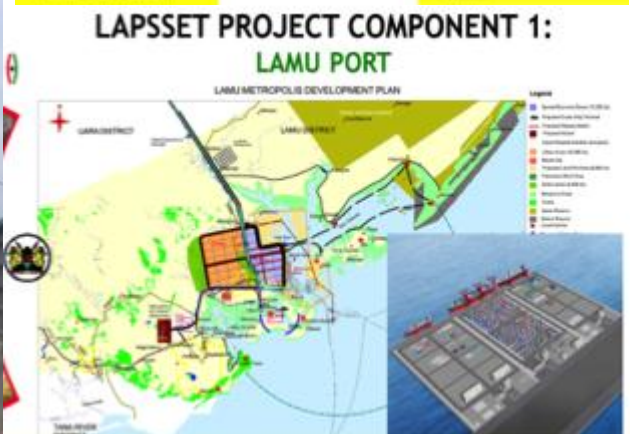
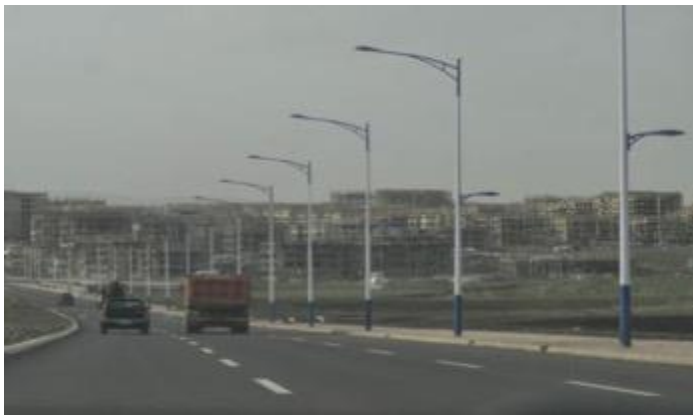




LAPSSET CORRIDOR DEVELOPMENT AUTHORITY



BRIEF ON LAPSSET CORRIDOR PROJECT

July, 2016

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1. BACKGROUND OF LAPSET CORRIDOR PROJECT

The LAPSET Corridor Program is a regional flagship project intended to provide transport and logistics infrastructure aimed at creating seamless connectivity between the Eastern African Countries of Kenya, Ethiopia and South Sudan. The project connects a population of 160million people in the three countries. Additionally, the LAPSET Corridor is part of the larger land bridge that will connect the East African coast from Lamu Port to the West coast of Africa at Douala Port.



The LAPSET Corridor is intended to operate as an Economic Corridor with the objective of providing multiple Eastern African nations access to a large scale economic trade system thereby promoting socio-economic development in the region. The LAPSET program consists of several subsidiary projects (“project components”) in Kenya, and in the region as follows:-

- I. **Lamu Port** at Manda Bay consisting of 32 deep sea berths;
- II. Interregional **Standard Gauge Railway** lines from Lamu to Isiolo, Isiolo to Nakodok (Kenya/South Sudan border) and Juba(South Sudan), Isiolo to Moyale (Kenya/Ethiopia border) and Addis Ababa (Ethiopia), and Nairobi to Isiolo;
- III. Interregional **Highways** from Lamu to Isiolo, Isiolo to Nakodok and Juba (South Sudan), Isiolo to Moyale and to Addis Ababa (Ethiopia), and Lamu to Garsen (Kenya);
- IV. **Crude Oil Pipeline** from Lamu to Isiolo, Isiolo to Nakodok and Nakodok to Juba (South Sudan);
- V. **Product Oil Pipeline** from Lamu to Isiolo, Isiolo to Moyale (Kenya) and Moyale to Addis Ababa (Ethiopia);
- VI. **International Airports** at Lamu, Isiolo, and Lake Turkana;
- VII. **Resort Cities** at Lamu, Isiolo and Lake Turkana;
- VIII. **Merchant Oil Refinery** at Lamu;
- IX. **High Grand Falls Multipurpose Dam**;
- X. **Fiber Optic Cables and Communication systems**

The LAPSSET Corridor consists of two elements; the 500 meter wide Infrastructure Corridor where the road, railway, pipelines, power transmission and other projects will be carried and the Economic Corridor of 50 km on either sides of the infrastructure corridor where industrial investments will be situated.

Implementation works have commenced for various components while other project components are currently at project preparation phase. Construction works are currently ongoing for the First Three Berths of Lamu Port, the Isiolo-Moyale-Hawassa Road (1000km) connecting Kenya and Ethiopia and power transmission lines connecting various key points along the corridor. Construction is soon commencing on the Lamu-Garsen Road (135km), Lokichar-Lodwar-Nakodok Road (334km) connecting Kenya and South Sudan. Project preparations are currently ongoing for Lamu-Garissa-Isiolo Road (537km), Nakodok-Torit-Juba Road (400km), Lamu-Isiolo-Moyale-Addis Ababa Product Oil Pipeline project and Lamu-Moyale-Hawassa-Addis Ababa Standard Gauge Railway project among others.

The LAPSSET Corridor Development Authority (LCDA), is charged with the responsibility of steering the LAPSSET Corridor Program and is working in conjunction with: The National Treasury - Ministry of Transport and Infrastructure - Ministry of Energy and Petroleum - Ministry of Lands, Housing and Urban Development - Ministry of Water and Irrigation – Ministry of Environment and Natural Resources - Ministry of Devolution and Planning - Ministry of Interior and Coordination of National Government - Ministry of Tourism - Ministry of Industrialization and Enterprises Development - Ministry of Agriculture, Livestock and Fisheries - Ministry of Defense among other agencies in the implementation of LAPSSET Corridor Program.

In Kenya alone, the seven key infrastructure project components of the **LAPSSET** Corridor Program require substantial amounts of resources to implement with a budget estimate of **US\$24.5 Billion**, equivalent to **Kshs. 2.4 Trillion** at current exchange rates in construction costs. It is estimated that Lamu Port alone with its 32 berths will cost approximately **US\$ 3.1 Billion**, the Railway **US\$ 7.1 Billion** while the Crude oil pipeline will cost a further estimate of **US\$ 3 Billion** for Lamu to Lokichar trunk line alone.

Currently, the Government of Kenya has prioritized four (4) priority projects that will serve as off-take for the rest of the LAPSSET Project components. These are:

- I. The 1st 3 Berths of Lamu Port
- II. Lamu – Witu – Garsen Road
- III. Lamu – Lokichar Crude Oil Pipeline

IV. Security along the corridor

The main objective of undertaking an integrated implementation of Lamu Port Project is to ensure that all activities of the four key project priority areas are undertaken in a coordinated manner, to improve efficiency in the utilization of the project funds and maximize the synergetic and complementary benefits from the implementation, and to improve the functionality of the individual projects after delivery. The Government is committed to delivering these four priority projects in the shortest time possible in order to jump start the development of the remaining LAPSSET projects and to give investors confidence in the program.

2. GROWING GLOBAL INTEREST STRENGTHENING LAPSSET CORRIDOR COMPETITIVENESS

The LAPSSET corridor was conceived with Ethiopia and South Sudan as partners. At the time, Kenya had not discovered oil and Uganda had not been factored as a potential partner. Since then, several events have unfolded, impacting on the project implementation dynamics, the most recent being the decision by Uganda to route its oil via Tanzania. This position however does not dampen the LAPSSET implementation prospects granted that the country has its own oil discoveries and further the renewed tranquility in South Sudan following the just concluded negotiations for formation of a new unity government.

The LAPSSET Corridor Project is the latest addition to the Presidential Infrastructure Championship Initiative (PICI) Project list. It was endorsed as a PICI project during the African Union (AU) Heads of State and Government Orientation Committee (HSGOC) meeting at the AU Summit held in June, 2015, in Johannesburg, South Africa. The admission of LAPSSET Corridor Project into the PICI gives the project the continental institutional and leadership approval and recognition which in turn strengthen investor confidence in the Project. The recognition also strengthens the prioritization of the LAPSSET Corridor Program in the government's development agenda and regional and continental infrastructure investment plan.

In addition, the LAPSSET Corridor Project was admitted as an African Union PIDA Project (Program for Infrastructure Development in Africa). This elevation paves way for prioritization of the project for support at the continental level through AUC/NEPAD for project preparation funding and implementation financing. This status also gives the

program sufficient mileage and exposure to attract Foreign Direct Investment (FDI) especially given the recent discoveries of oil, gas, rare minerals and coal in East Africa.

The LAPSSET Corridor Program was voted the best and winner of the Global Infrastructure Leadership Project of the Year 2016 Award under the Job / Opportunity Creation category at the award ceremony held in Washington, DC USA in March 2016. LAPSSET was honored for its potential in creating thousands of jobs and investment opportunities across Eastern Africa and impacting greatly on Kenya's wealth. The program also won the prestigious "Africa Investor Award 2016" for being "The Regional Infrastructure Investment Project Initiative of the Year 2016 in a ceremony held in Johannesburg, South Africa in May 2016. This award was presented to the LAPSSET Corridor Development Authority.

For the region, the program is intended to provide an integrated infrastructure corridor with focus on inter-connecting Eastern African countries of Kenya, Ethiopia, South Sudan and ultimately providing a land bridge across the entire Great Lakes region from Eastern Coast of Africa (Lamu) to Western Coast (Douala) Cameroon.

