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PROJECT DOCUMENT

Ethiopia, Entrepreneurship Development Programme

Project Title: Entrepreneurship Development Program

Project Number: _____

Implementing Partner: Ministry of Urban Development and Housing (MoUD&H)

Start Date: 01 July 2017

End Date: 30 June 2020

PAC Meeting date: 21/06/2017

Brief Description

The overall objective of the programme is to bring about a transformational change in unshling the growth potential of micro- and small-scale enterprises by 2020 through entrepreneurial skills training; provision of a comprehensive range of business advisory services and facilitating access to finance. The project will identify and select growth-oriented enterprises as well as potential entrepreneurs, unemployed youth and women entrepreneurs and provide them with entrepreneurship training; a comprehensive and integrated range of business development services and facilitate access to finance in Addis Ababa and all the regions of Ethiopia.

This service mix shall include entrepreneurial and management skills training, technical assistance in the preparation and review of business plans, business counselling, assistance in sourcing credit and identifying local subcontracting opportunities between micro and small enterprises, small and medium enterprises and larger local companies. It is expected that the project will stimulate economic growth, create self and wage employment opportunities, improve income, lay foundation for industrial development through university-industry linkages. The project will directly contribute to the overall competitiveness of the private sector in Ethiopia as well as productivity and job creation potential of the MSME sector.

UNDAF Programme Period: 2017-2020	EFY 2010 AWP budget: US\$ 775,000.00
Key Result Area (Strategic Plan): Sustainable economic growth and risk reduction	Total resources required: US\$ 11,996,992.00
Atlas Award ID: _____	Total allocated resources: US\$ 11,996,992.00
Start date: 01 July 2017	• Regular (TRAC) US\$ 2,525,000.00
End Date: 30 June 2020	• Other: _____
PAC Meeting Date: NA	* Donor _____
Management Arrangement: NIM	* Government _____
	Unfunded budget: US\$ 9,471,992.00

Agreed by (signatures):

Ministry of Finance and Economic Commission (MoFEC)	Ministry of Urban Development and Housing (MoUD&H)	United Nations Development Programme (UNDP)	Federal Urban Job Creation and Food Security Agency (FUJC&FSA)
Date: _____	Date: _____	Date: _____	Date: _____



I. DEVELOPMENT CHALLENGE

Ethiopia, a country with a population of over 100 million people, has experienced a double-digit economic growth for the last decade and is implementing the ambitious Growth and Transformation Plan (GTP) to become a middle-income country by 2025. The GTP envisions ensuring a more rapid and sustained development of the industrial sector and enabling the sector to play a key role in the economy. The Government, through its first GTP, has attempted to create a favourable environment for private industries. Accordingly, measures were taken to improve the enabling environment for the private sector, including significant investment in developing industrial zones with accompanying new laws and support institution for industrial zone development.

Under the previous GTP (2010/11-2014/15) industry and the service sectors, along with agriculture, assumed the largest share in the economic development and GDP growth of the country. Agriculture with 43% had the major share of GDP. Those developments are now intended to provide the basis for accelerated structural change in the years ahead and transform the economy from self-subsistence and small-scale production to large scale industrial and market oriented productivity and competitiveness.

Although the country has registered remarkable achievements during the first GTP, the country is still facing major challenges and remains one of the poorest on the planet. Unemployment is rampant - particularly among youth, and inequality has risen sharply. According to the 2015 data from Centre of Statistical Authority, urban unemployment, is estimated at 17.5 %, one of the highest in the region. The ability of youth to engage in productive activities has both social and economic consequences in the society. Youth make up over a third of the population and bear the brunt of the unemployment problem, making a strong case for designing appropriate policy that tackles youth unemployment and marginalization. It is therefore important to improve the economic position of the youth in general and the women section of the youth in particular, as an integral part of the fight against poverty. Poverty is substantially high with about 23.4% of the population living under the poverty line. Poverty particularly affects women which constitute over 50% of the population. They provide most labour in the productive sectors but most of them are unable to translate their labour, knowledge and skills to their best advantage. This is because they either lack the necessary skills such as entrepreneurial and business skills, negotiation or production skills, or needed inputs such as funding or even lack access to viable markets for their products.

Little progress has been forthcoming in terms of structural transformation of the economy. As such, the share of agriculture, industry and services stood at 38.5%, 15.1% and 46.3% respectively, by the end of 2014/15. Within the industry sector, the manufacturing sub-sector has registered an annual average growth rate of 14.6 % over the planned period. However, its share in GDP averaged 5% during the same period. This was mainly attributed to weak performances of small and medium scale industries. The share of overall industry sector (including SME) to GDP showed a modest increase from 13% to over 14% by the end of the GTP I, with the major contributor being the construction subsector implying that rapid industrialization and shift in the structure of the economy remains as one of the development agenda in the GTP II.

The GTP II, which spans the period between 2015/16 until 2019/20, seeks to bring about broad-based and transformative structural changes required to steer the economy on a rapid growth path toward becoming a middle-income country by 2025. The country's strategy gives due emphasis to the promotion of domestic private sector development in the manufacturing industry with special emphasis being given to the development of export oriented manufacturing industries, with the objective of transforming the structure of the economy. This development goal is especially anchored on stimulating the rapid growth and structural transformation of the micro, small and medium businesses in ways that enhance wealth creation and expansion of employment opportunities by providing all rounded support and, and nurturing their entrepreneurship and business management capabilities.

However, micro and small enterprises (MSEs) in the country are mired with different challenges ranging from the dearth of entrepreneurial competency and behaviour to access to finance. Accordingly, the competitiveness and productivity of MSEs in general and MSEs engaged in manufacturing in particular remains a challenge. This is partly because of the absence or limited presence of business development support systems in the country. Hence, the program works to improve the productivity, competitiveness and job creation potential of the MSE sector with the goal to support the industrialization agenda of the country by providing entrepreneurship competency development supports including training and dedicated business development support services among others.





II. STRATEGY

Globally, much attention is given to entrepreneurship development and the role of higher education institutions in strengthening entrepreneurial capacities. This is also the case in Ethiopia where government is pursuing, as one of its strategies, measures to promote MSEs to spur economic growth and to increase youth employability.

The Government of Ethiopia has prioritized enterprise development and competitiveness in the GTP II. The plan envisages to support the development of micro and small enterprises to register rapid and sustainable growth and sustain rural and urban development and lay the foundation for industry development by creating breeds of substantial developmental investors. To realize this, based on the small and micro enterprises development strategy, supporting frameworks and implementation strategies, intensive work will be undertaken to organize MSE operators and support them to start a business. On the other hand, massive efforts will be made to promote MSEs to the level of developing medium enterprises or company level. In terms of the development of enterprises and growth in overall value addition, by providing a concerted and targeted support aimed at addressing their bottlenecks, which takes in to account their level of growth, up to 2% (62,500) of the enterprises will graduate from micro to small enterprises and 10,000 enterprises will graduate from small to medium enterprises.

The overall goal is to witness visible structural change in the economy, by aiming to increase the growth of manufacturing industry by an average annual growth rate of 21.9% during the planning period and increasing the share of the manufacturing industry in overall GDP from less than 5% in 2014/15 to 8% by the end of the plan period. The share of micro and small manufacturing industries being projected to increase from 1.1% in 2014/15 to 2% by 2019/20, while the share of medium and large-scale manufacturing will rise from less than 4% to 6% during the same period. With this effort, manufacturing jobs are planned to increase on average by 15% annually and as a result job opportunities in the sector will increase from 380,000 in 2014/15 to 758,000 by 2019/20 while 8.4815 million jobs gains will be realized through the creation and expansion of micro and small enterprises.

To achieve these overarching development agenda in the sector, GTP II stipulates the need to make concentrated efforts and comprehensive support for MSME development is indispensable. The range of support to be provided encompasses facilitating access to finance, providing working space, strengthening the entrepreneurial capacity of the operators, and improving the services provision for entrepreneurs by strengthening the capacity of service providers. Furthermore, policy supports will also be provided for the MSE operators.

