriving its livelihood from agriculture, agricultural growth has been a major driver of poverty reduction in Ethiopia. Agriculture accounts for about 37 percent of GDP (UNDP, 2018) and hence it is the backbone of the economy.

Analyzing the Ethiopian agricultural structure, coffee constitutes the backbone of the national economy: it represents the main export commodity, generate the main source of foreign currency (Ethiopian fiscal year 2021 has been concluded with an export of 906 million of USD of coffee according to ECTA) and stimulates the national economy by providing job opportunities for millions of people directly or indirectly engaged in the sector. Over 20 million Ethiopians depend and rely on coffee production and its marketing (ITC, 2018), thus coffee plays a fundamental role in the political, economic and social aspects of the Country.

Ethiopia is the region's largest consumer and producer. After a decrease of 19% to 5.56 million bags in 2010/11, production in Ethiopia has grown steadily and is estimated to increase by 2.1% to 7.7 million bags in 2019/20, due to beneficial weather and adequate rain. Around half of Ethiopia's production is consumed internally and local consumption is estimated to rise by 0.4% to 3.73 million bags in 2019/20. Ethiopia is the second largest exporter in the region and its shipments are primarily green coffee. However, in 2019, the country enacted a new marketing and export policy to allow direct exports by smallholders and encourage vertical integration to improve traceability. Exports from October 2019 to July 2020 reached 3.42 million bags, 14% higher than in 2018/19. (ICO Report 2020)

Ethiopian economic development has always been linked to the history of coffee development. The Country is not only the cradle of coffee, but it is the only agroecosystem in the world with an estimated treasure of two thousand indigenous cultivars of coffee, gifting the world with the coffee broader genetic spectrum. The International Coffee Organization (ICO) classifies Ethiopia as the fifth largest coffee producer in the world and the first largest one in Africa. Due to its strong domestic coffee consumption (absorbing about 50% of the production), Ethiopia

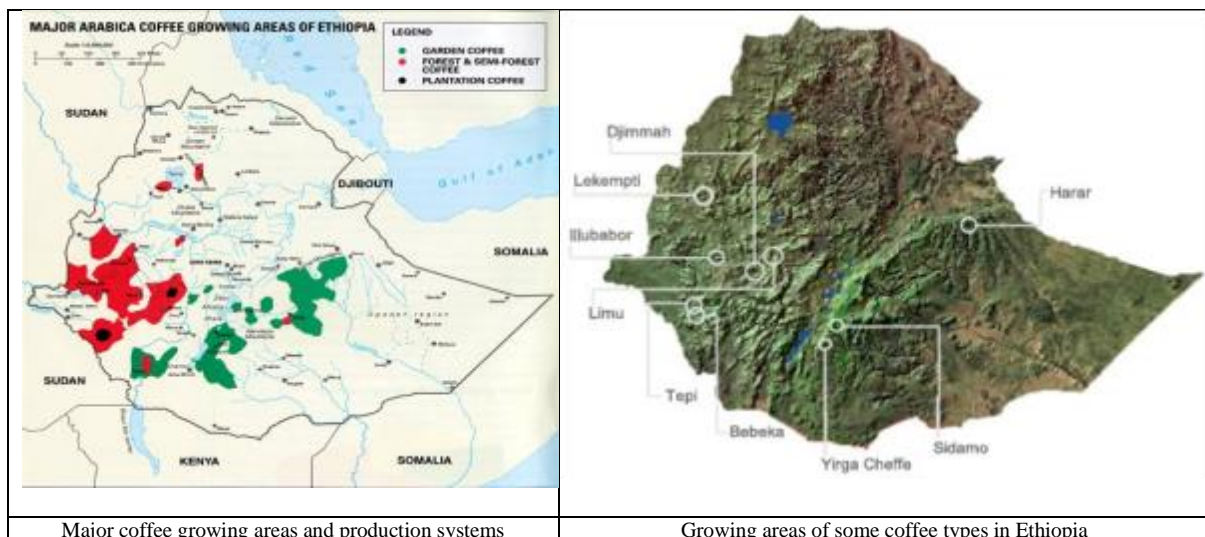
is “only” the tenth largest coffee exporter worldwide, even though its production and selling numbers continue to vigorously increase day by day.

Ethiopia has huge potential to increase coffee production as it is endowed with suitable elevation, temperature and soil fertility, indigenous quality planting materials, and sufficient rainfall in the coffee growing belt of the country. Despite Ethiopia’s immense potential for increasing coffee production, the land area dedicated to coffee remains limited at about 3.7% of the total area under crop and the average yield remains very low, 0.73t/ha.

In Ethiopia, the following four coffee production systems coexist:

- **Forest Coffee** (about 10% of the total production) grows in the wild mainly in South-Western Ethiopia. It grows under the shade of natural forest trees, and no one can claim exclusive ownership.
- **Semi-forest Coffee** (about 30-35% of the total production), it also grows under forest canopy in the same region but with limited human intervention and accounts for a third of total production. Semi-forest coffee farming is a system where farmers thin and select forest trees to let sufficient sunlight in for the coffee trees and provide adequate shade. A farmer who prunes and weeds the forest area once a year claims to be the owner of this coffee.
- **Garden Coffee** (more than 50% of the total production) is grown by smallholder farmers and it is usually inter-cropped with cereals, fruits, and vegetables, mainly in the southern and eastern parts of the country. Garden coffee is normally found in the vicinity of a farmer’s residence and It is normally fertilized with organic materials.
- **Plantation Coffee** (about 5% of the total production) is grown on large state-owned or commercial farms for export purposes. Agro-chemicals are usually used in this farming system.

95% of Ethiopia’s coffee is produced by smallholder farmers on an average of less than 0.5 hectares of land while the remaining 5% is grown on modern commercial farms. The four production systems mentioned above, combined with genetic wealth, make Ethiopia home of several Arabica varieties, all with distinctive tastes, sizes, shapes and colours, gift given by the richness of coffee agro-ecosystems (i.e. altitude, temperature, amount of rainfall and soil type)¹.



Despite these inner advantages, the huge potential for making Ethiopia home of specialty and quality coffee is yet not exploited in the global coffee arena, and the economic benefits from

¹The unique features of farming and processing qualify the coffee as “specialty”. Although there is no universally accepted definition for specialty coffee, from a commercial standpoint, specialty coffees are those with a particular characteristic, or set of characteristics, that command a higher price. In Ethiopia, the unique tastes of high-quality origin coffee such as Harar, Yirgacheffe, Sidamo, Limu, Jimma, Tepi, Bebeke, Lekempti, Illubabor, Kaffa, among others, qualify them as inherently superior coffees.

the Ethiopian coffee sector are still untapped (as the productivity of the green coffee is five-fold less compared to what it could bear), being the Ethiopian coffee production system mainly based on smallholders' production.

Prevalence of coffee smallholders and limited production in large plantations mean a jeopardized system of coffee management system, both for farming and processing, lacking in technical skills and knowledge and where limited access to credit inhibit proper investments for upgrading coffee quality.

Nevertheless, while coffee production continues to be dominated by smallholders' farmers, with the recent sector reform (2017 Proclamations n. 1050 and 1051²), more production is taking place on large scale plantations and smallholders are increasingly joining marketing and production cooperatives. Both of these new ways of organizing production are important because of their potential to easily penetrate the international niche market where large price premiums can be achieved due to high quality and / or certification standards. International buyers and consumers are increasingly willing to pay extra for coffee that claims to guarantee the product origin, quality, fairer prices to producers, more ethical standards and environmental safeguard.

All the above-mentioned factors can be integrated in a SWOT analysis, which can then be outlined in the following mapping exercise.

<p>Strengths</p> <ul style="list-style-type: none"> • High quality of Ethiopian varieties • Positive buyer perceptions • Strong domestic demand reduces Ethiopia's reliance on export markets • Low marginal cost of production at farm level • Much of coffee revenue goes to smallholder farmers (60% of export price) • Strong institutions in place • Large labor force presence • 20% of the population relies on coffee sector 	<p>Weaknesses</p> <ul style="list-style-type: none"> • Insufficient skills and technology • Poor incentives to produce high quality coffee • Limited access to finance • Unreliable grading • High price risk • Value chain inefficiency • Limited Ethiopian brand(s) and promotion • Low protection to market price volatility • No value addition and limited attention to the environmental sustainability
<p>Opportunities</p> <ul style="list-style-type: none"> • Global coffee consumption is growing steadily (USDA Coffee Market Data, 2018) • developed markets are consuming more specialty and certified coffee ('2017 U . S . Specialty Coffee Cups Per Day ', 2017) • Private mills and farmers can now direct-export to international buyers (along with unions and large farms). • Ethiopia could improve its value-addition and marketing systems (e.g. roasting) 	<p>Threats</p> <ul style="list-style-type: none"> • Despite its high quality potential, a lot of Ethiopia's coffee is low quality (UNIDO, EU, TNS analysis) • Ethiopia's export reliability and ease-of-business are low (TNS Coffee Buyer Survey (2018) contributing to lower average export prices • The negative impact of lower prices is compounded by high international price volatility

Source: EU Coffee Sector Development Strategy (2014); TNS interviews in Ethiopia (2018); TNS buyer survey, Ethiopia (2018); ECTA Marketing Committee (2018), UNIDO Project Inception phase analysis (2015).

In particular, limited investments and lack of credit access force processors (including cooperatives and privates) to buy less coffee or insufficiently invest in equipment and labor. This result in farmers lower income and less incentive to produce more and to invest in their farms, for producing high-quality coffee, moving to *khat*³ and other crops instead (TNS, 2018).

² On July 7, 2017, the Parliament approved two proclamations that were designed to reform the entire coffee market value chain.

³Khat is a flowering plant native to the Horn of Africa and the Arabian Peninsula. WHO classified it as a drug of abuse that can produce psychological dependence.

Reducing investment risks is a key to spur investments and growth. In particular, during the project formulation most of the international private stakeholders confirmed that investment risk is perceived as a limit for the Ethiopian coffee value chain development. On the contrary, Ethiopian private stakeholders lament lack of foreign currency and access to finance (WEF, 2018)⁴.

In this context, the government should look at innovative ways for promoting growth of the private sector to become a real engine of sustainable economic growth and wealth creation also in the coffee sector. Firms has been proven to play a critical role in creating employment opportunities for unskilled, semi-skilled and skilled workers especially for economies at early stages of development transformation and which are still embroiled in lower value chain systems. A larger and stronger private sector would seem to be the main response to strengthen Ethiopia's trade competitiveness and resilience to shocks.

*“Studies have shown that access to rural finance improves livelihoods and boost agricultural investments, including use of modern agricultural inputs, facilitates start-up of new enterprises and reduces poverty”*⁵. Nevertheless, providing financial services to poor rural households in the Ethiopian context is extremely difficult. Financial failures that have been indicated usually are: lack of information; lack of consumer education; lack of collaterals⁶.

The financial sector, particularly the banking system, is one of the most sensitive sectors in developing countries, whose success or failure could have wider ramifications for the economy. Furthermore, in terms of efficiency and allocation of resources to economic sectors, banks continue to show strong improvements. In this context, the GoE is trying to make sure that mobilized resources are redirected to development investment projects providing the necessary incentives. In this context, there is a need to inject some form of flexibility in the foreign exchange market or at least to push for a major export earnings drive (Cheru et al., 2019)⁷.

With the aim of improving the performances of the investments, a more moderate development banking strategy, which involves the participation of more diversified actors, including the private sector and or a more effective and selective approach, is required. Strategic measures are also deemed necessary to:

- Effectively mobilize domestic resources;
- Maximize the use of potentially available external concession loans and assistance;
- Continue to push and increase export earnings to successfully and sustainably resolve the prevailing foreign exchange constraint threatening the halt economic growth and the attainment of Ethiopia's vision (IMF 2018).

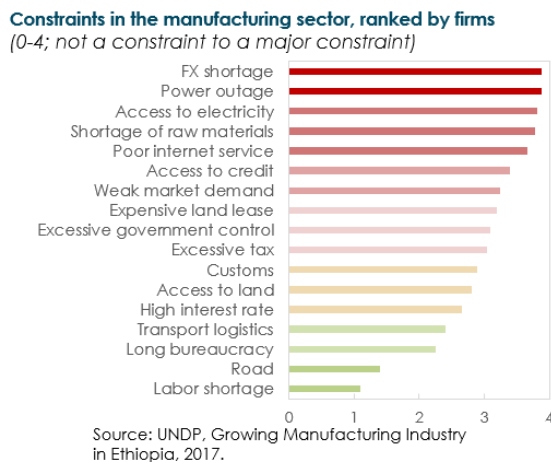
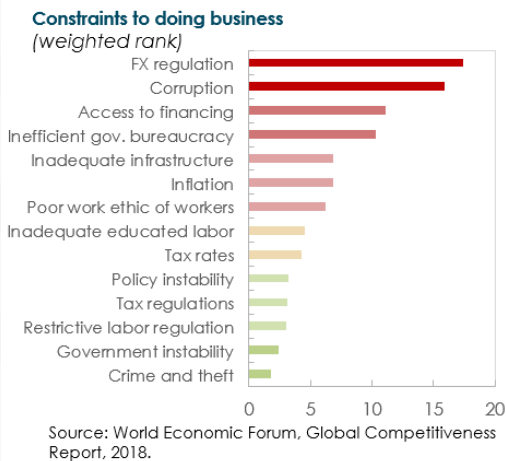
⁴ Private entrepreneurs' limited access to credit is reported to be the most pressing and binding constraint for doing business in Ethiopia. This is confirmed by the Global Competitiveness Report 2017-2018 of the World Economic Forum (WEF), where the most problematic factors for doing business in Ethiopia (see figure below) are related with foreign currency regulations and difficult access to finance.

⁵ Cheru F., Cramer C., Oqubay A., 2019. *The Oxford Handbook of Ethiopian economy*, Oxford University Press, Oxford (UK).

⁶ It is worth stressing that problems on the access to finance demand-side, such as private entrepreneurs' (especially smaller ones) poor record keeping and inadequate financial accounting for loan documentation as well as limited capacity to draft bankable business plans, are indisputably acknowledged as major reasons for the poor funding of and the conservative approach adopted towards SME by local banks.

⁷ Cheru F., Cramer C., Oqubay A., 2019.

Productivity growth is constrained by structural and institutional bottlenecks ...



FX shortages, access to and reliability of electricity, corruption and government inefficiency, poor internet service, and access to finance are cited as the most problematic factors to doing business.

12

Source: A Homegrown Economic Reform Agenda: A Pathway to Prosperity

A.3 COVID-19 impact

The COVID-19 pandemic will likely produce one of the deepest global economic recessions in decades with the world economy potentially taking a few years to recover to its pre-2020 levels. Declared as a pandemic by the WHO in mid-March 2020, the economic effects of COVID-19 on the African continent may have been felt sooner than the occurrence of the first cases. The strict lockdown measures taken in China at the beginning of the year, followed by the further restrictions in Europe and the USA, have taken their toll on the international movement of goods and people, with significant impacts on international trade and tourism.

This socio-economic impact assessment has been drafted by the United Nations (UN) in Ethiopia in the spirit of ‘One UN’.

“Ethiopia faced the onset of the crisis with clear strengths. It had an excellent long-term track record of economic growth, major improvements in infrastructure, poverty reduction and social development. The country also had an ambitious vision of economic transformation – captured in the Homegrown Economic Reform Programme (HGER) and in the Ten-year Development Plan – that build on the foundation of past successes but also recognises the macroeconomic, structural and sectoral shortfalls that have emerged as a consequence, requiring a different economic approach in the future. Ethiopia, however, also faced some major vulnerabilities as it was struck by COVID-19. The macroeconomic and development situation was challenging, evident in slowing but still high growth, the risk of debt distress, low levels of domestic resource mobilisation, high inflation, high unemployment, not least among youth trying to find opportunities in an economy with elevated levels of informality, low forex reserves and significant pressure on the exchange rate of the Birr.

The socio-economic impacts being felt across Ethiopia already are wide-ranging and serious, with the potential to become severe, depending on the combination of the pandemic’s trajectory, the effects of counter-measures and underlying and structural factors. As Ethiopia designs and implements its home-grown socio-economic policy response to COVID-19, it may wish to consider some key implications of the crisis that could shape the policy space available to it in the short- to medium-term:

- It will take longer to delivery on the objectives of the HGER, as response and recovery substantially complicate and delay previously planned trajectories and targets across

the board. Opportunities will also emerge, however, to accelerate a return to trend, for instance, by using repurposing to boost MSMEs in the manufacturing sector through production of health equipment and supplies or to take a significant step forward in the digitalisation of services in the public and private sectors.

- External official non-debt financing – concessional or near-concessional – will become even more important. It will now need to be sustained at a higher volume for longer than envisaged at the time the HGER was launched, potentially for as long as 5 years (to 2024).
- The pressure on external accounts, forex availability and the exchange rate that was beginning to lessen in Q1 2020 will tighten considerably for the rest of 2020 and into 2021.

Using criteria such as feasibility, speed of start-up, time to impact, cost and financing as well as the principle of leaving no one behind, it should be possible to identify a package of measures that are well-suited to tackle the problem, at-scale, quickly and effectively. It is worth emphasising that almost all of the options below are well-tailored to benefit from budget support.

- Use of capitalised sectoral funds for business cash-flow funding.
- Interest free loans, low-cost credit and/or credit guarantees for MSMEs to improve liquidity and refinance debts [through the DBE, using quality-assured microfinance institutions, and through the EDC].
- Priority allocation of forex combined with partial subsidy, outright grants or low interest, long terms, loans to ensure a consistent, uninterrupted and timely supply of inputs for ‘critical’ supply chains (especially for food and agro-industrial products).
- Sufficient liquidity in the financial sector, to prevent financial stress and to ensure credit to impacted sectors. Temporarily lower risk-weighted capital requirements could be another way of injecting funding to the private sector provided this is handled carefully.
- Encourage development of innovative financing instruments to expand Ethiopia’s access to the global pool of capital e.g. through impact financing and green bonds
- Support medium- and long-term business investments that lead to resilient supply chains for critical goods and services.
- Drive development of national and regional value chains.
- Accelerate development of digital connectivity (coverage, access, quality, reliability) to support competitive industries and link these to regional value chains and markets.
- Leverage investments towards a more sustainable trajectory in energy production, transportation services and natural resource management and biodiversity.
- Set tax rates for fuel, energy or carbon as well as identify incentives to reduce carbon emissions as a component of stimulus packages and accelerate the transition to a green economy.”