3. STATUS OF LAPSSET CORRIDOR PROJECT

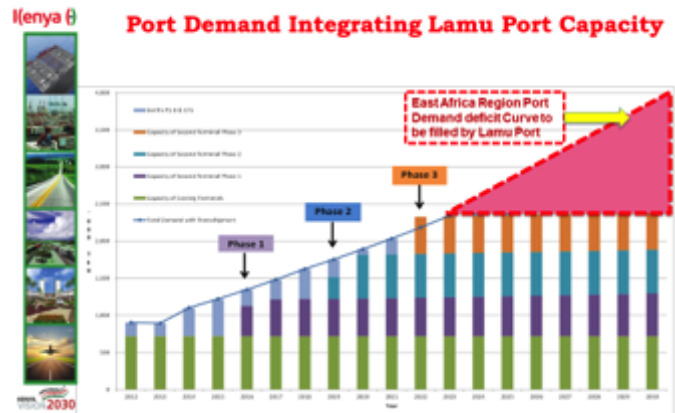
3.1 Lamu Port

The construction of the 1st three berths is ongoing with delivery times of 24 months of the 1st berth and 45 months for the next two at a cost of 44 Million US\$. To facilitate this, several preliminary and support infrastructure such as the Port headquarters, Port Police Station, Electric Power Connection to the National Grid and Water Reticulation Network were undertaken and are complete. Construction of the Port Management Housing Scheme is also ongoing. At the same time the government is structuring the remaining 29 berths to be concessioned to the private sector for construction and operations.



The sub projects are at various stages of implementation as elaborated hereunder:

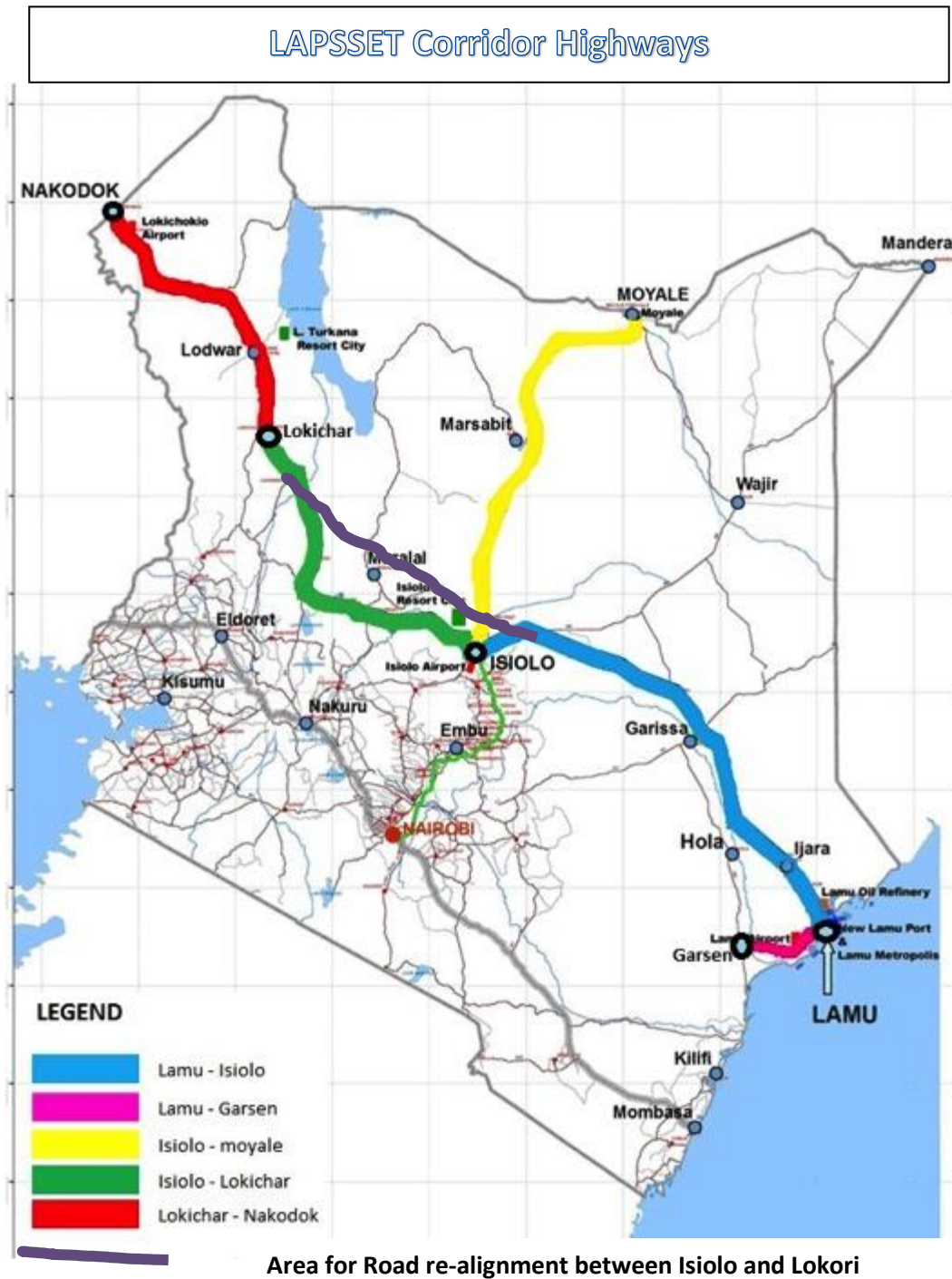
- i. Detailed Engineering Studies carried out for the 1st 3 berths which are now classified as a priority project for off-take of the rest of the project components.
- ii. Environmental and Social Impact Assessment study completed and approved in 2014
- iii. Construction completed at the Port site for the following preliminary facilities: LAPSSET Plaza (Port Headquarters), Port Police station, Electric Power connection to the national grid, and water supply to the port
- iv. Port Housing for management and security is still under construction with an estimated completion rate of 55%
- v. The contract for the construction of the 1st 3 berths was signed on the 1st of August 2014 with a Chinese EPC. The first berth is expected to be completed by 2018 while the remaining two are to be completed by 2020.
- vi. The Government plans to concession the 1st 3 berths to the Private Sector for operations in 2018. The remaining 29 berths will be concessioned to the Private Sector for both construction and operation.
- vii. Demand for port services in East Africa is on the rise and is expected to outstrip capacity in Kenya by 2022
- viii. Tender process to recruit a Transaction Advisor is ongoing. EOI process has been completed, and a request to the African Development bank for funding is ongoing.
- ix. Dredging to begin in August 2016.



3.2 Highways

In respect to the roads project, the 1566km Isiolo – Moyale – Addis Ababa section is 85% complete and is expected to be fully completed by December, 2016. Further, the 338 km between Lokichar - Lodwar-Nakodok section which borders South Sudan will commence construction in August 2016, and is expected will be complete within a period of 36 months. The Lamu-Garissa-Isiolo-Lokichar section which is 860km is under Detailed Engineering Design of which for the Lamu-Garissa section is complete and for the Garissa-Isiolo section will be completed by September 2016. Construction of the two sections is in the preparation stages and could commence in mid-2017 with mobilization of funds currently underway. To facilitate the initial and immediate off take of the cargo from Lamu port, the construction of the Lamu-Witu-Garsen road has been prioritized which will connect to existing roads infrastructure. Kenya has road and transport Agreements with the

Republic of Ethiopia and the Republic of South Sudan on the development of interregional highways under the LAPSSET Corridor Development Authority.



Below is a summary of the roads infrastructure projects progress on the Kenyan side.

Road	Sections	Distance (KMs)	Funding (Billions Kshs)			Possible Funding Sources	Completion Rate	Remarks
			Required	Available	Deficit			
Lamu - Garsen	Lamu – Witu - Garsen	112	8.4	-	8.4	GoK	-	Tendered and contract awarded to China Wu Yi
Lamu – Isiolo	Lamu - Garissa	537	TBD	TBD	TBD		-	AfDB currently supported the completed detailed engineering designs and feasibility studies
	Garissa - Isiolo						-	
Isiolo - Moyale	Isiolo - Merille	136	6.2	6.2	-		100%	The entire section comprising 513 Kilometers is about 97% complete. Remaining works are mainly civil.
	Merille - Marsabit	123	13.7	13.7	-		92%	
	Marsabit - Turbi	126	13	13	-		100%	
	Turbi - Moyale	128	12	12	-		96%	
Isiolo - Lokichar	Isiolo - Nginyang	400	TBD	TBD	TBD		-	AfDB is currently supporting detailed engineering designs and feasibility studies
	Nginyang - Lokori						-	
	Lokori - Lokichar						-	
Lokichar - Nakodok	Lokichar – Loichangamatak	40	50	50	-		-	Designs completed Tender process completed currently under review by World Bank (WB) Funded by EARTTDFP
	Loichangamatak - Lodwar	50					-	
	Lodwar – Lokitaung Junction	80					-	
	Lokitaung Junction - Kalobeiyei River	80					-	
	Kalobeiyei River – Nakodok	88					-	
One Stop Border Post	Moyale	N/A					95%	To be commissioned in the 2016/17 FY

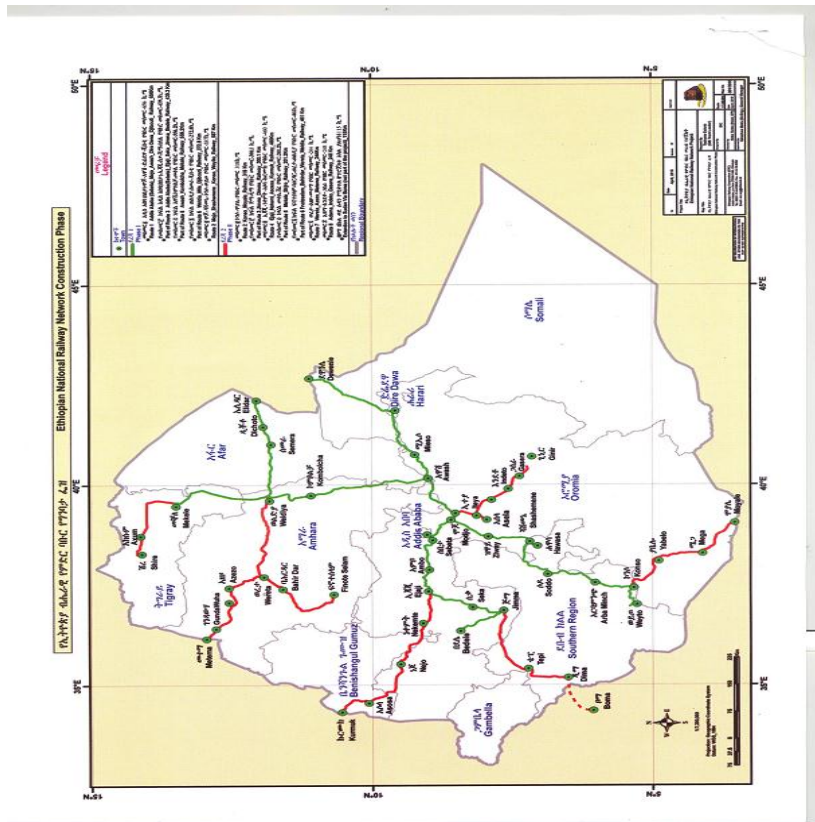
3.3 Interregional Standard Gauge Railway

