**Progress Brief 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:** T*o 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****.***

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| **#** | **Planned Activity Results/Action Points**  **(as per the AWP)** | **Allocated amount ($)** | | **Spent/Advanced ($)** | **Major Achievements** |
| **UNDAF/Programme Output 1:** *Government's policy review and regulatory capacity in selected sectors strengthened for increased private investment in micro, small and medium enterprises (MSMEs)*  **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 | | | | | |
| 1 | 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  **Action:** Develop institutional capacity needs strategies  **Action:** Undertake workshops to review and endorse the institutional capacity needs strategies | | 0  (Previous Plan: 80,000) | 0 | * There is no activity in 2013. * 80,000 to develop an institutional capacity need strategy has been transferred to 2014. |
| 2 | Institutionalizing/strengthening multi-stakeholder framework and LED management/coordination capacities of CAs, BoFED, FeMSEDA/MoFED to lead the economic development initiatives effectively  **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 | | 593,702  (Previous Plan: 563,000) | 250,273  (Advance: $56,000 +  Expenditure: $214,627) | * 2 Project Monitoring Specialists started working in FeMSEDA and have been visiting the cities. * Supply of 20 motorbikes for the new cities is still going on, but the process has been accelerated in the 3rd quarter and will finish by the end of August. * 38 Recruited professionals continue to provide technical support in each level (28 LED Expert + 4 Regional Coordinator + 1 National Program Coordinator <under recruitment> + 1 Program Assistant + 1 Driver + 1 Cluster Specialist + 2 M&E Expert) * Steering Committees in regions and cities are supposed to be held quarterly. |
|  | **Sub-Total:** | | **$ 593,702** | **$ 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 | Setting up and strengthening of BDRC for promotion of ICT, business and jobs placement services  **Action:** Provide one-time start-up funds/grants to 8 new BDRC for day-to-day running of the centres ($12,500/BDRC)  **Action:** Procure minimum assets to equip the BDRC  **Action:** Conduct planning/orientation workshops regularly to develop action plans for BDRC and orient the professionals accordingly. | 260,000 | | 260,000  (Start-up funds/grant: 100,000 + procurement: $160,000) | * BDRC in Arbaminch has been inaugurated. * Out of 8 cities that are supposed to have BDRCs in the LED 2nd Generation, 4 cities have started it so far. |
|  | **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 | Cluster Development intervention with FeMSEDA (Development of Cluster Framework/Guidelines, Strategy and capacity development initiatives)  **Action:** Develop a Framework and a Strategy, through consultative process  **Action:** Build consensus, develop skills amongst the key stakeholders for the use of cluster framework and implementation of strategy | 97,000 | | 0 | * International Consultant for Cluster Development Guideline started working on 19 August 2013 and will work until 18 September. * ToR for Cluster Development Strategy is completed and is advertised for in the UNDP website until early September. |
|  | **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 2oMSEs strengthened or/and created in each new locality | | | | | |
| 11 | 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   * + **Action:** Implement the strategies; provide micro-finance capital grants to the needy people, through collateral guarantee mechanism | 1,000,000 | | 1,000,000  (Advance) | * 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 the setting up/expansion of enterprises & funds |
|  | **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%**

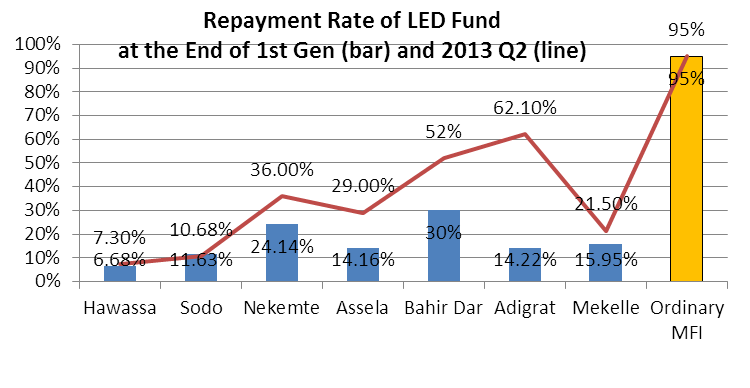
**Advance disbursed:** ETB 20,936,040.00 (1st quarter)

**Advance liquidated:** ETB 20,771,592.51 (till 27 April)

**Advance to be liquidated:** ETB 164,447.49

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

**The largest Challenge: Low Repayment Rate of LED Fund**

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* **Low repayment rate**: The repayment rate is much lower than the ordinary microfinance loan in all cities.
* **Bad Effects of the low rate:** The ordinary MSEs other than LED Fund beneficiaries feel unfair, and LED Fund is no longer revolving but vanishing.
* **The major reason**: The selection of competitive MSEs and follow-up by City Administration are weak, because they are not in a market competition. The MFIs do not follow either, because in no city they take default risk. Since the interest rate is 10% which is lower than general rate of around 16% in many cities, the MFIs rejected to take the risk and just transfer the money from City Admin to the beneficiaries.
* **Possible solution:** In all cities, the MoUs between the City Administrations and the MFIs should be revised so that the MFIs take a part of the default risk, hopefully 50% minimum 25%. The interest rate can be flexibly negotiated about and agreed in between 10% and the general interest rate adopted by the MFIs. This revision of MoU should be set as a pre-condition to transfer the budget for LED Fund in Q3 of EFY2006.

**Other Challenges:**

* **BDRC in Mekele is temporarily closed:** It is to be open before or in September.
* **BDRC in Adama, Bishoftu, Alamata, and Axum** are not open yet, although the fund for the set-up was advanced in Q1 of 2013. Follow-up of the activities need to be continued.
* **Delay in recruitment of LED Expert in Ambo and Bishoftu**: As a result, the implementation slowed down in Ambo and in Bishoftu. Close follow up is ongoing with Ambo and Bishofto CA in Oromia

**Major Initiatives to be undertaken in the 3rd quarter, 2013:**

* Completion of the Cluster Development Guideline
* Recruitment of consultants for development of Cluster Development Strategy to be implemented in Q4 2013
* To review the monitoring result of the M&E experts based on field visits
* To make the 5 BDRCs functioning in Mekele, Alamata, Axum, Bishoftu and Adama
* To implement measures to improve the repayment rate of the LED Fund (to be continued to Q4 2013)