

Progress Report on LED Project (#00082517) Implementation in 1st Quarter (Jan-Mar) 2013

UNDAF Outcome #2 (Atlas Outcome #36): *By 2015, private sector-led Ethiopian manufacturing and service industries, especially small and medium enterprises, sustainably improved their competitiveness and employment creation potential*

Overall Project Objective: *To promote inclusive growth and create productive employment opportunities for women and youth through creating enabling environment, developing capacities of the relevant public, private sectors and civil societies and targeted intervention.*

#	Planned Activity Results/Action Points (as per the AWP)	Allocated amount (\$)	Spent/Advanced (\$)	Major Achievements
<p>UNDAF/Programme Output 1: <i>Government's policy review and regulatory capacity in selected sectors strengthened for increased private investment in micro, small and medium enterprises (MSMEs)</i></p> <p>Targets: a) Endorsed Inclusive Micro-finance Strategies for 20 new cities; b) Endorsed capacity needs and assets strategies of MSE, Revenues, Investment Offices, TVETs and Chambers in selected localities in place for implementation; and c) Set up/strengthened and institutionalized the multi-stakeholder LED management structures and LED Units in 27 LED cities and 5 regions</p>				
1	<p>Development of inclusive Micro-finance Strategies and institutional capacity needs and assets strategies for creating enabling environment for private sector development, revenue generation, investment promotion and entrepreneurship skills development</p> <p>Action: Develop institutional capacity needs strategies Action: Undertake workshops to review and endorse the institutional capacity needs strategies</p>	80,000	0	<ul style="list-style-type: none"> • 20 Inclusive Micro-finance Strategies developed and endorsed in 20 LED cities, for implementation • ToR for the assessment of institutions developed. But, as per the advice of MoFED, this consultancy service postponed to 2014, since there is no budget available for the implementation of the strategy to be developed. • Since there will not be any study conducted in this year, the allocated budget, \$80,000, is to be re-allocated to other priority activities through a budget revision. Proposal has been submitted for review and decision.
2	<p>Institutionalizing/strengthening multi-stakeholder framework and LED management/coordination capacities of CAs, BoFED, FeMSEDA/MoFED to lead the economic development initiatives effectively</p> <p>Action: Provide technical and management support to the key institutions; Action: Procure minimum office assets; Action: Recruit 2 Monitoring Specialists to be fielded in FeMSEDA Action: Undertake quarterly reviews; Action: Undertake monitoring of the activities at all levels Action: Administrative and operations expenses</p>	563,000	250,273 (Advance: \$56,000 + Expenditure: \$214,627)	<ul style="list-style-type: none"> • 32 LED Councils at City & Region levels strengthened • 32 LED Support Units strengthened within the govt system at all levels • 36 Recruited professionals in 32 LED Support Units continue to provide technical support in planning & management of economic initiatives to their host organizations (BoFED, CAs and FeMSEDA) at all levels • Essential office assets delivered and are in use, except 20 motorbikes, which have been procured and under delivery to the IPs/CAs • Recruitment of 2 Project Monitoring Specialists is under progress at FeMSEDA • Quarterly LED review and monitoring held at regional level; and the reports submitted
Sub-Total:		\$ 643,000	\$ 282,233	

UNDAF/Programme Output 2: *Private sector support-giving institutions and MSMEs have improved skills, knowledge, technological capacity and linkages with TVETs and research institutions* **Targets:** a) **8 functional BDRCs** in 8 new localities; and b) **At least 100 people (50% women)/BDRC/annum** benefitted by using the products

