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**Federal Democratic Republic of Ethiopia
And
United Nations Development Programme**

**MID-TERM EVALUATION
Support to Local Economic Development (LED) Programme
2nd Generation, 2012-2015**

**FINAL EVALUATION REPORT
(3 June 2014)**

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EXECUTIVE SUMMARY

This report represents the mid-term evaluation (MTE) of the programme “Support to Local Economic Development (LED): 2nd Generation, 2012 – 2015”. The evaluation was commissioned by UNDP to support accountability to national stakeholders and its partners, as well as serving as a means of quality assurance and lessons learning. The evaluation was undertaken by a team of two evaluators over a period of 30 working days starting on 23 April to 3 June 2014. The purpose of the MTE was to assess the performance of the LED programme and to make recommendations to the Government of Ethiopia (GoE) and UNDP with particular emphasis on (a) corrective measures to improve the repayment rate of the LED Fund, including possible adjustment in the LED Fund structure, and (b) assess the feasibility and approaches for integrating the LED and Entrepreneurship Development Programme (EDP) programmes.

The evaluation culminated with 13 major findings.

Finding One. The programme contributed to the overall expected outcome – “...to improve MSE competitiveness and employment creation potential”. Overall, the LED programme supported 1,468 and created 14,485 jobs, 6,927 (48%) were for women. A few of the MSEs had grown from micro to become small enterprises, but majority of the enterprises were basic livelihood in nature.

Finding Two. At the local level, the programme was successful in building a broad-based consensus and multi stakeholder collaboration to strengthen micro enterprises and support disadvantaged groups to contribute to local development. However, the programme did not have a significant impact on the policy environment. The key gap was the failure by the programme to support development of the LED Framework and Guidelines, or policy reviews at the subnational level to enable effective implementation of various LED processes (Output 1).

Finding Three. BDRCs were established in 17 cities out of the 27 targeted by the LED programme. Based on observations in the 6 cities visited in this evaluation, the City Administrations had provided facilities for BDRCs, and all had adequate staffing, including two Specialists for Business Development Services (BDS) and Information Technology (IT). However, none of them had started providing the core services and functions as per the programme design (Output 2).

Finding Four: The Cluster Development Framework was developed and completed in the first quarter of 2014, with ongoing work to develop the Cluster Strategy and Action Plan. However, the programme did not support the business clusters that were already

established in all target cities under the Government programme, thereby missing an opportunity to make significant impact on industrial clusters (Output 3).

Finding Five: The design of LED programme does not address the scope of local economic development intervention. While the programme carries the name of ‘local economic development’ intervention, in practice its focus was limited only to entrepreneurship development and support. There were no targeted activities to enhance local governments’ capacities to effectively perform the catalytic role for stimulating local economic development.

Finding Six: The LED programme strategy was not executed in an integrated manner. While the programme strategy identified relevant interventions to contribute to the expected outcome, the execution of the interventions was not done in an integrated manner according to the programme design articulated in the programme document. Two specific gaps were highlighted: (i) absence of national LED framework, and (ii) lack of targeted institutional capacity building of the key institutional drivers for local economic development. Although the specific interventions to address these gaps are proposed in the design, no activities were included in the work plans.

Finding Seven: Although access to finance by MSEs is an essential component of the programme theory, the adopted model had severe limitations (Output 4). There was inadequate communication at the beginning, leading to the Fund being considered as a grant. This created difficulties in the collection of repayments, which at the time of the evaluation was about 32%. The Fund administration and management mechanisms vary between regions. The combination of low repayment and limited fund growth due to either very minimal or in other regions no interest income being ploughed back into the Fund could be a threat to its sustainability.

Finding Eight: Some loans could have become delinquent and unrecoverable. Currently the Fund has about ETB 37 million in non-performing loans, either because the borrowers do not want to pay back the loans, or because the enterprises are not viable or have been dissolved. However, there are also some funds in the Micro-finance Institution (MFI) accounts, which were not being revolved because the agreement specified that second round loans could only be disbursed upon attainment of a 97% repayment rate.

Finding Nine: The programme had weak management and oversight systems. Steering Committees did not undertake regular quarterly meetings as per their TORs and there was very little or no monitoring and supervision. Also the programme had weak annual

reviews and reporting, further limiting management's ability to monitor progress on results.

Finding Ten: The programme was unable to generate the expected levels of funding. The programme had total approved budget of \$13,542,000 out of which about \$5, 5 million was unfunded. However, cumulative expenditures at the time of this evaluation were about \$3.9 million.

Finding Eleven: Delivery rate for available resources was satisfactory at an average budget delivery rate of 84% of total planned budget.

Finding Twelve: While both programmes address relevant and strategic areas, there was also significant similarity between them. A critical analysis of the two programme documents suggests that both address the same issue of entrepreneurship development from different perspectives.

Finding Thirteen: The programmes have governance and management systems that are sufficiently similar to justify their merger.

Two key lessons were identified; first clear articulation of the programme logic and design helps to ensure that the programme is focused on addressing the relevant issues that embrace its scope and objectives. Secondly, harmonization of processes within the framework of national policies requires a comprehensive analysis and understanding of national systems.

Based on the foregoing analysis, the evaluations made four recommendations; two address issues on how to improve management of the LED Fund, while the other two address approaches to merging the LED and EDP.

LED Fund Recommendations

1. Classify the loans by status of enterprise and develop targeted strategies.
2. Establish an MFI-managed access guarantee facility.

To recover the outstanding loans, the LED management should undertake an exercise to classify the loan portfolio into three categories (a) able but unwilling to pay, (b) willing but unable to pay, and (c) bankrupt or dissolved. Appropriate strategies can then be developed for each category, ranging from supervision of struggling enterprises to pursuing the legal option and calling on the City Administrations to honour their collateral guarantee. Going forward, to minimize risk of non-repayment, the LED Fund should be

transferred fully to MFIs through establishment of a guarantee facility that specifically focuses on guaranteeing access to financing by all, rather than providing guarantee for default.

Recommendations on integrating LED and EDP.

3. Integrate EDP and LED under a revised programme document.
4. Integrate the governance and management systems under the Federal Micro and Small Enterprise Development Agency (FeMSEDA), and the Entrepreneurship Development Centre (EDC).

The evaluation recommended that the EDP and LED programmes should be merged into a single integrated EDP programme with a revised results and monitoring framework and integrated structure. A governance and management structure was also proposed, with no change of the national steering committee, and FeMSEDA as implementing partner. A governance and management structure was also proposed, with no change of the national steering committee, and FeMSEDA as implementing partner. Programme management would be exercised through the EDC, whose function should also be extended to cover the locality level by integrating the BDRCs under the regional EDCs. The LED Coordinators will lead the regional EDCs, while the LED experts assume the functions of BDRC managers.

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ACRONYMS

AWP	Annual Work Plan
BDRC	Business Development Resource Centre (s)
BDS	Business Development Services
BoFED	Bureau of Finance and Economic Development
EDC	Entrepreneurship Development Centre
EDP	Entrepreneurship Development Programme
FeMSEDA	Federal Micro and Small Enterprise Development Agency
GDP	Gross Domestic Product
GTP	Growth and Transformation Plan
GoE	Government of Ethiopia
LED	Local Economic Development
MDG(s)	Millennium Development Goal(s)
MFI	Microfinance Institution
MoFED	Ministry of Finance and Economic Development
MoUDC	Ministry of Urban Development and Construction
MSME	Micro, Small and Medium Enterprise
MSE	Micro and Small Enterprises
MTE	Med-term Evaluation
NIM	National Implementation Modality
PPDF	Public Private Dialogue Forum
SME	Small and Medium Enterprise
TOR	Terms of Reference
TVET	Technical and Vocational Education and Training
UNDAF	United Nations Development Assistance Framework
UNDP	United Nations Development Programme

I. INTRODUCTION

1. The United Nations Development Programme's (UNDP) corporate policy is to evaluate its development cooperation with the host government on a regular basis in order to assess whether and how UNDP interventions contribute to the achievement of agreed objectives, i.e. changes in the development situation and ultimately in people's lives. Programme objectives, or outcomes therefore relate to "the intended changes in development conditions that result from the interventions of governments and other stakeholders, including international development agencies. They normally relate to changes in institutional performance or behaviour among individuals or groups".¹
2. This report represents the mid-term evaluation (MTE) of the programme "Support to Local Economic Development (LED): 2nd Generation, 2012 – 2015". The evaluation was commissioned by UNDP to support accountability to national stakeholders and its partners, as well as serving as a means of quality assurance and lessons learning. The evaluation was undertaken by a team of two evaluators over a period of 30 working days starting on 23 April to 3 June 2014.
3. The report is presented in seven chapters. The introduction of the report is contained in this first chapter, along with description of the evaluation methodology. Chapter 2 presents the programme rationale in the context of Ethiopia. Chapter 3 contains a description of the LED programme as well as related interventions, particularly the Entrepreneurship Development Programme (EDP). Chapter 4 contains the evaluation findings. Chapter 5 discusses the factors, pros and cons for merging the LED and EDP programmes. The remaining chapters 6 and 7 contain the lessons learned; conclusions and recommendations, respectively.

1.1. Purpose and Objectives of the Evaluation

4. The purpose of the MTE was to assess the performance of the LED programme and to make recommendations to the Government of Ethiopia (GoE) and UNDP with particular emphasis on the following two specific issues: (a) corrective measures to improve the repayment rate of the LED Fund, including possible adjustment in the LED Fund structure, and (b) assessing the feasibility and approaches for integrating the LED and EDP programmes.
5. The specific objectives were:

¹UNDP (2011); Outcome Evaluation: A companion guide to the handbook on planning monitoring and evaluating for development results for programme units and evaluators, p 3.

- Review the performance of the second generation of the LED programme and its results achieved, and analyse its strengths, weaknesses, opportunities and threats.
- Assess the effectiveness of the system of the LED Fund and analyse the cause of the low repayment rate of the LED Fund and propose the corrective measures to recover the loans in the past and guaranteeing repayment of loans in future.
- Review programme components, structures and governances of LED and EDP and recommend how the two can be merged, including any required revision to the existing EDP/LED programme documents.

1.2. Evaluation Scope

6. The evaluation focused on the performance of the LED programme and the interventions that were implemented. As a requirement of the Terms of Reference (TOR), one of the objectives was to assess the feasibility and approaches for merging the LED and EDP programmes. A general review of the EDP programme document and associated interventions was undertaken to determine the areas where the two programmes converged.

7. The scope of the evaluation involved collection and analysis of data leading to answers for the questions below.

Review of the LED programme

- What progress has been made towards the outcomes in the programme document?
- What factors contributed to achieving or not achieving intended outcomes?
- What factors contributed to effectiveness, efficiency and sustainability?
- How has the programme contributed to gender equality?

Review the effectiveness of the LED Fund repayment rate

- What is the current situation of the repayment and the systems involved?
- What are the factors that have had positive or negative influences on repayment?
- What kind of reforms should be done in order to get the loan in the past back and guarantee the repayment of loan in future?
- How should the reform be implemented?

Review of approaches for integrating of the LED with the EDP

- How each activity of the LED should be integrated into the EDP?
- What are the merits and demerits of the integration?

- How should the integration be implemented?

1.3. Evaluation Methodology

8. The methodology was agreed with UNDP as the commissioners of the evaluation, based on the inception report. The evaluation was participatory and stakeholders had opportunity to provide inputs and comments during presentation of preliminary findings and draft report. The final version of this report incorporates stakeholder comments from these processes.

9. The following five-step approach was adopted.

a) Document Review. Desk review of official project documents, including quarterly and annual reports, annual work plans (AWP), and official government reports and publications. The desk review culminated with a draft inception report outlining the evaluation plan and methodology, which was reviewed and approved by UNDP. The list of documents reviewed is at Annex 1 to this report.

b) Individual Interviews. A data collection mission to Ethiopia was undertaken from 28 April to 16 May 2014. The evaluators conducted individual and group interviews with UNDP senior management, programme and project staff, and the key national and government officials, including Ministry of Finance and Economic Development (MoFED), Federal Micro and Small Enterprise Development Agency (FeMSEDA) and Enterprise Development Center (EDC). The list of individuals interviewed is at Annex 2.

c) Field Visits. The team visited all the four targeted regions and held meetings with members of the Regional and City Steering Committees, LED Regional Coordinators, Microfinance Institutions (MFIs) and beneficiaries. The visits included the capitals of the target regions and another two cities.² The selection of the cities was agreed between the evaluators and UNDP programme staff. The field visit schedule is at Annex 3.

d) Preliminary analysis. Qualitative and quantitative analysis of the data was undertaken to extract information linked to the evaluation questions outlined in the terms of reference and inception report. Preliminary findings were presented to UNDP for comments as part of triangulation and validation of information.

e) Stakeholder Forum. The draft evaluation report was presented to stakeholders for discussion and comment. The final version of this report incorporates those comments.

²4 Regions – Amhara (Bahirdar city); Oromiya (Adama city); SNNPR² (Hawassa city); Tigray (Mekele city); and 2 cities - Asellain Oromiya and Soddo in SNNPR.

1.4. Limitations

10. While the field visits included all four targeted regions, only 6 cities out of total 27 were covered. In addition, in each city, only a limited number of Micro and Small Enterprises (MSEs) were visited (four in each city), and therefore also limited number of beneficiaries were consulted, due to time constraints. The sample was therefore not statistically representative. However, the analysis is reasonably accurate because it includes information from both primary and secondary data, and was further triangulated through multiple interviews at various levels.