COVID 19 impact on coffee sector

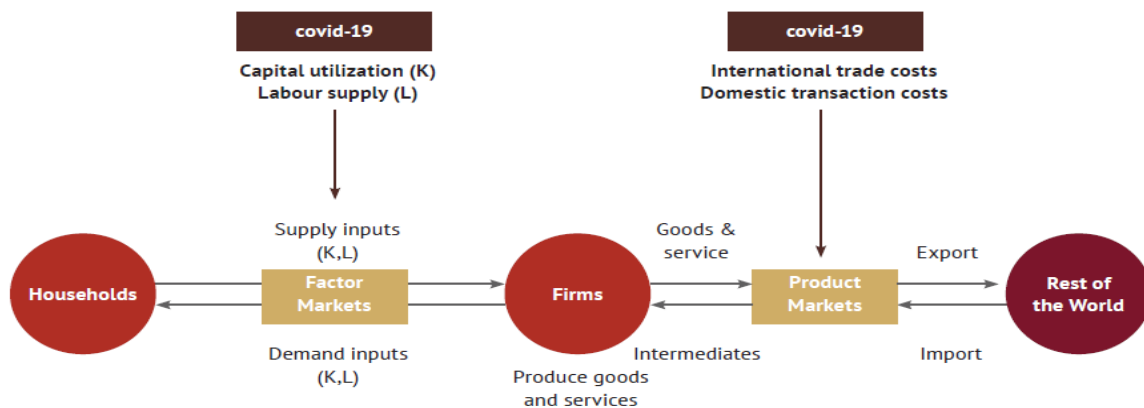
The coffee sector has also been hit by the coronavirus. The future of coffee and its resilience and adaptation to changes are threatened. The coffee value chain is facing an unprecedented situation, since coffee production, trade, retail and consumption have all been negatively impacted by the pandemic.

Since the beginning of 2020, the covid-19 pandemic has exacerbated the situation of producing countries affected by low prices and volatility. The global spread of the virus, in addition to its dramatic effect on public health, has resulted in supply chain disruptions and influenced global demand for coffee, representing an unprecedented shock to the sector (ICO, 2020a). The impact of the coronavirus crisis, climate change and the resurgence of protectionism over recent years could be serious impediments to the future expansion of the C-GVC (Coffee-Global Value Chain) thereby reducing related economic benefits and re-distribution of value. Scarcity of

resources generates a significant reduction of investment in the maintenance and modernization of plantations and farm operations as well as in the adaptation to climate change, thereby jeopardizing the sustainability and the very future of the coffee supply. Furthermore, many jobs across the coffee value chain, especially at the retail level, which often are held by young people, have recently been lost, extending the crisis to those with low-incomes and who are most vulnerable.⁸

A new threat: the covid-19 outbreak has shown the fragility of the C-GVC. Supply chain disruptions triggered by pandemics and health crises, but also by climate change or emergencies, and political instability have the potential to severely hamper exports of coffee thereby affecting foreign exchange earnings and jobs in producing countries as well as the downstream operators of the GVC as well as consumers (Figure O.9).

FIGURE O.9: Impact channels of covid-19 in coffee-producing countries



A.4 Problems to be addressed

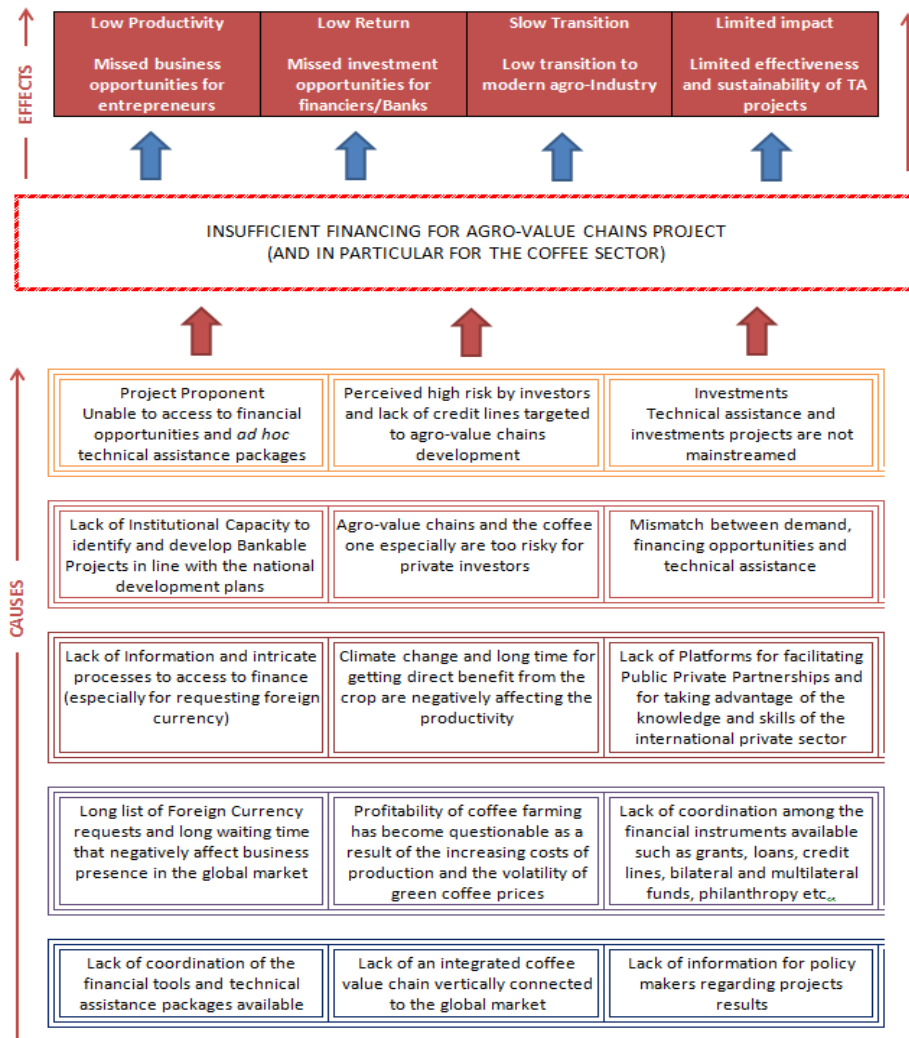
Investments:

- Lack of foreign currency and difficult internal processes for acceding to finance.
- Lack of investments in coffee sector limits the possibility to upscale the current coffee production and coffee increasing positive impact in the national economy (including forex generation).
- Lack of sufficient know-how and technical expertise, as well as lack of sufficient linkages between the local and international private sectors.
- Local Investors (e.g. growers) have limited financing options, resulting in lower quality and fewer processing options for farmers. They are unable to meet bank requirements due to high interest rates, and there are few viable alternatives;
- Processors and exporters take out risky loans that threaten their financial sustainability and nearby farmers. When prices are high, banks are willing to finance processors, however, when coffee prices drop, processors lose everything, including homes (used as collateral);
- Processors and exporters take on risk due to volatile market prices, which ultimately hurts farmers.

The reform undertaken by the GoE in recent years (2017 Proclamations n. 1050 and 1051), has opened the way for new opportunities in the coffee sector, especially in terms of value chain integration, access to the export market, quality control, product traceability and specialty coffee production. Such new opportunities have the potential to increase the value of the

⁸ ICO research on covid-19 (<https://linktr.ee/ICOResearch>) provided key inputs for the preparation of this Report through: the analysis of the effect on coffee demand and supply; a consultative process through direct contact with ICO members, the private sector and key development partners; a series of webinars, including a highlevel online seminar held in June 2020 and a survey of the impact of covid-19 on coffee-producing countries.

Ethiopian coffee, improve the overall productivity of coffee plantations, provide better income prospects for smallholder farmers and ultimately stimulate investment toward coffee rural areas.



Social and environmental crosscutting issues:

- In many coffee-producing areas in Ethiopia there is a significant gender gap in access to land, credit, pesticides and fertilizers, as well as extension services.
- Young people are less inclined to become coffee farmers in view of low profitability, limited access to land, which is sometimes exacerbated by complex land tenure systems, overregulated trading and attractive livelihood opportunities in urban areas.
- Social standards for farm workers are low
- Skills and knowledge businesses. Ethiopia still remains behind many other countries on labour productivity, notwithstanding substantial investment in vocational training and higher education in general.
- Private sector involvement in policy making has been minimal, and there is no formal mechanism for consultation and dialogue with the government. Most business associations are limited in their ability to undertake effective business development services and advocacy for their members.
- As a result of the adverse impacts of climate change, increasing coffee production to meet the growing demand will become a serious challenge. Changes in global weather patterns, particularly rising temperatures, may affect the viability of coffee production in certain areas by reducing the availability of land suitable for coffee production.
- Water scarcity and need for water management at all stages of the coffee value chain.

A.4 Expected target beneficiaries

In consideration of the general improvement that the Project intends to generate in the coffee value chain, the direct beneficiaries that will be the target of the project are:

- Individuals or groups of entrepreneurs that own a small, medium or large enterprise. For the project purpose with the word “Enterprise” is intended as a private entity, a cooperative or a Union of cooperatives. Entrepreneurs participating in the project must be committed to grow their enterprise, they should work within the coffee value chain (including service providers such as logistic) and have direct links to the export market.
- Relevant Institutions such as MoA, ECTA, CBE, among others.

The focus of the project, and in particular of the credit line, is on growth-oriented companies operating in the CVC that want to improve their business, vertically integrate the branches of the coffee value chain⁹, introduce improved agronomic and processing practices to increase quality and quantity of exported coffee, facilitate climate change adaptation of the coffee sector and, in general, bring a positive impact to the coffee value chain¹⁰.

Through the technical assistance component, the project will ensure both the viability of the investment and the maximization of the benefits for the social and environmental context where the projects will take place. Therefore, the project will have an indirect impact on:

- All individuals and families that depend for their livelihood from the processing and trading of coffee¹¹.
- Foreign currency generation (support to GoE)

A.5 Counterpart organizations (for technical cooperation only):

- **Project Donor (AICS):** it will provide the grants for implementing the project, in particular for the technical assistance required and for the established PPP schemes, aimed at minimizing investments risks.
- **Credit line Provider (Government of Italy):** it is the soft-loan provider to the national Government (under the bilateral agreement). Soft loans could be provided in the form of credit aids (in this case, no credit guarantee facility is required, because of the political nature of the bilateral agreement).
- **Ethiopian Ministry of Finance (MoF):** usually it is the Borrower of funds for the Credit line facility through a direct Agreement between the Ministry and the Credit line provider (e.g. National Government). The Ministry will then sign a financing agreement with identified financial institution (i.e. Commercial Bank of Ethiopia) to act as the lead

⁹For example, coffee exporters that had the ability to be vertically integrated were able to obtain significantly higher sales prices over time than those that did not (Minten et al. 2017). Such efforts are especially important given the growing emphasis of international markets on certifiably sustainable coffee production practices. Moreover the growing markets of specialty coffee and high quality coffees have played a determining role in the growing private coffee plantations in Ethiopia (Love 2001).

¹⁰Evidence shows that such export-oriented companies are those that achieve the higher yields per hectare, provide relatively better working conditions and are faster to adopt better production techniques, becoming the promoters of such improvements in their context of operation (e.g. improved agronomic practices adopted also by smallholder farmers in vicinity and with the support of the larger farm). It is expected, therefore, that the supported funding proposals will have a positive impact on the coffee sector in Ethiopia, in terms of increase in export revenues and increase in income for all households that depend on coffee, especially in rural areas. The potential of this impact will be a primary criterion for evaluation and selection of investments.

¹¹ E.g. Investing in resilient infrastructure benefits coffee farmers. Investment in building and maintaining roads and trade facilitation infrastructure reduces transport times and transaction costs for producers and firms and facilitates participation in the GVC. Expanding the catchment area of buyers or establishing coffee collection points in remote areas also helps link disadvantaged smallholder farmers to the GVC. Fostering the development and adoption of digital technologies increases efficiency and builds resilience. Digital technologies, including blockchain applications, will not only reduce the barriers and costs for farmers to link to existing high-value market channels (e.g. through timely and accurate information), but also increase traceability and provide reliable and more direct access to new markets (direct trade, e-commerce). (ICO, 2020)

implementing agency for the credit line. Rotation of funds will continue until funds are repaid to MoF by the CBE.

- **Commercial Bank of Ethiopia:** registered and operating in accordance with the applicable laws and regulations of the Country and selected to participate in the project in conformity with the eligibility criteria specified in the Operational Manual, it will have the responsibility of providing finance to the selected investment funding proposals. This financial Institution will borrow the credit line funds directly from the international donor (with a guarantee from MoF) or indirectly through MoF and it will be responsible for the management of such credit line. It will have the final financing decision over the selected investment projects.
- **Ethiopian Coffee and Tea Authority (ECTA):** As the leading institution for the coffee sector development, the Authority represents not only a beneficiary but also a fundamental institutional counterpart. The Authority will be capacitated by the project for coordinating the investment proposals identification process. The Authority will work in synergy with UNIDO within the PIP for the technical evaluation of the investments proposals as well as in the definition of the technical assistance activities required. Moreover, capitalizing on the positive links established by the Institution with the private sector (both local and international) as well as with international fora and associations, the Authority will be in charge for the promotion of the Ethiopian coffee as well as of the project strategy.
- **Ethiopian Ministries:** The Ethiopian Ministry of Agriculture (MoA) and Ministry of Trade and Industry (MoTI) will be part of the project selection process and will certainly contribute to promote the initiative among the local private sector as well as to ensure the coordination with other programmes (e.g. IAIPs) currently ongoing under their leading.
- **The Organisation for Economic Co-operation and Development (OECD):** is an intergovernmental economic organisation with 37 member countries, founded in 1961 to stimulate economic progress and world trade. It is a forum of countries describing themselves as committed to democracy and the market economy, providing a platform to compare policy experiences, seek answers to common problems, identify good practices and coordinate domestic and international policies of its members. The Organization in collaboration with UNDP has elaborated the Impact Standards for Financing Sustainable Development. These Standards are for donors, DFIs, and other private sector partners seeking to optimise their positive contribution to the SDGs, promote impact integrity and avoid impact washing. The basis of this work is the recognition that sustainable development – not only financial returns – is at the core of long-term value creation. The Standards aim to improve both the articulation of development rationale and the overall performance of investments involving public resources, deployed either directly by donors or indirectly through DFIs.
OECD will work in close coordination with the project team for piloting of the Standards both at project and investment proposals levels (i.e. to investors in setting up effective management system to plan, track and report on their impact and to help the overall project to set up a framework to monitor the impact of the overall portfolio).

Moreover, recognizing the need of financial resources for achieving the SDGs, the project team will work in cooperation with OECD promoting the “Blended Finance Principles for Unlocking Commercial Finance for the Sustainable Development Goals”.¹²

¹² <https://www.oecd.org/dac/financing-sustainable-development/blended-finance-principles/>

B. RELEVANCE OF THE PROJECT IN RELATION TO NATIONAL AND INTERNATIONAL FRAMEWORKS

B.1 Ethiopian Government Priorities

The project is in line with the priorities set by *Home-Grown Economic Reform* and by the recently unveiled Ten-Year Development Plan. Coffee, in fact, will continue to be a priority crop and target commodity for the agricultural sector in the next years. Coffee relevance as a resource generating stable foreign currency amounts is shown by the results obtained in export trade from 2018 to 2020 (+12%). The commodity is also generally known to have a significant economic growth potential for small-holder farming communities, for cooperatives' business and the various players along its value chain. Those ones, and in particular private actors, if properly incentivized, can be a real driver of positive change, following the model proposed above. In this sense, the project is also coherent to the strong, private-oriented model proposed by the Ten-Year Development Plan, which will enable a shift – also thanks to a stimulus in access to finance – from a largely agriculture-led economy to a more diverse one, mainly driven by manufacturing (thus including development of coffee products through value addition). The project is in line with the GoE priorities and it will contribute “*to improve export performances and foster private initiatives*”¹³ by improving the investment climate and access to credit to foster the private sector and maximizing private finance for public investment projects.

The project is also in line with “Comprehensive Ethiopian Coffee Strategy 2019 to 2033” (Ethiopian Coffee and Tea Authority). Key recommendations identified by the government strategy: *1. Build capacity of local value-addition by creating inclusive, tailored quality training programs, while encouraging international stakeholders and roasters to provide advisory services. 2. Strengthen domestic and international value addition investment, coupled by the allocation of adequate resources and land. 3. Improve the efficiency of marketing and logistics infrastructure.*

Key interventions identified by government strategy:

a. Create a targeted lending program through governmental development banks and encourage international stakeholders to provide finance to local value-addition actors. b. Create a land allocation plan for “coffee cluster” manufacturing plants and “industry zones” c. The warehousing sector could be improved via private sector investment and advisory services. The marketing sector should establish a competitive coffee load transport system to provide more transport options for farmers, suppliers, and exporters, which will require strong coordination with federal and regional authorities.

Finally, the project strategy is in line with the “COVID-19 multi sectorial preparedness and response plan” designed by the GoE. The objective of the strategy is to maximize Ethiopia’s coffee export revenues while also increasing value chain incomes. The aim of this strategy is to develop a long-term shared vision for the Ethiopian coffee sector with the twin goals of 1) increasing value chain incomes, especially among smallholders and 2) increasing foreign exchange revenue.

The project document is in line also with the overarching objectives of the strategy are to revamp the Ethiopian coffee sector by addressing issues throughout the entire value chain, thereby maximizing production and export volume, quality and export price, value chain efficiency, and income generated from coffee.

¹³ Jobs | FDRE Office of the Prime Ministers (pmo.gov.et)

Specific points to be considered in the investment identification may include the following investment objective:

- 1- To generate updated technologies and provide technical backstopping to relevant stakeholders for improved coffee production and processing practices, from planting to export;
- 2- To improve coffee productivity by providing regular extension services including best agricultural practice training, access to inputs, credit services, organization of farmers' associations, and other resources to all actors in the value chain, especially smallholder producers;
- 3- To increase the standard quality of Ethiopian coffee through proper application of improved processing practices, resulting in improved average export – as well as farmgate – prices;
- 4- To promote the supply of value-added products while improving domestic quality and achieving premium prices in the international market;
- 5- To improve value chain efficiency and export prices by establishing viable marketing and promotional structures and defining and strictly enforcing marketing regulations to avoid illegal practices throughout the value chain; and
- 6- To ensure sustainable growth of the coffee sector by improving gender and youth mainstreaming and ensuring sustainable use of available natural resources while maintaining the environment and adapting to climate change.

The project PIP will support the PSC in identifying bankable and sustainable investments project in line with the above-mentioned points. Moreover, will take into particular consideration the foreign currency generation capacity of the identified investments projects supporting the ECTA efforts as stated in the government strategic document:

“The Ethiopian Coffee Authority seeks to increase foreign exchange earnings¹⁴ and ensure producers and marketing societies benefit by investigating challenges in agro-processing and marketing chains, providing effective research findings, enhancing value-addition, to guaranteeing sustainable production and a competitive and quality product in the international market while ensuring that women and youth participate and benefit in the coffee value chain.”

B.2 Program for Country Partnership

Through the 2030 Agenda for Sustainable Development, the international community highlighted the necessity of working in partnerships to mobilize the knowledge, expertise, technology and financial resources to fulfil the global Sustainable Development Goals (SDGs). Goal 17 is dedicated to that exact purpose, calling on the international community to “strengthen the means of implementation and revitalize the global partnership for sustainable development”. As such, new forms of collaboration are increasingly shaping between inter alia states, international organizations within and beyond the United Nations development system, financial institutions, the business sector and civil society, leveraging human, political and financial resources from various actors to allow for more scalable and sustainable development results.