Development partners have supported the formulation of the country's medium-term development agenda by providing technical, material and financial support. In particular, programmatic interventions supported by development partners have been aligned with the country's development strategies. This UNDP program document on entrepreneurship development seeks to support Ethiopia to implement strategies to rapidly grow the micro and small enterprise segment and thereby create a platform for promoting their growth into medium and large-scale enterprises. These strategies will create jobs especially among the youth, empower women and subsequently contribute to economic growth and the reduction of poverty.

The entrepreneurship development program will directly support government agenda by providing comprehensive support packages towards the improvement of the entrepreneurship ecosystem in the country. At the macro level, the program will support the development of entrepreneurship development friendly policy through stakeholders' engagement intervention that facilitate the generation of policy input for government; at meso level, the program will work to strengthen the capacity of government and private sector institutions involved in entrepreneurship development; and at micro level, by directly supporting the development and improvement of entrepreneurial and managerial capacity of MSMEs.

It is the strategy of the Entrepreneurship Development Program to develop the personal entrepreneurial competencies that are associated with successful entrepreneurs through dedicated training and integrated consultancy and business advisory support systems to drive them to greater and more sustainable achievement. A further emphasis will be placed on increasing the economic impact of women and youth entrepreneurs with specific targets and outreach strategies geared to the respective populations through provisions of training and business development services. In addition, the program seeks to increase the capacity of government employees through various training programs and linking the work of the programme with regional government counterparts. The program plans to increase the capacity of universities through the

development of Centres of Excellence for Entrepreneurship within public universities in order to instil entrepreneurship thinking in the mind of students. The programme will also work on improving the business environment for micro and small enterprise development through stakeholder engagements and policy dialogues.

III. RESULTS AND PARTNERSHIPS

Summary of the Entrepreneurship Development Programme – Phase I

Phase I of the EDP programme cycle took place from February 2013 until May 2017. During the program phase, the program had multiple achievements across the 4 programme pillars.

Pillar 1: Strengthened institutional capacity of the Government to deliver entrepreneurship development programme across the country

- Entrepreneurship Development Center (EDC) was established in 2013, and the Center is now fully functional providing support through organizing various entrepreneurship trainings, providing business development services and engaging stakeholders for improved business environment for entrepreneurs. Furthermore, four regional offices were established in four regions (Tigray, SNNPR, Amhara and Oromia) to expand and increase the geographic coverage of the activities and services of EDC nationwide.
- A Gender Assessment Report was completed, and Gender Mainstreaming Strategy was developed and deployed based on a gender assessment which has resulted in an increase of 36% of women participants in EDC's training and 43% in Business Development Services which are above the planned targets.
- 5 Centres of Excellence for Entrepreneurship were established in the following universities: Addis Ababa University, Adama Science and Technology University, Bahir Dar University, Hawassa University, and Mekelle University. The Centres instil entrepreneurship thinking in the minds of said university students.

Pillar 2: Entrepreneurship knowledge and skills promoted across the country through training of trainer's entrepreneur's business development advisors.

- EDP has promoted the development of entrepreneurship knowledge and skills of start-ups and existing enterprises across the country utilizing the EMPRETEC method of entrepreneurship trainings. Over 47,904 entrepreneurs have benefited from the EDC's entrepreneurship trainings, of which about 36% are women and 68% are youth. This includes over 2,640 government staff including TVET and university instructors who, in turn, provided entrepreneurship training in their respective institutions. This figure does not include the indirect trainees that were covered by those trained by TVET and university instructors who were trained by EDC.
- EDP worked with UNCTAD to customize the 6-day Entrepreneurship Training Workshop module to offer various other types of training programs to targeted beneficiaries. These include: Customized Entrepreneurship Training (2 days); Youth Entrepreneurship Training (2 days); Women Entrepreneurship Training (2 days); Rural Entrepreneurship Training (2 days); Training of Trainers (ToTs); Training of Business Development Services Advisors (6 days); and Intrapreneurship (Corporate Entrepreneurship Training).
- EDP has trained 212 trainers to deliver entrepreneurs trainings. Of this number, UNCTAD certified 39 trainers as National Trainers, and 20 as National Master Trainers. EDC has also trained 403 Business Development Advisors of which 79 have been provided Advanced Business Advisory training. 48 government employees were provided with Intrapreneurship training.

Pillar 3: Productivity and job creation capacity of MSMEs enhanced through provision of continuous inclusive business advisory services

- EDP provided Business Development Services (BDS) to entrepreneurs which helped in the establishment of new enterprises or expanding existing ones for improved productivity and job creation. During the past three years, about 8,305 entrepreneurs (43% women) were provided with BDS services.

Pillar 4: Improved business environment for micro and small enterprise development enhanced through dialogue with key stakeholders

- Key stakeholders were engaged to identify areas for partnership, promote EDP, and to influence government policies and strategies to create better business environment for entrepreneurs. Over 30 forums and round table discussions were held with stakeholders for the past three years.





- Partnerships were forged with 11 likeminded organizations in order to reduce duplication of efforts and improve program implementation efficiency: Amhara Women's Entrepreneurs Association, Boston Partners PLC, Renew Strategies, U.S Embassy in Ethiopia, Women's Entrepreneurship Development Programme (WEDP), Addis Ababa University and Sectoral Association, Microsoft East Africa, R&D Entrepreneurship and Outsourcing Center PLC, Enat Bank, Ethiopian Intellectual Property Rights Office (EIPO), and Center for Accelerated Women's Economic Empowerment (CAWEE).
- With Enat Bank, EDP established a strong partnership arrangement which facilitated access to finance to women entrepreneurs. EDP has been providing its flagship trainings and BDS support while Enat Bank supported women entrepreneurs by providing them loans without collateral. 124 business plans have been prepared by EDP and sent to Enat bank for review. To date, the Bank has provided collateral free loans for 15 women owned businesses (18 women) for a total of 3,174,747 Birr. An additional 13 business plans are in the pipeline for further credit analysis.
- EDP has collaborated with TVET agencies and five universities - Adama Science and Technology, Hawassa, Bahir Dar, Mekelle and Addis Ababa Universities - to improve capacities and for establishing Centre of Excellence for Entrepreneurship (CoEEs). EDP provided capacity building entrepreneurship training (ETW) to instructors from the TVET agencies and Universities, and has established and strengthened CoEEs to provide training and BDS to students and the community at large.
- To improve the entrepreneurship enabling environment and generate input for government policy formulation, the programme hosted 30 stakeholder engagement meetings, 9 Innovation for Development breakfast meetings, and 15 policy dialogues in order
- EDP has been the country host for the Global Entrepreneurship Week for 3 consecutive years hosting multiple activities and events throughout the country to create awareness and celebrate entrepreneurship.

Outcome and Impact

Through the direct supports provided to entrepreneurs, the following outcomes/impacts realized.

- 54,018 new jobs created by the newly established and expanded enterprises supported by the program.
- 4,555 existing businesses managed to improve performances and expand their businesses.
- 3,836 entrepreneurs established new enterprises.
- 2,536 informal businesses formalized their businesses through the support provided by the program.

Constraints and Challenges

The following are the constraints and challenges that were faced during the first phase of the EDP.

- *Absence of national entrepreneurship development policy and strategy:* Although the programme is aligned to existing national policy framework, the absence of a comprehensive National Entrepreneurship Development Policy to anchor the programme through more appropriate institutional structures, mechanisms and complementary measures to support MSME development in a holistic manner is noted as a major gap that needs to be addressed.
- *Governance and institutional framework:* The EDP has been implemented as a government project housed under the Federal Republic of Ethiopia institutional setup. Whilst the efficacy of this choice has been made clear, with some advantages in terms of sustainability and ownership there has been some confusion on the identity of the EDC, the centre established to implement the programme.
- *Lack of results based monitoring and performance tracking:* With delayed investment in developing a proper M & E system for both entrepreneurship training and business development services, from the outset to measure performance, the implementation of a vibrant M & E system has been left until late.
- *Financial Resource Mobilisation:* The EDP fell short of its financial resource mobilization target, accomplishing only 37 percent of the original planned resource envelope. This also meant that the targets set at the initial planning stage had to be revised to correspond to the resources available.
- *Centres of Excellence for Entrepreneurship:* Although the CoEEs have been established and housed within the 5 Universities, according to plan, the mechanisms have not been mainstreamed into the human resources structures and resource allocation of the universities.