II. COUNTRY CONTEXT

2.1. The Development Challenge

11. Ethiopia's Gross Domestic Product (GDP) has been growing at an average annual growth rate of 11%, which was expected to have positive impact on the Millennium Development Goal (MDG) of eradicating extreme poverty and hunger (MDG1) by 2015. However, the country remained a low-income country with 29% of its 90 million people living below the poverty line (MDG Report 2010) and per capita GDP less than \$400. Inequality and vulnerability to internal and external shocks remained key challenges; and rural-urban, as well as regional disparities in income levels, poverty, and social services provisions were widespread.

12. Although urban poverty was slightly less than in rural areas, urban poverty was decreasing at a slower rate and inequity increasing at a higher rate than in rural Ethiopia (UNDAF, 2012-2015). According to the Interim Report on Poverty Analysis Study (2010/2011), published in March 2012, the 2010/11 urban poverty head count and poverty gap were lower than that of 2004/05 by 27% and 10%, respectively, and poverty severity of 2010/11 was higher than of 2004/05 by 5%. The most important urban issues were: unemployment and under-employment, high food prices, population explosion, homelessness, lack of sanitation and migration. The limited capacity of the localities³ for managing urbanization was a major contributing factor to rising urban unemployment.

13. Consultations with stakeholders during the LED Assessment identified several constraints that limited the capacity of localities to deliver services and local economic development:

- Limited local government capacities, both in technical and functional (i.e., overall planning, coordination, M&E and management) areas,
- Inadequate availability of resources at regional, district and community levels,

³Locality means a geographical area, under the region, including city, kebele or woreda.

- Lack of sufficient foundation for inclusive growth, mainly employment creation, investment promotion and revenue generation, and
- Absence of a national framework and guidelines for accelerating implementation of the GTP at the local level.

2.2. Government Policies and Strategies

14. The Growth and Transformation Plan (GTP) is a national five-year plan to improve the country's economy by achieving a projected GDP growth of 11-15% per year from 2010 to 2015. One of the key drivers for growth is expected from an expanded privatization program, support for job creation through Micro and Small Scale Enterprises and increasing bilateral and multilateral trade linkages (UNDAF 2012-2015).

15. The government also developed the Urban Development Programme, which comprises two main packages: (i) the urban development package; and (ii) the urban good governance package. The objectives of the urban development package are to reduce unemployment and poverty, to improve the capacity of the construction industry, to alleviate the existing housing problems, to promote urban areas as engines of economic growth and to improve urban social and economic infrastructure particularly for youth. The package has five pillars: micro and small enterprise development program; integrated housing development program; youth development program; provision of land, infrastructure, services and facilities; and rural urban and urban-urban linkages.

III. PROGRAMME DESCRIPTIONS

3.1. LED Programme

16. In 2009, UNDP supported the Government of Ethiopia (GoE) to implement the first generation LED (LED I) interventions on a pilot basis, covering 7 cities in four regions.⁴ The objective of the LED intervention was “to promote pro-poor economic growth and sustainable livelihoods, through improving the enabling environment for business development, investment and targeted economic interventions”.

17. The government undertook an assessment of the LED I in 2011, and came to the conclusion that the LED intervention was a successful model that could be up scaled and replicated. The assessment report indicated that the strategic focus of the LED program should center on economic growth in addition to employment creation and poverty reduction to ascertain its substantive contribution to the GTP. The report also indicated

⁴ The 1st generation LED programme areas were: Asella and Nekemte in Oromia Region; BahirDar in Amhara Region; Hawassa and Sodo in SNNPR Region; and Adigrat and Mekele in Tigray Region.

that LED in Ethiopia required a national policy framework and institutionalization to ensure greater and sustainable impact on local economies.

18. A four-year 2nd Generation LED Programme (LED II) was launched to be implemented over the period 2012-2015. The following five principles were identified to guide implementation of LED II:

- a) LED should be implemented within the broader framework of decentralization and under complete ownership of government.
- b) LED should promote participation and partnership among and between different local, regional and national actors.
- c) LED should unleash the growth potential of localities and form bases for sustained growth of local economy.
- d) LED should enhance competitiveness of a local economy.
- e) LED should ensure equity and inclusiveness for economic growth.

19. LED is therefore aligned with the Growth and Transformation Plan (GTP), and is expected to contribute to the broader goal of reaching middle income country status by 2015. Based on the above principles, LED was designed with the following objectives and results framework (Table 1).

Table 1. LED Results Framework

Overall 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.
UNDAF Outcome 2: By 2015, private sector-led Ethiopian manufacturing and service industries, especially small and medium enterprises, sustainably improve competitiveness and employment creation potential.
LED Output 1: Government's policy review and regulatory capacity in selected sectors strengthened for increased private investment in micro, small and medium enterprises (MSMEs).
LED Output 2: Private sector support-giving institutions and MSMEs have improved skills, knowledge, technological capacity and linkages with TVETs and research institutions.
LED Output 3: Value chain and Cluster for MSMEs developed and implemented in selected economic sectors.
LED Output 4: MSMEs have improved access to financial services.

20. The programme has approved budget of US\$13,542,000 and allocated resources of \$8,042,000, funded by UNDP. The MoFED is main Implementing Partner with FeMSEDA as the Responsible Party.

3.2. EDP Programme

21. The government's vision as articulated in the GTP is to transform the predominantly agrarian economy that is heavily dependent on subsistence agriculture into a modern industrial economy, thereby achieving middle-income status and ascension to the World Trade Organization (WTO) by 2015. The major pillars for this transformation include the formalization of the informal sector and stimulating employment creation through developing the Medium-Small Enterprise (MSE) sector as a major industrial player.

22. UNDP supports the Government to implement the EDP with the Ministry of Urban Development and Construction (MoUDC) as the implementing partner and FeMSEDA as Responsible Party. The objective of EDP is "to bring about transformational change in unleashing the growth potential of micro and small-scale enterprises through skills training and provision of a comprehensive range of business advisory services. The programme contributes to the UNDAF Outcome 2 through the delivery of four outputs.

Table 2. EDP Outputs

EDP Output 1. Establishment of Entrepreneurship Development Centers in Addis Ababa and in 5 Regions.
EDP Output 2. Training of trainers as business development advisors.
EDP Output 3. Enhanced productivity and job-creation capacity of small-medium enterprises (SMEs).
EDP Output 4. Improved business environment with growth of micro-small enterprises (MSEs).

23. The EDP has total approved budget of \$26 million and allocated resources of \$6 million funded by UNDP, Government and other development partners.

IV. EVALUATION FINDINGS

24. This chapter presents the evaluation findings based on the evaluators' analysis of the data and information obtained from document reviews and interviews with programme stakeholders. A summary of the findings based on the evaluation criteria elaborated during the evaluation inception phase is at Annex 4 to this report.

4.1. Overall Contribution to Results

Finding one: The LED programme has contributed to the overall expected outcome, "...to improve MSE competitiveness and employment creation potential"

25. Based on data obtained from the field visits, some of the MSEs that were supported by the LED programme had become reasonably competitive and had actually created employment and livelihoods for its members. The enterprises were formed by groups of unemployed women or youth, who in the majority of cases, were working directly in the enterprises, with some of them having employed additional workers. Table 3 below shows the number of jobs and livelihoods created in the sample of 24 enterprises visited in six cities during the field work.

Table 3. Number of jobs created in sampled MSEs

City	Enterprises	Group Members			Added jobs		
		Female	Male	Total	Female	Male	Total
Mekelle	Hewan Dairy Farm	10	0	10	0	0	0
"	Harya Baltina (Mills)	12	0	12	6	5	11
"	SibhatHaftom Enterprise	8	8	16	4	4	8
"	Tseگان-tsigie Cafe and Restaurant	5	4	9	25	18	43
Bahir Dar	Selam Weaving	8	2	10	0	4	4
"	HayimanotFikadu and his friends Metal Work	2	2	4	5	0	5
Hawassa	Connection Cafe	5	0	5	3	12	15
"	Oasis Fishery	5	5	10	5	5	10
"	Shiny Candle Production	5	0	5	0	0	0
Sodo	Mihret Dairy Farm	5	0	5	0	0	0
"	CHF Leather and Leather Production	5	0	5	2	0	2
"	Guddanna Block Production	3	2	5	0	0	0
"	Damota Honey Production	4	1	5	0	0	0
Adama	Onel Detergent	0	3	3	6	4	10
"	Abraham Stove Production	0	1	1	0	20	20
"	TebarekenaAyisha Greenery	2	1	3	0	0	0
"	Medianalem Weavers	10	0	10	0	1	1
Asela	Soliana Wood and Metal Production	4	6	10	1	14	15
"	BerhanFana Construction Materials Supply	1	2	3	0	0	0
"	Hibret Glass Association	2	8	10	0	6	6
"	Denbel poultry	2	3	5	0	0	0
	Total	98	48	146	57	93	150

26. Table 3 above indicates that the choice of industry is a major determinant of the job creation potential. Enterprises in agro-based activities such as poultry and dairy were

mainly livelihood in nature, while manufacturing (wood and metal) and service-based (cafeteria) enterprises had higher job creation capacity.

27. By end of March 2014, available data indicated that the LED programme had directly supported creation of 14,485 jobs, out of which 6,927 (48%) were for women in the four target regions, excluding DireDawa and Harari cities (Table 4). As the programme targeted disadvantaged groups, particularly women and youth, the programme effectively contributed to the overall MDG goal of reducing poverty. However, the programme did not maintain a database to track and monitor the extent to which the jobs were being sustained over time.

28. Given that the total programme expenditure up to end of March 2014 was \$3,239,800, this means the LED programme's cost of creating a single job was \$223 or about ETB 4,364 birr. If these jobs could be sustained, the job creation model is worth up-scaling.

Table 4. Total number of jobs created and supported by LED programme

REGION	LED Phase	No. of MSEs supported	No. of jobs created (MSE members + employees)		Total
			Male	Female	
Amhara	1 st Generation	350	2,216	1,760	3,976
	2 nd Generation	64	380	576	956
Oromiya	1 st Generation	345	2258	1823	4,081
	2 nd Generation	380	362	232	594
SNNPR	1 st Generation	85	1109	1120	2,229
	2 nd Generation	75	396	404	800
Tigray	1 st Generation	28	753	888	1,641
	2 nd Generation	141	84	124	208
Total		1,468	7,558	6,927	14,485

Note: There were no records to indicate whether or not the jobs are still in existence today.

4.2. LED Performance Assessment

4.2.1. Enabling legal and policy environment

Finding Two: The programme was overall successful in building a broad-based consensus and multi-sectoral approach, but it had little impact on policy environment (Output 1)

29. Based on observations in the six cities visited during the evaluation, there was a broad consensus by key stakeholders, including government, private sector and civil society that the programme constituted an effective model for supporting local entrepreneurship and thereby contributing to local economic development. The establishment of steering committees at regional and locality levels was both instrumental and key indicator of this consensus. Local Chambers of Commerce, women's and youth organizations were actively involved in the steering committees.

30. Within the public sector, the major economic departments, including finance and economic development, MSE offices, revenue and investment departments participated in the steering committees. At the locality level particularly, the Steering Committees were chaired by the city mayors, who had very up-to-date and detailed understanding of the programme's progress and issues.

31. However, the programme design had envisaged that its capacity building interventions would result in some policy reviews to establish a conducive enabling environment for LED implementation. Several members of the steering committees undertook study tours to Kenya and South Africa to learn how the system of local economic development worked in other countries. Unfortunately, many of the target programme cities experienced high turnover of staff and personnel, and most of the individuals who had gone on these study tours were no longer incumbent in their positions. In Bahir Dar city for example, only one member of the steering committee had any memory of these capacity building activities.

32. Perhaps more significantly, the capacity building interventions did not culminate in any specific revision of policies and/or bylaws. These policy reviews were particularly intended to provide the enabling environment in which the programme activities can be effectively implemented. An example that is particularly illustrative is on the LED Fund. The problems around repayment for LED loans given to beneficiaries in the first generation is that the loans were misconstrued as

BOX 1: POTENTIAL POLICY REVIEW AREAS

In order to be able to collect payment for services rendered, BDRCs were legalized by BoFEDs through offering them Tax Identification Number (TIN) and cash register machines.

'Grants' because they were disbursed directly by City Administrations, who do not have legal mandate to give loans or enforce repayment. The programme did not address policy issues that could empower City Administrations to enforce payment (See also Box 1).

33. The planned LED Strategies were developed and adopted at the locality level. The Cluster Development Framework was also completed, but the Cluster Strategy and Action Plan were yet to be developed. However, the LED Framework and Guidelines were not

developed as per the design. The absence of the LED Framework was specifically highlighted as one of the major constraints limiting effective implementation of the GTP at the local level.

34. The programme also supported the establishment of the posts of LED Coordinator at the regional level, and LED Expert at city (locality) level. These positions constitute the institutional framework for local economic development. However, these positions were established under UNDP contracts, thus raising questions about their sustainability beyond the programme's cycle. When the evaluators asked this question, some of the cities said that they would be able to absorb these positions into their staff budgets, but others expressed doubt that they would have sufficient budget capacity to continue these positions.

4.2.2. Business Development Resource Center(s)

Finding Three: BDRCs were established in 17 cities but none of them were performing their core functions (Output 2)

35. A total of 17 BDRCs were established with LED programme support. Seven of the BDRCs were established during 1st generation and an additional 10 were established in the 2nd generation. Based on observations in the six cities that were visited, the BDRCs had good support from City Administrations who provided premises with facilities for libraries, conference halls and IT centers. The concept of BDRCs to provide support to the private sector was a new innovation in Ethiopia and had potential to strengthen private sector growth.