The PCP is a programme to support a country in achieving its long-term ISID goals. It is founded on a multi-stakeholder partnership to ensure synergy between different interventions

¹⁴ *The foreign exchange shortage has encouraged an influx of new coffee exporters – who seek foreign currency for imports – some of whom lack professional coffee experience. This increase has been quite dramatic: in 2007/08 there were around 100 coffee exporters, while there are 323 today, and some experts believe that number to be even higher. According to domestic experts, many of these new coffee exporters are not focused on coffee, but rather on securing foreign exchange, which they can use to import goods for sale at a substantial profit margin. Among these exporters, coffee knowledge is often low and there is little attention paid to quality or service to international buyers. As a consequence, trust in Ethiopia's “ease-of-doing-business” has eroded in the coffee sector – according to some international buyers surveyed, Ethiopia ranks last among the top coffee-exporting countries in this regard. (Structure and Performance of Ethiopia's Coffee Export Sector,” Bart Minten et al., December 2014; CECSIR working team buyer survey, 2018).*

and maximize impact. Each PCP is tailored to country needs, aligned with the national development agenda and owned by the host government. The PCP delivers an integrated service package by combining UNIDO's advisory and normative services, technical assistance and convening function. PCP interventions aim to unlock public and private investment in selected priority industrial sectors, bringing together development partners, UN agencies, development finance institutions (DFIs) and the private sector - under the ownership of the national Government - to help achieve the goals set out in the country's Industrial Development Strategy.

The PCP is focusing on three light manufacturing sectors: agro-food processing; textiles and apparel; and leather and leather products. These sectors were chosen due to their prospects for job creation, strong linkages to the agricultural sector, high export potential and capacities to attract private sector investment. They will act as a springboard for the transformation of Ethiopia's economy, from one, based on agriculture to one driven primarily by light industries.

In light of the above considerations, this proposal will contribute to the PCP implementation in Ethiopia, especially by reinforcing the agro-food processing component, especially taking into consideration that coffee represents a strategic agricultural sector for Ethiopian economy. Moreover, a specific project contribution to the PCP personnel has been forecasted, in order to facilitate: the reporting to the PCP Inter-ministerial committees, the coherence of this initiative with others implemented in the Country; the possible replication of the project business model to other commodities, synergies with other initiatives developed in Ethiopia by UNIDO or other Development partners. Moreover, it will contribute to accelerate ISID by facilitating the mobilization of partners, expertise and resources. As such, the PCP triggers a long-term development process, contributing to the achievement of SDG 9 and other relevant SDGs.

The project performances in general and the *ad hoc* reports on the investments supported in particular, will support the Ethiopian government in better understanding opportunities and constraints of the private sector operating in the coffee sector. In this context, the project will contribute to reinforce the role of the Ethiopian coffee authority through upgrading its technical capacities (e.g. Coffee training Center) for providing additional services to local companies. Moreover, the project will facilitate the public and private dialogue between MoF, CA and the private sector, both at PIP and PSC levels, with the aim at triggering policy/regulatory development/reforms.

C. REASONS FOR UNIDO ASSISTANCE

Inclusive and Sustainable Industrial Development (ISID) is a key driver for the successful integration of the economic, social and environmental dimensions, required to fully realize sustainable development for the benefit of future generations. As mentioned in the December 2013 Lima Declaration "Towards Inclusive and Sustainable Industrial Development (ISID)", industrialization is a driver of development, as it increases productivity, contributes to job creation and generates income. Industrialization offers opportunities for social inclusion by means of empowerment of women and by creating decent employment for youth. Therefore, in its efforts to contribute to inclusive and sustainable industrial development, UNIDO focuses on "enhancing productive capacities in a way that supports the structural transformation of the economy; encourages economic growth and the creation of decent jobs (...) particularly in the small and medium-sized enterprise sector".

Partnerships are essential to UNIDO's mandate of promoting and accelerating ISID. At technical level, partnerships are fundamental to mobilize knowledge, expertise, technology and financial resources as well as for improving UNIDO visibility and capacity to promote its mandate, for attracting additional partners and improving the Organization capacity to leverage financial resources from its member States.

In line with the UNIDO partnership approach, implemented in the Ethiopian coffee sector through the technical assistance initiative titled “*Improving the Sustainability and Inclusiveness of the Ethiopian Coffee Value Chain through Private and Public Partnerships*”¹⁵, the Organization has been able to closely work in the last five years with public and private stakeholders (both at national and international levels). Furthermore, UNIDO has conducted two years public private dialogue that has driven to the definition of this project. In this context, UNIDO can provide its technical expertise in particular addressed to:

- Develop and upgrade the coffee value chain (e.g. creating networks, improving project partners’ skills and enabling synergies among different players, through public and private partnerships);
- Provide the necessary technical assistance in terms of skill development, organization of women and youth, improvement of labour productivity;
- Establish a PP platform in cooperation with project partners (e.g. illycaffè and Ernesto illy foundation) for promoting the project approach among the international business community.

In Ethiopia, UNIDO has a track-record of successful programmes and projects in the areas of agro-industries and related sectorial value-chains development, clusters approach and entrepreneurship, with special emphasis on women, youth and other vulnerable groups. Furthermore:

- The proposed project will build on the vast experience of UNIDO in value chain, clusters, and skill development approaches, acquainted within the PCP Ethiopia.
- The project builds on methodologies and partnerships with industry in strategic sectors as well as on UNIDO capacity to establish financing programmes and networks such as the Private Financing Advisory Network (PFAN).
- The project will collaborate with TII initiatives on PPP platform and investment to cross fertilize on experiences from the field and best practices.
- Based on the fact that high-quality pre-investment advice leads to better projects, thus contributes to increasing local and foreign investments, UNIDO has equipped public and private stakeholders with tools and methodologies for project appraisal and feasibility analysis – including UNIDO’s Computer Model for Feasibility Analysis and Reporting (COMFAR).
- The project follows the UNIDO mandate based on an inclusive and sustainable intervention, in which “no one is left behind”, in the area of productive work especially for women and youth. The project intervenes by assisting local institutions and private sector actors to increase their capacities in the coffee value chain development, as well as to foster entrepreneurship development, to reduce poverty, and creating jobs.
- The project recognizes that gender equality and the empowerment of women have significant positive impacts on sustained economic growth and sustainable industrial development, which are drivers of poverty reduction and social integration. UNIDO considers gender mainstreaming as a key strategy for achieving gender equality and the empowerment of women.
- The project will establish a PPP platform in order to boost private sector interventions in the action (e.g. in terms of investments, capacity building initiatives, expertise sharing, communication and visibility, market access etc.) and promote the partnership approach.
- The project will create synergies with on-going UNIDO initiatives (e.g. IAIPs) as well as will seek synergies with other forthcoming projects and development partners that are operating in the area (e.g. WB, IFC, FAO, IFAD).

UNIDO plays a valuable role in building economies, which have a modern and productive agri-business sector with enhanced technology and sufficient know-how - especially in industrial

¹⁵ID 130144: financed by the Italian Government and developed in partnership with illycaffè and Ernesto Illy Foundation

sectors that have a leading role in the economy – by sustaining economic development, ensuring social justice and increasing per-capita income of the citizens.

UNIDO’s experience in managing technical assistance projects with SMEs makes it highly equipped to bridge the gap between SMEs and institutional players. The support to private investments in the coffee sector contributes in a cost-effective way to the achievement of development goals.

D. THE PROJECT

D.1. Objective of the Project

The project is aimed at increasing volumes, quality and value of the Ethiopian coffee to contribute to SDG 9.3 (*Increase the access of small-scale industrial and other enterprises, in particular in developing countries, to financial services, including affordable credit, and their integration into value chains and markets*).

D.2 UNIDO Approach

Identifying sectors that have the capacity to create inclusive and sustainable jobs and in line with the national economic growth strategies and plans, is the core of the intervention and methodology proposed by UNIDO. The project relies on sector and value-chain development strategies, targeting the coffee value chain. The Inclusive and Sustainable Development strategy of the coffee value chain goes hand in hand with employment and income generation opportunities. Hence, an overall value chain approach will be used to achieve the project goals.

UNIDO management objective is aiming at **integration and scale-up** in order to maximize impact, harness synergies, move towards larger-scale projects, knowledge and technology transfer, networking and industrial cooperation. Furthermore, with the target of fulfilling expectations of the member States, donor community and other partners in the long-run, this proposal has been set on a **results-based approach**, taking into consideration the incredible potential offered by the Public Private Partnerships as well as the lesson learned from the implementation of the PCP.

D.2.1. The selected Project strategy

Through the 2030 Agenda for Sustainable Development, the international community highlighted the necessity of working in partnerships to mobilize the knowledge, expertise, technology and financial resources to fulfil the global Sustainable Development Goals (SDGs)¹⁶. This is based on the recognition that attaining ISID requires a broader range of resources than any individual entity can provide on its own. Thus, the establishment of multi-stakeholder platforms is an innovative model that brings together relevant development partners, financial institutions, business sector, Governments and Institutions to accelerate the achievement of the SDGs.

The project has been based on the clear recognition of roles and capacities of the partners involved, allowing institutions to leverage on the skills of the private sector, and helping companies and development partners to respond effectively to development needs identified by the GoE.

¹⁶Partnerships are not only keys to successfully tackling the global development challenges that lie ahead, but also essential to UNIDO’s mandate of promoting and accelerating Inclusive and Sustainable Industrial Development (ISID). Through the Lima Declaration adopted at the fifteenth session of the UNIDO General Conference in 2013, Member States called on the Organization to “strengthen existing and forge new partnerships and networks” to achieve maximum results.

“Achieving an ambitious post-2015 development agenda, including all the sustainable development goals, will require an equally ambitious, comprehensive, holistic and transformative approach with respect to the means of implementation, combining different means of implementation and integrating the economic, social and environmental dimensions of sustainable development.”¹⁷

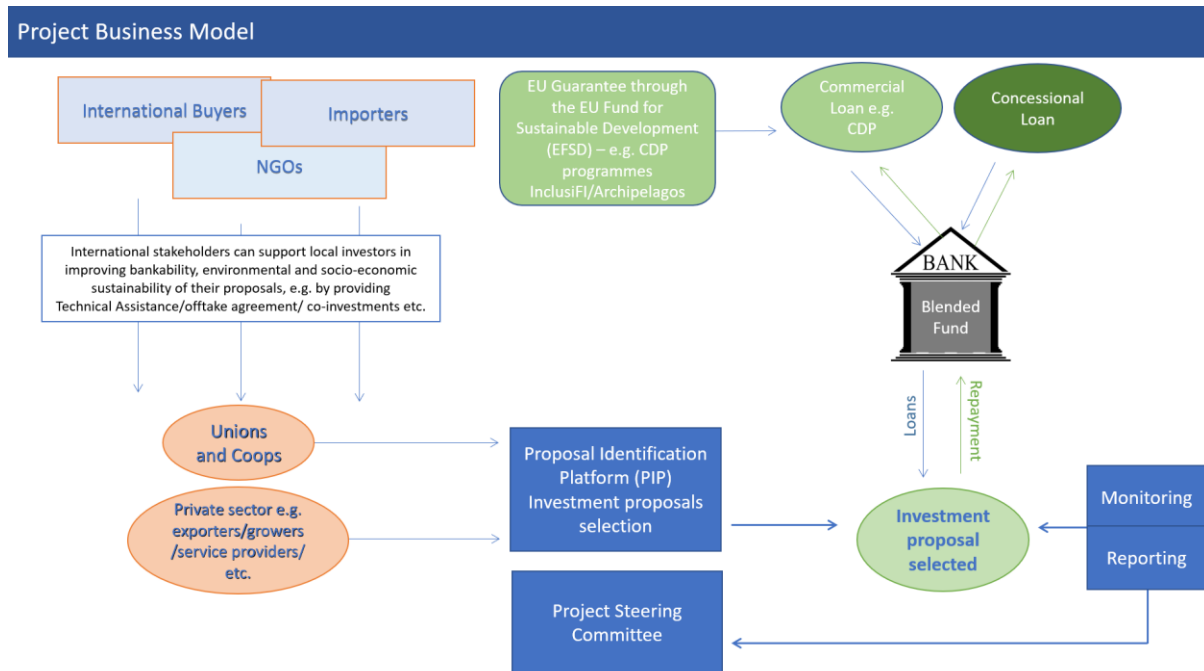
The general strategy (Description and guidelines in Annex 5) will be based on facilitating access to finance, through the establishment of a specific credit line dedicated to funding investment proposals selected for their high impact on the coffee sector as well as on the social and environmental context. The project will minimize investment risk by establishing a responsive framework, in cooperation with public and private counterparts, for enabling the development of private sector initiatives operating in the Ethiopian coffee value chain. The Project focuses on the coordination of three intervention modalities:

1. Technical assistance. The project will support the Commercial Bank of Ethiopia (CBE) in investing efficiently and sustainably the soft loan in bankable, sustainable and de-risked business opportunities available in the Ethiopian coffee sector. The funding proposals could be presented by private enterprises, local cooperatives and Unions and will be evaluated and selected by the project; investment proposals are expected to be technically and financially viable and to have sustainable social and environmental impact. The technical assistance will be focused on the funding proposals verification, selection and development (pre-financing), as well as in the monitoring and reporting (post-financing); a dedicated support toward rural communities’ engagement and with a specific attention for environmental impact will be secured. Another component of the technical assistance will be aimed at supporting the Ethiopian coffee Authority in sustainably managing the Ethiopian Coffee Training Center, improve the international recognition of the Ethiopian coffee and increase its institutional capacity to provide services to public and private stakeholders operating value chain.
2. credit line (soft loan) to be opened for the Ethiopian Ministry of Finance (MoF) and managed by the Commercial Bank of Ethiopia (CBE). The credit line will be dedicated to finance only funding proposals validated by the project. The selected business proposals will have the opportunity to easily access to credit at a limited interest rate and 30% of forex (for export – forex generator). The forex generated by the coffee export will bolster MoF in reimbursing the EUR credit line.
3. Partnership-based private “de-risking” system: A key aspect of the C-GVC is closer and more durable relationships among value chain actors. Buyer-driven initiatives are currently implemented by multinational traders and roasters along with smaller buyers through direct trade activities¹⁸. Tangibles (inputs, credit) and intangibles (knowledge, sustainability standards, and corporate governance) are transferred to upstream actors, including farmers (ICO, 2020). In this context, the initiative will seek the active engagement of the international private sector in supporting local private stakeholders through the improvement of bankability, environmental and socio-economic sustainability of their investment project proposals to be presented to the project. This engagement may take different forms, such as a direct guarantee on the loans, joint ventures, coffee contract agreements, direct trade, the establishment of a stable commercial relationship with attention to origin, quality and social responsibility, price incentives, technical support, knowledge transfer etc. The international private sector (roasters or traders) will play, on a competitive basis, a fundamental role in de-risking and improving the quality and sustainability of the supported local funding proposals, increasing their possibility to be

¹⁷ A/RES/69/313- Addis Ababa Action Agenda of the Third International Conference on Financing for Development (Addis Ababa Action Agenda)

¹⁸ Lead firms can play a role in facilitating the adoption of certification of individual farmers, farmer groups or cooperatives for sustainable sourcing. Providing accurate information regarding costs and benefits of standards, lowering high audit costs for individuals through promotion of group certification (or at landscape level) and identification of funding sources to support certification for growers creates opportunities to enter high-end markets with higher prices and revenues (ICO, 2020).

selected by the PIP for financing. At the same time, the system contributes to integrate the value chain by enhancing or establishing reliable and direct contacts with source markets through developing CSR strategies in a business-effective approach.



The Project strategy has been developed taking into account:

1. The official request received from the Ethiopian Coffee Authority (Annex III);
2. Meetings with relevant stakeholders such as local private sector, MoF, Banks, Ethiopian Prime Minister Office, NGOs, Cooperatives and Unions as well as with international development partners (e.g. IFC, WB, ICO) and donor community (e.g. Italian ministry of Foreign Affairs and Development Cooperation, AICS, EU, GEF, etc.);
3. The investment risk (climate change, political instability, structural problems, and volatile markets) that considerably limits investments as well as the role of the international private sector in coffee in developing countries.
4. Lessons learned from the UNIDO PCP approach as well as the UNIDO project 130144 results;
5. Involvement of international coffee buyers, traders, roasters (e.g. illycaffè, Swiss Coffee Trade Association, etc.) as well as Academia (Bocconi University) and Banks (e.g. CDP) and credit guarantee scheme (e.g. Inclusifi and Archipelagos funded by the EU fund for sustainable Development);
6. Projects with similar characteristics that are on-going or under formulation in the Country;
7. The new regulation for the coffee sector recently launched in Ethiopia (2017 Proclamations n. 1050 and 1051, which allows and facilitate the verticalization of the value chain).
8. ICO indications on Multi-stakeholder initiatives that *can improve the co-ordination of market-driven sustainability initiatives implemented by the GVC firms. To scale-up successful private-sector led programmes it is crucial to engage public sector bodies, civil society and research institutions. The challenges faced by the coffee sector require effective dialogue among all sector stakeholders. The coffee price crisis and the covid-19 pandemic have highlighted the importance of international cooperation between the public and private sectors to address the immediate challenges faced by coffee stakeholders and to build a sector that is inclusive, resilient, and sustainable. Better responses to shocks can be achieved through the development and implementation of new supply chain processes as well as health and safety procedures, in order to maintain the flow of goods and services under difficult circumstances, such as lockdowns (ICO, 2020).*

9. OECD blended finance strategy and principles as well as OECD-UNDP impact standards for financing sustainable development.

The Project goes beyond the *'traditional'* technical assistance grant based and instead it focuses on the coordination of already existing financing tools, services as well as needs and opportunities to ensure that investments have a major development impact and limited risk. At the same time, it will encourage an enabling investment climate and business environment, including the promotion of structured dialogue with the private sector. In this context, the project sets out a coherent, integrated framework – to be replicated and adapted to different contexts and commodities - to improve investments in target countries, in order to promote decent job creation and inclusive and sustainable development.

D.2.3 Project Phases

The Project is divided in two phases, an initial phase and an implementation phase. The first (ideally 6 months) is required to set up and fine-tune the project, and the operational manual for the utilization of the Credit line.

The second phase will be focused on the implementation of the indications received from the project's first phase. During this phase a continuous support to the Ethiopian Coffee authority will be ensured.

D.2.4 Geographical coverage

The Project is piloted in Ethiopia, UNIDO PCP Country, for the following reasons:

- Coffee sector is extremely important for the Ethiopian economy and it is a major source of income and employment for rural population. The estimated size of the population dependent on coffee production and marketing for its livelihood is about 20 million;
- Coffee remains first in terms of revenues generated from export (foreign currency);
- GoE strategic policy documents assigned great importance to the development of the sector, because of its role in the national economic growth;
- Due to its topographic composition the Country can invest in new cultivation areas enhancing the arabica resilience to climate change.
- UNIDO experience gained through the implementation of the UNIDO project 130144.

D.2.5 Project Management

This section gives an overview of the teams foreseen for the implementation of the action on behalf of the implementing partners. While some minor adjustments may occur during the lifespan of the project in order to optimize and fine-tune a correct implementation, the following describes the overall structure to be expected:

UNIDO Project Implementation Unit (PIU)

Project Manager/ Allotment Holder: A UNIDO staff member level¹⁹ responsible for the overall strategic supervision of the project. He/She provides alignment of technical inputs of technical components with international best practices and UNIDO quality standards. He/she will be responsible for the quality assurance of the technical deliverables providing technical leadership of the actions to achieve results, translating the project' strategy and methodology into outputs and impacts. He/She will be responsible for the establishment of the coordination mechanism with the private sector and project partners (e.g. illycaffè and Ernesto Illy

¹⁹ At L level he/she will be working on the project and will ensure the coordination with other UNIDO coffee initiatives (ID 130144 and 170217) financed by the Italian Agency for Development Cooperation. He/She will also ensure the effective coordination and cooperation with the donor and project partners (e.g. illycaffè, CDP etc.), ensuring the aggregation of public and private stakeholders.