The railway project preliminary designs are complete for the Kenyan and Ethiopian route and expected to proceed to the Detailed Engineering Design stage. The Government Kenya and the Government of Ethiopia have signed a Bilateral Agreement to jointly pursue the development of the LAPSSSET Standard Gauge Railway. A Memorandum of Understanding (MoU) has been signed between LCDA and Inter-Governmental Authority on Development (IGAD) to facilitate the financing of this stage through an Infrastructure Project Preparatory Fund (IPPF) available through the New Partnership for African Development (NEPAD).



The Government of Kenya undertook a due diligence exercise between 22nd and 31st May, 2016 on the China Civil Engineering Construction Corporation which undertook the feasibility study and detailed design on the LAPSSSET Corridor railway line on the Kenyan side. CCECC is the firm that is undertaking the construction of the 756 Km Addis Ababa - Djibouti railway line.

Maps the Ethiopia Railway Development Plan,



3.4 Crude Oil pipeline

The Crude Oil Pipeline Pre-Front-End Engineering Designs and Feasibility Study was completed in December 2015 and currently, the Front End Engineering Design (FEED) study is ongoing. This will be followed by the End Engineering Design (EED) before the Engineering Procurement Construction (EPC) tender for the pipeline construction is issued. The timeline for the construction of the crude oil pipeline from Lokichar to Lamu and the first oil flow is 2021/22.

3.5 Product Oil Pipeline

The Product oil pipeline is one of the 7 key infrastructure projects planned under the LAPSSSET corridor projects list. The project runs from Lamu – Isiolo – Moyale – Addis Ababa (Ethiopia), a distance of approximately 790 Kms. Considering that Kenya and Ethiopia are connected through road infrastructure, it might be strategic to fast track the construction of a product Pipeline connecting to Ethiopia which to-date does not have a product pipeline whose development is still at planning stage. Even though Ethiopia plans to build a product pipeline connecting to the Djibouti Port, Kenya still has the larger southern Ethiopia market which is the effective Kenyan Market to be served through the Port of Lamu. Djibouti Port is therefore effective for Northern Part of Ethiopia while Lamu Port is effective for Southern parts of Ethiopia which also happens to be the Ethiopian government's zone for investment focus. To commence and actualize this, LCDA held a meeting with the Ethiopian State Minister of Mines, Petroleum and Natural Gas (MoMPNG) during which it was agreed that a Bilateral Agreement be drafted and negotiated to provide a framework for implementation of this project. The Bilateral Agreement on the development and operation of the Lamu Port – Isiolo, Nakuru – Isiolo and Isiolo – Moyale – Hawassa – Addis Ababa Product Oil Pipeline was drafted and approved by the Attorney General on 17th June 2016. The Bilateral Agreement was then negotiated with Ethiopia during Bilateral negotiations held on 18th and 19th June 2016. The Agreement was then signed on 23rd June 2016 during the state visit to Kenya by Prime Minister of the Federal Democratic Republic of Ethiopia.

3.6 Airports

- i. Intermediary Airports have been planned at the three locations to build up air transport and logistics business case for the International Airports.
- ii. Preliminary facilities at Manda Airport in Lamu completed, including a 2.3Km runway and terminal building.

- iii. 1 Km runway completed in Isiolo. Construction works on the terminal building ongoing with an estimated completion rate of 80%.

3.7 Resort Cities

- i. Preparation for the master planning of the Lamu Resort city and Metropolis underway.

3.8 Electric Power Supply

- i. Construction of 220KV line from Rabai to Hindi in Lamu County completed.
- ii. Construction of a 33KV line to Lamu Port completed while another 33KV line to Lamu town is still under construction.
- iii. Lamu - Garissa - Isiolo - Lokichar 220kV transmission line is at the financial negotiation stage.
- iv. The government has awarded concession to Amu Power Ltd to construct and operate a 1000MW coal power plant in Lamu.

3.9 Land Surveying and Land Acquisition

- i. 28,000 Hectares of Land for the Lamu Port and associated infrastructure already allocated to the LCDA by the National Land Commission in 2016.
- ii. Survey of the Corridor is ongoing with the section between Lamu and Isiolo complete save for Boni forest. The section between Isiolo to Moyale is about 75% complete while the section between Isiolo and Nakodok has been put on hold to allow for finalization of the route plan. The survey plan for Lamu-Isiolo-Moyale has been submitted to the National Land Commission to facilitate land acquisition for the Corridor.

3.10 Transaction Advisory Services

Request for funding documents together with letters of support from the Presidency and from the State Department of Transport have been submitted to the National Treasury for onward transmission to the African Development Bank.

3.11 Strategic Environmental Assessment

- i. The Strategic Environmental Assessment (SEA) process is ongoing. Inception report already submitted to the Authority.

3.12 Security

- i. The Authority through the LAPSSSET Corridor Security Committee developed a Security Master plan which articulates the measures for securing the LAPSSSET corridor both at implementation and operation stage.
- ii. Security installations along the corridor to start being deployed in the 2016/17 FY.

3.13 Social Infrastructure and Services

- i. The government has commenced a comprehensive plan for the provision of social infrastructure and services to give the LAPSSET Project a human face.
- ii. Social infrastructure & services envisioned for improvement are schools, health centers, towns, and water and sanitation services, among others.

In Kenya, the project traverses 9 counties and the relevant data salient to those counties is presented below:-

Table 1: LAPSSET CORRIDOR COUNTIES POPULATION DATA

	County	No. of Households	Area in Sq. Km.	Urban	Rural	Total	2015 Projected Population
1.	LAMU	22,184	265.0	20,238	81,301	101,539	
2.	GARISSA	98,590	861.0	146668	476392	623,060	
3.	MARSABIT	56,941	653.0	64,009	227,157	291,166	
4.	ISIOLO	31,326	397.0	62,374	80,384	143,294	
5.	MERU	319,616	3,196.0	158503	1197798	1,356,301	
6.	TURKANA	123,191	1,520.0	121,719	733,680	855,399	
7.	SAMBURU	47,354	542.0	38664	185283	223,947	
8.	BARINGO	110,649	1,970.0	30973	524588	555,561	
9.	LAIKIPIA	103,114	1,023.0	99,117	300,110	399,227	
	Grand Total	912,965	96,252.0	742,265	3,806,693	4,549,494	

4. IMMEDIATE IMPACT OF ONGOING AND COMPLETED LAPSSET PROJECTS

4.1 Impacts of construction of Isiolo – Marsabit – Moyale A2 Road

Significant progress has been made on the ongoing construction of the Isiolo-Moyale A2 Road (508km) on the Kenyan side of the corridor and Moyale - Hawassa Road (495) on the Ethiopian side. The road is already registering positive impacts such as:-

- a. Travel time reduced from 3 days to about 10 hours and the transport cost for goods and services reduced significantly by elimination of sleep over's, wear and tear and other cost of vehicle maintenance. In addition, the road

infrastructure as resulted to change of the medium of transport changed from Lorries to busses, public service vehicles and personal cars.

- b. The Access to markets and cross border trade has significantly been enhanced since previously most goods used to originate from Ethiopia.
- c. Improved government services delivery by government institutions and agencies in the delivery of public services.
- d. Stabilization of security among communities: Stabilization of security among communities residing along the road has significantly increased. Inter-community conflicts have greatly.
- e. Improved maternal health care with referral cases fatalities reducing (According to report of County Stakeholders Consultative forum held in June 2015)
- f. Increased market access to goods and livestock produced from the region with access to Nairobi as a key market for the livestock produce being enhanced.
- g. Increased participation by locals in investing in the corridor.

4.2 Security

The LAPSSET corridor traverses areas hitherto considered as banditry and conflict prone. The current areas where the projects activities are active have seen great strides in respect to securitization of the area. Lamu has seen the security personnel increased and indeed has one of the most ultra modern police stations. In Marsabit County, the security agencies have reported they are able to respond timely to security threats and hotspots and the conflicts especially inter-community have significantly reduced. The reduced inter-regional and community conflicts have largely been reduced due to improved access to opportunities beyond the confines of traditional of means of livelihoods, mainly livestock keeping.

4.3 Increase in Land value and Emergence of new trade centers

There is visible increased level of economic activities along the Isiolo – Moyale road as observed during the Monitoring and Evaluation visits undertaken by the Authority and other implementing agencies. This is also true for other counties including Meru, Turkana and Lamu registering heightened investors interest. This has resulted to emerging towns and previously non vibrant town transforming and support facilities such as real estate, financial and hospitality sectors registering robust growth.

4.4 Employment

As pointed out in table II, the LAPSSET program has resulted to direct employment to over 1600 persons in the ongoing and completed projects. The projects implementation has provided sustainable employment to the local residents and is also facilitating skills transfer

especially in oil and gas sector, the civil engineering works and in vocational skills such as plumbing, welding, and carpentry among others.