36. However, based on the evaluators' observations, some of these BDRCs were just nominal and did not fulfill the functions as per programme design. For example, in Asela, the BDRC was developed in 2010 during 1st generation, but it was still not functional and faced a myriad of administrative and budget constraints. First, it was sharing premises with the Woreda administration as well as residential households. The building did not have separate access doors to the library and the IT center, such that clients would have to pass through the public hall and the IT center to get to the library. The broadband internet had since been disconnected due to non-payment of a 20,000 birr outstanding bill.

37. According to the programme design, BDRCs were to be developed in all target programme cities to provide, (i) professional BDS services including business planning and counseling, (ii) a knowledge-sharing platform based on library, website, newsletter, etc., (iii) business and market development services including resource mobilization, and (iv) job counseling and placement services.

38. One of the common characteristics of most BDRCs was that they were located in youth recreation centers, and therefore tended to be seen as extensions to or additions to the youth centers, rather than centers for business excellence. Quite interestingly, most of the LED experts in the cities cited the provision of recreation facilities such as pool table and table tennis among the major services that the BDRCs were providing. Among the 6 cities visited during this evaluation, none of them were providing their core functions such as BDS services, and market development services. This was most unfortunate because the opportunities were there, and particularly among the newly established MSEs that were struggling to satisfy demand or raise adequate working capital (Box 2).

Box 2: BDRC Missed opportunities

An MSE in Hawassa which produced blocks was failing to meet market demand due to lack of adequate working capital. It took up to 14 days for the blocks to dry and another 10 days to get payment after delivery. In that period, the enterprise would not be working. The business has capacity to produce 1,000 blocks per day but was only producing about 250 blocks and failing to service its loan. The BDRC could assist with establishing linkages for joint venture partnership with interested investors.

39. Many of the BDRCs had not clearly defined their target markets. They were providing general services to the public, such as internet café, secretarial facilities (printing, copy and facsimile), cafeteria facilities and renting of hall for weddings, etc. While these were all creative income generation additions, they did not constitute the core mandate of the BDRC. Also interestingly, their prices were substantially lower than market prices, ostensibly because they were serving poor and disadvantaged groups. In reality they were operating as subsidized MSEs, because they did not have any fixed costs in rental (premises were provided free by City Administration) and salaries for key staff (they were paid from the LED budget).

40. The sustainability of the BDRCs also remained doubtful. The plan was to make them into viable profit-making entities. However, thus far, they have been unable to establish a strong market presence in their core functions, and the business services that they are currently focusing on are so small scale to sustain them without programme support.

4.2.3. Industrial clusters

Finding Four: The planned Cluster development Framework was developed, but the programme did not leverage on existing clusters in the targeted cities. (Output 3)

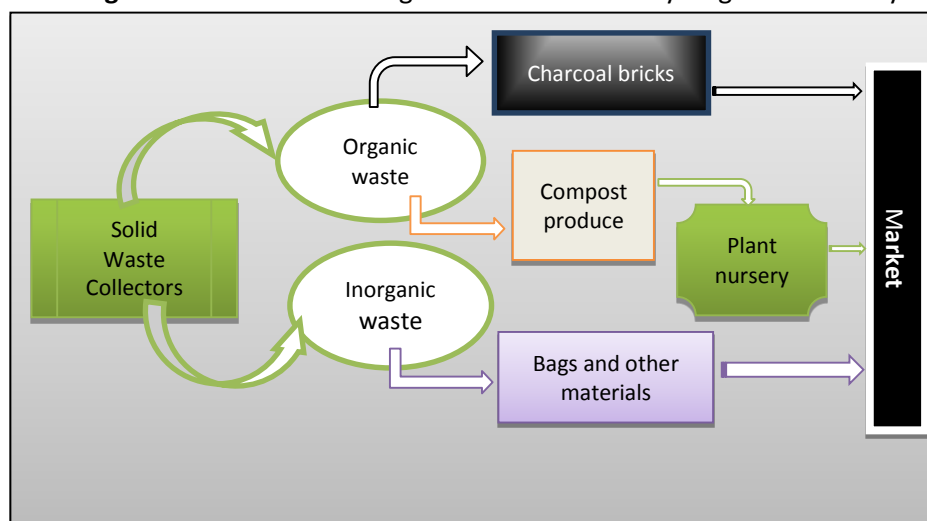
41. The programme design included development of industrial clusters in four localities in the target programme regions, and development of a Cluster Development Framework. The framework was developed and completed in the first quarter of 2014, with ongoing work to develop the Cluster Strategy and Action Plan. Through the Regional steering Committees, one industrial cluster was identified for each region (Box 3).

Box 3: LED supported industrial clusters

Amhara region	Dessie city	Textiles and garments
Oromia region	Bishoftu city	Poultry
SNNPR region	MizanAman city	Fruit processing
Tigray region	Adigrat city	Metal and wood work

42. Based on evidence collected in the cities that were visited, there were industrial clusters established under the government programme to support business growth. However, in majority of cases, these clusters were merely ‘business sheds’ established as facilities for businesses in a common location. This was an opportunity that the LED programme could have leveraged to strengthen industrial clusters. A particularly good practice example was identified in Adama, where the City Administration and Adama University had partnered and contributed 9 million birr to develop value-chain linkages in solid waste recycling industries (Figure 1).

Figure 1: Value-chain linkages for solid waste recycling in Adama city



Source: Adama City Administration: 2013 Annual report of LED Supported Programmes

43. While of course there was nothing fundamentally wrong with the LED approach for identifying and developing new clusters, the whole programme rationale rests on the principle that the programme seeks to stimulate local economic development by strengthening private sector and creating employment. It would thus be prudent to build upon what already existed in the local economy. There was therefore a missed opportunity in this regards.

4.3. LED Programme Logic

4.3.1. Programme design and strategies

Finding Five: The programme design did not address the scope of a local economic development intervention

44. By definition, local economic development is a process that involves the planning and implementation of strategies that stimulate the local economy. It encompasses an improved local business investment climate; investments in infrastructure, sites and premises for business; encouragement of local business growth; promotion of sector (and business cluster) development; local planning and management of resources; and assistance for disadvantaged groups. The overall purpose of local economic development is to build up the economic capacity and legal regulatory framework for a local area to improve its economic future and the quality of life for all.

45. Based on review of relevant literature, the scope of full local economic development programmes includes the following essential components:⁵

- Stimulate entrepreneurship, business and cooperative development.
- Improve enterprise competitiveness.
- Strengthen local value-chains and clusters to attract investment.
- Linking skills training to labour markets.
- Strengthen access to labour-market information.
- Mobilise saving and credit, and facilitate access to financing.
- Improve physical and financial infrastructure.
- Strengthen local institutional frameworks and governance.

46. While the programme carried the name of 'local economic development' intervention, in practice its focus was limited to entrepreneurship development and support. Although the design mentioned the idea of 'inclusive growth through improved business environment' no specific activities targeted support to local governments'

⁵ILO, Boosting Local Economies

capacities to develop and implement local investment promotion strategies, for example. Business growth was only focused on micro-small enterprises, which was more of a livelihood approach, than 'economic' development. Industrial cluster development was only partially initiated at regional level and not at the locality level.

47. While the activities undertaken were definitely essential, by themselves they do not constitute the full scope of local economic development. In other words, although it is necessary, support for micro-small enterprises is by itself not a sufficient condition for stimulating the local economy.

Finding Six: The programme strategy was not executed in an integrated manner

48. While the programme strategy identified relevant interventions to contribute to the expected outcome, the execution of the interventions was not done in an integrated manner according to the programme design as articulated in the programme document. Two specific gaps were highlighted; (i) absence of national LED framework, and (ii) lack of targeted institutional capacity building of the key institutional drivers for local economic development – MSE, Revenue and Investment offices. Although the specific interventions to address these gaps were proposed in the design, no activities were included in the work plans.

49. Building institutional capacity and developing the enabling legal and policy framework underpin the entire programme logic and therefore constitute a key success factor for the programme (Box 4).

The progress reports for 2013 actually indicated that activities to develop the LED framework and guidelines were moved forward to 2014. However, since the first generation of LED was

implemented from 2009, there would seem to have been ample opportunity for the development of the LED framework by now.

50. The programme logic also underscores the criticality of a multi-sectoral approach as a fundamental paradigm for local economic development. The programme strategy therefore planned specific interventions to develop institutional capacities of key public-private institutions, including Chambers of Commerce and city administration functional departments such as MSE Office and Revenue Office, with a view to strengthen the Public-Private Dialogue Forum (PPDF). The delay or non-implementation of these key areas of the programme logic constitute critical risks for programme success and achievement of the overall programme objective.

Box 4: Key lessons from the 1st generation

Lessons from the 1st Generation showed that a national LED policy framework was a critical foundation for local economic development. The LED Assessment Report (2011) also indicated that the lack of effective investment promotion policies and conducive business climate were critical risks.

51. Furthermore, no direct linkages were being established between the various components of the programme. For example, the BDRCs that were established in most of the target programme cities did not have any direct contact with the newly established enterprises. These were opportunities where the BDRCs could have added value by performing their core function of providing business advisory services (Box 5).

Box 5: Dairy Produce Enterprise in Sodo City

This enterprise was established in 2012 with 3 cows, and increased to 16 cows by March 2014. The MSE produces 50 litres of milk per day, which they sell at wholesale price of 11 birr/litre at the enterprise. However, the retail price in the center of Sodo town (about a kilometer from the enterprise) is 20 birr/liter. The cost of renting a retail shop is 2,500 birr a month.

The MSE has not been successful in persuading the City Administration to allocate them a subsidized retail shop, and have not considered renting one by itself. A simple financial analysis indicates that the enterprise would have increased its income by about 11,000 birr a month if it had rented a retail shop for 2,500 birr. The BDRC, which currently employs a Business Development Services (BDS) specialist, can help them to do this decision analysis.

4.3.2.LED Fund

Finding Seven: Although access to finance by MSEs is an essential component of the programme theory, the adopted model had severe limitations: (Output 4)

a) Lack of clarity on the nature and purpose of the Fund.

52. The LED Fund was bound to run into problems, given the legal context in which it was established. Technically, since the Fund had to be transferred to MoFED initially, it was classified as a 'Grant' for national accounts purposes. As a matter of procedure, MoFED then transferred the Funds to respective Regional BoFEDs also as a 'Grant', and so on through the chain until its final recipient at City Administration.

53. In the 1st generation, the Cities disbursed the funds directly to beneficiaries either as cash or purchased the capital equipment for the new MSEs. This led to a misconception by beneficiaries that the funds were being provided as a grant, and resulted in the current difficulty to get beneficiaries to pay back.

54. In the 2nd generation, the programme sought to correct this anomaly by engaging the services of micro-finance institutions (MFIs) to disburse the funds on their behalf. However, the respective City Administrations as implementing partners did not have the legal basis nor the technical framework to transfer the Fund to MFIs other than as a 'Grant'. Any other way would have entailed the City either making an 'Advance' or a 'Loan'

to the MFI – which it does not have a mandate for. The City Administrations therefore entered into an agreement with their respective MFIs in which the City provided the MFI with a Micro-capital Grant (Box 6). The Cities retained the role and responsibility of identifying the beneficiaries; and so the MFIs did not completely integrate or manage these funds as part of their loan portfolios. This also resulted in lower repayment because the MFIs were not conducting any follow ups on borrowed funds, or providing the business support services that they normally provided to new entrepreneurs.

Box 6: Agreement between City Administration and MFI

A. MICRO-CAPITAL GRANT AGREEMENT

MICRO-CAPITAL GRANT AGREEMENT BETWEEN THE IMPLEMENTING PARTNER AND THE RECIPIENT INSTITUTION FOR THE PROVISION OF GRANT FUNDS

Micro-capital Agreement (hereinafter referred to as the 'Agreement' made between the Implementing Partner **Asella Town Administration Finance and Economic Development** and the Recipient Institution **Oromia Credit and Saving S.C.**

b) Unconventional loan disbursement modality.

55. Even though the MFIs signed a loan contract with the beneficiaries, the MFIs were themselves non-committal and made it clear in the signed loan agreements with beneficiaries that the City Administration, and not the MFI was making the loan (Box 7). In Tigray region, the regional BoFED could not agree the disbursement and management modality with the MFI, and so the LED funds were being disbursed through Women's and Youth Associations. These associations did not have legal mandate to make loans or collect repayments.

Box 7: Agreement signed between MFI and borrower MSE

UNDP FUNDED PROJECT REVOLVING FUND AGREEMENT

1. Lending Institution: Asella Town Administration Finance and Economic Development
Address: Oromia Zone, Arsi Town, Asella Kebele
2. Borrower:name of MSE....

c) Poor selection of beneficiaries with high potential for conflict of interest.

56. The fact that the City Administration and/or civic associations had control over access to the Fund also meant that they could determine the selection criteria. This is not to say that the selection criteria agreed with UNDP was ignored, but it is feasible that

additional criteria such as membership to the association would have then become a requirement.

57. The City Administration determined the beneficiaries as well as the interest rates on the loans. In the 1st generation, the loans were given to beneficiaries interest-free, while in 2nd generation the interest rates were lower than market rates. Furthermore, interest rates varied between Regions. In Tigray the LED Fund interest rate was 5%, all of which went to the Women's or Youth Association that disbursed the loans. In other regions the rate was 10% which was shared between the MFIs and the Fund (Box 8). Given the high risk of delinquency, clearly the Fund exposure and sustainability risk is very high.