Foundation, CDP, OECD etc.). He/she will closely work with the international private sector and finance institutions with the aim of replicating the project approach and upscaling the project intervention.

Project Coffee value chain expert: he/she will support the project's manager being responsible for preparing technical reporting, including consolidation of partners inputs, quality assurance of contract's reporting for UNIDO component, liaising with UNIDO internal function (procurement, HR, etc.). He/She will assist the Project Coordinator in the day to day technical supervision of the activities as well as in internal administrative procedures (e.g. Preparation of ToRs, TEs, etc).

Project Coordinator: He/she will be based in Addis Ababa and will be responsible for the technical supervision and day-to-day technical guidance to the country technical team (national experts) for the implementation of the action. He/She will be responsible for the implementation of the activities and the achievement of the results expected under the outputs. In particular, he/she will ensure the coordination of all the stakeholders involved at local level, with a particular attention to the organization of the PIP activates. He/She will support the Manager in preparing technical reporting as well as in performing the daily supervision and monitoring of the activities. In particular, he/she will be responsible for ensuring a continuous and good quality project monitoring.

Admin: he/she will be handling office tasks, invoice management, such as filing, setting up for meetings, and ordering supplies. He/She will support project team in the preparation of UNIDO administrative docs.

Driver: responsible for the logistic, car maintenance etc. in line with UNIDO rules and regulations.

National Experts: the following experts are expected to contribute to the completion of the project's outputs (project expertise could evolve during the project execution based on the specific project's needs). They will be based in Addis Ababa and will work under the Project Coordinator and general supervision of the Project Manager. A tentative list of the national expertise required can be listed as follow:

- National Expert coffee value chain
- National Expert Finance and investments (Monitoring and Reporting)
- ad hoc experts as required by the project

They will be responsible for day to day projects activities and will support the Project Coordinator in ensuring results of the expected outputs. They will be working for ensuring the coordination of the PIP, including the correct timing for investment proposals identification, evaluation, rewarding and submission to the bank. Furthermore, they will perform the necessary monitoring of the investment projects identified. They will support the local Institutions in promoting the project model in Ethiopia in order to scale up the initiative. They will support the Project Coordinator in the definition of Technical Assistance activities (if required), ToRs, procurement, etc.

International experts will be recruited on the basis of short-term contracts to address specific tasks, in particular related to socio-economic analysis (including gender issues), investment proposals analysis and evaluation, Technical assistance definition, Project monitoring and evaluation (including investments proposal monitoring and evaluation). The following expertise could be required (can be modified during the project implementation on project's needs basis):

- Expert in Environment and socio-economic assessment
- Expert for the Coffee Training Center and coffee value chain

- Expert for Gender
- M&E (incl. IRPF reporting)
- and international experts as required by the project

The Project Implementation Unit will serve both the PIP and PSC as a secretariat. Moreover, the PIU will prepare annual work plans, undertake monitoring, evaluation and follow-up activity of credit line, document all follow-up reports and recommend on future performance improvements.

D.2.6 Project Governance Structure

To ensure a full project ownership and a comprehensive participatory process, a Project Governance Structure is developed to identify the various layers of management and to give full potential to decision-making structures, in particular the PSC, PIP, the PIU (above described) and project public private partners.

Project Steering Committee (PSC)

The overall project monitoring body will be represented by the **Project Steering Committee (PSC)**. ToRs will be developed during the initial project phase but it is recommended to include in the PSC the representatives of the involved counterparts such as e.g MoF, ECTA, MoA, AICS, Commercial Bank of Ethiopia (CBE) and UNIDO). The PSC will:

- Provide strategic direction in terms of implementation of project activities. Ensure the effective coordination and cooperation between all involved stakeholders;
- Monitor the progress of project activities towards achieving the planned outputs;
- Review and approve the annual work plans prepared by the UNIDO PIU;
- Carry out, whenever necessary, supervision missions aimed at the inspection of the financed proposals and their funds utilization including ex-post reviews of procurement.

Normally, the PSC will hold annual meetings in line with the selection rounds of the PIP, but an emergency meeting can be held at any moment whenever deemed necessary. The UNIDO PIU shall serve as the secretariat of the PSC (e.g. minutes preparation, presentations, organization of the meeting, etc.).

Proposal Identification Platform (PIP)

The **Proposal Identification Platform (PIP)** composition will be detailed during the project initial phase. The PIP will be responsible to:

- Select, rank and verify the investment proposals;
- Propose a list of complete investment proposals to the PSC for validation and to CBE for funding;
- Ensure strong collaboration with CBE is established in every phase of the selection and implementation of investment projects;
- Monitor proposals implementation;
- Report to the PSC on proposals' performance;
- On the occasion of the request to the donor of the further instalments of the credit, to prepare a specific Technical and Financial Reports relevant to the implementation status of the credit line and technical assistance components;

Public Private Project Partners

The credit line will be managed by the **Commercial Bank of Ethiopia**. CBE borrows funds from the international donor directly or through MoF. Such funds are to be utilized in

accordance with the purposes, criteria and rules defined in this Document and further in the Operational Manual. For this purpose, CBE will have to ensure the set up and operation of a clear and transparent accounting and financial system for the credit line of this Project and it will have to report periodically on the performance of the credit line. CBE responds to the PSC for the proper utilization of the funds. CBE will be part of the PIP and will take the financing decision on the funding proposals approved by the PSC.²⁰

MoF will have the following responsibilities:

- To ensure that the donor's credit resources are properly utilized and Operational Manual followed by CBE;
- To enter into a financing agreement with the CBE for the utilization of the donor's credit resources OR
- To provide a guarantee to the credit resources transferred by the donor to the CBE;
- To report and deal with the National Bank of Ethiopia (NBE)
- To allow the rotation of the credit line funds;
- To participate in the Project Steering Committee;
- To receive and review periodical reports from the CBE and PIP;
- To appoint the Project Steering Committee and to participate, as member, to its meetings.

Credit Line provider – Donor

The Government of Italy will provide the financial resources for the establishment of the credit line through a financing agreement with MoF and/or CBE. The Italian Agency for Development Cooperation (AICS) is a leading agency in supporting the Government of Ethiopia for the development of agricultural value chain. Since 2016, AICS has funded the project “*Improving the Sustainability and Inclusiveness of the Ethiopian Coffee Value Chain through Private and Public Partnerships*”, which enabled UNIDO to provide technical assistance to key stakeholders and partners of the coffee value chain, and has inspired – as already mentioned – the proposed intervention.

AICS will be responsible of the following:

- Participation to the Project monitoring, supervision and governance through the active engagement in the Project decision making processes;
- Monitoring funds utilization and controls disbursement of credit tranches;
- Contribution to the promotion of the project business model for improving the inclusion of different public private stakeholders.

Cassa Depositi e Prestiti S.p.A. (CDP) is a joint-stock company and a Financial Institution for international development cooperation. CDP objective in development cooperation is to promote sustainable growth in developing countries, by offering a wide range of financial products to public and private entities. CDP manages public funds and promote investment and financing activities in emerging markets and developing countries. CDP is accredited financial institution within the European Commission's External Investment Plan. Within this programme CDP manages initiatives that can provide guarantee solutions to the project and contribute to promote blending of commercial capitals (e.g. Inclusifi, Archipelagos). By providing a financial guarantee, the EU's partner financial institutions like CDP will share the risk which local banks and investors take when lending to small businesses. In this way, the guarantees will help local entrepreneurs start or expand their businesses and cope with the COVID-19 pandemic. The project intends to contribute, in synergy with the partners, to the promotion of the CDP and EU financial instruments for development for boosting businesses in Developing Countries.

²⁰ Based on the meeting held with the CBE President & CEO Mr. Bacha Gina in October 2019, CBE is currently borrowing funds on the coffee sector at an interest rate of 7.5% for exporters and 11% for formers. The president agreed to negotiate the interest rate even cutting it for the 50%. Moreover, CBE has communicated that it is now able to borrow a certain amount (30%) of foreign currency. CBE is ready to participate in the programme and contribute to the definition of the operational manual.

D.2.7 RBM Code and Thematic Area Code

Results Based Management (RBM) code: GC 1 - Creating shared prosperity
HC11 Agribusiness and Rural Development

D.2.8 Expected Outcome

A responsive framework for enabling the development of private sector initiatives operating in the Ethiopian coffee value chain is established with the project Institutional counterparts.

D.3 Output and Activities

Project Outputs²¹:

Output 1. Project management, monitoring and reporting are established

Operational manuals are defined, PIU structure is set up, the credit line and programme structure including financing scheme are finalized, the PPP coordination platform is set up and the private de-risking system is finalized, the coordination and monitoring mechanisms are established. In addition, the UNIDO PIU develops an internal monitoring and reporting system to ensure that Donor Compliance is fully reflected into activities planning. The final report with all the documentation including programme Operational Manual is finalized and validated by the PSC and will drive to the project implementation.

Output 2. The project is implemented and public private stakeholders operating in the coffee sector are supported

For achieving this output, the project strategy will focus on the bankable and sustainable investment proposals' identification and selection To this end the project will follow the Operational Manual indications and it will implement the structure for the investment project submission and selection as well as the monitoring activities. Another relevant component of the output is related to the organization of Institutional capacity building initiatives and workshop for promoting lessons learned to be eventually considered for policy reforms as well as support the Coffee Authority in utilizing donor bilateral funds (once transferred) for: a) Ensuring continuous improvement and sustainability of the Ethiopian Coffee Training Center (CTC) b) Promoting the utilization of the Coffee Training Centre (CTC) within the national and international stakeholders; c) Promoting the international recognition of the Ethiopian coffee sector (e.g. participation to relevant international events, workshops, etc.)

Output 3. Monitoring and Evaluation are conducted

Baseline data are collected and project monitoring is performed by the UNIDO PIU and through regular PSC meetings (supervision). Mid-term and annual reports will be developed and disseminated amongst PSC members in order to highlight project ups and lows and intervene, in a participatory process, where re-tracking of activities is needed. Project indicators will be constantly monitored by the UNIDO PIU and the Project Manager both during activity planning and implementation process. This will allow a result-based methodology and higher levels of project impact. Mid-term and/or final evaluation will be conducted. It is worth mentioning that, during the mid-term and final evaluation, gap analysis and lessons learned on project's implementation are reported and policy recommendations prepared for relevant institutions (e.g. ECTA, MoF, MoA, BCE and EIC) with the aim of facilitating possible actions on the local regulatory and legislative framework.

Theory of change

The purpose is to pilot a technical assistance initiative for optimizing the investment of Ethiopian national financial resources into bankable and sustainable investment projects. The project has been structured within the Bennet hierarchy in Annex 11.

²¹ Project outputs and activities have been detailed in the Logical Framework

D.4. Timeline of the Activities

Output and Activities	Year 1			Year 2			Year 3		
	1	2	3	1	2	3	1	2	3
Output 1. Project management, monitoring and reporting are established									
Set up and equip the Project Implementation Unit (ToRs developed, recruitment conducted, project office, facilities and tools acquired);									
Finalize the ToRs and establish the PSC and PIP;									
Draft and Finalize the <i>Programme Operational Manual</i> that will include: <ul style="list-style-type: none"> Investments projects Identification and Submission methodology (e.g. submission of documentation online, via desk, IT block chain, selection criteria, etc.) Timelines (e.g. submission to the PIP, pre-selection, verification, possible modification, final awarding and submission to the PSC) Templates e.g. documents and information to be provided by the applicant related to the investment proposal, progress reports) PiP Selection criteria (including ESIA, bankability, gender assessment, socio economic impact, portfolio investment ratio etc.) Monitoring system for the supported investment proposals. 									
In cooperation with project partners (e.g. OECD) a monitoring system for the Impact Standards for Financing Sustainable Development is developed									
In cooperation with OECD to pilot/incorporate the Impact Standards for Financing Sustainable Development both at project and investment proposals levels in order to set-up an impact management system to monitor the impact investments under the project portfolio (i.e. to support the investors to set up a good impact management system to plan, track and report on their impact, verification by independent party, disclosure and reporting, taxonomy, etc.)									
In cooperation with the partners, to evaluate the possibility to include a portfolio guarantee system as well as feasibility of blending initiatives									
Finalize the credit line in connection to the <i>Programme Operational Manual</i>									
Evaluate the possibility to upscale the initiative to additional Ethiopian agribusiness sectors/commodities and conduct a value chain analysis									
Organize specific trainings and workshops with the Institutions involved for facilitating programme implementation									
Organize the PSC for the programme operation manual validation									
In cooperation with the partners organize ad hoc events to promote the initiative to the local and international business community operating in the coffee, financial and development sectors									
Establish a coordination mechanism with project partners for replicating the project business model and analyze lessons learned									
Develop and implement a project communication strategy in cooperation with the partners									

Output and Activities	Year 1			Year 2			Year 3		
	1	2	3	1	2	3	1	2	3
Output 2. The project is implemented and public private stakeholders operating in the coffee sector are supported									
Promote the credit line within the Country in synergy with Institutions, development partners, private sector, CBE, NGOs, etc...									
Launch call for proposals and investment proposals reception following the operational manual timeline;									
Investment proposals pre-selection (based on defined eligibility criteria);									
Investment proposals verification, potential modification/fine tuning (required or provided as a technical assistance);									
Final selection of the proposals, clearance by the PSC and submission to the CBE for financing;									
Define ToRs of technical assistance activities (when required) for supporting the cleared investments proposals (direct or indirect support, aimed at scaling up investment positive effects on the rural communities);									
Procure or directly implement TA activities as per PSC decision (when required);									

Monitor investments performance (e.g. in terms of coffee quality improvement, or coffee VC improvement), repayment, export (foreign currency generation), impact (in accordance with the M&E system);									
Organize, in cooperation with the partners, Institutional capacity building initiatives and workshop (Coffee Authority, MoF, Commercial Bank of Ethiopia, MoA) for promoting lessons learned to be eventually considered for policy reforms									
Support the Coffee Authority in utilizing donor bilateral funds (once transferred) for: <ul style="list-style-type: none"> Ensuring continuous improvement and sustainability of the Ethiopian Coffee Training Center (CTC) Promoting the utilization of the Coffee Training Centre (CTC) within the national and international stakeholders Promoting the international recognition of the Ethiopian coffee sector (e.g. participation to relevant international events, workshops, etc.) 									

	Year 1		Year 2		Year 3	
<i>Output 3. Monitoring and Evaluation are conducted</i>						
Report to the PSC (including donor) annual report						
Conduct end-of project evaluation						
Gap analysis and lessons learned on project implementation are reported and policy recommendations prepared for ECTA, MoF, MoA and EIC.						

D.5 Gender Mainstreaming

In Ethiopia, female entrepreneurs tend to manage smaller firms and concentrate in less profitable sectors, although ILO estimate that women collect approximately 34% for each dollar earned by their male counterpart. The majority of women entrepreneurs are in micro enterprises (65%) and many of them lack business development skills for improved competitiveness and management.

The National Diagnostic Study for the Implementation of Access to Financial Services for Low-Income Women Households and Entrepreneurs in Ethiopia (ILO,2012) ascertained that responsiveness to women's unmet demand for credit service is central to economic empowerment of women. Improving the functioning of credit markets by addressing the problems caused by lack of experience with women borrowers can help address productivity gaps between woman and men in entrepreneurship.

Furthermore, the study revealed that access to financial services for women increases the likelihood of a positive multiplier effect such as increased household incomes, translated into improved nutritional, health, sanitation and educational status of children. The World Bank also simulated that, by enhancing women's access to key productive factors such as regular employment and/or jobs in the informal sector to ensure income, access to entrepreneurial inputs and land, Ethiopia's GDP would benefit by as much as 1.9% GDP growth per year.

These studies demonstrate how programmatic interventions targeting female entrepreneurs can be particularly relevant in Ethiopia, having a significant positive impact on sustained economic growth and inclusive and sustainable industrial development (ISID), which are drivers of poverty reduction, social integration and environmental sustainability. Beyond recognizing specific vulnerabilities resulting from differing gender roles, women, as economic actors, leaders and consumers, play vitally important parts in every country's drive towards a higher level of industrialization in their economies.

UNIDO recognizes that gender equality and the empowerment of women have a significant positive impact on sustained economic growth and inclusive industrial development, which are key drivers of poverty alleviation and social progress. In the framework of this project initiative in order to assess if the women participation is a key agent of change, the following tasks will be carried out:

- a gender expert will be assigned to the project for monitoring projects activities in relation to the gender mainstreaming, Furthermore, ad hoc gender assessments will be performed during the investment projects identification and specific actions will be indicated in the technical assistance activities defined by the PIP;
- Within the investment project identification process, investors will be invited to ensure adequate gender participation in their business activities;
- accordingly, adequate financial resources have been allocated for the proposed gender activities;
- the project has been developed following the indications and analysis performed in the field that paid due attention to the gender mainstreaming;
- the project will ensure a gender balanced participation of target beneficiaries;
- sex-disaggregated data and qualitative information will be collected and constantly monitored by the project in order to analyse and track gender issues;
- regular monitoring and reporting of gender issues and behavioural changes towards greater gender equality and empowerment of women will be carried out;

Efforts will be made to promote equal participation of women and men in the project activities. Moreover, the gender expert will seek to ensure balanced access to finance opportunities for women and men entrepreneurs, with a particular attention to supporting activities that realize the economic potential of women, hence increasing economic growth, creating employment and promoting gender equality.

Gender mainstreaming goes far beyond having a specific women’s component in a project or programme: all stakeholders and partners, both women and men, must be involved by using participatory methodologies in order to address gender inequality and to promote the advancement of women. Gender mainstreaming is a process that should be embedded throughout all stages of a project cycle ensuring that the intervention advances women’s equal participation as decision makers and reduces gender inequalities in access to and control over the resources. To this end:

- The gender expert will review investment proposals and report on gender-specific project targets
- Regarding project staff, gender balance in the recruitment of project management and staff will be emphasized, and efforts will be made to ensure that recruited staff either has existing knowledge on integrating a gender perspective or their capacity will be built in this area or will be trained²².

D.6 Risks

The major risks associated with the implementation of this project are presented in the following table.

Risk	Mitigating measures (included in the various activities of the project)	Likelihood of occurrence	Impact, if risk occurs
GoE and local institutions including CBE lack commitment to support project activities.	MoF, ECTA and MoFA will undertake all the necessary measures for mitigating the risk Involvement of the responsible Institution within the GoE from the project starting.	Low	Time lag/delay in the implementation process.
Insufficient turn-out of viable investment proposals (limit interest of the private sector operating in the sector)	Promote in cooperation with the Institutions the credit line at national level through different communication channels. Evaluate with the donor and MoF the opportunity to expand the service to additional agro-value chains	Medium	Limited project impact in the coffee sector
The utilization of hard currency is not allowed by local authorities	The % of hard currency utilization will be considered based on the investment project selected. Strong interest in investing hard currency on export-oriented businesses (hard currency generators)	Medium	Only local currency is disbursed. This can limit especially the acquisition of new technologies from abroad as well as the appeal of credit line.