4.5 Scholarships program

A critical component of the Corporate Social Responsibility of the LAPSSSET program is the provision of scholarships to needy and deserving students which was initiated through a presidential directive. The project to date has supported over 350 students to undertake technical skills and professional courses. This component is creating opportunities for the youths in Lamu to position them to competitively participate in the mega works of the port and other project components of the LAPSSSET program.

4.6 Impact of Electric power supply in Lamu

Lamu has for a long time relied on off grid power supply that was diesel generated. As outlined in the KETRACO ESIA Report of September, 2010, the possibility of connecting more households and institutions to the national grid have positive outcomes as follows:-

- i. Negative impacts associated with use of generator to produce electricity were be eliminated
- ii. There impact of reduced poverty and improved living standards within and beyond the area served arising from employment creation (direct and indirect) and increased investments especially in value addition processing of primary products;
- iii. Improved incomes and poverty reduction through provision of opportunities to invest in heavy industries and facilitate direct and indirect employment is envisaged;
- iv. The project resulted to employment generation and income opportunities for the contractor, construction staff, and other professional service providers;
- v. The locals employment as unskilled laborers during construction of the proposed transmission line;
- vi. New business opportunities for the local community leading to the establishment of new trade centers and the growth of the existing ones especially where the contractors established their camps;
- vii. Boost to the economy through investment and expansion of businesses and income generation opportunities leading directly to increased productivity and competition;
- viii. More households and institutions are provided with electricity thereby providing household level lightning system.
- ix. There is reduce power problems/outages especially in Lamu town and its environs;
- x. Improve security in the beneficiary communities through better lighting
- xi. It has boosted sectors like education; tourism; health and sanitation; water etc

Since getting connected to the National Grid, Lamu people and investors are now benefitting from the positive results mentioned above.

4.7 Opportunities in oil exploration activities

Oil exploration in Kenya has created huge impetus for the crude oil pipeline construction. The opportunities that have come with the upstream activities in respect to oil exploration have been noticeably. In 2015 alone, Tullow Oil undertook business with over 200 local companies worth KES 7.4 billion. The level of impact of these business engagements is epitomized in statements of success stories as contained in “TULLOW IN KENYA LOCAL CONTENT 2015” bulletin.

4.8 Tourism

The envisioned resort cities in Lamu, Isiolo and Lake Turkana and the construction of the road from Isiolo to Moyale and the airport in Isiolo and Lamu have great impetus for tourism in the LAPSSET corridor. The Mt. Kenya, Samburu, Meru, Aberdares and Marsabit National Parks as well as the wildlife conservancies within that region have benefitted a lot from the new road from Isiolo to Moyale.

Table 2: LAPSET CORRIDOR PROJECTS EMPLOYMENT STATISTICS

No.	County	LAPSET projects	Approx No. of persons directly employed	Status	Remarks
1.	LAMU	Port	220	On-going	At peak activities, the project will employ over 1,000 people
		Auxiliary components including headquarter, management housing, police station and perimeter wall	400	All completed except port management housing	Seventy people currently working in the management housing project
		Electricity power supply	120	Lamu is connected to the National Grid	Cost of doing business is expected to reduce because of the connectivity to electricity
		Expansion of Manda Airport	100	Extension of Runway and Terminal Building completed	Bigger aircrafts are using the airport and passenger traffic increased
		Water infrastructure – drilling and laying of pipes	50	Drilling of Boreholes and laying of pipes completed. Storage tanks installed	Water for domestic consumption and construction is now available to the people around the port site.
2.	Isiolo	International Airport	100	70% complete for phase 3	Commercial airlines to start using the airport by end of June
3.	Isiolo - Moyale	Isiolo – Merile Rd	800	100% Complete	Approx 800 workers were employed per contract section per month for four years. Approx 10% were women. Road currently in use
		Merile – Marsabit Rd	800	92% Complete	Same as above
		Marsabit - Turbi Rd	800	100% Complete	Same as above
		Turbi – Moyale Rd	800	96% Complete	Same as above
4.		Cross cutting project activities	0		
		Surveying consultancy	15	ongoing	
		SEA consultancy	15	ongoing	
	Turkana	Oil exploration	194	Ongoing	Out of the 194 persons employed permanently, 70% are locals and among them are 25 high technical professionals.
		Total	4414		

4.9 Opening New Growth Frontier in Northern Kenya

It is clear and obvious for the country to have sustainable development, a paradigm shift to move the country from the imbalanced economic premise to a more vibrant and inclusive foundation is required.

Although the country has concentrated investments in 30% of the country's land space it is not true that the remaining 70% of the country lack resources capable of contributing to the economy. Recent studies undertaken in Northern parts of the country decisively show the area is endowed with high value resource potentials like minerals, oil and gas which are capable of catalyzing high value investments as well as generating high value returns to the economy. This has been affirmed by Kenya **Vision 2030** blue print and articulated through various flagship projects aimed at spurring economic growth such as infrastructure development, ICT, high niche tourism products and new attraction sites, expansion and modernization of agriculture among others. A number of these flagship projects are to be implemented in the area previously categorized as being of low potential and constituting roughly 70% of Kenya's land mass.

The potential of these projects in turning round the Kenyan economic performance and providing relief to the over-stretched traditional production zones of our country is enormous. In particular, the 70% of the country located on the northern region is well endowed in oil and petroleum resources and other mineral deposits as recent discoveries in Turkana and Marsabit confirm. Similarly, there is a huge potential for undertaking massive and mechanized agricultural production which would not only ensure that the country is food secure but also lower the cost of living and further provide employment opportunities.

The projects mainly located but not limited to the Lamu Port - South Sudan – Ethiopia Transport (LAPSSET) Corridor Project covers over 12 counties and constitutes 7 key components. Apart from ensuring that about three quarters of the country is opened to high value investments, the projects will expand the revenue base and transform the Kenyan economy extensively. For instance, the construction of the Lamu port is expected to open trade opportunities in special economic zones and transport and logistics business. At the same time, the planned infrastructure development will reduce over reliance on the Northern Corridor, by creating a second transport and economic corridor which will facilitate trade and investment with South Sudan and Ethiopia. Other envisioned projects such as the resort

cities will open new tourist attraction sites and enhance the position of Kenya as a competitive destination of choice.

Similarly, the generation of power and provision of fiber optic will spur growth of new industries and service providers along the corridor creating employment, widening tax base and significantly enhancing revenue collection. Further, the High Grand Falls multi-purpose project will ensure large tracks of land are put under irrigation which will boost food self sufficiency and open up frontiers for value addition industries which will positively impact on the livelihoods of over 15 million people living in North Eastern, Eastern, Rift Valley and Coast regions.

The presence of high value resources within the pastoral regions such as oil and petroleum in Turkana and Marsabit if exploited would greatly enhance the country's resource envelope and provide a sustainable cure to some of the major negative external economic factors associated with international petroleum trade. Conservative projections based on median production capacity estimate petroleum component alone might inject between Kenya shillings 600 Billion and one Trillion annually in national revenue.

It is envisioned in the short run, the LAPSSET corridor project will **triple investment and employment space and opportunities in the country**, increase the **habitable and productive** area and drive the economy into **sustainable double digit growth**. The benefits to accrue to the nation in the long run are overly immense ranging from positioning Kenya as an economic power house in Africa, opening opportunities for trade within and without the country and **infusing new technology and skills** into the economy and more critical bring to reality the dream of a **social- economic rebirth of the Kenyan nation**. This growth will effectively dwarf the public wage bill, meet the demand for public goods and service which have for long had a cyclical effect on the ballooning recurrent expenditure.

The prospects of strategic expansion of production space can assure Kenya of sustainable economic growth and development and provide the right ingredients for propelling the country to achieve Vision 2030 and aspire to become a First World within a generation.

5. LAPSSET PROJECT PERSPECTIVES IN ETHIOPIA

5.1 Infrastructure

Ethiopia is currently undertaking significant investment on its side of the LAPSSET Corridor where it is constructing roads, railway, and industrial parks along the LAPSSET Corridor.

Roads

Ethiopia is undertaking constructing of 500 kms between Moyale and Hawassa city in south Ethiopia. Ethiopia has equally constructed a 6 lane motor between Addis Ababa and Modjo section of the LAPSSET Corridor. The motorway also connects Adama industrial park to the LAPSSET Corridor. This road projects complete the connection of the Ethiopian side of the LAPSSET Corridor to Addis Ababa city.

The road connects Kenya to key cities and industrial investment zones in Ethiopia. The road also traverses key agricultural production zones which are located on the southern part of Ethiopia. The key towns are Hawassa, Sheshemane, Yebelo, Mojo, and Weytu

Railway

Ethiopia is currently undertaking the development of its side of the LAPSSET standard Gauge Railway (SGR) line between Addis Ababa and Moyale in three different stages/phases. Construction of the Addis Ababa and Mojo approximately 120 kms is complete. Feasibility studies and preliminary engineering designs have been completed for Modjo- Hawassa – Moyale section. The government of Ethiopia has engaged the China Civil Engineering Corporation (CCECC) to undertake the construction of the section between Mojo and Hawassa as a matter of urgency to serve the Hawassa and Adama Industrial Park which are located along the LAPSSET Corridor on the side of Ethiopia. The government of Ethiopia is banking on the completion of the construction the 1st three berths of Lamu port to enable them justify the financing feasibility of the Hawassa to Moyale section.

The road and the railway are therefore key infrastructural development on the Ethiopian side of the LAPSSET Corridor linking Addis Ababa and Lamu Port with massive industrial parks currently under developed in Hawassa and Adama and the new Ethiopia sugar corporation which is being developed around Weito which is expected to position Ethiopia as the largest sugar producer in the African continent.