Box 8: LED Fund interest rate

MFI service charge	3.5%
MFI profits	3%
LED Fund Returns	3.5%
Total interest charged	10%

d) Lack of clarity on the role of micro finance institutions.

58. Since the MFIs carried no risk on the performance of the loans, and no specific responsibility for selecting beneficiaries, the business/project proposals that were subsequently funded did not go through the rigorous appraisal process normally performed by lending institutions.

59. The programme document specifically assigns the function to provide collateral for disadvantaged groups to the City Administration, which was subsequently reflected in the Agreements signed with MFIs. This in effect meant that the MFIs shouldered no particular risk, and therefore they did not see the need to, nor did they undertake monitoring activities to ensure that loans were actually utilized for the purpose that they were given. Thus, the combination of poorly evaluated enterprises with no follow up monitoring on the use of funds, culminated in several MSEs failing to service their loans.

60. The Agreements with MFIs further stipulated that no new loans would be disbursed unless the present loan portfolio reached a 97% repayment threshold. Consequently, given the low repayment rates prevailing, particularly with respect to 1st generation loans, the Fund was not revolving. In Asella city for example, there was 5 million birr in repaid funds sitting in the MFI's account, which could not be disbursed due to this limiting provision in the Agreement.

Finding Eight: Some loans could have become delinquent and unrecoverable

61. From a sample of 30 MSEs visited by the MFI in Bahir Dar city, as part of its monitoring and follow-up on outstanding loans, 10 (33.3%) were successful and were servicing their loans on time; 11 (36.7%) were struggling and unable to meet their running costs, including loan servicing; and 9 enterprises (30%) had been dissolved (see also Box 9).

Box 9. Status of LED supported MSEs

	Active	Weak	Dissolved
Amhara	331	67	16
Oromia	309	22	12
SNNPR	94	22	9
Tigrai	No classification by region		
Total	734	111	37 or(5%)

62. Out of the total ETB 108,421,616 birr disbursed by end of March 2014, about 67% of the loans had matured, and over half of those loans were in arrears (Table 5). With over 37 million birr of outstanding loans in arrears, it could be surmised therefore that the LED fund has a delinquency rate of approximately 49%. As most of these loans date back to 1st generation disbursements, these loans have a high risk of not being recovered. The repayment rate on the total loan portfolio was 31.9%; Amhara region(41%); Oromiya region ((35.2);SNNPR (15.3%) and Tigrai region(22.8%).

63. Based on the above figures, the total Fund exposure on non-performing loans is about ETB 37 million birr (just under US\$2 million at exchange rate of 19.35). See also Annex 5 for details.

Table 5. Status of LED Fund (as at end of April 2014)

Region	Total Disbursed (ETB)	Loan Matured (ETB)	Repayment in arrears (ETB)	Principal Outstanding (ETB)	Repayment Rate (%)	
					On schedule	On total loan
Amhara	34,277,543	26,156,345	12,076,138	20,197,337	53.8%	41.1%
Oromiya	39,439,924	29,015,130	15,063,625	25,536,755	47.9%	35.2%
SNNPR	14,278,716	8,067,388	5,888,065	12,099,392	27.0%	15.3%
Tigrai	19,466,431	9,144,290	4,182,228	15,019,656	48.6%	22.8%
Dire Dawa	739,000	----	----	739,000	---	---
Harari	220,000	12,571	6,571	214,000	47.7%	0.03%
Total	108,421,616	72,395,725	37,021,139	73,806,142	47.8%	31.9%

Source: LED programme files

4.4. LED Coordination and Management

Finding Nine: The programme had weak management and oversight systems

64. The programme design articulated a clear management, monitoring and reporting framework with specific responsibilities assigned at all levels. The mainstay of the programme governance system was anchored in the Steering Committees established at the federal, regional and locality levels with specific TORs to meet quarterly and to review progress and make decisions. At the sub-national level, the Steering Committees were supported by LED Coordinators (regional) and LED Experts (city), both positions funded by the LED programme but integrated into the Government structures at regional and city levels respectively.

65. Based on observations from the field visits the Steering Committees did not undertake regular quarterly meetings as per their TORs, but met on ad hoc basis (Box 10). Thus, as a governance mechanism, the Steering Committees did not exercise the required strategic leadership and oversight to keep the programme focused on its core objective. One

Box 10. Steering Committee meetings

Some regional steering committees had only met twice during the programme lifespan. First to distribute the LED Funds to City administrations and second to identify a cluster for the region and decide its location.

of the consequences of this lack of strategic oversight was the low repayment led experienced by the LED Fund. With adequate strategic governance, this is a problem that should have been identified and addressed as soon as the first payments became due.

66. Communication between the federal, regional and locality levels was also very weak. In fact, even as this evaluation was underway, that information had not yet reached some of the key players by the time the evaluators arrived in their cities. Also noted during the field visits, LED Coordinators from the region and the LED programme manager had not visited some of the cities within the last 15-18 months. Clearly, therefore, with such a weak monitoring system, there could be little wonder why most of the outputs were off-track both in terms of progress and quality of results.

67. Directly related to the weak monitoring system, the programme reporting was also very weak. First, the programme was not producing annual progress reports as per standard UNDP programme management guidelines. Instead, the LED programme only produced quarterly reports, which were also not regular. In fact, in the course of this evaluation, only two quarterly reports were made available to the evaluators – 3rd quarter (Jul – Sep) 2013, and combined 3rd and 4th quarter (Jul – Dec) 2013. Furthermore, the quality of the reporting was very poor, focusing mainly on the status of activity implementation such as recruitment of consultants, etc., and nothing on the attainment of indicators or progress on expected results.

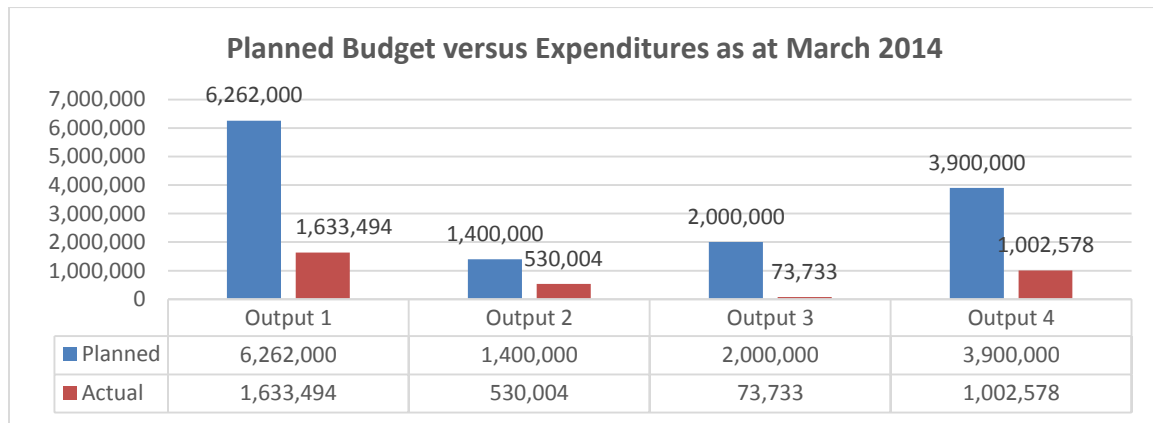
4.5. LED Implementation and Delivery Efficiency

Finding Ten: The programme was unable to generate the expected levels of funding

68. The programme had total approved budget of \$13,542,000 out of which about 60% (\$8 million) was funded by UNDP from its regular budget and the balance of \$5,5 million remained unfunded.

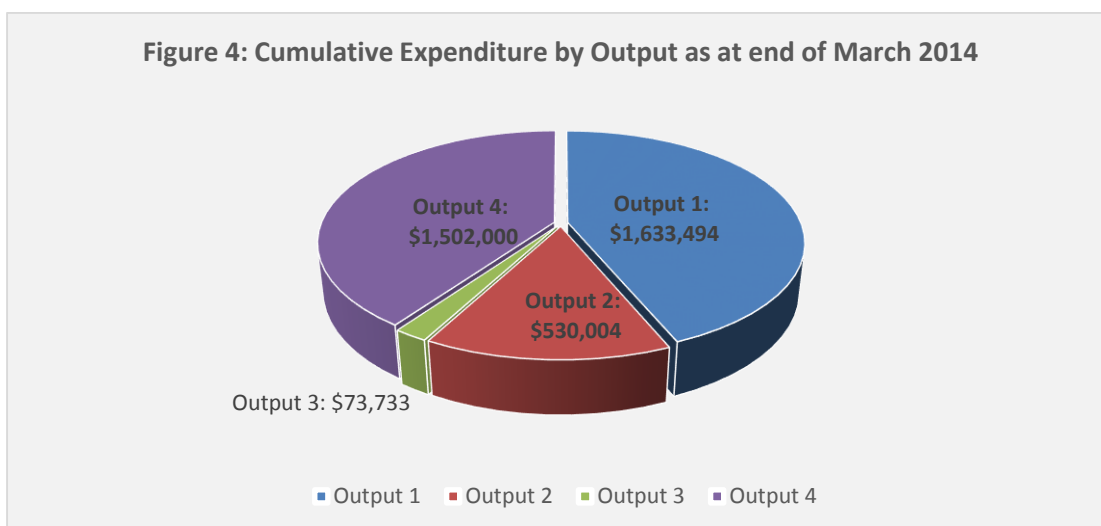
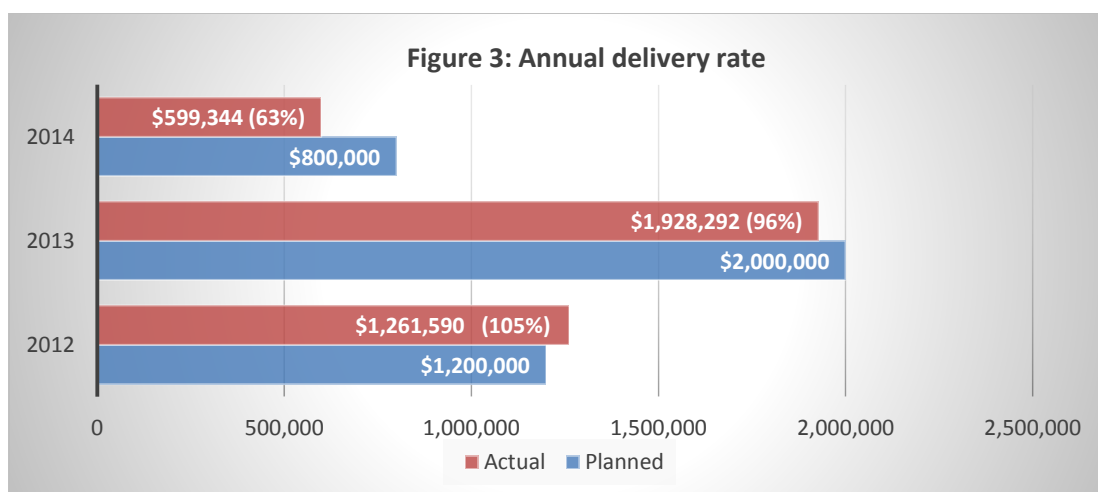
69. The LED programme was therefore unable to meet its funding requirement. As at end of March 2014, the budget shortfall was highest in Output 1 (Policy and Capacity Building) and Output 4 (LED Fund) – See Figure 2 below.

Figure 2. LED Funding gap by Output



Finding Eleven: Delivery rate for available resources was satisfactory

70. The average budget delivery rate was satisfactory at 88% of total planned budget (Figure 3). Of the total planned budget, the biggest budget expenditures were Output 1 with 43.7% (\$1,633,494) and Output 4 with 40.2% (\$1,502,000) of total planned budget respectively (Figure 4).



V. ANALYSIS OF LED AND EDP APPROACHES

71. This chapter addresses the requirement to assess the feasibility and propose approaches for integrating the LED and EDP programmes.

Finding Twelve: While both programmes address relevant and strategic areas, they had significant similarity between them

72. Naturally all UNDP supported programmes have to be aligned with national priorities and strategies and implemented in the context of the UNDAF. In the case of the EDP and LED, both programmes contribute to the same UNDAF Outcome 2; “By 2015, private sector-led Ethiopian manufacturing and service industries, especially small and

medium enterprises, sustainably improve competitiveness and employment creation potential”

73. A critical analysis of the two programme objectives would suggest that both address the same issue, albeit from a different perspective. In the case of EDP, the objective is ‘to unleash the growth potential of **micro and small-scale enterprises through skills training and provision of a comprehensive range of business advisory services**’. The EDP places much of its emphasis on “**how**” the government vision for “industrial sector driven economic growth, led by vibrant MSEs” can be achieved – hence the programme strategy focuses on building a national culture of entrepreneurship by establishing EDCs to provide entrepreneurship training and provide business development services.