Lessons Learned

The programme enabled to gain valuable lessons and best practices across interventions discussed above. In summary:

- *Development of national entrepreneurship training policies and strategies:* There is growing recognition of the need for a holistic and systemic approach to entrepreneurship training programs, anchored by entrepreneurship policies, with a focus on improving coordination and coherence to achieve positive impact. On the basis of development best practice, such an instrument is part of an answer to a whole package of priority interventions required for comprehensive support to develop MSEs and accelerating development of an inclusive private sector for Ethiopia. With Federal Government leadership, the UNDP and other Development Partners can position themselves to give technical support for the development of such a framework.
- *The need for better strategic guidance, institutional coordination and management of program personnel:* There was need for stronger strategic guidance from a functional Steering Committee and Technical Committee with a view to providing leadership for the programme to navigate the implementation terrain. The effectiveness of oversight structures for major interventions, with capacity to 'trouble-shoot' issues and give proper guidance in a transparent manner is pivotal to achievement of progress.
- *The need for better tracking of beneficiaries:* The development of a strong results-oriented M & E system, accompanied by an indicator framework which tracks achievement of outcomes over time is pivotal to generating capacity to demonstrate the impact of projects and demonstration of value added.
- *Business development services in relation to entrepreneurship training:* The programme strategy of packaging an entrepreneurship development approach, which incorporates the provision of BDS, which follows up on training provided to clients in their business settings is unique, progressive and value adding, filling in a gap which most entrepreneurship development programmes have been unable to fill. The business development services provide an avenue to actualize the training provided to clients, providing a valuable value-added service which enables MSEs to address the constraints they face at practical levels in their businesses. This model would have even generated impressive results had facilitating access to finance been integrated in the model.
- *Sustainability:* Sustainability looks at both policy level support from Federal Government, Regional Governments as well as practical support in policy implementation with prospects to sustaining the EDP programme; examining all the different sets of services offered by the programme, there is a high likelihood for continuation of the services beyond the current phase. The programme, however, needs to focus on the sustainability aspect and look into options for-fee services for all the possible service provisions.

Expected Results

This programme is aligned with the United Nations Development Assistance Framework (**UNDAF 2016–2020**), prepared in alignment with GTP II and that frames UN agencies support to economic sectors deemed vital. The programme responds to **Pillar 1: Inclusive growth and structural transformation** and contributes to **outcome 2: By 2020 private-sector driven manufacturing and service industry sector growth is inclusive, sustainable, competitive and job rich**.

The programme will contribute to **Output 2.2 of the UNDAF:** Priority manufacturing sectors identified in the GTP are more inclusive, job-rich, productive and competitive in regional and international markets and **Output 2.3:** Private sector enterprises have improved skills, knowledge and technological capacity for increased productivity and competitiveness. The project will contribute to Outcome 2 of the UNDAF, that by 2020, a private sector-led Ethiopian manufacturing and service industries, especially small and medium enterprises sustainably improve their competitiveness and employment creation potential. This is expected to generate 147,400 new jobs resulting from the creation of 18,880 new enterprises and the expansion of the 18,000 enterprises through the direct services by the program. On average, about five jobs will be created per existing enterprise through expansion, while newly established enterprises, on average, create about 3 additional jobs. Furthermore, the program will build capacity of government agencies involved in enterprise development through which an additional 257,000 new jobs are expected to be created.

The program intends to contribute to the above-mentioned outcome by providing innovative entrepreneurship training directly to 60,000 existing and aspiring entrepreneurs (50% of whom are expected to own SMEs) and dedicated business development support services to 18,000 enterprises. 500 trainers and 500 BDS advisors will also be trained and dispatched throughout the country to provide enterprise development support services. As part of government capacity building efforts of the program, a total of 2,500 government employees will be provided with capacity development support who in turn are expected to provide entrepreneurship training and BDS support to a total of 150,000 and 90,000 entrepreneurs, respectively. This Entrepreneurship Development Programme will be anchored on four major pillars or components as highlighted here below.





Output 1: Institutional Capacity of government and private sector strengthened to deliver Entrepreneurship Development Program and improve the business environment for enterprise development

The first pillar of the project is to strengthen institutional capacity of the Government and private sector institutions to deliver entrepreneurship development programme across the country.

1.1. Build and strengthen capacity of existing Entrepreneurship Development Centres (EDCs) established in the five regions, and establish new Entrepreneurship Development Centres in two regions of Ethiopia

EDC was established under the framework of EDP to operationalize and spearhead the program in four regions and Addis Ababa. To continue to provide support for enterprise development in the country, the already established centres needs to be further strengthened. Furthermore, two more regional coordination offices will be established in two regions to provide services to entrepreneurs in close proximity.

The institutional arrangement for the operationalization of the Centres will be designed to ensure financial sustainability and instil efficiency in the delivery of services to the satisfaction of all clients and stakeholders. The operating structure of the Centres is given under section on management arrangement.

1.2. Strengthen the capacity of Centres of Excellence for Entrepreneurship (CoEEs) established in five public universities and establish new Centres of Excellence for Entrepreneurship in six public universities in the regions to provide entrepreneurship training, business development services, encourage innovation and creativity and support students and the university community in incubating business ideas and innovations

CoEEs will strive to create a sustainable entrepreneurship ecosystem that will foster and support innovation and knowledge-based entrepreneurship. They are to play a key role in sowing seeds and rekindling the spirit of entrepreneurship in young minds (university students), change mindsets, attitudes and behaviours, and to empower them to take up entrepreneurship as a viable career option. Innovative business ideas (albeit basic) formulated by students/potential entrepreneurs can be transformed into executable business ventures through the various educational training; business development services and incubation and/or innovation facilities to be provided at the centres.

The program is to support CoEEs to:

- Strengthen critical linkages between universities and industry, including opportunities for student internship and placement programs;
- Build a culture of entrepreneurial development, inspiration and ability for easy engagement and learning to their student community and faculty members, thus resulting in more students aspiring to become entrepreneurs and further develop their skills and experience to start their own companies;
- Work closely with R&D facilities and innovation Centres in the universities, thus supporting them to commercialize research ideas and innovations developed in the R&D facilities of the universities;
- Create platforms to incubate new entrepreneurs/business ideas and hand-hold them to start new ventures;
- Provide platforms for learning, peer connect and resources to existing SMEs to enable them to scale up and grow companies.

1.3. Building institutional capacity of government and private institutions with focus on youth and women's associations to support entrepreneurial endeavours.

The program aims to strengthen the capacity of public and private institutions which play significant roles in the promotion and development of enterprises in the country. Consistent with this, focus will be given to federal and regional government institutions working in areas of SME development and job creation.

Attention will also be given to youth and women enterprise development support associations. Investing in youth and women has tremendous beneficial effects, and projections show that an increase in participation of youth and women in the economic development of a country can spark innovation and technology development. Young people are naturally more prone to apply new technologies to business ventures, they are generally more inclined to take risks, and invest in education and skill development of their peers. The program is to therefore support women's and youth associations to foster entrepreneurship and enhance their participation in the economy. The specific actions to implement these objectives include:

- Identify and partner with key government and private institutions including youth and women entrepreneurs' associations and develop joint action plans with key partners and provide financial and technical assistance to operationalize the action plans;

- Provide capacity building training for public and private partners;
- Provide platforms for sharing best practices and experience exchange;
- Fostering greater awareness of the benefits of entrepreneurship among women and youth and placing higher value on their role in the economy and society;
- Improving women's business start-up rates through removing gender-related obstacles to entrepreneurship and facilitating youth and women's access to management and technical training, to support services and facilitating access to finance;
- Helping women and youth entrepreneurs/associations to take advantage of opportunities to participate actively in existing networks for business people, or to create their own traditional or virtual networks, at local, national and international levels.