5.2 Lamu – Moyale – Addis Ababa Product Oil Pipeline

Ethiopia and Kenya signed a bilateral Agreement on 21st June, 2016 to construct a product oil pipeline from Lamu port to Addis Ababa to supply Ethiopia with product oil. The bilateral agreement therefore lays the foundation to build a product Pipeline connecting to Ethiopia which to-date does not have a product pipeline. Even though Ethiopia had previously planned to build a product pipeline connecting to the Djibouti Port, Kenya still has the larger southern Ethiopia market which is the effective Kenyan Market to be served through the Port of Lamu. Djibouti Port is therefore effective for Northern Part of Ethiopia while Lamu Port is effective for Southern parts of Ethiopia which also happens to be the Ethiopian government's zone for investment focus.

The southern part of Ethiopia which comprises of the Southern Region Oromia, and Somalia houses a population of approximately over 60 million. Ethiopia consumes over 700,000 tonnes of product oil per month hence proving a lucrative market for Lamu Port product pipeline and the railway.

5.3 Industrial

The Government of Ethiopia is currently undertaking the development of 15 large industrial parks spread out throughout the country's landscape. Three major industrial investments are currently under construction within the LAPSET Corridor zone. The industrial establishments are Hawassa Industrial park which will be completed and operationalized by December, 2016. The Industrial park will be the largest apparel industrial complex housing over 18 major textile and apparel industries relocating from different parts of the globe, mainly India, China, Korea, Europe and the Middle East. The Hawassa Industrial park will directly employ 50,000 workers on completion by end to 2016.

Adama Industrial park for textile, motor vehicle assembly and food processing currently being constructed is planned to host two major industrial establishments specialized in the assembly of construction equipment, motor vehicles and farm equipment ranging from earth movers, shovels, graders, tractors, lorries, and cars.

The government of Ethiopia is also currently undertaking the development of Ethiopia Sugar corporation at a cost of 2 Billion USD with the aim of being the largest sugar producer in the African continent. In addition, the government of Ethiopia has embarked on large scale

leather apparel production as part of it's livestock industry value chain. The leather apparel industry currently produces leather industrial inputs for production of leather ware among other leather products.

The supplies that will be used in the Adama and Hawassa industrial parks and the Ethiopian Sugar Corporation Industries and the products that will come out of the them will provide cargo that will be transported by rail and road along the LAPSSET Corridor and be handled by the Lamu Port.

Other Industrial parks include Bole Lime, Kilintoi, Jimma, Bahir Dar, Mekelle, Komboicha industrial park, and Diredawa industrial park. This sector therefore provides high potential investment opportunities for Kenya's private sector.

Table 1: List of industrial parks and Eligible industry in Ethiopia

No	Name of parks	Site & Location from Addis Ababa	Kms from Addis Ababa	Proximity to the port (Djibouti)	delimited land (hectare)	Phase I (hectare)	Eligible industries (only major ones)	completion period of Phase I
1	Addis Industry village	Addis Ababa	Addis Ababa	863	8.7	8.7	Apparel	operational
2	Bole lemi I	Addis Ababa	Addis Ababa	863	156	156	Apparel	operational
3	Bole lemi II	Addis Ababa	Addis Ababa	863	186	186	Textile & Apparel	2017
4	Kilinto	Addis Ababa	Addis Ababa	863	337	337	Food processing, pharmaceutical, furniture, house appliance, electronic & electrical	2017
5	Hawassa	South	275	998	300	100	Textile & Apparel	2016
6	Dire Dawa	East	473	380	1500	150	Textile and Apparel, vehicles assembly and Food processing	2016
7	Kombolcha	North-East	380	480	700	50	Textile & Apparel, Food processing,	2016
8	Mekelle	North	760	750	1000	50	Textile & Apparel, Food processing,	2016
9	Adama	South-East	74	678	2000	100	Textile & Apparel, vehicles assembly and Food processing	2016
10	Bahir Dar	North-West	578	985	1000	50	Textile & Apparel, Food processing,	2016/2017
11	Jimma	South-West	346	1098	500	50	Textile & Apparel, Food processing,	2016/2017

5.4 Agriculture

Ethiopia is currently pursuing an aggressive agricultural development policy that is promoting agricultural development through farming, agro-processing, and production of farm machinery, most of which are located at the southern part Ethiopia which is served by the LAPSSET Corridor. Among other agricultural development being pursued include livestock and beef production value chain, flowers and horticulture, and sugar and coffee. The agriculture sector therefore provides massive investment opportunities for the dynamic Kenya private sector.

5.5 Natural/ Minerals resources

Ethiopia is currently promoting exploitation of mineral resources such as iron ore, gold and oil and gas. Significant share of this investment are also located on the southern part of Ethiopia which is served by LAPSSET Corridor.

5.6 Tourism

The Ethiopian side of LAPSSET Corridor is endowed with rich and diverse flora and fauna ranging from National Parks, lakes, mountains, plains, valleys, forests, wildlife and people with a rich cultural heritage. Currently, a lot of Resort investments are found around seven lakes that line the LAPSSET Corridor area in Ethiopia. This unique environment provides a high potential area for Kenya private sector.

5.7 Trade and logistics

Connecting Ethiopia with Lamu port through rail, road and pipeline infrastructures opens unparalleled high potential investment opportunities for Kenyan private sector in road and rail transportation, commodities trading, industrial products, services sectors, telecommunications, and aviation industry.

5.8 Power and Energy

Ethiopia is currently pursuing an aggressive electrical power generation agenda with the ongoing development of major power production projects. For example, Ethiopia renaissance power project is planned to produce 6,000 MW while Gibe 3 project in Omo basin is planned to produce 1,500MW of power. The completion of these projects will actualize the plan in which Kenya envisages to import electricity power from Ethiopia.

5.9 Real Estate, Education and services sector

Ethiopia is currently pursuing an aggressive development policy in real estate development, financial service and human capacity development. The government of Ethiopia is currently promoting rapid urbanisation in all its cities across the country's landscape. Major urban infrastructure is currently under development in key cities like Addis Ababa, and Hawassa which are connected by the LAPSSET Corridor infrastructure.

A number of education institutions such as colleges and universities such as Hawassa University among a host of other establishments are also found along the LAPSSET Corridor. The colleges and universities provide a new training ground for Kenyan youth. The training

of the Kenyan youth in Ethiopia colleges and universities will be a key integration factor of the Kenyan and Ethiopia population and economies. It is important to observe that when youth are trained in a particular environment they tend to adapt to the subject environment hence providing the Kenya's private sector with an entry point into the Ethiopian market.

5.10 Significant And Notable Developments Along The LAPSSET Corridor In Ethiopia

The timely delivery of these LAPSSET Corridor Project Components will go a long way in opening new regional markets for Kenya, particularly in the population rich Ethiopia and the South Sudan. It is important to observe that through the ongoing construction of the LAPSSET Corridor Road linking with Ethiopia, Kenya has opened a new access to the vibrant Ethiopian market which has a population of over 90 million people.

The emerging scenario therefore, clearly indicates that the development of the proposed South Corridor through Tanzania will pose a strategic challenge to the competitiveness of Kenya's Northern and LAPSSET Corridors if not mitigated accordingly. The Addis Ababa - Djibouti Corridor is however considered to be complimentary to the LAPSSET Corridor considering that it serves the Northern part of Ethiopia while the LAPSSET Corridor serves the Southern part of Ethiopia. During the 13th Northern Corridor Integrated Summit, The government of the federal republic of Ethiopia expressed its commitment towards working with the government of Kenya to undertake the implementation of the LAPSSET Corridor Railway component. It is the considered opinion of the LAPSSET Corridor Development Authority (LCDA) that more attention and more resources be dedicated to the LAPSSET Corridor projects to speed up their delivery.

1. Hawassa City: General Background

Hawassa is a city in Ethiopia, on the shores of Lake Awasa in the Great Rift Valley. It is located 275 km south of Addis Ababa via Debre Zeit, 130 km east of Sodo, and 75 km north of Dilla. The town serves as the capital of the Southern Nationals, Nationalities and Peoples' Region, and is a special zone of this region. It lies on the Trans-African Highway for Cairo-Cape Town.

Hawassa is a young, 56 years old, city established with master plan in Ethiopia. Historically, before Hawassa took its present shape, its surrounding area was covered by forest that served as a shelter for wild animals. The early settlers were the Sidama and Oromos whose

lives depended on livestock rearing and cultivation. Ras Mangesha Seyoum founded Hawassa in 1960 under the permission of Emperor Haile Selassie.

Before 1960, the place was not inhabited by many people, but pastoralists used to graze their cattle around the lake. The existence of water throughout the year and the availability of grass for grazing the cattle steadily appealed the highlanders to visit the area regularly and at the same time people from different surroundings began to settle in the area that became Hawassa.

In 1961, 404 pensioned soldiers as well as their families were provided with plots of land to settle in the eastern part of the town. This is reckoned to have given an impetus to the growth and development of the town.

From 1960-1968, Hawassa served as the capital of a sub-administration of Yabella Wereda, and it was designated the capital of the then Sidamo province in 1968. Hawassa town began to be administered by a municipality in 1962. Hawassa town has got its name from “Hawassa lake”, which in the Sidama language stands for “large or wide water body”.

The first master plan of Hawassa was prepared by the Municipalities Department of the then Ministry of Interior, which served in guiding the development of the town until 1988 when another master plan was prepared by the National Urban Planning Institute (NUPI) in 1994. The Federal Urban Planning Institute prepared the current plan that is named as Integrated Development Plan (IDP) in 2006.

In its historical development, Hawassa was gradually developed to Municipality level in 1995.E.C. Since then, the municipality has been led by mayor, and accountable to regional government. The city administration has the following structure:

Currently Hawassa city consists of 8 sub cities and 32 villages/Kebelles each having its own administration offices.

- i. Misrak Sub city
- ii. Menaheria Sub city
- iii. Tabor Sub city
- iv. Mehal Ketema Sub city
- v. HaikDar Sub city
- vi. Addis Ketema Sub city
- vii. Bahel Adarash Sub city and
- viii. HawellaTulla Sub city

Hawassa can be considered as one of the best-developed cities in Ethiopia. So far there is remarkable progress in the socio economic development with integrated efforts of

government bodies, residents and other organizations in Hawassa and abroad since its establishment.