74. On the other hand, the LED model places much of its emphasis on “**what**” the government vision entails and “**who**” are the key drivers of change towards that vision at all levels. The LED strategy therefore states

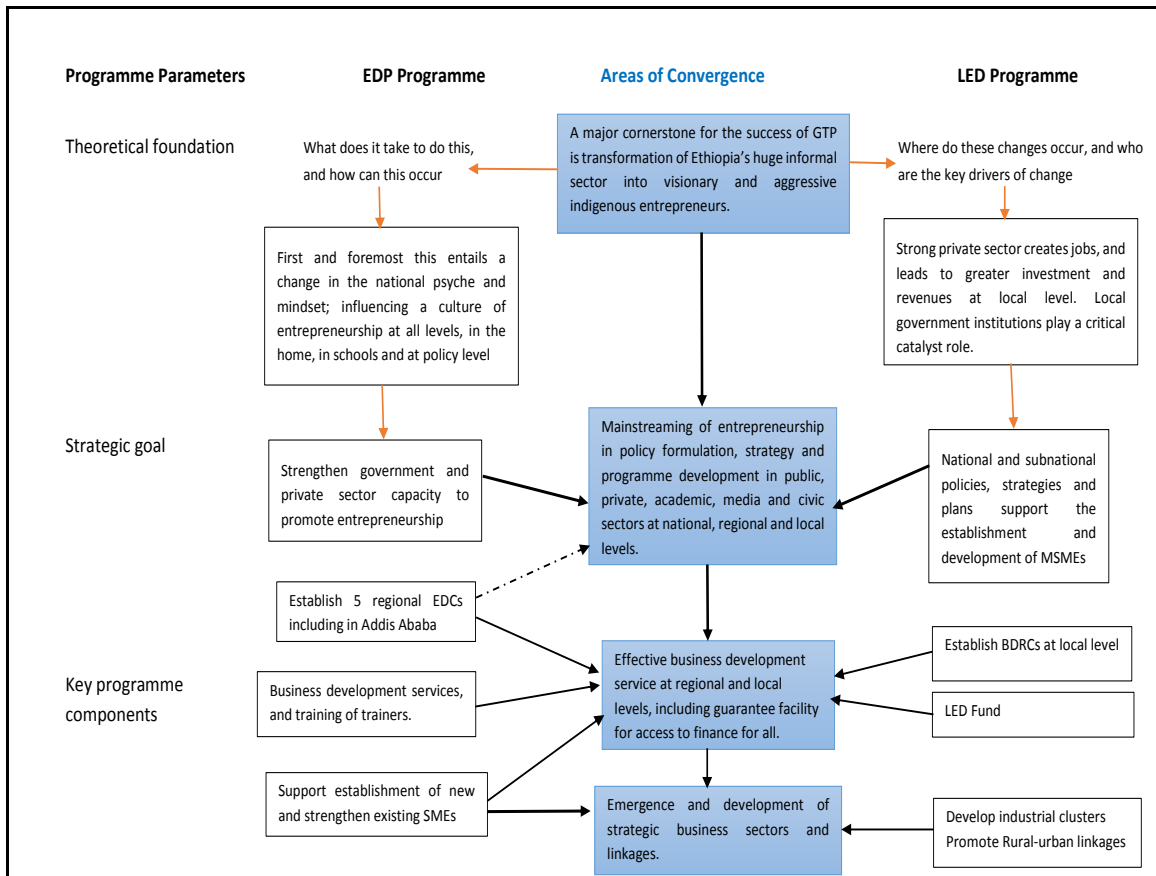
75. “...the priority intervention is that need to be emphasized are **MSE development, local revenue generation and investment promotion** – chosen because of their combined ability to bring sustained impact and change in the local economy”. However, as noted in Chapter 4, much of the interventions that were implemented all revolved around ‘establishing and strengthening’ MSEs to become competitive and increase their capacity to create employment.

76. In consultations with the Entrepreneurship Development Center (EDC), they indicated that they also planned to support industrial clusters. This component of the LED programme was therefore not at variance with the EDP programme. The only LED intervention that is not included in the EDP programme is the LED Fund. The EDC noted that they do not have the mandate and technical expertise for micro-financing; and secondly because the management of the LED Fund has not shown itself to be a simple process, judging from the lessons of the 1st generation LED.

77. However, the issue of ‘access to financing’ is a critical assumption that is central to the logic of both programmes, because in the final analysis, the primary indicator for both programmes is about whether or not ‘competitive enterprises and employment have been created’. The key issue therefore is to restructure the Fund such that; (1) its operation and management modalities are aligned to national systems, and (2) its function and implementation clearly reflects the its overarching purpose as a mechanism that guarantees ‘access to financing for all’, rather than a guarantee for the risk of default by poorly selected and under-performing enterprises.

78. The interconnectedness of the two programmes is illustrated below (Figure 5).

Figure 5. Analysis of EDP and LED Convergence

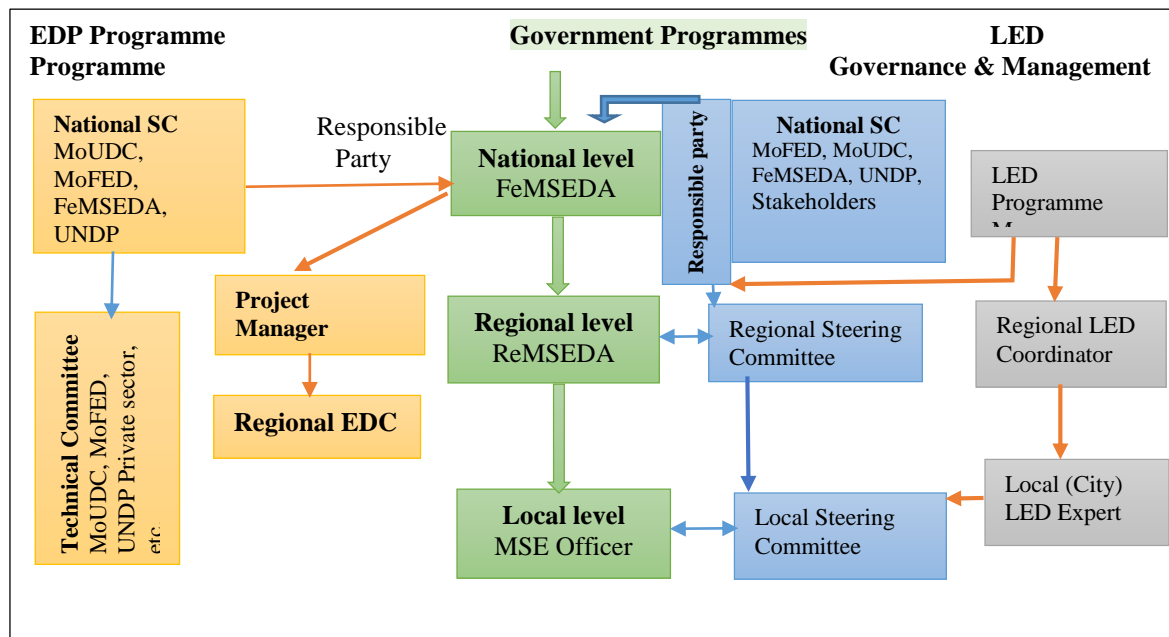


Finding Thirteen: The programmes have governance and management systems that are sufficiently similar to justify their merger

79. Both programmes are implemented under the national implementation modality (NIM), with MoFED and MoUDC as implementing partners respectively for LED and EDP. However, both ministries are members of the respective national steering committees, and moreover, MoFED as the interlocutor for programmes funded by development partners. In addition, FeMSEDA was designated Responsible Party for both programmes.

80. The respective governance and management systems for EDP and LED are shown below (Figure 6), together with the government coordination mechanism for its entrepreneurship development programmes. Clearly, the three systems have a lot in common, and it is quite conceivable that the same individuals could be representing their respective institutions in both parallel structures.

Figure 6. Analysis of EDP-LED Governance and Management Systems



81. The major area of divergence between the programmes is that the LED programme had established programme support staff at locality level, whereas the EDP envisages EDC centers only at regional level. However, it is not logical to think that the programme could be weakened by extending its products and services at a level that is even closer to its clients. Moreover, as discussed earlier, the performance of the BDRCs have been somewhat below par, which in itself is an indicator of limited capacity. By merging with EDP, the LED experts at the city level would therefore naturally assume the role of head of BDRC in their respective cities, and bring with them a higher skill level than was presently available in the BDRCs. In the same connection, the regional LED coordinators would be strong contenders to lead the regional EDCs.

VI. LESSONS LEARNED

82. Many good practices were developed in the LED programme, the major ones are:
- building a broad-based consensus and establishing a multi-sectoral approach,
 - strengthening of local institutional capacity through establishment of LED coordinators and experts at regional and locality levels respectively,
 - establishing BDRCs to provide business support services at local level, and

- d) integration of a facility to ensure inclusive access to financing for all. These have already been highlighted in the preceding discussion, including issues about how effectively they were implemented.

83. There were also several emerging lessons, which UNDP may wish to consider in future design and implementation of similar programmes.

Lesson 1: Clear articulation of the programme logic and design.

84. A logic model serves to precisely define the anticipated development change and the critical steps that will lead to that change. The LED programme failed to adequately position itself in the role of ‘stimulating local development’, which by definition encompasses building the capacity of local government as a catalyst for development, developing a conducive investment climate and support to the labour-market sector. Consequently, the programme had a narrow focus on entrepreneurship, which although an essential component for local economic development, was not sufficient to achieve the anticipated outcomes (Findings 1, 2 and 3).

Lesson 2: Comprehensive analysis of national systems

85. While the NIM modality is consistent with UN principles of ownership, harmonization and alignment, it requires a comprehensive analysis of the national system. The programme did not give sufficient attention to the national architecture for microfinance and inadvertently created a dilemma whereby the LED fund was perceived as a grant (Finding 4 and 7).

VII. CONCLUSIONS AND RECOMMENDATIONS

86. Overall, the evaluation concludes that the LED programme contributed towards expected result even though too limited in scope to be considered as a comprehensive local economic development intervention. The programme had created 14,845 jobs and enhanced the livelihoods of MSE members and other disadvantaged and poor women and youth employed under them. Second, it provided capacity building training to members of steering committees working at different levels in order to create enabling environment although majority of trained people were no longer in the same positions. Third, BDRCs were established to render professional services to entrepreneurs yet they are not practicing their core functions.

87. The LED programme was fundamentally focused on entrepreneurship, which made its integration with the EDP programme very feasible. However, the LED programme also

contained some good aspects, which can potentially strengthen the EDP, including (a) the outreach to locality levels, and (b) access to financing for all.

88. In accordance with the TORs, the evaluation made four recommendations. Two of the recommendations address the issues arising from assessment of LED Fund performance, and specifically propose (i) options to recover outstanding loans, and (ii) restructuring the Fund to improve repayment rate. Two recommendations address issues related to merging the LED and EDP programmes.

7.1. Recommendations for LED Fund

Recommendation 1. Classify the loans by status of enterprise and develop targeted strategies for each one

89. As noted above, beneficiary MSEs fell into three distinct groups; (1) able but unwilling to pay back, (2) willing but unable to pay back, and (3) dissolved and/or bankrupt. In order to achieve high repayment rate of LED fund, the following mechanisms can be applied; (i) First, the programme should undertake an intensive exercise to track and classify all beneficiary MSEs according to these three broad groups. (ii) Secondly, the programme should explore the possibility of transferring the loan portfolio to MFIs post-facto. The obvious challenge is how to get MFIs to accept a portfolio of non-performing loans, but through creative engineering combined with a concrete financial incentive, this should be possible. The evaluators understand that this had already been done in Asella city, so that model can also be adapted in other cities.

90. Once the loan portfolio has been transferred to an MFI institution, there will be a legal basis to enforce payment by the first group – able but unwilling to pay back. Since all recipients signed a loan contract which is legally enforceable, the MFIs can pursue the issue through the courts, including repossession of the enterprise assets.

91. With respect to the second group – willing but unable to pay - the LED management should develop a programme to supervise and improve the performance of these enterprises. Such supervision programme does not necessarily have to include additional funding from the Fund or LED budget, but could include identifying competent management to manage the enterprise on curatorship basis until the loan is fully paid back. In the event that the enterprise is deemed not to be viable, then the LED management may consider disposal of assets.

92. With respect to the last group where the enterprise is either dissolved or bankrupt, two options exist. First, if there are any remaining assets, these may be disposed of to recover part of the debt, and secondly, if there are no assets, then the City Administration that guaranteed the loan should be required to pay the balance of the debt.

Recommendation 2. Establish an MFI-managed access guarantee facility

93. The programme assumptions that justified the creation of LED Fund were that the poor and lacked access to formal financial services. Analysis of the challenge facing the disadvantaged groups indicated that there were three major issues:

- MFIs require borrowers to provide 20% equity in the form of savings.
- Poor people did not have collateral to back up their loans.
- The cost to MFIs for servicing small loans is not competitive.

94. In view of the above challenges therefore, it should be possible to develop a mechanism that addresses these issues without necessarily creating a separate financial system or market for the poor. UNDP should explore the possibility of partnering with MFIs to establish a pro-poor Fund on a matching basis. The Fund should be established and managed within the MFIs portfolio as a Special Fund. The criteria for access should be agreed between UNDP and the MFI, but may include the following at the very least:

- i. Clearly defined target group – women, youth, etc., and agreed selection criteria.
- ii. Requirement for BDS training as a condition for financing.
- iii. Presentation of viable and profitable business proposal.
- iv. Supervised and monitoring and periodic reporting of income and expenditures.

7.2. Recommendations for EDP-LED Merger

Recommendation 3. Integrate EDP and LED under a revised programme document

95. Although the two programmes contribute to the same UNDAF outcome, merging them entails a revision of outputs and indicators to facilitate a results-oriented reporting framework.