1.4. Improve the business environment for enterprise development

This output includes the development of greater awareness and policy dialogue on micro, small and medium enterprise development enhanced among key stakeholders in order to improve the business environment for enterprise development. To achieve this, the project will conduct stakeholder engagements, policy dialogues and sensitization workshops. The stakeholder engagement activities will target financial and non-financial institutions, policy and regulatory bodies, and other private sector operators' active in the SME sector. The aim would be to create awareness of the problems, constraints, and business opportunities available in the sector and build relationships that would favourably facilitate SME development in the country and specifically support the Government to implement the existing micro and small enterprises development policy and strategy and raise important policy issues such as instituting an entrepreneurship curriculum in the universities. The project will provide policy support services to government in the areas of entrepreneurship and enterprise development. This will be an innovative way of expediting actions to resolve constraints that often inhibit enterprise development, especially in developing countries.

From a participant context, successful entrepreneurs will be encouraged to form a business forum or business society. The benefit of such associations is that they create the opportunity for the members to network and trade among themselves yielding potential subcontracting, franchising and/or export.

Output 2: Entrepreneurship competencies and skills promoted through training

The second output of the program is twofold: (1) the development of entrepreneurship knowledge and skills across the country through the provision of entrepreneurship competencies and behaviour provision training, and (2) the enhancement of employability focusing on youth, through the provision of employability enhancement training and support.

2.1. Provision of entrepreneurship competency and behaviour development training

Fostering entrepreneurship has become a topic of highest priority in public policy and entrepreneurship training has long been advocated as a long-lasting remedy to deal with addressing unemployment, income disparity, and other related economic challenges. The second output of the program provides innovative entrepreneurship trainings to kindle the entrepreneurial spirit in aspiring entrepreneurs and improve the competencies of existing entrepreneurs. The training is provided in order to ensure that the beneficiaries will have adequate competencies and are able to identify and tap into business opportunities, while embracing modern business management techniques thereby enhancing the establishment of new enterprises and augmenting sustainability of the already established enterprises.

Output 2 has put in place several training portfolios that suits the needs of growth oriented entrepreneurs, aspiring entrepreneurs, women entrepreneurs, entrepreneurs with low literacy, youth, and entrepreneurs operating in rural areas. About 60% of the beneficiaries will be SMEs who can be accommodated by the industrial and agro-industrial parks and who are working across the value chains in the industrial and agroindustry parks while the remaining 40% will be micro enterprises or aspiring entrepreneurs who have demonstrated meaningful preparations to set up one's own businesses.

This Output will also continue to build internal capacity to provide training of trainers (TOT), business development advisers training, corporate entrepreneurship (intrapreneurship) training, and certification of entrepreneurship training based on the United Nations Conference on Trade and Development (UNCTAD's) training methodology.

2.2. Provision of employability skills enhancement training





Entrepreneurship may not be a career path for many individuals, with the majority of the population opting for employment. Hence, it is important to reach out to this group with the intention to prepare them for the labour market. This subcomponent specifically targets youth and aims at improving their employability by providing them with work experience and skills through the creation of internships and relevant training in the formal and informal sector. This component addresses the lack of skills and work experience for unemployed young women and men that can be achieved through the integration of four specific strategies:

- Provide internships and soft skills training that prepares unemployed youth for employment in the private sector. Partnership will be forged with different institutions such as the industrial parks, so that they will open their doors to accepting youth as interns with the intention of providing them with full time employment in the future. In order to improve the overall productivity of industry and agroindustry parks, the employees of the parks are primarily targeted in the soft skill training provision.
- Facilitate the provision of technical and vocational training which involves working with the existing government structure, such as technical and vocational education and training institutions, in order to equip the youth with skills needed in the labour market.
- Provision of career advice and placement service to youth in universities will be undertaken through the already established centre of excellence for entrepreneurship (CoEE) and career development centres in higher learning institutions. The centres will facilitate job internships and shadowing involving the selection of academic courses, career exploration, employability workshops, recruitment and job placement, and job and career fairs. A social and interactive environment for students to explore the world of work and to collaborate on educational and career topics will also be provided.
- Provision of essential soft skills in the workplace such as teamwork, communications, conflict resolution and good work ethics will also be provided to employees in key enterprise located in industrial and agro industrial parks. The objective of this intervention is to enhance the productivity of employees in the industrial parks.

Output 3: Productivity and Job Creation of SMEs Enhanced through Continuous and Inclusive Business Development Services

The third output of the project is the establishment of new Micro, Small and Medium Enterprises (MSMEs) and the enhancement of existing ones which will result in improved productivity and job creation; this will be achieved through the provision of continuous business advisory services which includes innovative financing, multi-faceted innovation, operating facilities, marketing and access to market with particular emphasis to youth and women owned enterprises.

Based on the capacity developed from the above Outputs (1 and 2), start-up MSMEs will be established and existing MSMEs will expand and grow. Similar to Output 2, about 60% of the beneficiaries will be SMEs who can be accommodated by the industrial and agro-industrial parks and who are working across the value chains in the industrial and agroindustry parks while the remaining 40% will be micro enterprises or aspiring entrepreneurs who have demonstrated meaningful preparations to set up one's own businesses.

3.1. Enhancing the capacity of the MSMEs through business development services

Business development support (BDS) will be delivered through a combination of group sessions and one-on-one sessions focused on business management skills development, depending on the capacity of the MSMEs. The majority of MSMEs will be recommended to the group BDS sessions with a select few (about 15% of applicants) qualifying for the one-on-one sessions.

The programme would offer entrepreneurs the following basic business development advisory services:

- Business plan preparation
- Basic book-keeping and financial management
- Human resources management
- Formalization of businesses
- Branding and marketing
- Intellectual property rights
- Business expansion and diversification
- ICT support

3.2. Mentorship

Mentoring is an instrument often used to support entrepreneurs. Especially for new entrepreneurs, building a one-on-one relationship with an experienced advisor is a smart way to help ensure success. One of the key

benefits of the mentor-mentee relationship is getting advice from a more experienced party. Mentors can provide answers to questions and suggestions that can make a big difference when it comes to navigating the business world for start-up entrepreneurs and enterprises.

The programme would link up entrepreneurs with mentors based on their preferences, with a specific mentorship focus on:

- Expert mentors: mentors who deeply understand the industry, market, customers or technology and can give strategic advice and make crucial introductions and recommendations.
- The “company-builder” mentors: These mentors are entrepreneurs themselves who have been to the start-up rodeo before and can help with all the generic issues associated with building and scaling an enterprise.
- The “personal growth” mentors: More like life coaches, these mentors take a genuine interest in the entrepreneur as a person and support them with their personal growth and professional development.

3.3. Creating market linkages

Marketing support is critical for the growth and general success of enterprises, and many businesses with immense potential have failed due to inability to access the right markets with their products.

Market linkages offer young entrepreneurs support in effectively accessing markets for their products:

1. Facilitating and supporting small youth owned enterprises to develop linkages with large established enterprises/institutions for business and mentorship; and
2. Facilitating the marketing of products and services of enterprises in domestic, regional and international markets.

This section is aimed at meeting the diverse marketing challenges faced by entrepreneurs, while appreciating the diversity and complexities in the economic sectors they operate in.

Key among the strategies offered to support young people access markets include:

1. Organizing and/or participating in organized marketing events such as trade fairs, exhibitions, conventions/conferences and road shows. These marketing events may be within or outside Addis and they offer entrepreneurs an opportunity to network, showcase and market their products.
2. Facilitating market linkages between small youth owned enterprises with large established private enterprises or government institutions for business exchange. Under these partnerships, the youth entrepreneurs are facilitated to learn from as well as trade with the established enterprise or institution. The linkages take such forms as subcontracting, outsourcing, franchising, etc.

Output 4: Access to Finance for Entrepreneurs

Investing in accumulation of entrepreneurial assets, provision of tailored business support services, mindset and motivation training, and ensuring enabling policy environment are important in supporting and encouraging individuals to venture into entrepreneurship. A majority of these are well-embedded in the ongoing entrepreneurship development program. But these are not sufficient in themselves to ensure success and growth of SMEs. Experience in working with micro and small enterprises that are receiving support under the EDP seems to indicate that additional and targeted support in connecting entrepreneurs to innovative sources of capital are the most important complimentary interventions that will enable new start-ups and existing ones to grow and diversify their businesses. Hence, this programme will facilitate access to affordable sources of finance that aims to address one of the most pronounced constraints faced by micro, small and medium sized enterprises in Ethiopia today, which is lack of access to affordable sources of capital and/or credit.