Hawassa has grown explosively in recent years. After 30 years of its establishment, Hawassa is serving as the capital of the Southern Nations, Nationalities and Peoples State (SNNPS) since 1991. The administration of the town has given prime attention to the development of infrastructure, construction, trade, and social services among others.

The region was chosen as an urban centre due to its natural beauty and attractiveness of the area around. The city thrives on tourism and is also earmarked to become an industrial zone for the Southern area of Ethiopia. An airport has recently been opened in the city further easing transportation in and out of the city.

The preference for Hawassa City

- I. The major economic activities in Hawassa city are tied to tourism, social services, consumer goods and other related services. The trends in the development of economic activities have been in continuous change in volume, type and mode of exchange.
- II. It is a major tourist centre in the southern part of the country, there are a number of tourists coming to Hawassa as destination or transit to other southern part of the country. According to the statistics of Hawassa city administration, the number of tourists who visited Hawassa in 2012/13 was 85,841. However, it is believed to be much more than this number currently.
- III. The other contributing factors in the city's socio economic activity are institutions of higher learning. There are more than 20,000 students in Hawassa University and more than 110,000 students in primary, secondary and technical and vocational colleges in Hawassa city.
- IV. The trends in consumer behaviour and tourism have been initiating demand based investments in Hawassa city. Major business related to manufactured goods and services was started by Arabs who emigrated from Dilla and settled around the area Arab Sefer which is now one of the busiest areas in the city.
- V. In Hawassa, Monday and Thursday are major market days where people from rural area and other wholesalers and retailers interact in open market around

Haik Dar sub city. There are also a number of wholesalers, building materials shops, transport service providers, machineries and other businesses.

- VI. There are two major open markets in Hawassa. These markets are busier on Monday and Thursday weekly. These open markets are ideal places to find fresh vegetables, fruits and other agricultural products. The major market around Arab Sefer is highly crowded and visitors need to have guides or someone to assist them in the markets.
- VII. Hotel and tourism, brewery, soft drinks factory, flour factories and food processing dominate the major investments that have been undertaken in the past years. These investments are contributing towards the shift of Business in Hawassa city from consumer small level sales to whole sale and manufacturing sector development. In the past years, most of consumer goods and household food items were majorly imported from the nearby areas such as Shashamane. In addition, heavy investments are contributing to value chain between local producers, markets and final users in the hotels for both local and international tourists.
- VIII. The major investments by government are dominated by infrastructure development and social services provision. These undertakings in infrastructure development and social services are mapped with the overall socio economic activities that are dominated in the city. These activities have been in progress till recent days expanding the horizon to include natural resource conservation and more peace and security aspects.
- IX. Hawassa has been preferred by many people to live due to its suitable weather condition, natural attractions, business and job opportunities, investment potentials and friendly community.
- X. Infrastructure, relatively good schools for children, its centeredness for regional political and socio economic activities and heterogeneity in residents are among the prominent factors making Hawassa an ideal place to live

2. The Hawassa Industrial Park

Hawassa Industrial Park is located 275 km from Addis Ababa. The construction of the US\$ 246M park known as Hawassa Industrial Park began after the signing of an agreement between Ethiopia and China Civil Engineering Corporation (CCECC). The mega project is focused on Garment manufacture and Agro-industry.

Development activities within Hawassa industrial park



Source: LCDA

Construction of the Hawassa Industrial Park includes construction of 35 factory sheds and 19 buildings which will be used as exhibition halls, food courts, dormitories, and other purposes in the first phase. This phase will cover 100ha, while the remaining phase will have an additional 200ha.

The design and construction of Hawassa Industrial Park is conceived around energy and water conservation principles – including maximization of natural lightning and natural ventilation, fitting of low consumption bulbs, recycling of rain water, and solar powered LED street lights - making it Ethiopia's first major eco-friendly development.

The Government of Ethiopia is improving Hawassa's connectivity with the extension of the Addis-Adama highway to Hawassa, the construction of a domestic airport, and the extension of the Addis – Modjo – Djibouti railway to Hawassa.

In Ethiopia at the moment, there are four industrial zones, three of them foreign-owned. The Eastern Industrial Zone at Dukem, the Lebu Industrial Zone that is owned by Huajian Group and Modjo Industrial Zone owned by George Shoe as the private industrial parks. Only one Industrial Park is owned by the government; the Bole Lemi Industrial Zone.

For the second Growth & Transformation Plan (GTP II), the Industrial Park Corporation has planned to construct industrial parks in Mekelle, Adama, Jimma and Bahir Dar. Furthermore, the Corporation will construct another industrial park in Addis Ababa in a joint venture with Ayka Addis Textile & Investment Group Plc.

3. Addis Ababa-Adama Expressway

Ethiopia's first expressway is approximately 84.7Km long road from Addis Ababa to Adama, officially opened to traffic on September 14, 2014. The expressway, which starts at Tulu Dimtu, 2.8km off the main road in Kaliti, links Dukem, Bishoftu (DebreZeit) and Modjo, before reaching Adama. Of the expressway's tollgates, Addis Abeba and Adama each have one, while the others are located at six interchanges.

The six-lane expressway was designed and built by the China Communications Construction Company (CCCC). The expressway has seven toll stations, 48 gates on the toll road and three checkpoints to thwart cargo overloading on freight vehicles. Eight large bridges and 77 smaller ones are also part of the project. The road has eight tollbooths along with surveillance cameras, and includes lighting and fences throughout the entire 84.7km stretch.

The feasibility study of the road was made by a UK based firm, Scott Wilson Consulting, in 2007. The total width of the road is 31km and the permitted driving speed is between 100 and 120km per hour.

The road is managed by the ETRE, a state-owned Enterprise. The Enterprise is accountable to the Ministry of Transport (MoT) and supervised in its operations by a board of directors. The Enterprise is headed by a General Manager, and has three directorates within it, which are responsible for toll management, toll operation and engineering, as well as human resources. Under the Enterprise, there will be three teams under the Toll Operations & Engineering Department: Engineering procurement and contract management, road safety and security, and electro mechanical management. The current two lanes Addis Ababa-Adama road handles 19,000 to 20,000 vehicles daily, which is well above its capacity. The new expressway can handle 15,000 vehicles.

4. Rail transport in Ethiopia

Rail transport in Ethiopia currently consists only of trial service between Dire Dawa and Djibouti on the meter-gauge Ethio-Djibouti Railways. The railway continues to the capital city of Addis Ababa, but trains have not run since 2008.

A new standard gauge network is under construction that will link landlocked Ethiopia to its neighbours. Currently the Addis Ababa-Djibouti Railway is almost completed (by Chinese contractor CREC) while a 400 km long rail is developed from Awash to Hara Gebeya (by Turkish company YapiMerkezi with various European subcontractors).

Addis Ababa Light Rail

Addis Ababa Light Rail transportation system was the first to be built in sub-saharan Africa. It is a 17 Km line running from the city centre to industrial areas in the south of the city; opened on 20 September 2015. Service began on 9 November 2015 for the second line (west-east). The total length of both lines is 31.6 Km (19.6 mi), with 39 stations. Trains are expected to be able to reach **maximum speeds of 70 km/h (43 mph)** with a **capacity to carry 286 passengers**.

China Railway Group Limited constructed the railway. The Ethiopian Railways Corporation began construction of the double track electrified light rail transit project in December 2011 after securing funds from the Export-Import Bank of China. The final cost to build the railway was US\$475m, with construction taking three years.

Addis Ababa Light Rail



Source: LCDA

5. Moyale-Hawassa-Addis Ababa road transport

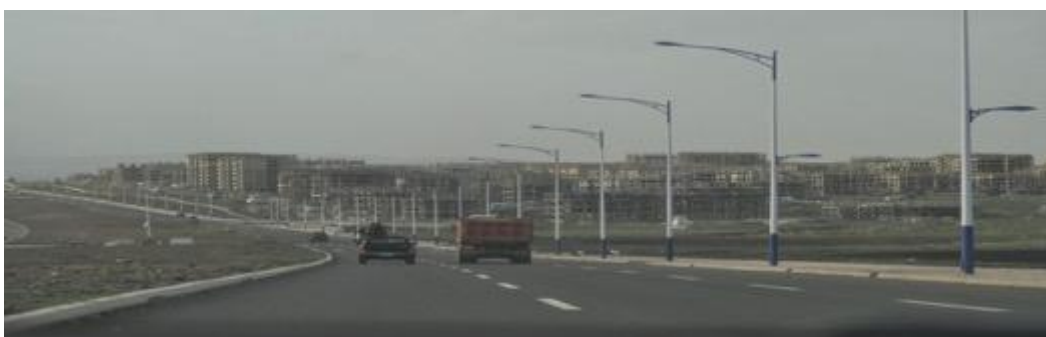
Ethiopia is one of the land locked country in Africa. This implies that the country's socio economic development is expected to rely on the road transport in conveying goods and services throughout the country.

The state of the road between Moyale to Hawassa is mostly dilapidated hence resulting in many hours being lost. However, the road is under rehabilitation with a few sections having been completed.

The section between Hawassa and Addis Ababa is about 275Kms and the road is fairly good hence takes a very short time to navigate

The road is also not busy until you approach the major towns along the way.

A Section of Addis Ababa-Hawassa Road





Source: LCDA

6. Electricity supply

Along the road it was notable that Ethiopia is blessed with abundant electric power. This was indicated by power supply to remote area houses. The hydro power generation is abundant given the fact that Ethiopia is rich in Perennial Rivers and other water bodies. Geothermal energy is also abundant in the Afar Region, specifically in the Erta Ale area. Abundance of energy is a key to development.

Photo showing electricity power lines along the Hawassa – Addis Ababa road.