and services of BDRCs in business development, jobs counseling, placement and ICT				
3	<p>Setting up and strengthening of BDRC for promotion of ICT, business and jobs placement services</p> <p>Action: Provide one-time start-up funds/grants to 8 new BDRC for day-to-day running of the centres (\$12,500/BDRC)</p> <p>Action: Procure minimum assets to equip the BDRC</p> <p>Action: Conduct planning/orientation workshops regularly to develop action plans for BDRC and orient the professionals accordingly.</p>	260,000	260,000 (Start-up funds/grant: 100,000 + procurement: \$160,000)	<ul style="list-style-type: none"> Premises to be used for BDRC secured and renovated Multi-stakeholder Management Committees for BDRC formed Separate bank accounts opened and start-up funds credited Necessary assets and equipment procured and delivered to the concerned cities for equipping BDRC Dissie BDRC inaugurated, in presence of the President, Amhara Region as well as the Minister and FeMSEDA Deputy Director General. It is functional with broadband internet and 2 professionals. All the 7 BDRCs in old LED cities are functional – Mekele has not provided permanent premises to its BDRC
Sub-Total:		\$260,000	\$260,000	
UNDAF/Programme Output 3: Value chain and Cluster for MSMEs developed and implemented in selected economic sectors				
Targets: a) Endorsed Cluster Development Framework/ guideline and Strategy/ Action Plan; and b) At least 1 priority sector selected for cluster development in 4 localities in 4 regions; and c) One multi-stakeholder coordination mechanism set up in each selected cluster locality; and consensus built on cluster development				
10	<p>Cluster Development intervention with FeMSEDA (Development of Cluster Framework/Guidelines, Strategy and capacity development initiatives)</p> <p>Action: Develop a Framework and a Strategy, through consultative process</p> <p>Action: Build consensus, develop skills amongst the key stakeholders for the use of cluster framework and implementation of strategy</p>	97,000	0	<ul style="list-style-type: none"> The post of Cluster Development Specialist fielded at FeMSEDA ToR for the consultancy service (international consultant) for development of a Cluster Development Framework/Guideline developed and finalized ToR for developing a Cluster Development coordination mechanism is under finalization
Sub-Total:		\$97,000	\$0.00	
UNDAF/Programme Output 4: MSMEs have improved access to financial services				
Target: a) Pro-poor LED Fund and collateral guarantee mechanism set up and functional for SME development in each new locality; b) At least 75 needy people (50% women) benefitted from LED Fund/micro-finance and collateral guarantee mechanism in each new locality; and c) At least 20 MSEs strengthened or/and created in each new locality				
11	<p>Setting up/ strengthening pro-poor and competitive LED Funds and their management mechanism and Collateral Guarantee mechanism (non-financial) in place in the new LED localities, in line with the developed inclusive micro-finance strategies</p> <p>▪ Action: Implement the strategies; provide micro-finance capital grants to the needy people, through collateral guarantee mechanism</p>	1,000,000	1,000,000 (Advance)	<ul style="list-style-type: none"> Implementation of the endorsed Inclusive Micro-finance Strategies rolled out in 20 new LED cities; The business potentials of the 20 new LED cities assessed as well as the business proposals developed and selected, through the consultative processes, led by City Administrations and BoFED MoUs between City Administrations and MFIs signed (Tigray: Youth Association) LED Funds & Non-financial Collateral Guarantee mechanism agreed and set up Training is being provided on how to set up/expand enterprises A total 189 MSEs (114 new + 75 existing) supported, that would create job opportunities for 2,716 people (1,441 females (53%) + 1,275 males)
Sub-Total:		\$1,000,000	\$1,000,000	
TOTAL:		\$2,000,000	\$1,542,233	

Total Project Budget: \$2,000,000
Expenditure: \$1,542,233 (As at 5 May 2013)
Delivery: 78%

Advance disbursed: ETB 20,936,040.00 (1st quarter)

Advance liquidated: ETB 20,826,513.51 (till 21 May)

Advance to be liquidated: ETB 109,526.49

2nd Quarter Advance Transferred: ETB 870,000

Total Local Contribution (In-kind & cash): ETB 24,474,472.00 (Equivalent to US \$1,325,093)

Major Challenges confronted

- **Budget cut** (\$300,000); and budget (\$350,000) used for paying 2012 procured items, as there was no budget available last year to pay the procured items: MoFED and UNDP have been requested not to have further budget cuts in 2013.
- **High turnover of the key officials/LED Experts/IPs:** Through effective communication, action has been taken to keep the moral and motivation of the project officials high.
- **Delay in recruitment of LED Regional Coordinator & Expert (Tigray & Bishoftu):** As a result, the implementation slowed down in Tigray region as well as in Bishoftu. Close follow up with Tigray BoFED and Bishoftu CA/Oromia BoFED continues for expediting the ongoing recruitment process.
- **Limited understanding & skills amongst partners on LED:** Regular technical advisory support is provided to partners; an orientation of trainers and subsequent orientation for city/regional councils proposed.
- **Limited follow up/ communication between regions and cities:** Regions and cities are continuously advised to develop effective/ result-based communication. It is noticed that some regions/cities have introduced such good practice.

Lessons Learned:

- Cities have agreed to adopt **flexible modalities and participatory management system in implementing micro-finance intervention** that create an enabling environment for the poor and disadvantage groups to access to the micro-finance loans and their management. Micro-finance initiatives in old LED cities continue, without further financial support.
- **LED Experts and Coordinators play critical role in smooth programme implementation** at city and regional levels. Where there is an active LED Expert/coordinator assigned to the city/region, the LED implementation is going on in full swing there. They need to shift their roles to the organizations (CAs/BoFED) for sustainability.
- In addition to external resource mobilization, local **resource (in-kind and cash) mobilization through Public Private Partnership (PPP) and other initiatives are crucial**. Since MFIs have been partner with the LED to implement inclusive micro-finance strategies, MFI/TVET and other stakeholders have been providing training/orientation to the potential beneficiaries free of charge.

Major Initiatives to be undertaken in the 2nd quarter, 2013:

- Develop the Cluster Development Guideline and Framework
- Make the new BDRC functional; while strengthening the existing ones
- Set up/strengthen the selected MSEs; and creating jobs through supporting MSEs
- Continue to strengthen the public-private partnership at local and regional levels (PPDF)
- Continue to provide technical support to City Administrations, BoFED and FeMSEDA in strengthening their planning, implementation and management/coordination responsibilities.