96. The proposed Results, Monitoring and Evaluation (RME) framework is shown below in Table6.

Table 6. Integrated EDP RME Framework

UNDAF Outcome 2: Improved competitiveness and employment creation potential of MSMEs		
Programme Outputs	Indicators	Merged components
1. Entrepreneurship is mainstreamed in policies, strategies and programmes at all levels	1.1. Enabling national statutes and sub-national bi-laws reviewed 1.2. Budget allocations for entrepreneurship programmes at all levels	EDP Output 1 EDP Output 4 LED Output 1
2. BDS services, including guarantee facility for access to financing for all are provided at regional and local levels	2.1. Increase in employment 2.2. Increased investments at local level 2.3. Increased local revenues	EDP Output 2 LED Output 2 LED Output 4
3. Strategic value-adding market linkages established	3.1. Increase of value-chain clusters 3.2. Increase of competitive and viable SMEs.	EDP Output 3 LED Output 3

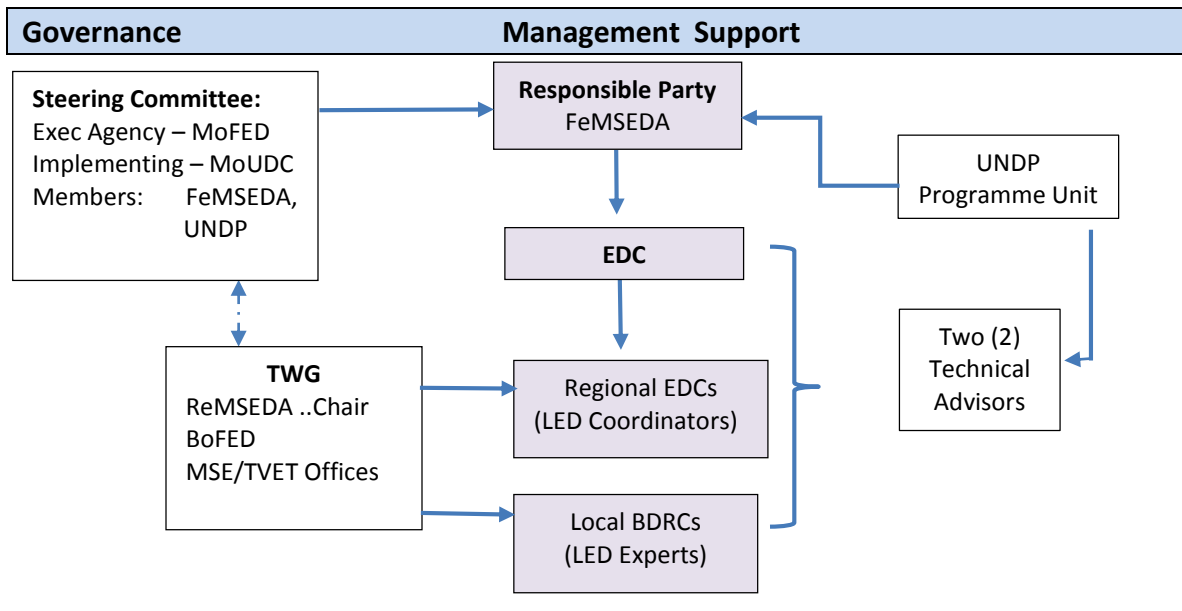
97. The specific interventions and activities may remain basically the same. However, it should be noted that under the current LED programme, many of the activities under Output 1 (policy review and capacity building) were either not implemented or did not achieve the expected results. This means that a rethinking of the activities may be required following a more comprehensive assessment of the existing policy and capacity gaps. Similarly, under the new Output 2, the activities of the regional EDC and the local BDRCs may require some revision to more closely reflect the new programme focus to strengthen BDS services and provide a guarantee facility for access to financing.

Recommendation 4. Integrate the governance and management systems under FeMSEDA, with EDC as programme manager

98. Given the overarching focus of the integrated programme on entrepreneurship, it is recommended that FeMSEDA be the designated Responsible Party. However, in order to maintain full alignment and harmonized structure with government implementing modalities, MoFED will assume the role of Executing Agency with MoUDC as Implementing Partner.

99. The other elements of the management structure will be anchored around integration of current EDP and LED structures. The EDC will continue its role as the primary change agent and programme manager. The LED Coordinators already established by LED programme at regional level will assume the position and role of Head Regional EDC, while the LED Experts will become Head of BDRC at local (city) level (see Figure 7 below).

Figure 7. Proposed Governance and Management structure



Annex 1. Documents Reviewed

1. Consolidated Monitoring Report in LED Supported Cities; Jul 2013 – Mar 2014.
2. Cluster Development Framework;
3. LED Strategy: Mekelle City.
4. LED Programme Progress Report: 3rd and 4th Quarter (Jul-Dec) 2013.
5. LED Programme Progress Report: 3rd Quarter (Jul-Sep) 2013.
6. LED Programme Annual Work Plan; 2013.
7. EDP Programme Document; June 2012.
8. LED Programme Document: 2nd Generation (2012-2015); April 2012.
9. LED Programme Annual Work Plan; 2012.
10. MSE Development Strategy, January 2011.

Annex 2. Individuals Interviewed

Contacted persons	Position	Organization
1. Mr Samuel Bwalya	Country Director	UNDP
2. Ms Bettina Woll	Deputy Country Director	"
3. Dr Eyob Tesfaye	Team Leader	"
4. Mr Atnafu WoldeGebriel	Support unit	"
5. Mr Yoshiaki Noguchi	Program Analyst (LED)	"
6. Mr Legese Haile	Cluster specialist	FemSEDA
7. Mr Ahmed Mohammed	M&E specialist	"
8. Ms Seblewongel	M&E specialist	"
9. Ms Mio Yokota	Program specialist	EDP
10. Ms Ethalem	Head,	"
11. Mr Birhanu	Expert	"
12. Mr Admasu Nebebe	Director, UN Agencies	MoFED
13. Mr Yonas Getahun	UN Fund Coordinator	"
14. Ms Seada Kedir	Head	Oromiya Women Affair
15. Mr Gezu Urgessa	UN Finance Coordinator	Oromiya BoFED
16. Mr Tibebu	Expert	Oromiya Credit and Saving (OCSSCO)
17. Mr Lijalem Wakgari	Led Coordinator	Oromiya BoFED
18. 1 8. Ms Zafu Gebrehiwot	UN Finance Coordinator	Tigrai BoFED
19. Mr Araya Tesfay	LED Coordinator	Tigrai BoFED
20. Mr Girmay Tesfay	Economic and Social Advisor	Mekelle City
21. Mr Girmay Kiros	Head	Mekelle Youth & Sport Affairs
22. Mr Yemane Teklu	Youth Coordinator	Mekelle Youth & Sport Affairs
23. Mr Tuem Mustefa	Development plan coordinator	Mekelle Plan & finance Office
24. Ms Senay Kehase	Manager	Mekelle Youth Association
25. Mr Yibrah Kidane	Expert	Mekelle Agriculture
26. Mr Lilay Haile	Head	Mekelle Labor and Social Affair Office
27. Mr Taju Mohammed Yusuf	Head	Mekelle MSE Office
28. Mr Mesfin Amare	Head of TVET	Mekelle TVET Office
29. Mr Gebreyohannes W/ananya	Planning & project budgeting	Mekelle Women Affairs
30. Ms Nigisti Kidane	LED Expert	Mekelle Plan & finance office
31. Mr Moges Hailu	Expert	Mekelle Chamber
32. Tsehaytu G/mariam &	Chairwoman	"
33. Aradech Tesyay	Vice chairwoman	"

Contacted persons	Position	Organization
34. Ms Tsehaytu Abrha;	Chair women,	Mekelle Harya Baltina - MSE)
35. Abrehet G/yohannes	vice chair women	"
36. T/haymanot; Rahwa	member	"
37. Ms Sibhat Amare;	Chairperson	Mekelle Metal & Wood Work - MSE)
38. Haftom G/gergis	Technology intervention	"
39. Mr Teklu Yemaneberhan	Process Owner	Amhara BoFED
40. Ms Saba Berehe	Expert	ACSI
41. Mr Alemu Bitewlign	UN Fund Focal Person	BoFED
42. Mr Alayu Mekonnen	Mayor Advisor	BahirDar City
43. Ms Aster Berehe	Head	Bahir Dar Youth & Women
44. Mr Mulusew Adamu	Head	Bahir Dar ACSI
45. Ms Degie Zerihun	LED Expert	Bahir Dar City Finance & Eco
46. Mr Dawud Mohammed	LED Expert	Bahir Dar City Finance & Eco
47. Mr Tadele Yinegal	Head	Bahir Dar City Revenue
48. Mr Haimanot Fikadu	Chairman	Bahir Dar (Metal work (MSE))
49. Mr Akililu Tuketa	Vice head	SNNPR BoFED
50. Mr Shitaye Chebula	LED Coordinator	SNNPR BoFED
51. Mr Atnafu Urissa	UN Program Coordinator	SNNPR BoFED
52. Mr Tewodros Gebiba	Deputy Mayor	Hawassa City Administration
53. Mr Admasu Baffa	Board of Directors	Hawassa Chamber
54. Mr Nahom Dawit	President	Hawassa Youth Association
55. Mr Genet Kebede	Department Head	Hawassa Women Affairs
56. Mr Lenda Legamo	Expert	Hawassa Women Association
57. Mr Ejigu Engiso	Manager	Omo Micro Finance
58. Mr Haile Kebede	LED Expert	Hawassa City Administration
59. Mr Binyam Solomon	Chairman	Connection Cafe
60. Ms Ejegaye Yared	Chairwoman	Oasis fishery services
61. Ms Genet Alaro	Chairwoman	Shiny Candle Production
62. Mr Mengistu Tigro	Mayor	Sodo Town Administration
63. Mr Alemu Meja	Led Expert	Sodo Town Administration
64. Mr Sisay Teklu	Owner	Sodo Town Mihret Dairy
65. Mr Adane Tesfaye	Chairman	Sodo Town CHF Leather and Leather Production
66. Mr Isak Abraham	Chairman	Sodo Town Guddanna Block Production (MSE)
67. Mr. Tesfaye Dogiso	Chairman	Sodo Town Damota Honey Production(MSE)
68. Mr Ahmed Hussien	Head	Adama City Finance & Eco

Contacted persons	Position	Organization
69. Mr Hussien Abie	LED Expert	Adama City Finance & Eco
70. Mr Abini Feleke	Chairman	Adama Onel Detergent Production (MSE)
71. Mr Abraham Meles	Owner	Adama Abraham Fuel Saving Production (MSE)
72. Binyam Solomon	Binyam Solomon	Binyam Solomon
73. Ms Mulu Angew	Chairman	Adama Medhanalem Weaver (MSE)
74. Mr Berhanu Dibaba	Mayor	Asella Town Administration
75. Ms Anna Marie	Head	Asella Town Women Affairs
76. Mr Adugna Haile	LED Expert	Asella Town Administration
77. Mr Moti Girma	Manager	Asella Town Oromiya OCSSCO
78. Mr Tariku Teshome	Head	Asella Soliyana Home & Office Furnitur (MSE)
79. Ms Tsehay Zenebe	Member of the MSE	Asella Berhan Fana Construction Materials Supply (MSE)
80. Mr Elias Berehe	Chairman	Asella Hibret Glass Work (MSE)
81. Mr Melese Nihussie	Chairman	Asella Denbel Poultry Farm (MSE)

Annex 3. Evaluation Mission Schedule

Working Planfor Mid-Term Evaluation of LED Programme (UNDP) - 2014																																										
No	Actions	Months																																								
		April									May																													June		
		23	24	25	26	27	28	29	30	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	1	2	
1	Document review/Inception report																																									
2	Arrival of the International Consultant																																									
3	Inception meeting with UNDP program staff members																																									
4	interviews with Federal steering Committee (MoFED, FeMSEDA, EDC)																																									
5	Interview with Oromiya Regional Steering Committee																																									
6	Table work																																									
7	Data collection in Tigrai (Mekele)																																									
8	Table work																																									

Working Plan for Mid-Term Evaluation of LED Programme (UNDP) - 2014

No	Actions	Months																																										
		April								May																								June										
		23	24	25	26	27	28	29	30	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	1	2	3		
9	Data collection in Amhara (Bahirdar)																																											
10	Data collection in SNNPR (Hawassa)																																											
11	Data collection in SNNPR (Soddo)																																											
12	Table work																																											
13	Data collection in Oromiya (Adama)																																											
14	Data collection in Oromiya (Asella)																																											
15	Travel to Addis																																											
16	Preparation for next day presentation																																											
17	Presentation of preliminary findings to UNDP (LED concerned staff members)																																											
18	Drafting LED evaluation report																																											

Working Plan for Mid-Term Evaluation of LED Programme (UNDP) - 2014

No	Actions	Months																																										
		April								May																						June												
		23	24	25	26	27	28	29	30	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	1	2	3		
19	Develop Framework for LED – EDP integration																																											
20	Submit the drafted LED evaluation and Integration framework report																																											
21	prepare stakeholders' forum																																											
22	LED Stakeholders Forum: Present the findings and Recommendations																																											
23	Revise the presentation with inputs from stakeholders																																											
24	Submit the final report																																											