The project will support SMEs access financial and investment instruments/products combined with strong institutional and organizational framework to promote steady supply of affordable, less collateralized investment funds or credit to the most ingenious and promising Ethiopian entrepreneurs including new start-ups and enterprises owned by young people and women.

4.1. Establish Linkage and Create Awareness about Financial Packages Available to Entrepreneurs

Many forms of financial packages for entrepreneurs exist in Ethiopia that may have low visibility to SMEs. Hence, this pillar will identify the various forms of support available to entrepreneurs and create awareness around them to interested SMEs. EDP will also work with the organizations that offer various financial





packages to entrepreneurs and determine their criteria so that they can be shared with entrepreneurs that pass through the EDP program.

Examples of existing forms of financial packages include:

- Micro Finance Institution and other Financial Institutions
- Government Youth Fund
- Private Equity
- Venture Capital
- United Nations Country Team Youth Fund
- Bilateral and Multi-Lateral Development Partners
- Philanthropic and Angel Networks
- Grant Opportunities
- Crowd-funding

4.2. Increase the Capacity and Support Banks to Introduce Innovative Financial Products and Services

This pillar will work to increase the capacity of and support banks to introduce innovative financial products and services to SMEs. Many banks in Ethiopia lack the capacity to lend to SMEs through innovative financial instruments. EDP will support the banks and share knowledge of how such instruments can be structured and implemented to support SMEs tailored to their needs across the different sectors and value chains. EDC will provide customized Business Development Services to the entrepreneurs that access finance from the banks, providing them with timely support to ensure proper use of the financial support in their business and ensuring loan repayment obligations. This support will be critical in reducing the risk of default.

Resources Required to Achieve the Expected Results

This programme will have a dedicated Programme Manager from UNDP. The resource that will be required to achieve the expected results is USD 12,000,000. The programme will have annual core allocations from UNDP and will mobilize non-core resources from development partners. The key inputs required for achieving results include human resources, material and equipment and partnerships. Currently, key positions exist within the management structure. These include, the CEO for the Centre, a BDS Manager, Training Manager, and Monitoring and Evaluations Specialist at the Headquarters as well as regional coordinators in the 4 regions. In order for the program to achieve the expected results, the following key positions need to be filled: Program Director, Communications and Partnerships Specialist, Operations Manager, and CoEE Officer (detailed organogram is in the Annex section). This structure will alleviate the administrative burdens that are placed on key management positions, especially the CEO for him/her to have enough time to make external communications and networking with relevant stakeholders.

EDP expects to open two additional regional offices so as to reach out to entrepreneurs across the country as well as six new Centres of Excellence for Entrepreneurships in public universities. In order to achieve these results, resources will be allocated to operationalize this plan. This includes equipping the new offices with human and material resources.

Partnerships

In order to perform its tasks and responsibilities, the programme will develop effective partnership with all stakeholders, including development partners both for technical support and resource mobilization objectives. Partnerships will be developed with the following institutions with the following expected results:

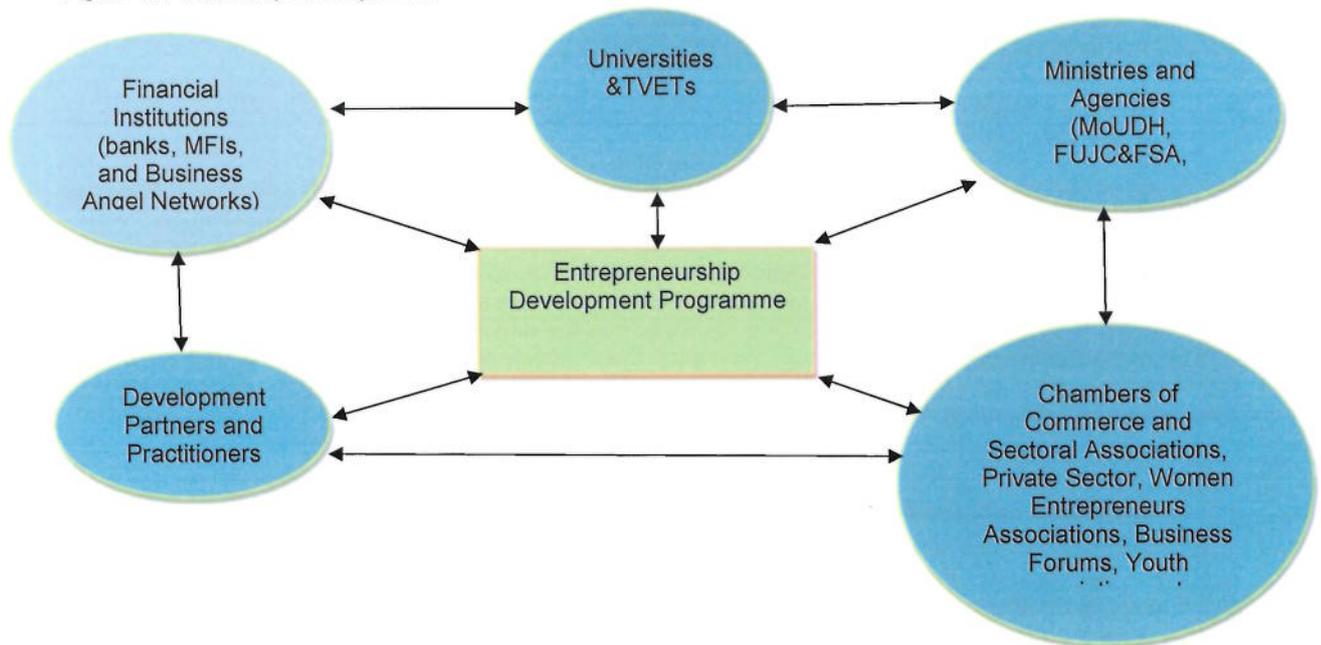
- Vocational and Technical Institutes, TVETs, and Universities: to target university and TVET students and graduates to promote entrepreneurial attitude and mindset change.
- Chambers of Commerce and Sectoral Associations (including the private sector): to support member organizations in building their entrepreneurship competencies and to work jointly on advocacy/policy influence.
- Financial institutions including Business Angels: provide access to finance for entrepreneurs in order to help them grow or expand their business.
- Development Partners and Practitioners: to maximize synergies and avoid duplications
- Ministries and Agencies: to strengthen public institutions by providing services to entrepreneurs and provide relevant information to foster policy dialogues

In addition, EDP will strive to forge partnerships with institutions working in the area of private sector development, youth and women economic empowerment, and capacity building for entrepreneurs. The Centre will develop partnership strategies that will be implemented over initial period of three years in line with the

programme life-span. The focus of the partnership strategy will be to ensure better coordination of program activities and also to provide a platform for harmonization of development assistance allocated for the implementation of the entrepreneurship development program by the Centre. The programme seeks to work effectively with all identified stakeholders (such as WEDP programme of World Bank and YoWEP project of UNIDO) to ensure that it is able to execute its mandate effectively taking cognizance of all other programs being run other stakeholders.

Existing partnerships will be fostered and strengthened and new partnerships will be established with different actors and stakeholders, particularly with banks, micro finance institutions, private sector actors, TVETs, Universities, etc. so as to achieve the overall expected results of the programme. The partnership framework is sketched in figure 1 below.

Figure 1: Partnership Arrangement



The programme will provide a coordination function to reduce duplication, promote synergy and avoid gaps in the entrepreneurship development efforts towards the goal of the GTP II targets. Hence, support shall be provided in terms of improving coordination and cooperation between agencies and stakeholders; and in developing corporate outreach, partnership and communicating strategies. In addition, support will be extended to strengthening regional cooperation to gain regional economic benefits and to expand bilateral as well as multilateral partnership agreements on matters concerning entrepreneurship development relevant to programme interventions discussed above.

The programme will engage with the following stakeholders who meet one or more of the following criteria:

- An entrepreneurship development mandate
- Business skills and development training mandate/objective
- An entity that works with/has a relationship with Micro, Small, or Medium size enterprises
- An entity that works with/has a relationship with aspiring entrepreneurs and innovators
- Tertiary educational institutions providing training and/or runs academic programmes/courses in the fields of business development and/or entrepreneurship
- Entity that is promoting one or all of the following: economic empowerment, private sector development, job creation
- Financial institutions and development entities that promote small enterprise development through access to finance
- Institutions that play key roles in women and youth economic empowerment

The following approaches will be addressed when EDP seeks to engage with identified partners:

- 1.1 *Identification of partners:* The partners must meet one or more of the above-mentioned criteria. EDP can either seek out likeminded organizations, or the organization can approach EDC with a working relationship idea.