²² (e. g. I Know Gender and Gender, Inclusive and Sustainable Industrial Development Courses on UN Women’s eLearning Campus <https://trainingcentre.unwomen.org>)

Political instability or unexpected crisis.	Involvement of the regional institutions and GoE in the crisis management (policy dialogue)	Medium	Impossibility to implement certain project activities (especially monitoring the field).
COVID-19 stops project operations	The project will follow all the UN and local guidelines for containing the pandemic and will contribute to promote safety measures among the project stakeholders.	Medium	Impossibility to implement certain project activities
High default rate of financed proposals.	Strengthen the selection process and ensure a proper support of proposals' implementation through TA	Medium	Low revolving of credit line funds.
The donor as well as the involved institutions maintain its commitment and funds are transferred on time	Ensure a constant contact and good coordination both with the donor and the Ethiopian Institutions	Medium	Delays in project implementation

D.7 Sustainability

The project approach is business oriented and sustainability will be ensured by integrating the technical assistance into the institutional local framework; it will be also guaranteed by maximizing financial viability of the financed proposals, based on their positive social and environmental impacts. The project has been requested by the GoE and developed in strong synergy with the MoF and ECTA within the framework of the PCP Ethiopia. Furthermore, the project has been developed taking into account the EU “Coffee Sector Development Strategy” as well as the requests coming from the private sectors. In this context, it is worth mentioning that the project will actively engage in improving dialogue and coordination between public and private partners involved. Moreover, the inception phase will define a plan of actions for the project implementation that will be validated by the PSC where both public and private sector will be represented.

The project will make sure to maximize the benefits for the involved beneficiaries, continuing to involve the local institutions (e.g. ECTA, MOF, MoA, EIC) and supporting technical capacities both of ECTA and MOF/CBE (to be detailed after the project initial phase). Furthermore, the project will be bridged with the on-going initiatives developed by other national and international partners aimed at supporting the coffee sector development, access to finance, entrepreneurship and gender empowerment development. The project will contribute to environmental sustainability through careful management of environmental impacts of the financed proposals and by promoting sustainable practices in the coffee value chain, among which agro-forestry promotion and shade management for the coffee plantation, washing station and technology inclusion, logistic and coffee processing, etc.

The expansion of the C-GVC is driven by the private sector, but governments need to provide an enabling environment. Introducing policies to ensure political stability and attract

investments to the coffee sector is important²³. Investments in connectivity and trade infrastructure are key to reducing trade costs and increasing the inclusiveness and resilience of the GVC (ICO, 2020).

The project ownership of the national policy makers will be promoted and technical capacities of local institutional stakeholders will be enhanced in order to guarantee the continuation of project activities as well as the maximization of benefits for the beneficiaries after the project ending over. Moreover, the project intends to promote a fruitful public private dialogue that can eventually flag to the improvement of the regulatory framework (e.g. updating of the national strategy for coffee sector) for enhancing investments. In order to boost this process, a gap analysis and lessons learned on project implementation will be reported and policy recommendations prepared for relevant institutions (e.g. ECTA, MoF, MoA, BCE and EIC) with the aim of facilitating possible actions on the local regulatory and legislative framework.

To ensure that the Outputs delivered are sustainable (ensured also by the establishment of the PIP), some measures have been included in the Project structure; meanwhile other measures will be put in place during implementation:

- The PSC, with members from key Ministries and institutions will ensure national ownership of the Project. With a strong PSC in place, it is anticipated that GoE will have the capacity to monitor and follow-up on the development of the achieved Outputs after the end of the Project.
- The Project will apply a community-oriented approach, where the ownership and benefits of production, processing and marketing activities lies within the entities identified by the Project.
- During project implementation, all the activities will be carried out with a particular attention to the feasibility and sustainability of the facilities and organizations that will be rehabilitated or supported.

Facilitating private-sector-driven CVC expansion is key (ICO, 2020). Economic sustainability is essential for the lead firms in the CVC to carry out such activities. Enlarging the pool of suppliers (supported farmers) requires high levels of investment. This suggests a major role for development partners and finance institutions, as well as impact investors to provide matching funds (investment, grants and loans) to local governments and producers to implement supply/value chain programmes. Institutions and contract enforcement mechanisms should be in place along with financial support. In this context, by targeting the potential of private investments in advancing inclusive and sustainable industrial development in the coffee sector, the project will put in motion a virtuous cycle that simultaneously benefits local investors, Ethiopian economy, social standards and sustainable development. Local investors (SMEs) play a crucial role in the achievement of the SDGs: with the intent to bridge the financing gap, the project will contribute to align private financed investments towards the SDG objectives. In fact, the project will contribute to scout bankable and sustainable investment projects, facilitating access to finance and technical assistance to impact investors that can deliver sustainable environmental and social impact in Ethiopia while delivering commercial returns. The projects selection will follow the the guiding principle set under the UNIDO ESSPP (Annex 9).

²³ *Incentives can be given in the form of tax advantages to both domestic and foreign investors to encourage FDI and local investments for expansion and modernization of coffee plantation and mills. Investment of lead firms in post-harvest processing capacity adds value. Attracting lead firms and both domestic and foreign investors can be a key driver in the transformation of a country's coffee sector, as shown by the case study of Rwanda presented in this report.(ICO 2020)*

With reference to gender equality, major comparative studies have already established that improvements in gender equality and economic growth can be mutually reinforcing, while gender inequalities tend to be costly and inefficient (World Bank, 2001; World Bank, IFAD and FAO, 2009). Closing the “gender gap” in agriculture can result in major production gains: the FAO report on The State of Food and Agriculture 2010-2011 determined that women’s yields could grow by 20–30 % if the gender gap in accessing agricultural inputs were closed, an increase that could raise total agricultural output in developing countries by 2.5–4 %, which could in turn reduce the number of food insecure people in the world by 12–17 % (FAO, 2011). Within this context, integrating gender considerations into the development of agro-value chains, including coffee, is not only necessary from a human rights perspective; it is also a prerequisite for ensuring sustainable growth in areas of intervention. According to UNDP Human Development Report 2011, “[i]nequitable development can never be sustainable human development”. The report makes the point that thinking about promoting sustainability as separate from addressing social inequalities in policy-making is not only counter to the basic principles of development, it is also a fundamentally flawed practice. Gender dynamics are inextricably bound up with the value chain development cycle: value chain efficiency is highly dependent on strong linkages and positive collaboration among actors, and women are important stakeholders all along value chains, though they are often invisible or overlooked.

For what concerns the financial sustainability, at the end of the Project, the beneficiary actors would have accrued, among others, additional income and employment opportunities. Moreover, the right management of forex will be used as a generator of additional hard currency to be invested in other productive sectors by the GoE.

D 8. Environmental and Social standard

UNIDO is committed to promoting inclusive and sustainable industrial development (ISID) to harness the full potential of industry’s contribution to (i) the achievement of sustainable development, and (ii) lasting prosperity for all. Within the first thematic pillar, UNIDO is dedicated to supporting environmentally sound and sustainable development in the full range of its project activities. The Organization believes that environmental and social sustainability is a fundamental aspect of achieving outcomes consistent with its mandate, and recognizes that projects that foster environmental and social sustainability rank among the highest priorities of its activities.

In order to meet this goal, UNIDO has adopted a set of Environmental and Social Safeguard Policies and Procedures (ESSPP). These strengthen UNIDO’s accountability to the countries and communities it aims to support; stakeholders in the development processes; and the broader development cooperation and donor community. Environmental and social screening and assessment processes for projects have become standard practice in development cooperation. Additionally, safeguard approaches have proven to be suitable vehicles for consultation and disclosure of information.

The ESSPP²⁴ will be applied to all the investments projects identified and supported by the programme. Environmental and social sustainability is fundamental to the achievement of development outcomes and is systematically mainstreamed into UNIDO’s project cycle

²⁴ The UNIDO ESSPP consists of three interrelated components, combined in this document: i. The Integrated Safeguards Policy Statement lays out the policy principles and describes the common objectives of UNIDO’s safeguards. ii. The Operational Safeguards (OSs) consist of a set of seven programmatic and two framework safeguard requirements that the project development team is expected to follow when addressing social and environmental impacts and risks. iii. The Environmental and Social Safeguard Steps along the Project Cycle section provides guidance on the specific procedures that the project development team should follow to ensure that operations meet the requirements of the OSs at each stage of the UNIDO project cycle.

through consistent application of an environmental and social screening and assessment procedure. Opportunities to strengthen the environmental and social sustainability of projects need to be identified and realized. A precautionary approach shall be applied, and potential adverse impacts and risks need to be avoided or minimized if possible, and mitigated if not. Within the context of its operations, UNIDO commits to full compliance with the following safeguard standards: 1. Environmental and Social Assessment Safeguard: ensures that projects are environmentally and socially sound and sustainable. 2. Protection of Natural Habitats Safeguard: ensures that biological diversity is conserved and that sustainable use of natural resources is promoted. 3. Involuntary Resettlement Safeguard: ensures that UNIDO does not involuntarily resettle anyone affected by a project. 4. Indigenous People Safeguard: ensures that projects fosters full respect for indigenous people and their dignity, human rights, and cultural uniqueness. 5. Pest Management Safeguard: ensures that environmental and health risks associated with pesticide use are minimized and managed, and that safe, effective, and environmentally sound pest management is promoted and supported. 6. Physical Cultural Resources Safeguard: ensures that UNIDO does not engage in any projects that adversely impact upon physical/cultural resources. 7. Safety of Dams Safeguard: ensures that UNIDO does not engage in large-scale water management infrastructure investment projects. 8. Information Disclosure Safeguard: ensures that UNIDO's approach to information disclosure is guided by openness, with the underlying presumption being that any information concerning UNIDO projects is available to the public, in the absence of a compelling reason for confidentiality. 9. Accountability and Grievance System: ensures that UNIDO has a mechanism for dispute resolution and for ensuring accountability and compliance with its environmental and social safeguards. Over time UNIDO may adopt additional safeguards or update existing ones to enhance effectiveness, respond to changing needs, and reflect evolving best practices. UNIDO recognizes the importance of the international move towards greater use of strong and effective country-level environmental and social safeguard systems.

The project will contribute to scout bankable and sustainable projects, facilitating access to finance and technical assistance to impact investors that can deliver sustainable environmental and social impact in Ethiopia while delivering commercial returns²⁵.

Screening measures will be placed to ensure that investment proposals that do not comply with national labor laws or technology solutions with potential adverse impacts on the human health and the environment are not selected. Where applicable, life cycle assessment of the solution will be conducted, to ensure no negative environmental impact over the lifecycle of the selected solution. Environmental and social expert will be engaged to assess the potential environmental and social risks of the selected solutions, and Environmental and Social Management Plans for each demonstration will be developed if required.

Technology selection criteria will include replication potential, environmental and social impact potential, including job creation. Screening measures will be placed to ensure that companies that do not comply with national labor laws or technology solutions with potential adverse impacts on the human health and the environment are not selected as partners. Where applicable, life cycle assessment of the solution will be conducted, to ensure no negative environmental impact over the lifecycle of the selected solution. Environmental and social expert will be engaged to assess the potential environmental and social risks of the solution, and an Environmental and Social Management Plan will be developed if required.

During the definition of the Operational Manual, the experts should take into consideration:

²⁵ *During the project first phase the Operational Manual will be finalized with the support of an environmental and socio economic impact assessment expert who will ensure that the manual will be in line with the UNIDO ESSPP.*

Environmental and Social Assessment

Objectives: this overarching safeguard governs the process of determining a project's environmental and social category and the resulting environmental and social assessment requirements by screening the project, assigning an appropriate category, undertaking public consultation with key stakeholders, and determining the need for any environmental and social impact assessment (ESIA) or environmental and social management plans (ESMPs).

Overall approach: all UNIDO projects undergo environmental and social assessment to help UNIDO decide if the project should be supported and, if so, the way in which environmental and social issues should be addressed in its development and implementation. The assessment will be appropriate to the nature and scale of the project, commensurate with the level of environmental and social impacts and issues, and with due regard to the mitigation hierarchy, i.e. if impact avoidance is not possible, then proponents should show how potentially adverse impacts will be reduced, minimized, or mitigated. Any residual impacts should either be offset or compensated for.

The scope of environmental and social assessment is defined on a case-by-case basis. The environmental and social assessment process covers all stages of the project cycle, project concept design through project closure.

Area of influence: the project's geographic and temporal area of influence is delineated and explicitly covered in any impact assessment. The area of influence encompasses the following, as appropriate:

- The area likely to be directly affected by the project;
- Related or associated facilities dependent on the project that are not funded by the project but that would not have been implemented if the project did not exist; and
- Areas, including the communities within them, potentially affected by technically predictable activities likely to be induced by the project.

Project Identification, Screening and Categorization:

The following sub-sections summarize the ESS safeguard actions that need to be undertaken within the project identification/screening/categorization part of the UNIDO project cycle. The first ESS safeguards task that the PIP needs to undertake is to complete the Environmental and Social (E&S) Screening Template. The project Operational manual will define the specific template and steps and it will follow the UNIDO guidance for Undertaking an Environmental and Social Management Plan (ESMP) as indicated in the UNIDO environmental and social safeguards policies and procedures (ESSPP).

NO PROJECTs will be supported if it (i) is likely to infringe on the protection of critical habitats or physical cultural resources, (ii) uses banned pesticides and/or chemicals, or (iii) causes involuntary resettlement.

Project Implementation/Monitoring/Evaluation: The following sub-sections summarize the ESS safeguard actions that need to be undertaken during the project implementation/monitoring/evaluation part of the UNIDO project cycle. ESS Project Implementation/Monitoring/Evaluation Guidance Environmental and social issues do not disappear once a project has been approved and enters its implementation phase. It is important that issues identified during ESIA or ESMP be managed and monitored. Post-approval management, monitoring, and evaluation commitments are made in the project documentation that are developed during the project formulation phase, and, where necessary, reflected in bidding and contract documents.

These commitments will be followed-up during regular monitoring reporting through annual project implementation reports, mid-term reviews, and assessed within the context of terminal evaluations.

Steps Required by the PIU and PM:

Step 1: Familiarize yourself with the post-approval ESS monitoring/management commitments captured in the PPM compliance sheet.

Step 2: Prepare annual project implementation reports, ensuring that ESS monitoring/management commitments are reported on.

Step 3: Conduct project mid-term review and terminal evaluation.

E. INPUTS

E.1. Counterpart inputs

UNIDO will facilitate the involvement of relevant public and private counterparts, in order to ensure project effectiveness and sustainability. Federal and Regional Institutions will be requested to provide relevant inputs and to participate in the project's activities for ensuring an effective project implementation. MoF and Commercial Bank of Ethiopia will manage the credit line through dedicated experts. The private sector will contribute in ensuring project sustainability and effectiveness through participation in project activities, supporting the project in defining strategic programmes and plan of actions and by participating in the de-risking system scheme.

E.2. UNIDO inputs

UNIDO will be responsible for:

- Maintaining the project management unit, recruiting national and international experts and consultants required for the project. The project will strive to achieve a gender balanced structure.
- Organizing and implementing all the activities planned in the validated action plan in close synergy with local institutions and project's donor.
- Managing the overall implementation of the project in line with UNIDO rules and regulations, making sure priority is given to national expertise whenever applicable, insuring the gender balance through the entire project cycle.
- Organize, perform or sponsor ad hoc technical trainings for project beneficiaries, staff, etc.
- The necessary equipment for the project implementation will be purchased by the project following the UNIDO standard Procurement Modality of International Open Competition.
- Procurement: generally all procurement will be conducted in line with UNIDO standard procurement modality for open competition. However, it is foreseen that the following project partners may be contracted as executing entities.

E.3. Project Partners inputs

illycaffè and Ernesto Illy Foundation

As per the Project Document, illycaffè and Ernesto Illy Foundation were chosen as business partner because:

- the characteristics of the company, for instance the company's sustainability policy and social standards;

- the ethical behaviour of the company and its commitment towards coffee quality and wellbeing of the actors involved in the coffee value chain (e.g.: for the seventh year in a row, illycaffè won ETHISPHERE's "World Most Ethical Companies" prize²⁶);
- the availability of expertise and facilities for advance professional training in Italy and abroad;
- its declared willingness to provide consultancy and training in kind; and
- Illy interests in increasing good quality coffee sustainable production worldwide.

The company/foundation will provide in kind contribution to the project²⁷, which includes both the annual full scholarship to attend the Master in Coffee Economics and Science at the University of Coffee in Trieste (Italy), and the professional consultancy in support of project activities. In coordination with UNIDO and the project other activities are listed here below:

- Project business model promotion and upscaling
- Provide advisory services and support UNIDO in the definition of sustainable technical assistance activities and projects in the field of coffee sector, aimed at improving coffee quality and sustainability of the coffee value chain worldwide.
- Facilitate south-south cooperation especially with other stakeholders operating in producing countries (e.g. R&D with academia).
- Contribution to the training to be provided to the personnel of the Coffee Training Center and provision of technical experts for performing certain training courses in Addis Ababa.
- Facilitation of Institutional capacity building with Study Tour organization, participation of Ethiopian delegation to international event and exposition, in order to promote the international recognition of the Ethiopian quality coffee.
- Facilitate the involvement of the University of Coffee in research technical studies.
- Perform agronomic technical visits and provide technical consultancy for improving coffee quality and quantity produced.
- Promote the project business model within the international business community for project upscaling and replication.

International Coffee Organization (ICO):

The International Coffee Organization (ICO) is the main intergovernmental organization for coffee, bringing together exporting and importing Governments to tackle the challenges facing the world coffee sector through international cooperation. Its Member Governments represent 98% of world coffee production and 67% of world consumption. The ICO's mission is to strengthen the global coffee sector and promote its sustainable expansion in a market-based environment for the betterment of all participants in the coffee sector. It makes a practical contribution to the development of a sustainable world coffee sector and to reducing poverty in developing countries by:

- enabling governments and the private sector to exchange views on coffee matters, market conditions and trends, and coordinate policies at high-level meetings
- developing and seeking finance for projects that benefit the world coffee economy
- promoting coffee quality through a Coffee Quality-Improvement Programme
- promoting market transparency by providing a wide range of statistics on the world coffee sector

²⁶ <https://www.illy.com/en-us/company/store-events/press/press-releases/worlds-most-ethical-companies-2018>

²⁷ *Base on the previous activities performed under the UNIDO project 130144, the "in kind contribution" can be valued as 40,000 EUR for the scholarships and 110,000 EUR for the other activities which includes the utilization of experts, premises and the organization of ad hoc events such as workshop, study tours and visibility initiatives.*

- developing coffee consumption and markets for coffee through innovative market development activities
- encouraging the development of strategies to enhance the capacity of local communities and small-scale farmers
- promoting training and information programmes to assist the transfer of technology relevant to coffee
- facilitating information on financial tools and services to assist producers
- providing objective and comprehensive economic, technical and scientific information on the world coffee sector.

In this context, the project will utilize some of the services offered by the ICO especially for promoting the project business model among its member states (replication) as well as for involving additional donors and business partners on this initiative (upscaling), and for promoting an inclusive and sustainable development of the international coffee market. Furthermore, ICO expertise on markets and data collection will be relevant also for this project implementation. UNIDO and ICO has signed a Joint declaration during the event EXCO2019 held in Rome the 16 of May 2019.