Annex 4. Evaluation Matrix: Status of Output Indicator

INTENDED OUTPUTS	OUTPUT TARGETS FOR (YEARS)	Status of Output Targets Based on field observations
<p>Output 1: Government's policy review and regulatory capacity in selected sectors strengthened for increased private investment in micro, small and medium enterprises (MSMEs)</p> <p>Baseline: 1. No LED Strategies available in the selected new localities 2. Capacities of the Offices of MSE, Revenue, Investment, TVETs and Chambers in delivering their services are limited (below average) in the selected localities 3. Capacities of the programme coordination institutions are limited. 4. No LED approach guidelines/Frame work is available or the localities</p>	<p>Targets (2012)</p> <ol style="list-style-type: none"> 1. Endorsed 27 LED Strategies for the selected localities 2. Endorsed capacity needs strategies of MSE, Revenues and Investment Offices in selected localities in place for implementation 3. Four Regional LED Coordinators, 28 LED Experts, 1 Business/Cluster Specialist, 1 Prog. Asstt, 1 driver recruited and the professionals oriented 	<ol style="list-style-type: none"> 1. LED strategies and action plans developed and distributed to all localities 2. Some of RSC and CSC said that they provided capacity building at different levels to MSEs, revenue, TVET, investment, and chamber of commerce offices but the team of the evaluation didn't access to any evidence (document) that can be traced back 3. Similar to number 2 above 4. LED guidelines/frame work is not available so far.
<p>Indicators (2012): 1. No. of LED strategies developed and their quality and usefulness 2. Number of institutions included for their capacity needs assessment and the quality of the assessment 3. No. of professionals (men & women) recruited and oriented</p> <p>Indicators (2013-2015): 1. Number of institutions' process, procedures, or systems reformed 2. Number of public-private initiatives signed and implemented, and their outcomes. 3. Number of City Profiles developed and their quality and usefulness 4. Number of officials (men and women) trained in the relevant areas and the use of the acquired skills 5. Quality of the evaluation report and its use</p>	<p>Targets (2013)</p> <ol style="list-style-type: none"> 1. At least 50 institutions improved their process, procedures and systems for effective economic service delivery 2. At least 10 public-private initiatives implemented in each locality/year 3. 20 City Profiles developed and disseminated for city promotion 4. At least 100 officials (public, private and CSO) improved their knowledge and skills and applied the acquired skills in each locality/year. 5. Endorsed mid-term programme evaluation report for use in planning 	<ol style="list-style-type: none"> 1. The LED programme did not elaborate indicators for 'improve process' 2. The interviewees confirmed that there is no capacity needs assessment undertaken so far 3. All LED coordinators at regional levels and experts at localities recruited and assigned in project areas with fair gender balance 4. As per information from the document review and field visits, no process, procedures, or systems reformed for any institutions except the improved MSE

INTENDED OUTPUTS	OUTPUT TARGETS FOR (YEARS)	Status of Output Targets Based on field observations
6. Quality and usefulness of the LED guidelines/framework	Targets (2014-2015) <ol style="list-style-type: none"> At least 50 institutions improved their process, procedures and systems for effective economic service delivery At least 10 public-private initiatives implemented in each locality, annually At least 100 officials (public, private and CSO) improved their knowledge and skills and Applied in each locality, annually. The LED guidelines/Frame work developed for the localities to use 	strategy <ol style="list-style-type: none"> Two MoUs: (i) between MoFED/BoFED/ODFED and FeMSEDA/ReMSEDA / MSE respectively on one side, and ii) between MFIs and MSEs in all regions but between MSE and Civic Association in Tigray on the other side for the disbursement of fund No evidence of developed City Profiles, Steering Committee confirmed that different training packages were given to officials (men and women) at the beginning of the program but due to frequent turnover, the capacity no longer exist. No LED guideline / framework developed so far
Output 2: <i>Private sector support-giving institutions and MSMEs have improved skills, knowledge, technological capacity and linkages with TVETs and research institutions</i> Baseline: No BDRCs are existing in the new localities; SME service providing facilities are limited in LED localities; No jobs counseling and placement services are available Indicators (2012): No. of BDRC proposals developed and their quality and use Indicators (2013-2015): <ol style="list-style-type: none"> Number of functional BDRCs Number of SMEs benefitted from the products and services of BDRCs and improved their 	Target (2012) Endorsed proposals for setting up 8 BDRCs in the new localities Targets (2013-2015) <ol style="list-style-type: none"> At least 8 new BDRCs functional At least 10 SMEs/ locality/ annum benefitted from the products and Services of BDRCs and improved their productivity At least 100 people (50% women)/locality/ annum benefitted by using the products and services of BDRCs in jobs counseling, placement and ICT – clients' Satisfaction is high 	<ol style="list-style-type: none"> BDRCs are established in all areas but not fully functional currently No data of MSEs served by BDRCs available, Some BDRCs registered internet clients (e.g., Bahir Dar BDRC) but there is no data which shows individuals benefitted by the products and services of BDRCs in job counseling and placement as BDRCs not functional in this line

INTENDED OUTPUTS	OUTPUT TARGETS FOR (YEARS)	Status of Output Targets Based on field observations
<p>productivity</p> <p>3. Number of people (men and women) benefitted by using the products and services of DRCs in job counseling and placement and ICT- clients' satisfaction</p>		
<p>Output 3:</p> <p><i>Value chain and Cluster for MSMEs developed and implemented in selected economic sectors</i></p> <p>Baseline: Although government gives importance of cluster development, no holistic cluster development approach is in practice. The existing Clusters have limited capacities. No Cluster Framework/ guidelines are available.</p> <p>Indicator (2012): Cluster Development Framework/Guidelines and Cluster Strategy/Action Plan and its quality and user-friendliness– no. of sectors considered for cluster development</p> <p>Indicators(2013-2015): 1.Number of Clusters developed/strengthened 2.Number of enterprises and entrepreneurs(men and women) benefitted</p>	<p>Targets(2012)</p> <p>Endorsed Cluster Development Framework/guidelines and strategy for at least 1 to 2 Sectors, assessing 26 localities</p> <p>Targets(2013-2015)</p> <p>1. At least 1 to 2 Clusters of the selected sectors developed/strengthened</p> <p>2. At least 150 enterprises, covering 1,500 entrepreneurs benefitted annually</p>	<p>1. Clusters are not functional so far. The Cluster Development Strategy was produced but is yet to be implemented.</p>
<p>Output 4:</p> <p><i>MSMEs have improved access to financial services</i></p> <p>Baseline: 1. The poorest of poor and vulnerable have limited or no access to micro-finance 2. No collateral guarantee mechanisms in place in the Selected new LED localities</p> <p>3. No inclusive micro-finance strategies available in new LED localities.</p>	<p>Targets(2012)</p> <p>1. Endorsed inclusive micro-finance strategies, with the LED Fund management mechanism and collateral guarantee mechanism, for 20 new localities.</p>	
<p>Indicator (2012):</p>	<p>Targets(2013-2015)</p>	<p>1. Inclusive micro-finance strategy was developed and</p>

INTENDED OUTPUTS	OUTPUT TARGETS FOR (YEARS)	Status of Output Targets Based on field observations
<p>1. Number of inclusive micro-finance strategies developed and their quality</p> <p>Indicators (2013-2015):</p> <p>1. No. of LED Funds and collateral guarantee mechanism set up in new LED localities</p> <p>2. Number of people (men and women) benefitted from the collateral guarantee mechanism and LED Funds/micro-finance in each locality / annum</p> <p>3. Number of MSEs strengthened/ created in each localities/ annum</p>	<p>1. Pro-poor LED Fund and collateral guarantee mechanism for SME development set up and functional in each new locality</p> <p>2. At least 100 needy people (50% women) benefitted from the collateral guarantee mechanism and LED Fund/micro-finance in each locality/ annum</p> <p>3. At least 20 SMEs strengthened/ created in each locality / annum</p>	<p>implemented in all program areas in 2012</p> <p>1. All city Administrations under the LED program entered guarantee for the poor so that the poor accessed to loan</p>

Annex 5. Status of LED Fund by Region

Regions /Program Cities	Total disbursement(A)	Loaned Principal	Matured Loan	Repayment		Rate on schedule (G/E*100)	Rate on total (G/C)*100	Loan Arrear (D-F)	Loan Outstanding (Principal) (C-G)
				Principal	Total collected				
Oromia									
Adama	998,972.00	25,772.76	30,705.52	3,727.28	4,301.28	14.01	0.43	22,045.48	994,670.72
Ambo	999,214.00	52,281.60	55,330.50	43,500.00	46,303.00	83.68	4.63	8,781.60	952,911.00
Assela	18,061,239.45	13,149,382.00	13,149,382.00	6,286,519.00	6,382,767.00	48.54	35.34	6,862,863.00	11,678,472.45
Bishoftu	1,000,000.00	295,929.50	316,644.55	277,379.50	297,783.55	94.04	29.78	18,550.00	702,216.45
Chiro	895,000.00	51,671.00	56,742.00	33,593.00	37,554.00	66.18	4.20	18,078.00	857,446.00
Metu	1,000,000.00	369,166.66	394,010.53	236,648.25	254,899.46	64.69	25.49	132,518.41	745,100.54
Nekemte	15,486,376.00	14,697,494.00	14,984,764.65	6,696,705.00	6,849,901.23	45.71	44.23	8,000,789.00	8,636,474.77
Shashemene	999,123.00	27,550.50	27,550.50	27,550.50	29,659.00	107.65	2.97	0.00	969,464.00
Total	39,439,924.45	28,669,248.02	29,015,130.25	13,605,622.53	13,903,168.52	47.92	35.25	15,063,625.49	25,536,755.93
Amhara								0.00	0.00
Bahirdar	29,647,388.50	25,529,586.90	25,529,586.90	13,486,719.94	13,486,719.94	52.83	45.49	12,042,866.96	16,160,668.56
Debre Berhan	1,251,727.58	148,256.45	148,256.45	148,256.45	148,256.45	100.00	11.84	0.00	1,103,471.13
Debre Markos	1,301,727.58	81,288.80	81,288.80	78,873.80	78,873.80	97.03	6.06	2,415.00	1,222,853.78
Dessie	1,401,700.00	102,280.50	300,522.84	85,478.65	283,720.99	94.41	20.24	16,801.85	1,117,979.01
Gondar	675,000.00	96,690.00	96,690.00	82,635.00	82,635.00	85.46	12.24	14,055.00	592,365.00
Total	34,277,543.66	25,958,102.65	26,156,344.99	13,881,963.84	14,080,206.18	53.83	41.08	12,076,138.81	20,197,337.48
SNNP								0.00	0.00
Arbaminch	279,790.00	6,994.74	7,694.24	3,545.41	4,077.22	52.99	1.46	3,449.33	275,712.78
Dilla	762,455.00		0.00		0.00		0.00	0.00	762,455.00

Regions /Program Cities	Total disbursement(A)	Loaned Principal	Matured Loan	Repayment		Rate on schedule (G/E*100)	Rate on total (G/C)*100	Loan Arrear (D-F)	Loan Outstanding (Principal) (C-G)
				Principal	Total collected				
Hawassa	7,567,751.00	5,390,313.66	5,733,899.71	1,401,314.78	1,602,492.06	27.95	21.18	3,988,998.88	5,965,258.94
Hossa'ena	762,455.00	37,581.17	41,339.89	11,753.84	15,512.01	37.52	2.03	25,827.33	746,942.99
Mizan Aman	762,455.59	13,712.29	17,886.24	10,374.31	13,482.10	75.38	1.77	3,337.98	748,973.49
Sodo	4,143,810.00	2,165,819.00	2,266,568.80	494,856.93	543,760.33	23.99	13.12	1,670,962.07	3,600,049.67
Total	14,278,716.59	7,614,420.86	8,067,388.88	1,921,845.27	2,179,323.72	27.01	15.26	5,692,575.59	12,099,392.87
Tigray								0.00	0.00
Adigrat	9,061,909.00	3,705,499.00	4,629,024.00	2,311,455.00	2,866,440.00	61.92	31.63	1,394,044.00	6,195,469.00
Adwa	528,110.30	9,569.96	11,483.91	9,569.96	11,483.87	100.00	2.17	0.00	516,626.43
Alamata	394,647.00		0.00		0.00		0.00	0.00	394,647.00
Axum	508,671.55	13,931.28	15,343.56	13,931.28	15,343.56	100.00	3.02	0.00	493,327.99
Mekelle	8,439,607.00	4,264,016.59	4,488,438.52	1,475,832.50	1,553,507.89	34.61	18.41	2,788,184.09	6,886,099.11
Shire	533,486.80		0.00		0.00		0.00	0.00	533,486.80
Total	19,466,431.65	7,993,016.83	9,144,289.99	3,810,788.74	4,446,775.32	48.63	22.84	4,182,228.09	15,019,656.33
Diredawa CA	739,000.00						0.00	0.00	739,000.00
Total	739,000.00								
Harreri					0			0.00	0.00
Harar	220,000.00	12,571.43	12,571.43	6000	6,000.00	47.73	2.73	6,571.43	214,000.00
Total	220,000.00	12,571.43	12,571.43	6000	6,000.00	47.73	2.73	6,571.43	214,000.00
Grand Total	108,421,616.35	70,247,359.79	72,395,725.54	33,226,220.38	34,615,473.74	47.81	31.93	37,021,139.41	73,806,142.61

Annex 6. Evaluation Terms of Reference

GENERAL INFORMATION

Services/Work Description:	Mid-term review for re-designing of the LED Programme and its integration into the EDP
Project/Program Title:	Local Economic Development (LED) Programme
Project ID:	00082517
Fund Code:	04000
Post Title:	International Consultant
Duty Station:	Addis Ababa with short trips to no less than six regional cities
Duration:	30 working days

I. BACKGROUND / RATIONALE

The Government of Ethiopia has been implementing the Local Economic Development (LED) Programme since 2009 with financial and technical support from UNDP Ethiopia. The programme aims to promote pro-poor economic growth and sustainable livelihoods, through improving the enabling environment for business development, investment and targeted economic interventions in local cities. The first generation of the programme was conducted for two and a half years in seven cities. Since the first generation was evaluated as having achieved the planned objectives, the second generation of the programme has been implemented since 2012 in twenty seven cities, including twenty new cities, in four large regions (Oromia, Tigray, Amhara & SNNPR), Harari and Dire Dawa.