- 1.1.1 *Transparency:* The identification of partners must be transparent to the extent that the outreach campaign shall not target a particular organization, while excluding others. For example, when the programme is looking to engage with partners in the financial sector, all banks that have (or are looking to develop financial schemes for entrepreneurs) should be included in the outreach campaign.
- 1.2 *Consultation:* Once a stakeholder has been identified, a formal consultation meeting will be set up between the two parties in order to discuss synergies and any gaps in service which can be filled. The meeting must be documented with formal minutes that include clear action points and next steps.
- 1.3 *MOU and Work Plan development:* Following the consultative meeting, formal partnerships (such as MoU) must be developed along with a work plan for the partnership. This shall outline the exact mandates of the partnership and present clear partnership objectives while the work plan will detail timelines, roles of the programme and the partner organization, as well as indicators to measure success.
- 1.4 *Presentation to Leadership:* The MOU will be presented to the following leadership councils for
- 1.5 approval: UNDP Project Team Leader, Federal Urban Job Creation and Food Security Agency, and the EDP Project Steering Committee. The final sign off on the agreement will be provided by EDC which has been officially delegated by the Federal Urban Job Creation and Food Security Agency to sign partnership agreements with partners.
- 1.6 *Monitoring and Evaluation:* the programme and the partner stakeholder will agree to a regular schedule of meetings in order to monitor and evaluate the progress of the partnership based on the agreement set forth. Any changes to the elements of the agreement must be agreed upon by both parties and formally documented as an amendment to the agreement.

As part of the Annual Project Review report which must be submitted to the EDC project Steering Committee, EDC must present the list of all partner stakeholder along with an evaluation report assessing the value of the partnership. Based on the assessment, the EDP Project Steering Committee can make recommendations to continue or disengage with a particular stakeholder(s) upon the expiration of the MOU.

South-South Cooperation

The programme will look towards knowledge sharing globally and regionally to advance experience exchange, technology transfer, and gain lessons on promoting regional interconnection. There also exists ample opportunity for drawing experiences from other countries in areas of establishing Centres of Excellence in Entrepreneurship; developing university-industry linkages as well as use of ICT and other technologies.

This calls for strengthening south-south cooperation. Hence, knowledge generation and communication will be given due emphasis during implementing the programme.

Risks and Assumptions

Implementations of the program, among others, rely on mitigating both external and internal risk factors including commitment and motivation of partners, entrepreneurship related policies and regulations, attitudes of the public at large, lack of sustainable fund to implement the program, and staff commitment and turnover. The risk factors have different degrees of influence to the successful implementation, achievement and sustainability of the program: some may have huge effect while others may only influence the direction of the program. Availability of conducive environment for program implementation that includes high commitment and collaboration from key partners is one of the key factors for the program to realize its expected outcomes of improved productivity and job creation of enterprises. Entrepreneurship development is still not the top agenda of most institutions in Ethiopia, and limited vision of most actors in the economy to enhance entrepreneurship in Ethiopia may influence expected achievements of the program. Strong partnership along with national level policy and framework of entrepreneurship development is crucial for realizing maximum results from program implementation. To manage effects of some of the risk factors, the program intends to contribute to the design of national level policies through organizing different stakeholders' meetings and policy dialogue forums. Partnership strategies and awareness creation events and promotion will also be conducted for improved attitudes and linkages with different stakeholders. Furthermore, program management provides series of orientations to all who shoulder implementation responsibilities.



Stakeholder Engagement

Key stakeholders for the program include target beneficiaries (aspiring and existing micro and small enterprises), financial institutions, universities and TVETS, ministries and agencies, development practitioners, other private sector development organizations, as well as associations and business forums.

The focus of the stakeholder engagement strategy will be to ensure better coordination of program activities and to provide a platform for harmonization of development assistance allocated for the implementation of the entrepreneurship development program by EDC. EDC shall seek to work effectively with all identified stakeholders to ensure that it is able to execute its mandate effectively taking cognizance of all other programs being run by various institutions.

The stakeholder engagement strategy will include a combination of meetings, communication products, campaigns and various activities. The objective of the strategy is to position EDC as a leader in entrepreneurship capacity building in Ethiopia, educate the public about entrepreneurship. The proposed strategy is two-fold and will entail engagement with target beneficiaries (aspiring and existing micro and small enterprises) as well as other public and private stakeholder partners.

In order to target beneficiaries, the program will use various outreach mediums such as mass media (TV, radio, and newspaper) to identify potential program beneficiaries. These target beneficiaries will continue to be engaged with the program through regular client forum discussions, various SMS and email messaging, as well as EDC's website and quarterly newsletters.

The program will identify other public and private sector partners (financial institutions, universities and TVETS, ministries and agencies, development practitioners, other private sector development organizations, as well as associations and business forums) by following the above-mentioned strategies in the Partnership section assuring that partners have a similar mandate as the program to develop and foster the entrepreneurship environment. These stakeholders will be continuously engaged with the program through various meetings, forums, working group discussions, large events, as well as regular communication through the EDC website and quarterly newsletters.

Knowledge

The programme will support interventions to develop the entrepreneurial landscape in the country and also support creation of employment opportunities and wealth, particularly for youth and women, thereby contributing to economic development. It will strengthen the capacity of its partners and clients thus ensuring improvement of production, productivity and competitiveness. The programme is expected to generate significant and valuable lessons learnt and good practices that can be shared through knowledge exchange platforms for replication and scaling up nationwide.

In this regard, the programme will support the establishment of knowledge hubs, stakeholder forums and national dialogues whereby all documents produced by the programme will be widely shared, stored in a database and made accessible to all partners and stakeholders as well as interested users. Such documents include periodic reports and newsletters, publications, communication platforms such as website and social media, as well as various media products.

The key strategy for optimal knowledge management is to ensure that promising innovative interventions to enhance production, productivity, and value addition are selected and are piloted using multi-disciplinary and coherent approaches and methodologies. Inter-regional communication will also be encouraged for regular sharing of lessons learnt and best practices developed – giving other regions the opportunity to adopt and pilot any new approaches that are appropriate to their specific needs.

Sustainability and Scaling Up

The programmatic approach is sustainable and scalable as the National Implementation Modality (NIM) will be adopted putting national institutions at the forefront of implementing project deliverables. This will ultimately translate results to long lasting impact. The implementation of the programme will be handled using existing structures that the Government has put in place. Some activities/interventions are directly linked to capacity enhancement of such structures through training and experience sharing with other programmes and countries so that the programme is smoothly implemented. The programme will also look towards transitioning



the centre to a self-sustaining model. The programme therefore aims to adapt tested practices in other countries and provide alternative options for government decision making. Further details on tested practices and fee structures could be found in Annex 5.

Given GoE's commitment to industrialization and development of the SME sector in alignment with other national development programmes, UNDP is optimistic that proposed interventions will bear tangible results in the coming three years. Notwithstanding, sustainability gains made through the programme among other things require building strong institutional and technical capacity within the implementing institutions.

A paradigm shift is envisioned for the programme, and this shift will require significant efforts in developing a new and revised value propositions moving forward. The programme will therefore need to develop a viable value proposition which would allow it to charge for services so as to sustain its services.