7. Land Development and Management

All developments are done on land and therefore its important to note how various land regimes provide different results. The many development projects, especially on housing, and other transport infrastructure indicate to a Government that has got an upper hand on

land matters. It was clear that the issue of land when it comes to major developments does not pose a huge challenge as compared to Kenya.

The major targets of the land development and management program are to develop and implement land and land related information management system, improve land use management and administration system, improve urban planning and implementation and build the capacity of executives and top managements in urban administration. Accordingly, during the GTP (Growth and Transformation Plan) model, laws that will assist the implementation of the land lease proclamation was developed and made ready for use. The newly prepared lease proclamation is approved and awareness creation to the public launched through different media.

The other target of the GTP was the establishment of land institutions at regional levels. Hence, several land management information system project offices are established. Concerning improvement of land use management and administration system 69,699 ha of Land is serviced and ready for different types of investment. From the total land prepared for different purposes, 7552.3 ha of land is prepared for housing and related construction and 6732.3 ha for micro and small scale enterprises and manufacturing industries.

Indeed, much remains to be done in urban management, development as Ethiopia is bound to face rapid urban growth, and this requires proactive management and long-term planning. That is the reason the GTP II, which is to be implemented in the next five years, has given priority to fostering the governance and management of rapid urbanization.

5.11 OTHER DEVELOPMENT PLANS

i. Integrated Housing Development

The Ethiopian urban population is currently estimated to be 11 million; and according to the Ethiopian Urban Sector MDG-NA Study, 80% of these live in substandard housing units and environmentally unfit living conditions in slum neighborhoods. This fact coupled with high urbanization rate and other urban development challenges left urban areas with complex and rooted physical, environmental, economic and social problems where the urban poor, who reside in the slums, are the most vulnerable.

Recent initiatives of the Ministry of Federal Affairs to draft regulatory frameworks, such as the National Urban Planning and Implementation Manual, the Urban Development Policy Document and Urban Planning Law have made these instruments available in Ethiopia

Ethiopia has an integrated housing development program in place that is aimed at reducing housing shortages and to increase job opportunities. During the first Growth and Transformation Plan I, it was planned to construct and transfer 396,000 housing units in Addis Ababa and completion and transfer of all condominium houses under construction in all regions at the start of the plan period. As a result, 241,169 housing units are under construction in Addis Ababa and preparations are completed to start the construction of 55000 new houses. It has been planned to shrink the slum areas of Addis Ababa to 15% from the base year level of 60%. Hence, the city government of Addis Ababa took remarkable measures to downsized to 4 5%.

In November 2015, the Ministry of Urban Development and Housing (MoUDH) announced plans to build more than 700,000 condominium houses during the second Growth and Transformation Plan (GTP-II) period.

Some 40,000 housing units are expected to be handed over to beneficiaries in Addis Ababa in 2016. The government is expected to build 430,000 residential units while more than 243,000 would be constructed by cooperatives and real estate developers.

ii. Urban Infrastructure Development

Urban Infrastructure Development Program is developed with the aim of reducing poverty through creation of lot of employment, strengthens the capacity of cities to self-govern themselves and improved public participation. In sum, the program is expected to promote good governance in urban areas.

One of the objectives in this regard is to ensure the provision of quality urban infrastructure services. In this regard, it was planned to improve urban main and feeder roads, improve urban sanitary services, and develop industry zones and market centers. During the GTP, a total of 3,146.3 km cobblestone roads, 3,472km drainage networks, 11,206 shades have been constructed.

iii. Urban Capacity Building

The GTP objective related with urban capacity building is to ensure accountability and transparency in governmental operations, working procedures and systems. In addition, emphasis is given to capacity building that supports the implementation of government's policies, strategies, and programs.

One of the targets of the GTP in this regard is to build the capacity of top leadership management in all regions. The Urban Good Governance Program is therefore targeted to build the capacity of federal, regional and cities level government administrators to ensure effective working environment for better implementation of GTP. In line with this targets, during the GTP, 51,218 participants drawn from all regions and cities administrators, city mayors and employees and counselors, were given training with the objective of bringing effective and efficient leadership at all levels of government structure.

Moreover, 1,502 postgraduate professionals are on training at Ethiopian Civil Service University Urban Management Program to be deployed to federal, regional, and local level urban institutions. Furthermore, municipality employees and sartorial professionals were given skill enhancement training with the objective of assisting them to be more responsive to public demands and to capacitate them to implement government policies, strategies, and programs in an efficient, effective, transparent, and accountable manner. To sum up, during the GTP, a total of 213,667 city administrators and civil servants have been trained on both short and long-term courses.

6. STRATEGY FOR DELIVERY OF LAPSSET CORRIDOR PRIORITY PROJECTS

The successful implementation of the LAPSSET corridor program is highly hinged on four Key priority projects which will trigger economic viability of the corridor and contribute massively to accelerated implementation of other components. These four components are:-

- i) The 1st Three Berths of Lamu Port;
- ii) The Product Oil Pipeline
- iii) The Crude Oil Pipeline;
- iv) Lamu Garissa Isiolo Road
- v) The Lamu – Witu - Garsen Road;
- vi) Lamu – Isiolo – Moyale – Hawassa – Addis Ababa Standard Gauge Railway Line

Already, the government has pronounced itself on the position of the 1st three berths, the crude oil pipeline, the road projects and the security issues of the corridor.

6.1 The 1st 3 Berths of Lamu Port

The construction of the port is a critical and strategic project to maintain the country's competitiveness as a transport and logistics hub and a gateway to the neighboring countries. The Lamu port is unique as it is a naturally deep sea port that is well sheltered and therefore has capabilities exceeding the services of Mombasa port. The construction of the 1st three berths is estimated at a cost of Kshs. 48 Billion (due to fluctuations in the exchange rate). Already, the government has made investments and it is imperative that the government proceeds with financing the construction of the first three berths due to its strategic nature. As per table 2, the expected cash flow for the port construction over five years is depicted.

Table 2: Cash flow allocations and requirements for the first three berths

Year	Cash flow- (Kshs Billion)		Remarks
	Contractor	Consultant	
Yr1:FY2014/15	2.0	0.30	Released after the compensation process was completed and the contractor took over the site
Yr2: FY2015/16	4.0	0.15	The National Treasury and KPA committed 2 Billion each in the 2015/16 Financial Year. The National Treasury has already released Kshs.2Billion which

Year	Cash flow- (Kshs Billion)		Remarks
	Contractor	Consultant	
			has been transmitted to the Contractor while KPA has released Kshs.1.4Billion to the Contractor and Kshs.600Million is still outstanding.
Yr3: FY2016/17	13.0	0.15	Treasury already committed to allocated Kshs 10 Billion. The Contractor requires Kshs.9.2Billion in the current Financial Year. The LCDA proposes that a portion of the remaining amount be used to support Lamu Port Transaction Advisory Services, placing of LAPSSET Corridor definition pillars and planning of the Corridor.
Yr4: FY2017/18	13.5	0.15	
Yr5: FY2018/19	10.5	0.15	
Total	43	0.9	

As a strategic project, the first three berths' construction timelines have been staggered to ensure the 1st berth is delivered in 24 months and the other two in 45 months. This project is of uttermost importance due to the following reasons:-

- i. Construction will improve the project profile and attract private sector participation at operations and the development of the remaining berths. The Government of Ethiopia is basing its borrowing for the construction of its side of the LAPSSET Corridor Standard Gauge Railway on the construction and operation of the First Three Berths of Lamu Port;
- ii. The dredging for the port, as a responsibility of the government, will generate 12.5 million cubic meters of material that will contribute to the construction of the first three berths through reclamation. Additionally it will contribute towards the construction of embankment and revetment of the Port. These works constitute a significant percentage of the construction of the first three berths of the Port at approximately Ksh 12.5 Billion; and
- iii. The 1st berth is key in facilitating delivery of materials for the construction of the crude oil pipeline, the Amu coal plant in Lamu, and the construction of the Lamu-Garissa-Isiolo Road among other projects.

6.2 The Crude Oil Pipeline

Recent discovery of 120m net pay of high quality Crude oil deposits in South Lokichar Basin by Tullow Oil and its partners in December 2015 has herald a new dawn for Kenya which continues to consolidate the commercial quantities of crude oil resources within her borders. The proceeds from the monetization of the Crude Oil will support the development of the other infrastructure components and therefore needs to be fast-tracked.

It is imperative that Kenya initiates the resumption of Bilateral Negotiations of the Joint Coordination Commission (JCC) on South Sudan – Kenya Crude Oil Pipeline Between the Government of The Republic of Kenya and the Republic of South Sudan. The Joint Coordination Commission on South Sudan – Kenya, Crude Oil Pipeline Project, last met in December 2012 during which the two governments agreed that the Inter-Governmental Agreement (IGA) be completed and appending of signatures undertaken after the completion of the feasibility study of the South Sudan – Kenya Crude Oil Pipeline Project. The Feasibility Study was completed in 2013 and no further negotiations were undertaken, mainly due to the breakout of civil war. Accordingly, LCDA proposes that the Joint Coordination Commission meeting be convened centered on reviewing clauses of the IGA that were previously not concluded upon as when is practical to complete the negotiations on:-

- i. Crude Oil Pipeline Host Country Agreement
- ii. Crude Oil Pipeline Development Agreement
- iii. Crude Oil Pipeline Agreement
- iv. Crude Oil Pipeline Transport Agreement

The crude oil pipeline decision to terminate at the Lamu port rather than Res Tenawi has also created a strong business case of the Lamu port. The decision has resulted in enhanced technical viability of the project and reduced cost.

6.3 Lamu-Moyale-Addis Ababa Product Oil Pipeline

The construction of the Product oil Pipeline is of great importance to integrate the functioning of the Kenya and Ethiopia economies. The pipeline will be a significant attraction of the Ethiopian economy to use Lamu Port for both export and import. The undertaking of the feasibility study, the engineering designs and investment advisory services is therefore of high priority.