The Organisation for Economic Co-operation and Development (OECD): OECD will work in close coordination with the project team for piloting of the Impact Standards for Financing Sustainable Development both at project and investment proposals levels (i.e. to investors in set up a good impact management system to plan, track and report on their impact and to help the overall project to set up an impact management system to monitor the impact of the overall portfolio). Moreover, recognizing the need of financial resources for achieving the SDGs, the project team will work in cooperation with OECD for facilitating the operationalization as well as promoting the “Blended Finance Principles for Unlocking Commercial Finance for the Sustainable Development Goals”.

UN Capital Development Fund (UNCDF): UNCDF has been present in Ethiopia since 1982, executing local development and financial inclusion programmes to provide financial services and endorse economic activities at the local level. Today, UNCDF offers catalytic finance models that unlock public and private resources in “last mile” environments, especially at the domestic level, to reduce poverty and support local economic development.

Cassa Depositi e Prestiti (CDP): within the framework of CDP’s initiatives for development cooperation, the institution will support the project in identifying and including guarantee systems in the project (e.g. inclusifi and archipelagos financed by the EU External investment Plan). Moreover, the Institution will work in close cooperation for facilitating the implementation of different initiatives such as: exploring and promoting financial blending opportunities, contribute to the finalization of the project operational manual, contribute to the finalization of the soft loan to be provided to the GoE, define and promote the project business model in other context and sectors, etc.

Bocconi University – SDA Bocconi: SDA Bocconi School of Management regularly appears in the most prominent rankings, which cover its areas of expertise in economics and management, and more generally the social sciences. Established in 1971, SDA Bocconi offers one of the largest portfolios of open programs designed to hone managerial skills and develop a strategic vision. SDA Bocconi ranks among the top 10 Business Schools worldwide for Custom Programs, a high-impact, tailor-made training co-designed and developed with businesses, corporations and institutions based on their specific needs and objectives. In this context, the project can utilize SDA Bocconi experience for performing a series of initiatives such as: design custom programs and activities for supporting Institutional capacity

enhancement in finance and management; develop ad hoc studies and publication in synergy with UNIDO concerning the project model and results²⁸, etc.

F. BUDGET²⁹

Detailed in Annex 4

G. MONITORING, REPORTING AND EVALUATION

The Project Steering Committee (PSC) will be responsible for the overall supervision of this Project. The PSC will meet twice a year, and more frequently if required by its members, to validate selected proposals, review progresses etc.

At project level activities shall be monitored and supervised by UNIDO project team in coordination with the project partners and donor. Generally, monitoring and evaluation will be carried out using key performance indicators on the level of project outcome and outputs respectively. The indicators and their means of verification are included in the LOGFRAME.

The monitoring of activities against the work plan, financial disbursements, and reporting to partners will be the responsibility of the UNIDO backstopping officer, who will prepare 6-monthly narrative progress reports on project activities detailing progress achieved in terms of the scheduled program of work and outcomes, the problems and constraints emerging over the period, and recommendations for correcting them. Each report will be sent to the donor, with copies being sent to the national counterparts for their information, review, and recommendations for any appropriate action that needs to be taken. A final report will be provided within six months of completion of the project.

The project will report also on the UNIDO's integrated results and performance framework (IRPF) and will conduct internal project assessments for reporting on lessons learned. The project will contribute to the agr department human resource responsible for this exercise.

H. PRIOR OBLIGATIONS AND PREREQUISITES

The joint support of the GoE (MoF), ECTA and CBE is the *condition sine qua non* for the successful implementation of this project proposal. The active participation of the private sector represents an asset for the project effectiveness and sustainability.

I. LEGAL CONTEXT

The Government of the Federal Democratic Republic of Ethiopia agrees to apply to the present project, *mutatis mutandis*, the provisions of the Standard Basic Assistance Agreement between the United Nations Development Programme and the Government, signed on 26 February 1981 and entered into force on 5 November 1984.

J. ANNEXES

²⁹Budget Explanatory note in Annex 5.

Annex 1 Logical Framework

OBJECTIVE, OUTCOMES, OUTPUTS	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
<p>OBJECTIVE: Increasing of volumes, quality and value of the Ethiopian coffee to contribute to SDG 9.3.2: <i>Proportion of small-scale industries with a loan or line of credit</i></p>	<p><i>SDG 9.3.2: Proportion of small-scale industries with a loan or line of credit Increased value addition (proxy):</i></p> <ul style="list-style-type: none"> • <i>ECO.1 Number of firms with economic gains (additional sales, savings) AND (whenever data are available)</i> • <i>ECO.1 Cumulative economic gains (\$ of additional sales and savings) realized by firms</i> <p><i>Increased exports:</i></p> <ul style="list-style-type: none"> • <i>ECO.3 Number of firms with an increase in exports AND (whenever data are available)</i> • <i>ECO 3 Cumulative amount (USD) of additional exports realized by firms</i> 	<p>National and international statistics, Reports Project survey SME records</p>	
<p>Outcome: A responsive framework for enabling the development of private sector initiatives operating in the Ethiopian coffee value chain is established with the project Institutional counterparts</p>	<p><i>POL.3 Number of guidelines adopted by relevant actors</i> <i>INV.2 Number of projects or businesses financed</i> <i>INV.3 Value (\$) of new investments leveraged</i> <i>GOV.1 Number of institutions established or strengthened</i></p>	<p>Policy and investment records National statistics on coffee export National law (incl. GoE directives) Statistic of the coffee exporter association and ECTA International Statistics (e.g. ICO) Project assessment CBE loans reporting and statistic</p>	<p>The GoE supports the project implementation. Political stability and security. National financial stability. Relative stability of coffee prices in the international market The local private sector has the right incentives for investing in the coffee value chain. GoE effectively regulates incentive distortions of the coffee sector (i.e. trading companies involved in coffee export for forex earning only) GoE supports the creation of a conducive environment to private investments. COVID 19 impact remains stable and does not stop project operations.</p>
<p>Output 1. Project management, monitoring and reporting are established</p> <p>Output 2. The project is implemented and public private stakeholders operating in the coffee sector are supported</p> <p>Output 3. Monitoring and Evaluation are conducted</p>	<p><i>TCO.1: Number of capacity building activities provided (data will be disaggregated by gender with a target of gender parity)</i> <i>CPO.1: Number of global fora, workshops/ side events organized (panellists/trainers will follow gender parity)</i> <i>TCO.3 Number of toolkits and guidelines produced</i></p>	<p>PSC minutes ECTA Technical and financial reports Public private project counterparts' information/interviews</p>	<p>Donor commitment ensured and installments provided on time. All the institutions involved in the project maintain their commitment and collaborate for ensuring the project success. The Government of Ethiopia and Commercial Bank of Ethiopia support the creation of the coffee credit line as well as the right incentives (e.g. limited interest rate and a certain % of forex availability). The international coffee stakeholders support local investment initiatives. CTC premises remain available for project purpose Ethiopian coffee production pattern remains stable Data availability and security clearance Natural disasters and climate change are not seriously affecting coffee production.</p>

* *In Italic: indicators related to the UNIDO integrated results and performance framework (IRPF). These indicators have been elaborated by the Organization for planning, reporting and management purposes.*

Annex 2 Gender Matrix

Phases	Description	Possible Gendered Outputs	Possible Gender Indicators	Indicative Gender Outcomes
<u>Project initial phase</u>	Detailed Action plan are prepared for each output. Project Implementation Unit and office are set up.	<ul style="list-style-type: none"> • Sex disaggregated data and gender information for the project implementation phase are collected. • Consultation with women producers and entrepreneurs are undertaken continuously. • Dialogues are facilitated among key stakeholders from government, civil society, private sector and community leaders to discuss gender implications of the project initiatives. 	<ul style="list-style-type: none"> • # of reports produced. • # of gender impact assessments undertaken. • # of activities planned for supporting gender mainstreaming. • # of gender specific targets included in the framework. • # of specific recommendations for equitable access to benefits for male and female producers and entrepreneurs. • # of dialogues on gender implications of the project's processes facilitated. 	<ul style="list-style-type: none"> • Policy makers and enforcers make use of gender sensitive information for decision-making. • Women entrepreneurs have increasing access to productive assets and market. • Opportunities for women and men to benefit from the selected value chains of intervention are more equitable.
<u>Implementation phase</u>	Implementation of the action plans prepared and endorsed by the PSC.	<ul style="list-style-type: none"> • Monitoring system, with a clear Gender matrix is set up. • The plan of actions for the project implementation has to take in account technology transfer and capacity building activities target female and youth, in synergy with local institutions. • Training materials and infrastructures are developed/provided in synergy with the local institutions taking into account the women needs. • Strategies are identified to improve equitable employment and income opportunities for female and male workers. • Encourage all stakeholders involved to offer equal opportunities for female and male professionals involved in the project. 	<ul style="list-style-type: none"> • # of gender analysis/assessments carried out with participation of all partners. • # of female-owned business applying for receiving technology and trainings. • # of women entrepreneurs and managers engaged in project activities. • # of measures taken to support women's and men's professional to be involved in the project initiatives. 	<ul style="list-style-type: none"> • Women's income increase. • Working conditions for women improve through application of appropriate technologies. • Employment opportunities for women increase.

Annex 3 Official Request and Supporting Letter



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ETHIOPIAN
COFFEE AND TEA AUTHORITY



የጥር : ኢ.ት.ቡ.ጥ.ዳ.ዳ. M-001/2432
Reference No
16 JAN 2019
Date

Aurelia Patrizia Calabrò
UNIDO Representative and Director of the Regional Hub
in Ethiopia
INECA Compound, Congo Building, 3rd Floor
P.O. Box 14771
Addis Ababa

Subject:- Request for TA for drafting of Project Proposal to upscale project effectiveness and impact also through the establishment of innovative financing schemes

The Ethiopian Coffee and Tea Development and Marketing Authority presents its compliments to the United Nations Industrial Development Organization (UNIDO) and expresses its appreciation for the successful implementation of the project "Improving the Sustainability and Inclusiveness of the Ethiopian Coffee Value Chain through Private and Public Partnership", financed by the Italian Government and implemented in partnership with illycaffè and Ernesto illy Foundation under the supervision of the Ethiopian Coffee & Tea Development & Marketing Authority.

The project contributes to increase the livelihood of smallholder farmers as well as to create income generation opportunities in the project areas. In this context, and following the successful implementation of the partnership approach, we would welcome a UNIDO technical assistance project proposal for upscaling project effectiveness and impact also through the establishment of innovative financing schemes.

The aim of the proposal should focus on boosting investments in the coffee sector for increasing coffee production and quality as well as for improving socio-economic conditions especially in the rural areas.

The Ethiopian Coffee & Tea Development & Marketing Authority remain at disposal of the UNIDO technical team for contributing in the formulation of the technical project document.

C.C

HE Ato Sani Redi,
State Minister for Agriculture, FDRE Ministry of Agriculture
Addis Ababa

Sincerely,

Adugna Debela Bote (PhD)
Director General



+251- 115314006 +251- 011 8333915
info@ethiocta.gmail.com
BUNNA ENA SHAI BLDG
Addis Ababa, Ethiopia

Fax: +251-115-31-40-97
5131
www.ethiocta.gov.et

ቁጥር Ref No 01/AT/201/115
ቀን Date May 14, 2020

Ministry of Finance
Addis Ababa

The Ethiopian Ministry of Agriculture presents its compliments to the Ethiopian Ministry of Finance and has the honor to submit to your kind attention the project proposal entitled: *“UNIDO de-risking model for a long-term sustainability of the Ethiopian coffee sector”* developed by the United Nations Industrial Development Organization (UNIDO) and the Ethiopian Coffee and Tea Authority with the support of your Ministry and the Commercial Bank of Ethiopia (CBE).

This Ministry considers this innovative initiative in line with this Ministry’s strategy and vital for ensuring the growth of the Ethiopian coffee sector. Moreover, the proposal is in line with the *“Ethiopian COVID-19 multi sectorial preparedness and response plan”* recently published. In fact, the proposed action represents an immediate response to the risks associated to COVID-19. In particular, as described in the above-mentioned document: *“Income from cash crops such as coffee and chat could also decrease significantly if there is a decline in exports. This will affect not only cash crop producers, but also workers in the sectors, who risk losing their jobs. A reduction in foreign income will impact both rural and urban households”*.

Italian Development Cooperation showed interest in sponsoring this pilot initiative both with a credit line (soft loan) of 10 million EUR – to be opened for the Ethiopian Ministry of Finance – and a grant to the project of 3 million EUR.

In this context, the Ministry of Agriculture has the pleasure to transfer herewith the project documentation for your kind reference and is requesting the Ministry of Finance to discuss with the Italian Development Cooperation the possibility to secure the above-mentioned funds.

Looking forward to receive a positive feedback from you, please receive my Best Regards.

Sincerely,


Oumer Hussien
Minister



CC:

Dr. Adugna Debela, Director General, Ethiopian Coffee and Tea Authority
Mr. Tiberio Chiari, Head of the Italian Agency for Development Cooperation
Ms. Aurelia Calabrò, UNIDO Representative
Addis Ababa

Annex 4 Budget Explanatory note

Budget Lines	Description	Year 1	Year 2	Year 3	Total	Expl. Note
Outcome 1						
Output 1						
1100	Staff & Intern Consultants	280,000	280,000	280,000		International project personnel, management, monitoring and reporting and ad hoc expertise
1500	Local travel	12,000	12,000	12,000		Monitoring missions, project staff travels
1600	Staff Travel	2,000				UNIDO HQs staff or UR travels
1700	Nat.Consult./Staff	75,000	65,000	65,000		National project personnel and ad hoc expertise
2100	Contractual Services	380,000	12,000	12,000		Contractual services required for finalizing and operationalizing the operational manual (incl. web application), Promotional events (e.g. ICO) , investment criteria definition (e.g. OECD), Monitoring, publications, etc.
4300	Premises	8,000	8,000	8,000		Office rent
4500	Equipment	13,000				Office equipment (e.g. laptop, desks, printer)
5100	Other Direct Costs	10,519	10,000	12,000		miscellaneous (e.g. vehicle operations and maintenance, communication and printing and translation and other miscellaneous expenses/utilities)
Output 2						
2100	Contractual Services	60,000		26,000		Monitoring tool, ad hoc institutional training, ad hoc events and promotion of the funding opportunity through media networks
3000	Train/Fellowship/Study	20,000		10,000		including meetings, workshop, study tour
5100	Other Direct Costs	15,675	11,097	13,097		miscellaneous incl. direct support costs related to the project implementation
Output 3						
11-00	International Staff		20,000			Indipendet evaluation international expertise
15-00	Local travel		5,000			independent evaluation travels
17-00	National Staff		15,000			independent evaluation national expertise
Total		876,194	438,097	438,097		
	Programme Support Costs 13%	113,905	56,953	56,953		
	Grand Total incl. 13%	990,099	495,050	495,050		
	1% Levy	9,901	4,950	4,950		
	Total Contribution Including 1% Levy	1,000,000	500,000	500,000		

Annex 5. UNIDO Technical Assistance in each component of the business model

1. Proposals Identification Platform

UNIDO Technical assistance will be provided to set up a Proposal Identification Platform (PIP) within the responsible Institution/Authority whose main task is to identify, select and develop financially viable funding proposals presented by the local private sector, which respond to the needs and priorities of the Ethiopian coffee sector. In particular, the three target investment areas in the coffee sector of this initiative are:

- 1) production and productivity,
- 2) processing and value addition (including marketing, logistics and services),
- 3) quality.

Funding proposals presented should integrate their investment intervention with socially and environmentally inclusive project components to be detailed by the Operational Manual³⁰. Here below some indications should be taken into consideration while defining the Operational Manual.

The composition of the PIP will be defined in partnership with the GoE, but in principle it should include technical experts from the ECTA, CBE, international credit guarantee provider and UNIDO. The identification of investments proposals shall be done on a competitive basis through call proposals (timing to be defined). Local private sector (exporters, processors, cooperatives, unions, growers, traders, exporters etc.) shall submit their investment proposals in a pre-defined format (to be defined during the Program preparatory phase), outlining the key aspects of their projects. In order to be eligible for selection under the present initiative, an applicant:

- Must be a natural or juridical person duly established, incorporated or registered under the laws of Federal Democratic Republic of Ethiopia (e.g. as a profit or non-profit entity);
- Must be and remain registered with tax authorities;
- Must be and remain in compliance with applicable laws and regulations including, without limitation, laws and regulations concerning public health and safety, occupational health and safety, and environmental protection; and,
- Must not engage at any time in Restricted Activities.

The PIP selection process will be defined within the operation manual. Following this, the proposals will be evaluated, selected and ranked. Generally, sustainable investment proposals are expected to³¹:

- Contribute to develop the coffee sector in the three key investment areas (see above);
- Be technically and financially viable;
- Demonstrate measurable sustainable social and environmental impact³²;
- Count on a competent management team;
- Promote value chain integration, quality coffee production;
- Facilitate the export market (especially focusing on quality export in order to contribute to the enhancement of the Ethiopian coffee international recognition³³);

³⁰ UNIDO ENVIRONMENTAL AND SOCIAL SAFEGUARDS POLICIES AND PROCEDURES (ESSPP) should serve as a reference for the operational manual definition. Moreover, the Environmental and Social Framework (ESF). As of October 1, 2018, the ESF applies to all new World Bank investment project financing. World Bank involvement in the operational manual definition would be an asset.

³¹ Further guidelines on project selection have been indicated in the chapter Project Guidelines

³² Environmental and social safeguards will be designed into the selection process and considered for each investment decision taken. Moreover, any resulting project will undergo a separate E&S screening.

³³ In Ethiopia coffee sector is highly export oriented. Some producers and exporters utilize coffee only for foreign currency generation and then they reinvest it in other businesses. In this context, certain actors export low quality coffee at low price (even lower than the international market price) just for collecting hard currency. In doing that, they are damaging the international recognition of the

- Improve rural livelihood (contributing to the GoE efforts for developing rural areas and reducing internal migration flows e.g. urbanization);
- Create decent jobs (especially for youth and women)³⁴.

Screening measures will be placed to ensure that investment proposals that do not comply with national labor laws or technology solutions with potential adverse impacts on the human health and the environment are not selected. Where applicable, life cycle assessment of the solution will be conducted, to ensure no negative environmental impact over the lifecycle of the selected solution. Environmental and social expert will be engaged to assess the potential environmental and social risks of the selected solutions, and Environmental and Social Management Plans for each demonstration will be developed if required.

Technology selection criteria will include replication potential, environmental and social impact potential, including job creation. Screening measures will be placed to ensure that companies that do not comply with national labor laws or technology solutions with potential adverse impacts on the human health and the environment are not selected as partners. Where applicable, life cycle assessment of the solution will be conducted, to ensure no negative environmental impact over the lifecycle of the selected solution. Environmental and social expert will be engaged to assess the potential environmental and social risks of the solution, and an Environmental and Social Management Plan will be developed if required.

Once investment proposals are selected and ranked, the key task of the Proposals Identification Platform is to conduct a proposals verification (evaluation) and ensure the development/modification (if required) of full-fledged business plans that shall be financed by the Commercial Bank of Ethiopia under the project credit line³⁵.

