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UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION

ORGANISATION DES NATIONS UNIES POUR LE DEVELOPPEMENT INDUSTRIEL

TERMS OF REFERENCE

**FOR THE PROVISION OF SERVICES RELATED TO THE PREPARATION OF A FEASIBILITY
STUDY FOR THE ESTABLISHMENT OF A MILK PROCESSING FIRM AT THE YIRGALEM
INTEGRATED AGRO-INDUSTRY PARK IN ETHIOPIA**

1. General Background Information

The overall goal of the Government's Industrial Development Strategy (IDS) is to bring about the accelerated structural transformation of the economy through enhancing industrialization, raising the share of the industrial sector of GDP from the current 13% to 27% by 2025, and the GDP share of the manufacturing sub-sector from the current 6.8% to 18% by 2025. The industrial sector development, with a primary focus on light manufacturing (agro-processing, textile and apparel, leather and leather products), is at the core of GTPII. The Ethiopian Agro-Industry Strategy indicates a road map for the integration of smallholder agriculture and agro-industry and identifies the Integrated Agro-Industrial Parks (IAIPs) as the main tool to achieve agricultural modernisation and rural industrialization. The development of Integrated Agro-Industrial Parks (IAIPs) is prioritized in Ethiopia's national development strategy and is a core component of the current Growth and Transformation Plan (GTP II, 2015-2020).

Integrated Agro-Industrial Parks (IAIPs) are considered a vehicle for the structural transformation of the economy through the commercialization of the agricultural sector in that, each is served by a network of Rural Transformation Centers (RTC), which provide linkages to producers. Structural transformation will be driven by the development of the Ethiopian agricultural production system from its current fragmented and supply-driven practices, to one that is organized and based on quality and demand. Such a change will boost agro-processing and will help create employment and stimulate a shift in investment and human resources from agriculture to agro-industries.

The construction of four pilot IAIPs in Oromia, Southern Nations, Nationalities and People's Region (SNNP), Amhara and Tigray started in 2018 with funding from the central government to the four Regional Industrial Parks Development Corporations (RIPDCs) of 203 Million USD. In addition, there are several technical cooperation and development projects being implemented or designed to support the construction, management and operationalizing of the IAIPs, the development of agricultural value chains and promote sustainable and decent jobs in the communities where the IAIP/RTC are established.

The Special Initiative (SI) on Training and Job Creation is an initiative of the German government in response to youth unemployment challenges in Africa. Its goal is to create jobs for young people by promoting sustainable investment and private sector development.

2. Aim of the project

In Ethiopia, the Special Initiative (SI) is being implemented under the regional project titled "Inclusive and sustainable industrial development for job creation in Ethiopia and Senegal" and aims to increased employment opportunities in agro-industrial and allied sectors in country. The main areas of intervention are

- facilitating technology, innovation, skills and access to finance, for the growth of Micro, Small and Medium Enterprises (MSME) in the allied and auxiliary industries related to the Integrated Agro-Industrial Parks/ Rural Transformation Centers (IAIP/RTCs).
- supporting government institutions to promote both domestic and foreign direct investment in the Integrated Agro-Industrial Parks/ Rural Transformation Centers (IAIP/RTC) and allied industries and support the development of strong backward linkages between the investors in the parks and MSME outside the park, thereby fostering dynamic economic gains to the local and national economy.

By upgrading the livestock sector and addressing the dairy sub- sector, decent jobs can be created in the region. The livestock sector and related dairy industry in the country has high potential given its human and livestock populations, for food security, and jobs creation particularly among women and youth. The sector, however, is challenged by low productivity with demand for processed milk and traditional dairy products exceeding supply at certain times of the year leading to increasing imports. Conversely, at other times due to the approximately 200-day fasting periods, milk supply can exceed demand.

3. Scope of work

The company will conduct a feasibility study on the establishment of a dairy plant in Southern Nations, Nationalities and People's Region (SNNP) IAIP in Yirgalem. The milk processing plants feasibility studies will identify and analyze the economic, financial, social and environmental factors to be considered if milk-processing firms are to be established in these localities. The study will therefore identify and analyze:

1. **Market opportunities:** The market for milk and dairy products in: (i) SNNP region, (ii) Ethiopia as a whole, and (iii) export to nearby Sub-Saharan milk-deficit countries.
2. **The product mix:** what dairy products might be produced and sold from the facility
3. **Fresh milk availability and supply:** Captive production/milk supply area for the milk processing plant i.e. from what surrounding specific locations (e.g. RTC dairy hubs, cooperatives, private milk collectors and processors etc.) will raw milk be sourced for the Bure milk processing facility. Quantity of raw milk (in litres and liquid metric tons) available to be purchased on a daily basis for the facility.
4. **Operating capital requirements:** What operating costs would be required to source the raw milk and stock products for sale.
5. **Logistics:** Logistics for supplying milk to proposed plants and for distribution of products for sale.
6. **Labor:** Assess availability of labor both skilled and unskilled and identify the training needs.
7. **Investment outlay:** Provide an indication of the minimum investment required to establish an appropriately scaled milk processing facility at the two IAIPs. Provide investment options.
8. **Profitability:** What would be the minimal turnover for sales of milk and dairy products required to make the facility operate on a "break-even" basis and eventually on a profitable basis.
9. **Social impact:** What would be the social impact of establishing a milk processing facility at Yirgalem IAIP. For example, how many jobs would be created within the Yirgalem milk processing facility which might offer employment for residents of the rural communities around facility and, indeed, along the entire cow-to-consumer dairy supply chain. What special measures might be needed to ensure potential migrants and women and youth can access these jobs?
10. **Environmental impact:** What would be the environmental impact of establishing such a facility at the IAIPs. What measures, if any, might be required to minimize or ameliorate any potential adverse negative environmental impacts.

11. **IRR:** What kind of Internal Rate of Return (IRR) would be required to justify the business case for such an investment.
12. **Complementary or Ancillary investments in infrastructure:** What complimentary and ancillary infrastructure is required to ensure success of plant.
13. **Barriers and Risks:** What other barriers and risks – policy, legal, regulatory –could impede or adversely affect such an investment from going forward. And how might they be mitigated. For example, some countries in region.
14. **Tariff and non- tariff barriers to trade:** If tariff and non-tariff barriers should be applied to support the growth of the nascent dairy industries.
15. **Complimentary business:** Identify potential complimentary business and existing business around the two Industrial Parks that would benefit from the establishment of a dairy processing plant in Bure.
16. What existing local business around the two IAIPs sites might also benefit from the establishment of the facility.

4. Duration and location of contract

The starting date of the assignment shall be as soon as possible. The work foreseen is to be completed within a period of 4 weeks after signing the contract. The contract will be on a fixed-price basis. Completion of delivery of contracted services will be determined by UNIDO and will be based on adherence to specified deliverables stipulated in the Terms of Reference and contractor's proposal. The location of the assignment is at the Yirgalem Integrated Agro-industry Parks respectively in SNNP Region of Ethiopia.

5. Personnel in the field

A team leader with at least 10 years work experience in carrying out feasibility studies to be accompanied by an expert in dairy processing technology and agricultural economics.

6. Language Requirements

Fluency in written and spoken English is required.

7. Deliverables

Milestone	Deliverables	Submission Date
Feasibility Report	Feasibility study report with the following annexes Conceptual business plan; management and ownership models; NEWCO financials capex estimation, revenue projection, and profitability simulation and Investor profiling prospectus . Draft an investment prospectus and share with a shortlist list of likely investors including – regional companies and multinationals that have expressed interest in investing in Ethiopia; deep pocketed local conglomerates in related enterprises; regional and national government	

8. Contracting conditions

The price quoted in the contractor proposal shall cover all costs involved to perform the requirements specified in these Terms of Reference with the highest standard of quality and accuracy.

The detailed breakdown of costs should be provided. ***Bidders should quote in US Dollars*** and provide firm fixed prices

9. Evaluation Criteria:

Submitted offers will be evaluated in accordance with UNIDO procurement policy and guidelines. Based on the information completed in the technical proposal, the technical evaluation criteria shall be based on the following points:

- Qualification of personnel to be fielded that must comprise of: A team leader with at least 10 years work experience in carrying out feasibility studies to be accompanied by an expert in dairy processing technology and agricultural economics;
- All personnel fielded must be fluent in English;
- A minimum 10 years previous experience in conducting prefeasibility studies;
- CVs of proposed personnel to be attached;
- Demonstrated experience in working with multi-stakeholders including civil society, government institutions, and international organizations.

10. How to apply

Prospective companies should submit a technical and financial offer on the UNIDO procurement website <https://procurement.unido.org/>. Interested companies shall submit:

- Understanding of the requirements;
- Company's profile, including any recognized international certifications;
- Certificate of Incorporation/license;
- Capacity of Operations;
- Ability and Readiness;
- Duly completed and signed UNIDO Financial Statement;
- A technical and financial offer including a timeline for the activities;
- Provide a list of at least 3 completed relevant projects (i.e. location, type, impact, etc.);
- A list of at least 3 client references;
- Conflict of Interest Statement.