6.4 Construction of the Lokichar – Nakodok, and Lamu – Witu – Garsen Roads

The African Development Bank and the government of Kenya are currently financing the ongoing detailed engineering design of Lamu-Garissa-Isiolo-Nginyang (860km) Road which is expected to be completed by the end of 2016. This road section is key to the completion of the corridor road component. Additionally, the African Development Bank has shown interest in financing the construction of the Lamu-Garissa-Isiolo-Lokichar road segment.

As an intermediate delivery and off-take route for the Lamu port cargo, the Lamu – Witu - Garsen Road (C112) will be constructed. This will provide immediate access to the port site to facilitate delivery of materials as well as to operationalize the Port. The Kenya National Highways Authority has placed the road under the Roads Annuity Program. The construction contract has been awarded to China Wuyi Company which is expected to commence works by August 2016.

6.5 Security along the Corridor

Security along the corridor has been a lingering concern especially among the neighboring partners. This has however been elaborately responded to with the current infrastructure deployment and resource mobilization reflective of the magnitude of the current and potential threats. Several police and military installations have been planned along the corridor to secure the investments being made.

6.6 Land Acquisition

Land is a critical and integral component of the LAPSSET program. In total over 1.4 Million Acres is needed and it is important the government takes a decisive position in land acquisition. There is critical need to bring on-board the County Government in land management given they will be the net beneficiaries when the land value increases and they can use land rates to generate revenue.

It is proposed that the land for the LAPSSET Corridor projects should be set apart by converting the required land along the corridor, whether it be private, community, or public land, to be “Land Banked” under the LAPSSET Corridor Development Authority (LCDA). LCDA would therefore, as the title lease holder, grant the project components and investors sub-leases to ensure that project land is prudently managed. The centralized management framework will also facilitate the seamless delineation of land requirements for all LAPSSET Projects, thereby creating greater efficiency, and guaranteeing the necessary interlinkages and seamlessness anticipated between the components.

To facilitate land acquisition the Authority is currently undertaking surveying of the corridor. The Authority has submitted to the National Land Commission survey plans and relevant details to facilitate acquisition.

6.7 New Corridor Investments

The LAPSSET Corridor is being undertaken in a virgin area with huge potential for agro-industries, petro chemical industries, mining, special economic zones and tourism.

6.8 Coal Plant

The planned coal plant by Amu Power Company capable of generating 1050MW, of which 960 MW is to be added to the National Grid is also a significant development in Lamu. The plant will be located 13 Kilometers north of the Lamu Port.

6.9 Water Desalination Plant with Mineral Recovery

A proposed desalination plant through the PPP framework is expected to yield 30 Million Gallons per Day (MGD) of Ultra-pure water and 2.3 - 2.9 Million Metric Tonnes (MT) of high value and rare minerals from the ocean is also a big boost to the corridor development. This project is expected to sustainably supply water to Lamu metropolis, industrial parks, the Special Economic Zones and also to households.

6.10 Steel Industrial Investment in Lamu, Kenya

The progressive discovery of large quantities of Iron Ore in Eastern Africa has opened a new chapter for industrialization and the urgent need for self-reliance in steel production in the African continent. Countries such as Democratic Republic of Congo (DRC), Tanzania,

Kenya, Ethiopia and South Sudan among others have discovered the existence of large commercial quantities of Iron Ore.

The DRC is currently exporting its Iron Ore resources through trucking to Durban Port in South Africa (2,500 km away), while Tanzania next door has large quantities of Iron Ore deposits in the South and the South-western regions. Tanzania alone plans to export approximately 1 Million metric tons of Iron Ore per year.

The establishment of a steel plant in Lamu to mill the Iron Ore produced from Eastern and Central African countries would be of great importance to the African economies due to the possibility of its impact in lowering the cost of steel for construction in the region. Kenya would use the LAPSSSET Corridor and the Port of Lamu for sourcing Iron Ore materials for its steel plant as well as distribution of steel products into the interior and west coast of the African continent.

6.11 Transaction Advisory Services

The LAPSSSET corridor project components as per the JPC study indicated that all the projects have high Internal Rate of Returns ranging between 13% and 24%. This is above the 12% average IRR for infrastructure projects.

The high IRR signifies that the projects are bankable and therefore they should be packaged. This should be undertaken urgently by procuring the services of Transaction Advisors. The Transactional advisor will among other things:-

- i. Identify and advise on the best mix of projects to be implemented;
- ii. Advise on the best and optimal financing options;
- iii. Advise on the best ownership structure of the various components; and
- iv. Mobilise resources for the projects

6.12 Investment in Social Infrastructure

The LAPSSSET corridor as expected will attract new investments which lead to population influx into the region. This development will lead to sustained pressure on social amenities in the region. In anticipation of this, the government needs to liaise with the county governments in preparing strategic plans anchored in the County Integrated Development Plans for development of these amenities.

6.13 Corporate Social Responsibility and Affirmative Action

The LAPSSET program is mainly concentrated in hitherto under privileged areas of Kenya, where basic infrastructure is under developed. The area also has low human capacity especially in the new industries emerging such as the Oil industry. The LAPSSET Presidential Scholarship program currently being implemented in Lamu should be scaled up to cover other counties. Other affirmative action activities geared towards making the areas more attractive to investors should also be considered.

7. CONCLUSION

The focus on opening the over 70% of the country and tapping on the huge potential that exist therein is driving the development agenda of the country moving forward. This will go a long way in addressing the development challenges and ensure the country is on course to achieve middle Income status by the year 2030. Indeed, the identified LAPSSET Corridor projects needs to be fast tracked and accorded the relevance they merit to reach critical milestones through sufficient budgetary allocations and effective coordination as the only viable alternative development frontier.

The LAPSSET Corridor Project covers over half of the country with a planned investment resource equivalent to half of Kenya's Gross Domestic Product (GDP) for the core investment alone. The exportation of the oil will not only earn the country the much needed foreign exchange from the oil proceeds and also improve balance of trade in favor of Kenya but will fast track the realization of the overall benefits from the implementation of the other LAPSSET project components.

The overall expected benefits are;

- i. Economically, LAPSSET is estimated to **inject between 2% – 3% of GDP in to the economy** from the core projects alone, and **5% – 8% of the country's GDP through attracted and generated investments** thus maintaining a sustained economic growth for the coming years. This view is supported by the fact that new investments of the magnitude of LAPSSET Corridor Project in hitherto low developed areas usually yield higher growth figures.
- ii. The project will provide equity in development for the entire country in line with the Constitution and the Kenya Vision 2030.
- iii. It will enhance efficient, seamless inter-modalism in the country's transport and logistics operations while the planned resort cities will resolve the current urban primacy scenario centered along the current Northern Corridor route from Mombasa – Nairobi – Malaba and Kisumu – Busia.
- iv. Overall, the development of the LAPSSET Corridor will create employment and reduce poverty in the country as well as improve accessibility and enhance socio-economic development of the northern part of the country.
- v. A seamless interconnectivity will also be created within coastal counties, throughout the country and linkages to neighboring countries through the country's roads, railway, ports, airports and telecommunications.

- vi. The project will strengthen Kenya's regional Hub status in Eastern Africa as a result of the country being the originator of trans-boundary transport projects, special economic zones and Free Trade Areas.
- vii. The project will help the region create capacity in infrastructure industry from human, technological, financial and consumers in the country. Countries like China, India, Malaysia, Brazil, Iran and Singapore among others have used this model to adapt technology and train their manpower while building capacity in their delivery institutions.
- viii. The project will help strengthen socio-economic base of Kenya by improving infrastructure as the key backbone of the Kenyan economy. Continued investment in infrastructure has seen the country recovering that resulted in a jumpstart from a marginal **1.6 to 2.6 and 5.8** per cent growth in **2008, 2009 and 2010** respectively to a steady growth of **4.4%, 4.6%, 5.1%** and **5.8%(est)** growth in **2011, 2012, 2013 and 2014** respectively.
- ix. The project will open up the pastoral regions particularly in the north of Kenya that will now be the next growth frontier for the entire economy as the will have made tremendous strides towards facilitating socio-economic development with the completion of these key infrastructure projects.
- x. It will lead to increase in electric power generation through various energy initiatives such as green energy and clean energy to improve reliability in electric power supply to support faster rate of industrialization and inter country electricity supply such as the envisaged Kenya -Ethiopia electricity power agreement.
- xi. It will facilitate attraction of increased private sector investment in infrastructure development and management in the country. Currently, there are a number of private sector involvements particularly in the energy, water and railway sub-sectors. More private sector investments are being explored in roads, railways, ports and water services.

The Project will position our country in the developmental frontline in Africa and beyond. It will strengthen Kenya's regional hub status as a result of the country being the originator of trans-boundary transport infrastructure projects, special economic zones and free trade areas.

The LAPSSET Project will open up **70% of the country** that has been not been invested into since independence 50years ago and will over **triple the investment space in the country**. In this initiative the Government is focused to increase the participation by Kenyans in wealth creation as well as retaining resources that will accrue within the country's boundaries from investment to grow the economy more sustainably.

The investments within the LAPSSET Corridor are indeed very unique and of high value in nature differing significantly from what exist elsewhere within the country. The investments are capable of generating greater returns to the country as well as stimulating growth in other sectors of the economy. This project therefore brings to the country the opportunity of a lifetime in expanding investment space and opportunities as well as diversifying the types of investments.

For the youth the Project will increase employment opportunities in number, space as well as in areas of specialization and value of work. It will also demystify the overconcentration of Kenyans within the current 30 percent investment space which has been the only productive area for the last 50years of independence.

LAPSSET will create a livable environment, a working environment, an investment environment as well as an environment to enjoy life in the northern part of Kenya as the country's next growth frontier.

8. Appendixes

Industrial parks map