The PIP shall undertake an in-depth analysis of each initiative in order to assess its feasibility, its full compliance with the selection criteria and to identify risks and areas, if any, where support is required. In particular, the evaluation shall look at the inclusiveness and sustainability of the proposals, their economic, social and environmental impacts. Commercial Bank's expert will evaluate the financial aspects of the proposal: borrower's business, its credit history, cash flow, capital endowment, collateral etc...

In this phase, the UNIDO and the PIP shall also (if required and in line with budget management) **define the Technical Assistance requirements** of each proposal in the implementation phase, with two main purposes:

- 1) *Ensuring a positive development impact of the proposal*; in this case the rationale for the technical assistance is to complement a worthy initiative by the private sector by strengthening its positive impact on the social and environmental context.
- 2) *De-risking*; the technical assistance can be utilized as a risk management tool, in order to ensure bankability of proposals with a considerable development impact that, for the high risks involved, might not be financed by the Commercial Bank under normal circumstances.

The activities to be performed will be tailored to the context and typology of the selected investment proposals and presented for approval to the **Project Steering Committee (PSC)**

Ethiopia coffee, thus, they are indirectly damaging the sector contribution to the local economic growth. For this reason, a strong selection on the investments projects should be undertaken as well as a goodreward (in terms of investment facilitation for forex collection and TA) should be reserved to the entrepreneurs that contribute to the Country positive image worldwide.

³⁴ *PIP shall take into consideration the checklist for age disaggregated data collection not only at investment project identification phase but also during the TA project formulation (if required).*

³⁵*In this phase, the PIP shall establish a collaborative relationship with the applicants, based on transparency and mutual understanding. It shall provide assistance to the applicants, if need be, deploying technical experts advising about all aspects of the business plan (finance, marketing, production etc..), in order to ensure, to the extent it is reasonably possible, the development of solid investment proposal. In this perspective, this task is an important de-risking tool aimed at providing confidence to investors (Commercial Bank and credit guarantee provider) and at preparing a successful implementation.*

together with the business plans.. The amount of financial resources for TA dedicated to each proposal must be appropriate to:

- 1) the potential development impact of the proposed activities, in particular on smallholder farmers and rural communities;
- 2) the size of the loan requested.

Another de-risking tool that can be employed in this phase is building partnerships with international buyers or actors higher up in the coffee value chain. These partnerships can take different forms depending on the situation and actors involved, but in principle they should provide a direct or indirect guarantee on the loans extended to the local companies undertaking the investments. It can be a direct guarantee, if the international company is willing to enter into the lending agreement between the Bank and the borrower with a partial guarantee scheme, or it can be an indirect guarantee, if the international company enters into a supply contract with the local company (value chain financing) or provides in-kind support for the proposed activities.

The process will end to the PSC and, if approved, to the Bank for financing. The Commercial Bank of Ethiopia has the power to approve or reject lending to a proposal and sets the loans conditions.

The UNIDO technical assistance will be mainly provided for:

- a) Definition of the format and submission modalities and timelines for the investment proposals;
- b) Definition (ToRs preparation and validation) and establishment of a local Proposal Identification Platform within the responsible Institution/Authority;
- c) Selection of the investment proposals portfolio to be financially supported by the credit line;
- d) Support the applicants throughout the definition, improvement or fine-tuning of the investment proposal;
- e) Definition of the ToRs for the technical assistance required for supporting the investment proposal implementation as well as for monitoring it;
- f) Support applicants in building partnerships with international value chain actors;
- g) Presentation of the investment proposal ideas and the related technical assistance initiatives (e.g. trainings, technical know-how, advisory services) to the PSC for approval (project technical assistance strictly linked to the investment approved);
- h) Submission to the bank.

2. *Funding Proposal Financing and Monitoring*

Within this project component, the intervention logic is aimed to:

- effectively mobilize domestic resources to selected investment proposal to enhance sustainable development of the coffee sector;
- maximize the use of potentially available external concession loans and assistance;
- continue to push and increase export earnings to successfully and sustainably resolve the prevailing foreign exchange constraint threatening the halt economic growth and the attainment of Ethiopia's vision (IMF 2018).

In this context, the Project will:

- a) Identify Local Financial Institution;
- b) Facilitate the establishment of a forex Credit Facility through a Credit line specifically dedicated to the bankable funding proposals identified and assisted by the Project;
- c) Facilitate the definition of a de-risking system with the involvement of the international private sector;
- d) Facilitate financial closure;

e) Monitoring, Reporting.

Local financial institution

The financial sector, particularly the banking system, is one of the most sensitive sectors in developing countries, whose success or failure could have wider ramifications for the economy. Development banking is one of the most important sectors for the government to realize its long-term vision therefore, there is a need to include in the banking strategy the participation of more diversified actors, including the private sector and or a more effective and selective approach to development banking³⁶. With reference to the financial sector in Ethiopia, in terms of efficiency and allocation of resources to economic sectors, banks continue to show strong improvements. Moreover, they contribute to the Country macroeconomic stability and growth.

Following the instructions received by MoF and officials from the PM Office and NBE, the local financial institution that has been preliminarily identified with the local authorities for the purpose of this initiative is the Commercial Bank of Ethiopia³⁷. In order to take part in the Program, the CBE will have to formally express interest in engaging in coffee sector lending and commit to utilize funds according to the principles, rules and procedures detailed in this Document and in the Operational Manual (to be defined in the project initial phase). In addition, it will have to agree and show capacity in terms of branch network, adequate staffing and readiness to make policy adjustment, in order to engage in lending to coffee sector as defined under this initiative.

Additional requirements (such as, but not limited to, profitability, liquidity, credit risk exposure, non-performing loans ratio, organizational structure, environmental and social risk management system, etc.), will be set in the Operational Manual and monitored by the Program Steering Committee³⁸.

Fund flow

If the economy does not redirect resources to development sectors, it will remain trapped in a vicious circle of poverty. In this context, the project supports the GoE in mobilizing and redirect resources to bankable and sustainable private sector initiatives identified by the present project.

The financial resources for the Credit Facility will be provided by the Government of Italy through lending agreements with MoF: funds will be transferred in a dedicated foreign currency account either at the National Bank of Ethiopia or at the Commercial Bank of Ethiopia (CBE) (depending on the arrangement between Donor and MoF). In the first case, MoF is the first borrower that on-lends the funds to CBE, the second borrower. In the second case, CBE acts as the first borrower of the international funds with a guarantee from MoF. In both cases, CBE manages the credit line as part of its assets, and resources are utilized exclusively for the purposes and with the modalities set out in the Operational Manual (to be developed during the Project preparatory phase). Conditions of the loans to MoF and/or CBE will depend on the Donor-MoF lending agreement.

The final borrowers of the credit line are the owners/subjects selected by the Proposal Identification Platform whose investment proposals are approved by the Project Steering Committee and by the Commercial Bank of Ethiopia. Loans repaid by the final borrowers to CBE will be channeled back in the credit line and re-invested in new coffee sector proposals identified by the PIP, until repayment to the MoF/Donor is due.

Loans conditions

³⁶The Oxford Handbook of Ethiopian economy, 2019

³⁷CBE is the largest government owned bank. It has successfully managed to open different branches even outside Addis Ababa.

³⁸ The Environmental and Social Framework (ESF). As of October 1, 2018, the ESF applies to all new World Bank investment project financing. This should serve as a reference for the operational manual definition. World bank involvement in the operational manual definition would be an asset.

As mentioned above, CBE has the final financing decision on each proposal and sets the loans conditions (amount, duration, interest rate, repayment schedule). As far as **interest rates** are concerned, CBE has on average lower rates compared to the Ethiopian market context³⁹. In addition, the project TA and monitoring, as well as the promotion of supply contracts among private stakeholders (national and international) should provide reasonable confidence to the bank for investing also in long-term proposals with acceptable interest rates.

In terms of **duration**, the portfolio mix should in principle include short-, medium- and long-term investments in order to optimize risk and liquidity management of the credit line. The relative weight of each category will be defined by the PIP in agreement with the CBE during the project initial phase and will be part of the **Operational Manual**. However, it is important to consider that access to finance is particularly problematic for those enterprises with medium/long-term investment plans, because of the higher risk involved in this kind of projects and for the liquidity constraints of the Ethiopian banking system.

Collateral requirements should be kept as much as possible low, working with CBE on portfolio risk management (through dedicated technical assistance), with a careful selection process (through the PIP) and with the utilization of alternative collaterals that are being tested and regulated in the Ethiopian financial sector.

Finally, access to **foreign exchange**⁴⁰ should be facilitated for those approved investment proposals requiring import of machineries and other assets from abroad. Forex availability is a critical constraint in the Ethiopian context, forcing businesses in waiting lists of up to 1 year to get access to the needed hard currency for their imports. Therefore, it is essential (also for promoting the project itself among the local private sector) to ensure that hard currency can be disbursed directly in hard currency if required by the investment proposals selected, in order to avoid delays in the implementation⁴¹. It should be noted that this instrument will be aimed at supporting the export of coffee, which is one of the main foreign currency generator commodities for Ethiopia (the possibility to provide foreign currency should be verified by the MoF with the NBE).

During the project preparation the component related to the **loan size**, the maximum amount financed under this initiative should be 2 million euro, while the minimum could be 100,000 euro (to be verified by the initial assessment as well as by the PIP and PSC based on the proposals received). Investments requiring higher amounts will be selected and supported but will be presented to other financial institutions (e.g. IFC) for funding.

TA implementation, Monitoring and Reporting

A key component of the credit facility is monitoring the investments during the implementation phase. UNIDO will be in charge of monitoring and reporting on the technical (UNIDO project) and financial aspects of each lending operation to the PSC. Moreover, UNIDO will implement and monitor the activities of the Technical Assistance approved by the PSC and the investments technical performance, while CBE will monitor loan disbursement, utilization by the borrowers and repayment.

Credit line monitoring reports will be provided quarterly to all Project stakeholders (MoF, Donor, Coffee Authority, international bank managing the guarantee fund), outlining disbursements and repayments occurred, new loans approved, portfolio composition and performance, non-performing loans.

³⁹During the assessment mission in February 2019, 1 year loan rate was 11.5% at CBE, 3-4% lower than the market level. Saving account rate was 7%

⁴⁰“There is growing evidence that inflexibility in the foreign exchange market has been negatively affecting in the long term growth projects in the country. The country remains less competitive in the international markets and the foreign exchange market imbalance loomed large. Again this signalled a need perhaps to inject some form of flexibility in the foreign exchange market or at least to push for a major export earnings drive”. *The Oxford Handbook of Ethiopian Economy*, 2019.

⁴¹It needs to be checked with procedure of National Bank of Ethiopia.

Aggregated monitoring reports will be produced semi-annually with information on the technical and financial performance of the whole credit line including the technical assistance.

The technical assistance will be mainly provided for:

- a) Set up the credit line Operational Manual, monitoring and reporting system;
- b) Assist CBE in setting up a dedicated team and provide training on the credit line rules and procedures;
- c) Assist in selecting and monitoring investment proposals;
- d) Definition of *ad hoc* technical assistance when required by the investment selected;
- e) Implement, monitoring and reporting the technical assistance activities approved by the PSC;
- f) Implement the M&E mechanism.

3. Institutional Support, Promotion and Global Partnership

The aim of the intervention is not only to improve businesses within the coffee value chain but also to ensure that supporting institutions and mechanisms are developed/improved so that stakeholders will be able to rely on locally available resources in the future. The technical assistance, then, will be provided in the form of institutional support (e.g. within the ECTA for promotional capacity, project identification and monitoring, etc.) studies, communication and knowledge sharing. In particular:

- a) Strengthening capacities of all local partners involved in the project (Coffee Authority, MoF, Commercial Bank of Ethiopia) in order to successfully manage all project components (investment identification, credit line management, monitoring etc.);
- b) Promote the project business model with the involvement of public private partners including academia;
- c) Support the training projects of the Coffee Training Centre (CTC) established within the Coffee Authority;
- d) Support the Jimma Coffee Research Institute (JARC);
- e) Promote the involvement of the international private sector and partnerships for the CTC improvement and facilitate the connection between the CTC and local coffee stakeholders (in synergy with the Coffee Authority);
- f) Improve Coffee Authority capacity to promote the Ethiopian coffee sector (including its specialty coffee) and contribute to enhance the Ethiopian coffee international recognition (participation in international events, organization of promotional events, study tours in PPP approach);
- g) Support Coffee Authority/Local Institutions in performing market and sector analysis;
- h) Monitoring, reporting and contribute to enhance Private - Public policy dialogue for improving the Ethiopian coffee value chain.

Another important objective of the technical assistance will be the involvement of local and international private sector in all aspects of the Project through various forms of collaboration and partnerships. In general, the Project will act as a catalyst of international partners both private and public in order to:

- a) involve the private sector in the identification and support of bankable proposals in line with the international markets standards;
- b) leverage resources for the credit line;
- c) facilitate the transfer of technologies and know-how, especially replicating success cases or successful experiences implemented by private partners in other similar context (e.g. environmental practices, technology and technical advice, management practices, etc.);
- d) promote the bankable proposals within the international business community active in the sector in order to facilitate possible joint venture or partnerships;

- e) improve market access for the local coffee sector, in particular for the premium quality;
- f) promote the project approach for duplication and scale up;
- g) promote necessary reforms and value chain improvements in order to have in place framework conditions that are conducive for doing business and investing.

Annex 6 Project Guidelines

In order to implement effective interventions with a significant impact on the creation of employment and economic opportunities, the identification of bankable proposals in the identified sector of interventions is a priority for the project implementation. The main criteria for identifying the bankable proposals will be defined in synergy with the counterparts during the assessment and in close coordination with the local institutions.

Nevertheless, it is important to consider the following guidelines:

- a) Existence of interventions focusing on job creation and value and supply chain development, in order to build on previous activities' achievements;
- b) Expected performance of an enterprise in addressing poverty reduction (especially in the rural areas);
- c) Being part of Government socio-economic development plan: the investment area should be part of the on-going strategic development plan of the Government of Ethiopia;
- d) Employment: employment and wage levels, particularly for youth and women. Scale, as measured by the number of farmers and workers reached by an enterprise;
- e) Size of the business and its relevance to the target group: how labour-intensive is the business activity? What is the percentage of youth (women and men) and women working or potentially working in the enterprise and related businesses? How many smallholder farmers will/can be actively involved? How many rural households will directly and indirectly benefit from the proposal activities? By answering these questions, it will be possible to understand whether an activity is relevant for achieving certain employment creation and rural livelihood improvement objectives.
- f) Work upgrading potential: after assessing the size and relevance of a business, the general characteristics of the business should be assessed together with its potential for change towards the objective of decent work.
- g) Intervention impacts: the potential to stimulate positive change in the value-chain needs to be assessed.
- h) Expected performance of an enterprise in addressing environmental vulnerability.

Along with the definition of the evaluation criteria, the preparatory phase of the project will require the elaboration of an application format and business plan format that enterprises will have to utilize to submit their investment proposals. This will be done in collaboration with the CBE in order to include the common terms/aspects requested by their usual due diligence work. In general, businesses provide the following information⁴²:

- a) Proposal description (including proposed location, land, power supply, transport links, etc.)
- b) Proposal implementation (the development background, proposed contracts structure and contractor review, etc.);
- c) Technology review and feasibility analysis;
- d) Operation and maintenance review (operating budget, maintenance plan, the operator review, etc.);
- e) Proposal cost and schedule review (total proposal cost, progress and schedule review, project risks review, etc.);
- f) Environmental and social impact assessment (the ESIA report, the permitting and approvals, the environmental management plan, the benefits to the society, etc.);
- g) Government support (e.g. tax policy, the foreign exchange regime, subsidies, the policies sustainability, investment environment, etc.);

⁴²Source: China Exim Bank experts. Due Diligence general requests.

- h) Market (market review, target markets, end user demand, market dynamics, market price review and forecasting methodology, domestic and international competence analysis, market risks analysis, etc.);
- i) Financial model review (e.g. basis and methodology, base case definition and review, sensitive case studies and results, etc.).

For facilitating impact investing the proposal will be best served when investors are clear about their goals, expectations, risk tolerances, return requirements, and desired impact outcomes.

Besides the above, other issues could be addressed within the due diligence work such as the validity and capability of the borrower and sponsors, the validity of the proposal, the political and economic situation of the country, the guarantee structure (if any, the validity and value of the pledged assets) and so on.

Finally, the initial phase of the project will focus on preparing the Operational Manual of the credit facility, which will have to provide details on fund flow, roles and responsibilities of the fund manager (CBE), reporting requirements, decision making procedures and criteria for proposals financing. A separate financial agreement between the donor/MoF and CBE will set the financial conditions for the resources provided, along with definition of tranches and revolving modalities.

Annex 7 Communication strategy

A specific budget has been allocated for ensuring project communication objectives such as:

- Publicise the financing opportunity among Ethiopian coffee sector;
- Ensuring project ownership by all stakeholders;
- Promoting and advocating the project and its results among project beneficiaries, stakeholders, development partners and a wider audience, thereby increasing impact and visibility for the project itself, the donor, MoF as the country focal point for the project, and UNIDO as the lead implementing agency;
- Disseminating information on project activities to react to, support and benefit from current and new developments and projects and initiatives in Ethiopia in a timely manner, and build synergies with other projects and initiatives whenever possible;
- Facilitating project coordination and monitoring among stakeholders; this includes communications related to the operational aspects of the project and to its day-to-day management, as well as forward planning, strategic guidance and navigation.

UNIDO, as the project lead implementing agency, manages the overall project communication and visibility strategy in synergy with the PSC. The role of AICS will be highlighted in all project communications. Communications on specific project activities and events, as well as project reporting, are managed by UNIDO according to its responsibilities for project implementation. The project's communication principles are listed here below:

- Tailor communications to audiences according to the specific objectives for each target group;
- Ensure partner visibility of AICS, GoE, and UNIDO; and manage project communication along UNIDO, AICS and GoE corporate/organization-wide communication guidelines and requirements. All training and communication materials developed under the project should appropriately display the names and logos of the donor, GoE, and UNIDO. Materials used for events should follow project guidelines to ensure full visibility for partners. This includes event projects, invitation letters, brochures, banners, badges, nameplates, PowerPoint presentations, certificates, any other as relevant;
- Project partners shall publicize the fact that activities take place within the context of the project. Information given to the media, beneficiaries and wider audience, all related publicity material, official notices, reports and publications, shall acknowledge that the activity was carried out within the context of the project.