The focus areas of the programme are; (i) Government's policy review and regulatory capacity in selected sectors strengthened for increased private investment in micro, small and medium enterprises (MSMEs); (ii) Private sector support-giving institutions and MSMEs have improved skills, knowledge, technological capacity and linkages with TVETs and research institutions through Business Development Service Centers (BDRCs) (iii) Value chain and Cluster for MSMEs developed and implemented in selected economic sectors, and (iv) MSMEs have improved access to financial services through the LED Fund.

Out of the four focus areas, the fourth component: access to finance through the LED Fund has had a critical problem of low repayment rates. The rate was as low as 18% at the end of the first generation and 56% at the end of 2013. Since the repayment is essential to assure sustainability of the support for micro and small enterprises, the Steering Committee of the LED Programme agreed to review the system and structure of the LED Fund and analyse the current shortcomings so as to decide corrective measures for improvement and measures.

In parallel with the LED, the Federal Micro and Small Enterprises Development Agency (FeMSEDA) and UNDP launched the Entrepreneurship Development Programme (EDP) in 2013 and rolled out the support programme into 4 regions (Amhara, Oromia, Tigray and SNNPR). The overall objective of the EDP is to bring about transformational change and unleash the growth potential of micro and small enterprises (MSEs) through entrepreneurial and business management skills training and provision of comprehensive business advisory services. An Entrepreneurship Development Centre (EDC) was established in Addis Ababa and the EDP plans to expand its activities nationwide in 2014.

The EDP and LED programmes contribute to a common outcome in the United Nations Development Assistance Framework (UNDAF) as well as the national priorities. In addition, FeMSEDA, the implementing partner of EDP is responsible for the implementation of one of the activities of the LED, (cluster development) and shows willingness to take wider responsibility in the place of Ministry of Finance and Economic Development (MoFED), current implementing partner of the LED. Considering the similarity and complementarity of the two programmes, the Steering Committee of the LED Programme suggested examining the possibility of integration of all activities of the LED programmes into the EDP for better resource utilization and coordination instead of having two parallel programmes. It was also discussed that out of the four focus areas of the LED listed above, the first and the second focus ones seem to have particularly high relevance and potential to be integrated into the EDP.

II. OBJECTIVES OF THE CONSULTANCY

The purpose of the midterm review is to assess the performances of the second generation of the LED programme and to make recommendation to the Government of Ethiopia and UNDP with special emphasis on (1) possible corrective measures to improve the repayment rate of the LED Fund and to make necessary adjustment in the LED Fund structure, and (2) Complete integration between the LED Programme and EDP and proposed roadmap.

The Specific objectives include:

1. Review the performance of the second generation of the LED programme and its results achieved, and analyse its strengths, weaknesses, opportunities and threats.
2. Assess the effectiveness of the system of the LED Fund and analyse the cause of the low repayment rate of the LED Fund and propose the corrective measures to recover the loans in the past and guaranteeing repayment of loans in future.
3. Review programme components, structures and governances of LED and EDP and recommend the ways of integration of the LED programme into the EDP. Propose a substantive revision to the existing EDP/LED programme documents and an action plan for this integration.

III. TASKS AND RESPONSIBILITIES OF THE CONSULTANT

Under the overall guidance of the programme manager in UNDP and the national programme coordinator, the consultants will address, but not limited to, the following key points for each objective;

1. Information collection and review of the LED programme

- Conduct the desk review of all the relevant documents including the programme documents of the LED and the EDP, programme reports, UNDAF Strategy, Memorandum of Understandings (MoUs), national policy documents, and strategies.
- Have meetings with all relevant stakeholders in Addis Ababa, such as MoFED, FeMSEDA, UNDP, and EDC.
- Visit at least six LED localities including the capital of each of the four large regions. In each city, meet the stakeholders such as LED Experts, LED regional coordinators, responsible officials in Bureau of Finance and Economic Development (BoFED), Regional Micro and Small Enterprises Development Agency (ReMSEDA), Chamber of Commerce

and Microfinance institutes (MFIs). In addition, the BDRCs and one or two beneficiary enterprises in each city need to be visited.

- Based on the information collected, review the effectiveness, efficiency and sustainability of the existing structure and activities including M&E activities, good practices, existing human resources, and contribution to gender equality.

2. Review the effectiveness of the LED Fund and improvement of low repayment rate

- Based on the collected information above, analyse the current repayment rate, compare with the repayment rate of ordinary loans by MFIs in Ethiopia, analyse the reasons behind the low repayment rate, and compare with best practices in other countries.
- As a part of draft assessment report, develop a proposal of change of system or structure of LED Fund including situation analysis, recommendations for the redesign of its governance structure, recommendations on how to improve the repayment rate and action plan.

3. Propose modalities to integrate the LED with the EDP

- Based on the collected information above, analyse the areas of activities of the two programmes that are common or duplicated, the activities that are not common, merit of integration and possible demerit of it.
- As a part of the draft assessment report, develop a proposal for integration of the LED into the EDP with a concrete action plan. The proposal should take the form of a substantive revision to the existing EDP/LED programme documents. If needed, have additional meetings with officials in UNDP, EDC and LED.

4. Submission of the reports and validation in the workshop

- Prepare the draft mid-term review report with a specific focus on the proposal of reform of LED Fund and the integration of LED with EDP.
- Present the draft report in the Stakeholder Consultative Forum
- Reflect the feedbacks and discussion in the forum into the final report and submit it.

IV. EVALUATION QUESTIONS

The questions below need to be answered in each part of the review.

1. Review of the LED programme

- Were stated outcomes and outputs in the programme document achieved?
- What progress has been made toward the outcomes in the programme document?
- What factors contributed to achieving or not achieving intended outcomes?
- What factors contributed to effectiveness, efficiency and sustainability?
- How has the programme contributed to gender equality?

2. Review the effectiveness of the LED Fund and cause and improvement of low repayment rate

- What is the current situation of the repayment and the systems involved?
- What are the factors that have had positive or negative influences on repayment?
- What kind of reforms should be done in order to get the loan in the past back and guarantee the repayment of loan in future?
- How should the reform be implemented?

3. Review of the way of integration of the LED with the EDP

- How each activity of the LED should be integrated into the EDP?
- What are the merits and demerits of the integration?
- How should the integration be implemented?

V. KEY DELIVERABLES AND OUTPUTS

1. Work Plan: The plan of the whole period of assignment, including division of roles of the international consultant and the national consultant, schedule of meetings with stakeholders and trips to regional cities
2. Draft mid-term review report, including proposals for the integration of the programmes and improvement of repayment rate of the LED Fund with action plan
3. Proposal of the substantive revision of the EDP/LED Programme documents to integrate the components
4. Stakeholder Consultative Forum: Presentation of the findings, recommendations and the way forward on the LED Approach in a stakeholder consultative forum to be held in Addis Ababa
5. Final Assessment Report with concrete recommendations for on the integration of LED in the EDP, with action plan. Modified and completed based on feedbacks and discussion in the consultative forum both in Hard and Soft Copies

VI. METHODOLOGY

The midterm review will start with review of the available related national, local and UN/ UNDP programme policies, strategies, frameworks, programme documents, work plans, manuals, and reports. This will be followed by visits and meetings with the key actors in public, private and CSO sectors at national, regional and local levels. Field visits are to be undertaken to sample no less than six cities including the regional capitals of the four large cities, namely Adama, Bahir Dar, Hawassa and Mekelle. There will be several interviews and consultations to be conducted with the focused groups and beneficiaries. Data and information to be collected should be evidence-based, as well as qualitative and quantitative in nature. If it is required, evidence-based data need to be presented with digital pictures. The assessment should be done with a participatory approach as much as possible.

Once the draft assessment report is developed, it should be shared with all the key relevant stakeholders in advance of the stakeholder consultative forum to be held in Addis Ababa. The feedback and discussions in the forum should be recorded and reflected in the final report.

VII. DURATION OF CONSULTANCY AND TIMEFLAME

It is expected that all the consultancy services would be undertaken in 30 working days, as per the following timeframe:

#	Main Activity	Working Days Assigned
1	Desk Review of the relevant documents	4
2	Consultations with key stakeholders of the LED and the EDP, including donors, at federal level	4
3	Field visits to six localities including the regional capitals of the four large regions for data and information collection through focused-	10

	group interviews as well as consultations and meetings with the stakeholders	
4	Development of draft mid-term review report, with recommendations and Action Plan, to be submitted at least three working days before the Stakeholder Forum	5
5	Organization of and attendance in a one-day Stakeholder Consultative Forum	3
6	Finalization and submission of Assessment Report	2
	Total Working Days Required:	30 days

VIII. IMPLEMENTATION ARRANGEMENTS

The consultants will be recruited under the UNDP terms and conditions, applicable to the short-term SSA contract holders, and undertake the assigned tasks and responsibilities under the direct supervision of the programme manager in UNDP and the national programme coordinator, in collaboration with the Team Leader of Growth and Poverty Reduction Unit, other UNDP Units, MoFED, BoFED and other key stakeholders at federal, regional and local levels.

Regarding logistics and administration in Ethiopia, an Ethiopian local consultant will be assigned to support the international consultant. He will also make supports in regards to communication and appointment with the stakeholders and other related arrangements. The international consultant is required to have a good communication and cooperation with the local consultant before and during the assignment period. With support from the local consultant, the consultants are required to arrange logistics including transportation and accommodation for themselves. All the logistics cost should be estimated and claimed in the initial financial offer.

For organizing the national stakeholder forum to be held at the end of the assessment period in Addis Ababa, the consultants will work together with MoFED and UNDP. The related expenses for organizing such a forum will be met out of the allocated budget of the LED programme.

IX. CRITERIA FOR SELECTING THE BEST OFFER

Upon the advertisement of the Procurement Notice, qualified Individual Consultant is expected to submit both the Technical and Financial Proposals. Accordingly; Individual Consultants will be evaluated based on Cumulative Analysis as per the following scenario:

- Responsive/compliant/acceptable, and
- Having received the highest score out of a pre-determined set of weighted technical and financial criteria specific to the solicitation. In this regard, the respective weight of the proposals are:
 - a. Technical Criteria weight is **70%**
 - b. Financial Criteria weight is **30%**

Criteria:	Weight	Max. Point
Technical Competence (based on CV, Proposal and interview (if required))	70%	100
▪ Minimum educational background and work experience (CV)		10
▪ Understanding of scope of work (TOR) and methodology (From Proposal)		50

▪ Individual Competencies (experience in similar assignment)		30
▪ Related criteria to be established by the evaluation panel		10
Financial (Lower Offer/Offer*100)	30%	30
Total Score	Technical Score * 70% + Financial Score * 30%	

X. PAYMENTS TO CONSULTANT

Installment of Payment/ Period	Tasks to be completed by Consultants	Payment to be made by UNDP
1 st Installment	Upon submission of an acceptable work plan in advance of or just after arrival of the international consultant in Ethiopia (It should be compiled in consultation with the local consultant to be assigned.)	20% of the total consultancy fees
2 nd Installment:	Upon submission of the acceptable (1) draft mid-term review report and (2) the action plan (at least one week ahead) for the National Stakeholder Forum to be held in Addis Ababa	30% of the total consultancy fees
3 rd Installment:	(1) Organizing a LED Stakeholder Forum, (2) presentation of the LED assessment findings and recommendations in the Forum, and (3) submission of an acceptable final LED Assessment Report to MoFED/ UNDP with the implementable Action Plan/ Recommendations, both in Hard and Soft Copies.	50% of the total consultancy fees

XI. COMPETENCIES, ACADEMIC QUALIFICATION, EXPERIENCE AND LANGUAGE

The Consultant is required to have the following professional and technical qualifications. **Only the applicants who hold these qualifications** will be shortlisted and contacted.

COMPETENCIES:

Core/Professional Competencies:

- Professionalism
 - Knowledge and understanding of UN's operational context in Ethiopia, particularly in the fields of common services, joint premises and common procurement.
 - Ability to identify key procedures and issues, conduct data collection, operational analyses and discussions with decision-makers to propose solutions to these issues.
 - Ability to apply sound judgment in the context of assignments given, and work under pressure.
- Planning and Organizing
 - Develops clear goals that are consistent with the terms defined here.
 - Identifies priority activities and assignments, and adjusts them as required.
- Communications
 - Speaks and writes clearly and effectively; listens to others, correctly interprets messages from others and responds appropriately; asks questions to clarify, and

exhibits interest in having two-way communication; tailors language, tone, style and format to match audience. Keeps confidential information undisclosed.

- Accountability
 - Takes ownership of responsibilities and honors commitments.
 - Delivers assigned tasks within prescribed time, cost and quality standards.
 - Operates in compliance with organizational regulations and rules.
 - Takes personal responsibility for his/her shortcomings.
- Self-developer/Innovator
 - Learn, share and acquire new competencies and seek new challenges by exploring new approaches.
- Performer
 - Works against an agreed outcome and priorities.
 - Seeks performance feedback from supervisors and support staff in the performance review in a constructive and objective manner.

Education:

- Master's Degree in economics, social sciences, or development related fields, with the participation in several international training courses, relating to local or/ and economic development, or capacity development

Experience and Skills:

- Proven knowledge and experience related to the structure and system of microfinance and small scale loans
- At least ten years of demonstrated experience in planning, re-designing, implementation and management of development programmes at international level
- Analytical skills and experience in developing assessment reports in high standard
- Working experience and familiarity with the development efforts of the international development partners, especially UN agencies and NGOs
- Sound understanding of the national and international development policies, strategies and programmes, and their implementation issues and challenges, especially in the area of LED
- Full proficiency in using computer software, such as Microsoft Office

Language:

- Fluency in English