Annex 8 Ethiopia a new horizon of hope, Office of the Prime minister of the FDR of Ethiopia, Nov 5, 2018

Ethiopia: A New Horizon of Hope



Points of Departure:				
<ul style="list-style-type: none"> Weak democratization and justice system Poor public service delivery Elevated risk of debt distress and low domestic resource mobilization Poor export performance and weak trade balance 		<ul style="list-style-type: none"> High youth unemployment Slow structural transformation of the economy Low productivity and traditional agricultural practices Poor quality and low inclusivity of the education Low access to energy and reliability 	<ul style="list-style-type: none"> Growing illegal activities (including contraband, illegal arms trafficking, displacement of citizens) Weakening values of togetherness, tolerance and national unity 	
Issues & Constraints		Key Facts & Challenges	Effects and Actions (2018-2019)	
Effects and Actions (2020)				
Democracy and Rule of Law	Justice and Democracy	<ul style="list-style-type: none"> Inadequate safeguarding of the freedom and wellbeing of citizens resulted in widespread popular protests Initiatives being taken the past 6 months to address these demands Deep-rooted undemocratic leanings and absence of strong institutions pose a threat to the new reform initiative Historical and current conflicts resurface and result in clashes and instability thereby threatening the safety of citizens 	<ol style="list-style-type: none"> Revise restrictive laws with a view to ensure compliance with pertinent human rights standards Build national consensus by preparing and starting implementation of comprehensive national roadmap for democratization and transition Reduce the incidence of communal clashes and violence, through the adoption and enforcement of a Hate Speech Law Take measures to enhance independence, impartiality and capacity of the judiciary and democratic institutions 	<ol style="list-style-type: none"> Guarante a level playing field and hold free, fair, and credible elections in 2020 Implement the national roadmap for transition & democratization and strengthen constitutional democracy Implement legal and related reforms to combat against human rights violations by law enforcement bodies Introduce an administrative procedure law and improve the rule-making procedures to enhance fairness, transparency and participation
	Public Service Delivery	<ul style="list-style-type: none"> Absence of a meritocratic system of hiring and retention of public servants Lengthy and exhausting procedures for government services including: for paying taxes, starting a business, municipal services, basic utilities, health services etc... Regulatory requirements are redundant, unrealistic, impossible/excessively costly to implement Poor working environment of public servants 	<ol style="list-style-type: none"> Develop and endorse a comprehensive public service reform roadmap Streamline and simplify procedures for starting a business Implement electronic filing and e-payment tax administration Simplify and optimize the process for issuing construction permits and property registration 	<ol style="list-style-type: none"> Completion and implementation of e-government services Implement a system to simplify the tax payment system Full roll-out of the civil service reform interventions
Job Creation and Competitiveness	Macro-economic Management	<ul style="list-style-type: none"> Persistent inflation Poor export performance Limited supply of financial services, foreign exchange shortage Elevated risk of debt distress 	<ol style="list-style-type: none"> Maintain fiscal deficit of 3% of GDP or lower Improve public investment management through greater prioritization of investment Maximize the involvement of the private sector in infrastructure financing through public-private partnership 	<ol style="list-style-type: none"> Maintaining fiscal deficit of 2.5% of GDP or lower by rationalizing government subsidy Improve debt policy management including stronger control on SOEs borrowing policy and achieve "moderate" risk of debt distress
	Productive Sectors (Agriculture, Manufacturing and Services)	<ul style="list-style-type: none"> 70 million Ethiopians are below the age of 30 Youth unemployment is especially critical in rural areas Agriculture is not modernized and not sufficiently linked with other sectors Traditional agricultural practices, limited use of irrigation and mechanization, limited inputs supply, poor utilization of water resources Growth in manufacturing industry, esp. agro-processing, is delayed due to a complex set of challenges 	<ol style="list-style-type: none"> Increase productivity by expanding irrigation in selected areas and modernize agricultural practices Support and enable investments in industrial parks and elsewhere to become fully operational Enhance the contribution of the service sector to the economy - with special focus on ICT and tourism sectors Complete agro-industrial parks and make operational; expand small and medium enterprises 	<ol style="list-style-type: none"> Increase the share of manufacturing export in total merchandise export to 15% Export ICT Service export by creating an ICT Cluster to young graduates Increase the number of transit tourist arrival by 80% by streamlining the visa regime and developing a Stop over Tourism packages Increase share of service exports Expand integrated agro-industry
	Export and Revenue mobilization	<ul style="list-style-type: none"> Total export of goods and services does not exceed 10% of GDP; significantly below 24% expected from a country the size of Ethiopia Export performance is alarming and declining—2.9 Billion this year against target of 8 Billion Narrow tax base, unfair tax system, high tax compliance cost, low tax collection 	<ol style="list-style-type: none"> Rationalize and improve tax incentives to increase and diversify exports Implement a system to effectively control contraband Review all tax break and incentive schemes and revise as needed Increase value-added exports in select agricultural products 	<ol style="list-style-type: none"> Increase share of exports to GDP to 15% Increase share of mining and manufacturing to total exports to 35% Finalize Ethiopia's WTO and CFTA membership Increase share of tax revenue to 15% of GDP Implement new system of VAT and excise tax
Enablers	Financial Sector	<ul style="list-style-type: none"> Poor financial infrastructure limiting availability of financial services Limited financing available to the private sector Poor financial inclusiveness and accessibility 	<ol style="list-style-type: none"> Develop a roadmap for introducing trade financing instruments including capital market Increase loans available to the private sector by 20% annually and ensure its fair disbursement Expand credit registry to MFIs 	<ol style="list-style-type: none"> Enhance the use of modern financial technology Establish a system enabling e-commerce and digital financing Introduce capital market
	Human Capital	<ul style="list-style-type: none"> Poor quality and accessibility of education High gender inequality Weak educational institutions Low rate of births assisted by health professionals Low rate of vaccination High rate of water borne diseases because of limited water supply & sanitation 	<ol style="list-style-type: none"> Implement the new education roadmap Improve the organization, quality and leadership capacity of the sector Promote private sector investment in primary education Devise a prevention oriented national health plan; expand access to balanced nutrition and clean water Expand health service coverage, improving quality of health services 	<ol style="list-style-type: none"> Implement programs to increase international competitiveness in quality of education Increase percentage of women in undergraduate programs to 45% Increase health professional assisted births to 90% Increase share of fully vaccinated children to 90% Increase clean water access to 80%
	Logistics	<ul style="list-style-type: none"> High cost of logistics undermining overall trade competitiveness Limited participation of private sector in the logistics supply chain Lack of modern systems and inefficient customs clearance procedures 	<ol style="list-style-type: none"> Launch a customs single window service Enhance private sector participation in the entire logistics supply chain Diversify Ethiopia's port access 	<ol style="list-style-type: none"> Cut import and export transit time by half Reduce the number of documents required for import and export by half Reduce the average dwell time of imported goods to 2 days in city ports Increase general cargo carried by multi-modal transport system coverage to 90%
	Electricity	<ul style="list-style-type: none"> Tedious and bureaucratic system, and an inefficient financial system crippling future prospects for sectoral development. Ethiopia's low tariff rates have resulted in increasingly high government subsidies Low electric supply and limited private sector participation in the sector has limited the competitiveness of the sector 	<ol style="list-style-type: none"> Implement a revised tariff scheme and alleviate financial distress Facilitate participation of the private sector in power supply 	<ol style="list-style-type: none"> Increase access to electricity to 50% Increase total installed capacity to 6,000 MW Reduce electricity wastage to 15%

Annex 9 Guiding Principles of the Integrated Safeguard Policy Statement

Compliance with national and international laws

UNIDO will not support activities that do not comply with applicable national laws and host country obligations under international law. UNIDO seeks to support governments to adhere to their human rights obligations and empower individuals and groups, particularly the most marginalized, to realize their rights and interests, and to ensure that they fully participate throughout the development and implementation of projects.

Transparency and inclusivity

UNIDO is committed to ensuring that throughout the environmental and social assessment process, the project development team engages in meaningful and transparent consultation with affected communities, particularly with vulnerable groups, to ensure that they can participate in a free, prior and informed manner in decisions about avoiding or managing environmental or social impacts.

Harmonization in multi-Organization projects

UNIDO is committed to maximizing efficiency and minimizing costs in complying with environmental and social safeguards. Accordingly, UNIDO supports harmonizing the implementation of safeguards procedures in multi-Organization projects. In projects that are co-implemented with multilateral and/or regional development banks, the banks' environmental and social safeguards procedures will apply. In projects co-implemented with other UN agencies, the project development team will lead discussions at country level to decide on the use of the most appropriate environmental and social safeguards procedures.

Gender equality

In accordance with the UNIDO Policy on Gender Equality and the Empowerment of Women UNIDO seeks to identify and integrate the different needs, constraints, contributions and priorities of women and men into its project designs. Where possible, UNIDO will enhance the positive gender impacts of projects by developing mitigation measures to reduce any potential gender-specific and disproportionate adverse gender impacts.

Labor Working Conditions

UNIDO anticipates and avoids adverse impacts on the health and safety of project workers and the surrounding community during the project life from both routine and non-routine circumstances. Furthermore, the Organization seeks to protect local communities from disease, hazards including natural disasters which may be exacerbated by project activities, or accidental collapse of project structures. This applies to all UNIDO projects where impacts to occupational and community health may arise from project related-activities. Particular attention is paid to vulnerable people including among others children, migrants and indigenous people. UNIDO will propose mitigation measures that favor avoidance of risks and impacts over minimization.

Climate resilience

UNIDO recognizes the importance of addressing both the causes and the consequences of climate change in its countries of operations. UNIDO engages, whenever appropriate, in innovative investments and technical assistance to support no/low-carbon investments and climate change mitigation and adaptation opportunities. UNIDO works with the project development team to ensure that supported projects enhance climate resiliency and avoid unwarranted increases in greenhouse gas emissions.

Annex 10 Checklist for age-disaggregated data-collection

Section 1: Basic age-disaggregated data		
Age:	From 15 to 24 years old	
	From 24 to 30 (up to 35 years-old)	
Gender:	Male	
	Female	
Location:	Urban	
	Rural	
Section 2: Labour market indicators		
	Employed	
	Unemployed	
Optional:	Underemployment	
	Working poverty	
	Informal employment	
	Not in education, employment or training NEET	
Section 3: Vocational training or skill development indicators		
Optional:	Soft and life skills	
	Technical and core skills	
	Job specific skills including ICT and digitalization	
	Business training	
Section 4: Entrepreneurial and self-employment type of intervention		
Optional:	Training on business management	
	Access to finance	
	Mentoring or coaching	
	Access to international trade networks and platforms	
	Support to start-ups/enterprise creation through incubation	
	Support to enterprise development to boost businesses growth, including through outside investment	
Section 5: Industries and/or sectors covered (more than one can be selected)		
	Manufacturing	
	Value chain development	
	Food security	
	Human security and/or youth in fragile situations	
	STEM and/or Industry 4.0	
	Green jobs and/or circular economy	
	Any other areas:	

Annex 11. Bennett hierarchy

Bennett level			Key Performance Indicators
1. Inputs	<ul style="list-style-type: none"> • <i>Staff time</i> • <i>Funding for the technical assistance component</i> • <i>Access to network of validated experts</i> • <i>Methodology (ToRs, Timeline, Template, Guarantee Scheme, Project Plan, Communication Strategy and Project Promotion, Monitoring System etc.)</i> • <i>Operational Manual for providing financing to the selected funding proposals and for the loan conditions</i> • <i>Coordination of the international stakeholders and establishment of a platform for facilitating inclusion of public private stakeholders</i> 	<ul style="list-style-type: none"> • <i>Staff time</i> • <i>Funding for the technical assistance component</i> • <i>Funding for the credit line</i> • <i>Establishment and promotion of innovative financial instruments to be financed by the private sector</i> • <i>Access to network of validated experts</i> • <i>Standardized Terms of Reference for accessing to the Project Identification Platform (PIP)</i> • <i>Methodology for multi-stakeholder engagement at Project Identification Platform (PIP) and Project Steering Committee (PSC) Level</i> • <i>Monitoring system for investment performance Reporting (both narrative and financial)</i> 	/
2. Activities	<ol style="list-style-type: none"> 1. Set up and equip the Project Implementation Unit (ToRs developed, recruitment conducted, project office, facilities and tools acquired); 2. Finalize the ToRs and establish the PSC and PIP; 3. Draft and Finalize the Programme Operational Manual that will include: <ol style="list-style-type: none"> a. Investments projects Identification and Submission methodology (e.g. submission of documentation online, via desk, IT block chain, selection criteria, etc.) b. Timelines (e.g. submission to the PIP, pre-selection, verification, possible modification, final awarding and submission to the PSC) c. Templates e.g. documents and information to be provided by the applicant related to the investment proposal, progress reports) 	<ol style="list-style-type: none"> 1. Promote the credit line within the Country in synergy with Institutions, development partners, private sector, CBE, NGOs, etc... 2. Launch call for proposals and investment proposals reception following the operational manual timeline; 3. Investment proposals pre-selection (based on defined eligibility criteria); 4. Investment proposals verification, potential modification/fine tuning (required or provided as a technical assistance); 5. Final selection of the proposals, clearance by the PSC and submission to the CBE for financing; 6. Define ToRs of technical assistance activities (when required) for supporting the cleared investments proposals (direct or indirect support, aimed at scaling up investment positive effects on the rural communities); 	

	<ul style="list-style-type: none"> d. PiP Selection criteria (including ESIA, bankability, gender assessment, socio economic impact, portfolio investment ratio etc.) e. Monitoring system for the supported investment proposals. <ol style="list-style-type: none"> 4. In cooperation with project partners (e.g. OECD) a monitoring system for the Impact Standards for Financing Sustainable Development is developed; 5. In cooperation with OECD pilot/incorporate the Impact Standards for Financing Sustainable Development both at project and investment proposals levels in order to set-up an impact management system to monitor the impact investments under the project portfolio (i.e. to support the investors to set up a good impact management system to plan, track and report on their impact, verification by independent party, disclosure and reporting, taxonomy, etc.) 6. In cooperation with the partners, to evaluate the possibility to include a portfolio guarantee system as well as feasibility of blending initiatives 7. Finalize the credit line in connection to the Programme Operational Manual 8. Evaluate the possibility to upscale the initiative to additional Ethiopian agribusiness sectors/commodities and conduct a value chain analysis 9. Organize specific trainings and workshops with the Institutions involved for facilitating programme implementation 10. Organize the PSC for the programme operation manual validation 11. In cooperation with the partners organize ad hoc events to promote the initiative to the local and international business community operating in the coffee, financial and development sectors 12. Establish a coordination mechanism with project partners for replicating the project business model and analyze lessons learned 13. Develop and implement a project communication strategy in cooperation with the partners 	<ol style="list-style-type: none"> 7. Submit the ToRs and the technical assistance activities proposed (action plan) to the PSC for approval; 8. Procure or directly implement TA activities as per PSC decision; 9. Monitor investments performance (e.g. in terms of coffee quality improvement, or coffee VC improvement), repayment, export (foreign currency generation), impact (in accordance with the M&E system); 10. Organize, in cooperation with the partners, Institutional capacity building initiatives and workshop (Coffee Authority, MoF, Commercial Bank of Ethiopia, MoA) for promoting lessons learned to be eventually considered for policy reforms 11. Support the Coffee Authority in utilizing donor bilateral funds (once transferred) for: 12. Ensuring continuous improvement and sustainability of the Ethiopian Coffee Training Center (CTC) 13. Promoting the utilization of the Coffee Training Centre (CTC) within the national and international stakeholders 14. Promoting the international recognition of the Ethiopian coffee sector (e.g. participation to relevant international events, workshops, etc.) 	
2. Outputs	Project management, monitoring and reporting are established	The project is implemented and public private stakeholders operating in the coffee sector are supported	<i>TCO.1: Number of capacity building activities provided (data will be disaggregated by gender with a target of gender parity)</i>

			<p><i>CPO.1: Number of global fora, workshops/ side events organized (panellists/trainers will follow gender parity)</i></p> <p><i>TCO.3 Number of toolkits and guidelines produced</i></p>
3. Engagement	<p>Ministry of Finance and Economic Cooperation (MoF)</p> <p>Commercial Bank of Ethiopia (CBE)</p> <p>Ethiopian Coffee and Tea Authority (ECTA)</p> <p>Ministry of Agriculture (MoA)</p> <p>Ministry of Trade and Industry (MoTI)</p> <p>Credit line provider and project donor</p> <p>Ethiopian stakeholders operating in the coffee value chain</p> <p>Project partners</p>		<p><i>REA.1 Number of actors reached:</i></p> <ul style="list-style-type: none"> • <i>People</i> • <i>Firms</i> • <i>global actors</i> <p><i>REA.2 Number of actors engaged:</i></p> <ul style="list-style-type: none"> • <i>Firms</i> • <i>Intermediary institutions</i> • <i>Government bodies</i> • <i>Global actors</i>
4. Reactions	<p><i>Consensus is built about the importance of creating an enabling environment for the Ethiopian coffee value chain development through: i) accelerating growth and development of the Ethiopian private sector (active on the coffee sector and related services); (ii) supporting local institutions in providing ad hoc technical and financial services.</i></p>		<p><i>REA.1 Percentage of actors satisfied with UNIDO interventions</i></p>
5. KASA (Knowledge, Attitudes, Skills, Aspirations)	<p>K: Key institutions are aware of the project objective and actively engage for its set up, promotion and implementation. Key Institutions are informed and reporting activity is conducted.</p> <p>A: Critical issues are considered in the formulation of project methodology and key institutions are aware of the policy-related bottlenecks that impede development of private initiative in the coffee sector</p> <p>S: Key institutions have skills to review/diagnose/ apply project methodology and strategy</p> <p>A: Key institutions are willing to receive training about the consolidation and promotion of the business model proposed by the initiative.</p>	<p>K: Key stakeholders, both public and private, have knowledge on the funding proposal approval process and actively engage manage all project components</p> <p>A: Key stakeholders are in agreement with the project model and welcome the coffee private sector initiative (both national and international)</p> <p>S: Key stakeholders have skills to contribute to the development of each segment of the value chain</p> <p>A: Key stakeholders wish to apply for the credit line facility to set up vibrant and reliable local coffee business.</p>	<p><i>KASA.1 Number of actors gaining awareness/knowledge on:</i></p> <ul style="list-style-type: none"> • <i>Best available technologies, best management practices and international standards</i> • <i>Good governance and institutional arrangements</i> • <i>Public and private investments gaps and opportunities, innovative financial instruments</i> • <i>International good practices in value chain operations</i> • <i>Product and process quality and safety in industry</i> • <i>Gender equality and the empowerment of women in the ISID context.</i> <p><i>KASA.2 Number of actors gaining skills on:</i></p> <ul style="list-style-type: none"> • <i>Best available technologies, best management practices and international standards</i> • <i>Good governance and institutional arrangements</i> • <i>Public and private investments gaps and opportunities, innovative financial instruments</i>

			<ul style="list-style-type: none"> • <i>Product and process quality and safety in industry</i>
6. Practice and behavior change	<i>A responsive framework for enabling the development of private sector initiatives operating in the Ethiopian coffee value chain is established</i>		<i>POL.3 Number of guidelines adopted by relevant actors</i> <i>INV.2 Number of projects or businesses financed</i> <i>INV.3 Value (\$) of new investments leveraged</i> <i>GOV.1 Number of institutions established or strengthened</i>
7. End Result	<i>To reduce poverty by Increasing of volumes, quality and value of the Ethiopian coffee to contribute to SDG 9.3.2: Proportion of small-scale industries with a loan or line of credit</i>		<i>SDG 9.3.2: Proportion of small-scale industries with a loan or line of credit Increased value addition (proxy):</i> <ul style="list-style-type: none"> • <i>ECO.1 Number of firms with economic gains (additional sales, savings) AND (whenever data are available)</i> • <i>ECO.1 Cumulative economic gains (\$) of additional sales and savings) realized by firms</i> <i>Increased exports:</i> <ul style="list-style-type: none"> • <i>ECO.3 Number of firms with an increase in exports AND (whenever data are available)</i> <i>ECO 3 Cumulative amount (USD) of additional exports realized by firms</i>