- Training and BDS Advisory Services have so far been offered free of charge, but will have to consider charging for at least part (if not all) of the services being rendered so that by end of the programme phase, the program can sustain its activities. It therefore needs to package its training and BDS advisory service offerings with a goal of creating distinct value-driven bundles which it can offer for a fee to both start-ups and ongoing businesses. The programme will have fee structures for delivery of its training and BDS service provisions and these services will be fully branded and packaged to attract clients and also ensure value for money.
- While it may not be practical or socially acceptable to charge for all services provided by the programme, particularly for Micro and Small Enterprises, the programme should aim at charging for some of the specific services in the product portfolio if the target segments perceive extra value in the selected offerings. These services will be identified and a subsidized rate will be put in place to support Micro and Small Enterprises. These services will also be packaged and branded to encourage Micro and Small Enterprises to benefit from the programme.
- Provision of one-stop-shop, where potential clients could not only get training and advisory services, but as well have their business proposals pre-screened, and also receive legal, regulatory, and finance issues resolved in one place. These one-stop shops could operate from the regional coordinating offices, and would be staffed by a dedicated representative from partner financial institutions (as required) to provide financial/loan advice to targeted clients. This would significantly enhance the value proposition, and would logically be a service that customers would be willing to pay for. These would include services such as:
 - Business registration and how to resolve them
 - Access to tax information
 - Streamlined processes for licensing and tax registration
 - Ease of application for/access to adequate retail and/or manufacturing space
 - Ease of access to financing and assistance with loan application and approval process

As the principal activity for the enterprise owners is production/service provision, a "one-stop-shop" which provides them with required expertise in functional areas such as production, marketing, finance, and legal regulatory would be invaluable. Ideally, the "one-stop-shop" would provide the required level of expertise to push the MSMEs to the next level of growth, and that would be a service which the programme could charge for, and provide in tandem to its normal service offerings. These proposed one-stop shops should provide services on a par (and preferably more robust) than those currently provided by FUJC&FSA one-stop shops, and should be "branded" and "marketed" in order to add to the value proposition.

To ensure sustainability of the programme after the programme phase of 3 years, a detailed exit strategy will be developed. The exit strategy will focus on:

- Assessing the project performance over a period of time to allow project staff and partners to make informed decisions on any changes or adaptations that may need to be made to meet desired goals and objectives.
- Specify target audience. If there has been a need to change the targeted audiences, for whatever reason, make certain it is justified.
- Develop a detailed description of what services and activities are planned for sustainability. All activities may not need to be sustained; but focus on the ones that are intended to achieve desired outcomes.

- Identify what is needed to manage and operate the selected activities. Once the project activities have been established, it may be determined that either a smaller or larger commitment of management resources, including the number of paid staff will need to change.
- Make current and potential partners and other stakeholders aware of sustainability planning activities. Whether it takes place in a formal meeting setting or in written form, disseminate key information to partners, stakeholders and clients.
- Find champions. Locate and encourage organizations and interest groups that benefit from the programme activities or who are interested in the target groups being served.

Focus on sustainability is not something that will be left until the end of the programme phase, but will be planned from the start of the programme. To ensure sustainability therefore, the programme will:

- Identify short-term and long-term sustainability strategies that will work.
- Conduct an assessment of the previous programme phase, and use collected data to help determine what the future scale/scope of the program will be.
- Conduct a planning process for sustainability.
- Identify what resources are needed to sustain the project.
- Develop buy-in among advisory board members and other strategic partners.
- Market the idea both internally and externally.

IV. PROJECT MANAGEMENT

Cost Efficiency and Effectiveness

The multiple initiatives comprised under this programme require considerable coordinating efforts. Hence, the implementation modality is to establish a multiyear programme funding approach that provides more flexible, coordinated, and predictable funding to support the achievement of the programme pillars discussed above. It enables the GoE/MoUD&H to implement multiyear interventions within the programme cycle according to agreed operating procedures for procurement and financial management. This helps to avoid any duplication of operating procedures, implementation delays and minimize transaction costs.

The programme is open for contribution from interested development partners philanthropic, organizations, non-traditional sources as well as private sector organizations. This helps streamline and facilitate efforts channelling donor contributions through one mechanism that will be an important financing tool to help channel funds towards the strategic entrepreneurship development interventions defined in the programme. The pooling of resources mitigates risks, increases visibility and transparency thereby improving the efficiency and effectiveness of the programme.

In addition, the existing structure of the program, which includes the headquarters in Addis Ababa as well as the 4 region offices in addition to the qualified and experienced trainers and BDS advisors improve the overall efficiency and effectiveness of programme delivery. Being the second phase of the programme, EDP has a well sound and proven business model which includes a service mix of training and BDS. This existing mix will be further capacitated by the existence of an access to finance component that will allow an efficient and effective program delivery approach in phase 2 of the programme.

Project Management

The Joint Steering Committee will be responsible for providing strategic guidance and oversight of programme funds. The Ministry of Urban Development and Housing through the Federal Urban Job Creation and Food Security Agency will be responsible for executing interventions encompassed under this programme. It will establish a separate ledger account under their financial regulations and rules for the receipt and administration of resources. The Ministry/FUJC&FSA will go through harmonized approach for cash transfer (HACT) micro assessment to ensure capacity in organizational management, internal control mechanisms, financial position as well as accounting, financial, and audit frameworks are in place.

UNDP will administer the programme funds in accordance with UNDP regulations, rules, directives as well as in accordance with the Programme Implementation Manual (PIM). The Programme Fund will be subject to the internal and external auditing procedures laid down in the financial regulations, rules, directives and procedures applicable to UNDP. All financial accounts and statements will be expressed in United States dollars. UNDP will make disbursements from the Fund Account in accordance with instructions from MoLF.

As Fund Administrator, UNDP will provide funding partners with the following reports:



- Certified annual financial statement ("Source and Use of Funds" as defined by UNDG guidelines) to be provided no later than five months (31 May) after the end of the calendar year.
- Certified final financial statement ("Source and Use of Funds") to be provided no later than seven months (31 July) of the year following the financial closing of the Fund.

Reference is made to consultations between the Ministry of Finance and Economic Cooperation, the institution designated by the Government of the Federal Democratic Republic of Ethiopia and officials of UNDP with respect to the provision of support services by the UNDP country office for the nationally managed project **Strengthening Institutional Capacity for Integrated Agro Industrial Parks Development** or hereby referred to as "the Project".

In accordance with the provisions of the letter of agreement signed on 31 Jan 2012 and the project document and annual work plans, the UNDP country office shall provide support services for the Project as described below.

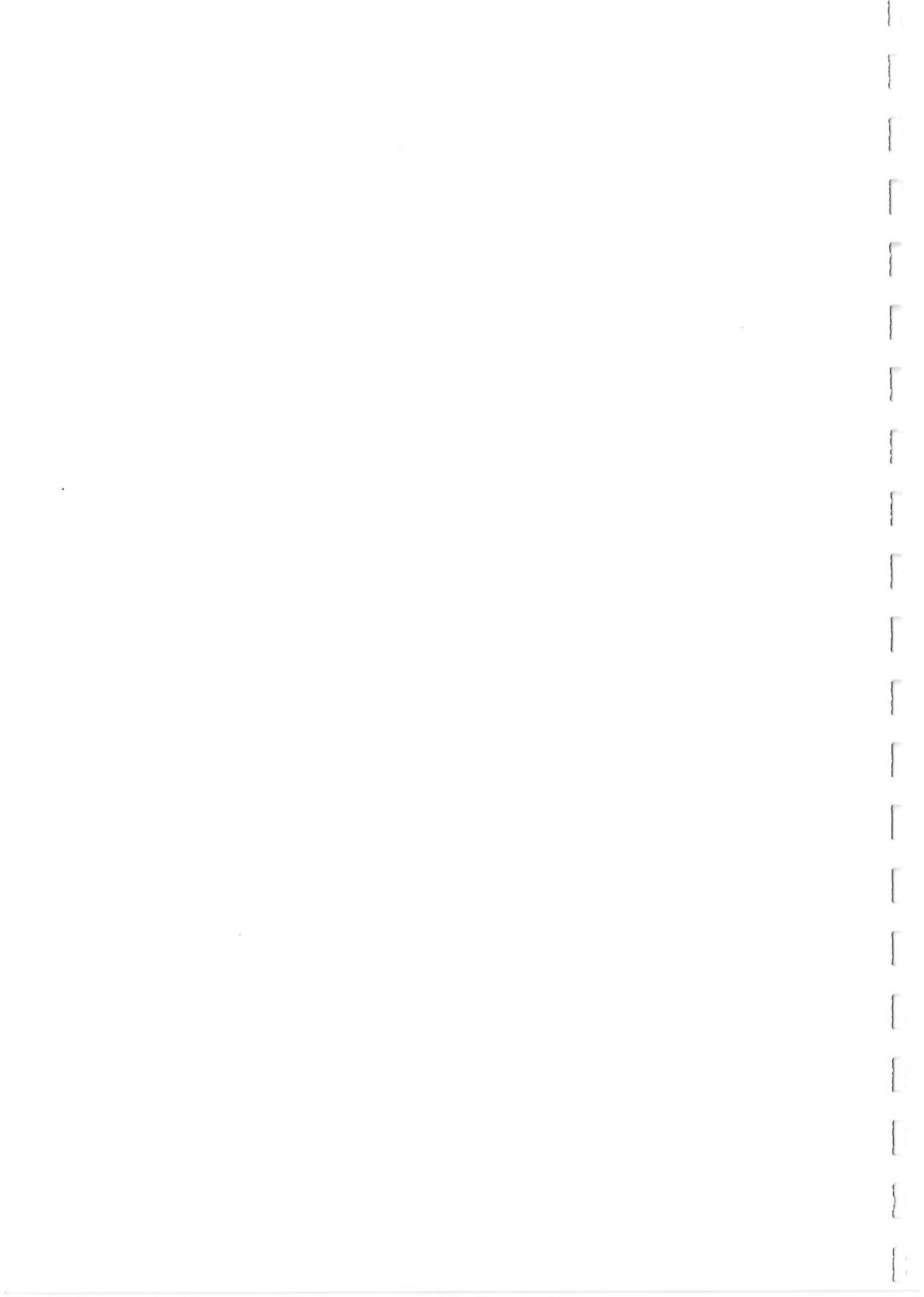
Support services to be provided:

Support services	Schedule for the provision of the support services	Cost to UNDP of providing such support services (where appropriate)	Amount and method of reimbursement of UNDP (where appropriate)
Recruitments ✓ International/national consultants ✓ International/national firms	As per request from IP	As per cost recovery charges	US\$ UN Support
Goods Procurement ✓ Office furniture ✓ Procurement of IT equipment	As per request from IP	As per cost recovery charges	US\$ UN Support
Services Procurement ✓ Knowledge exchange travel arrangements	As per request from IP	As per cost recovery charges	US\$ UN Support

Description of functions and responsibilities of the parties involved:

As per Standard Letter of Agreement, the UNDP Country Office is responsible for the provision of support services as outlined above and upon request of the implementing partner based on the signed project document/annual work plans/project procurement plans.





V. RESULTS FRAMEWORK

UNDAF: Pillar 1: **Inclusive Growth and Structural Transformation**

UNDAF: Outcome 2: By 2020 private-sector driven manufacturing and service industry sector growth is inclusive, sustainable, competitive and job rich

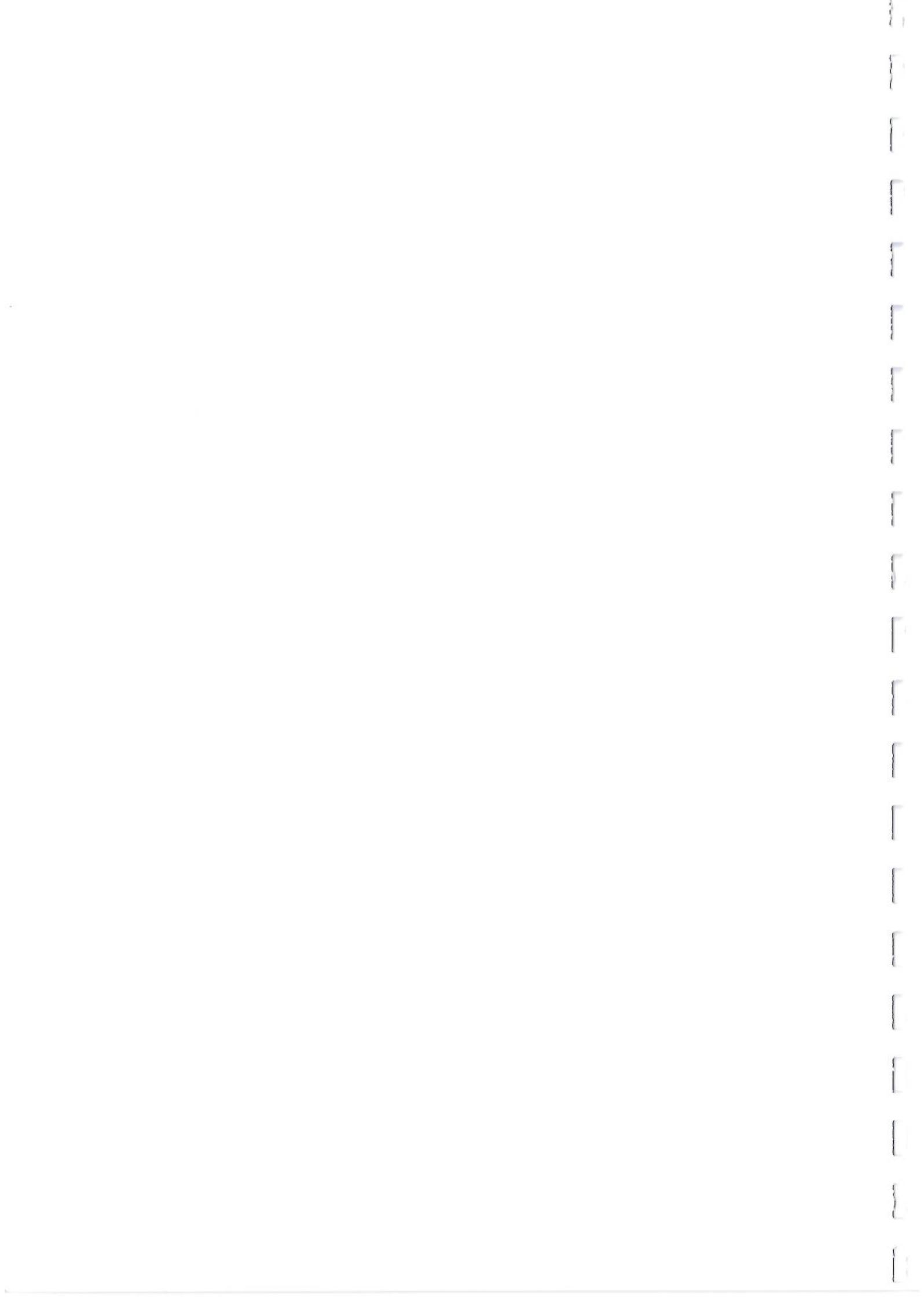
Applicable Output(s) from the UNDAF/ UNDP Strategic Plan:

Output 2.2: Priority manufacturing sectors identified in the GTP are more inclusive, job-rich, productive and competitive in regional and international markets.

Output 2.3: Private sector enterprises have improved skills, knowledge and technological capacity for increased productivity and competitiveness.

Project title and Atlas Project Number:

EXPECTED OUTPUTS	OUTPUT INDICATORS	DATA SOURCE	BASELINE		TARGETS (by frequency of data collection)			DATA COLLECTION METHODS & RISKS	
			Value	Year	Year 1	Year 2	Year 3		FINAL
Output 1 Strengthened Institutional Capacity of Public and Private Institutions for Entrepreneurship Development	1.1 No. of new EDC offices established and operationalize	EDC annual reports	5	2017	2	-	2	Management Information System (MIS)	Mobilized resources
	1.2 No. of staff received capacity building training (30% women)	EDC annual report	27	2017	5	5	15	Management Information System (MIS)	Mobilized resources
	1.3 No. of business plan for up-scaling and sustainability	Final program reports	0	2017	1	-	1	Management Information System (MIS)	Mobilized resources
	1.4 No. of new CoEEs established and operationalized	Reports from CoEEs, EDC annual reports	5	2017	3	3	6	Management Information System (MIS), secondary data from CoEEs	Commitment of Universities, and resources
	1.5 No. of key staff of CoEEs benefited from experience sharing workshops organised for CoEEs.	Reports from CoEEs, EDC annual reports	15	2017	14	20	54	Management Information System (MIS), secondary data from CoEEs	Commitment of Universities
	1.6 No. of key staff of existing CoEEs who benefited from study tours and training program organized for CoEEs	Reports from CoEEs, EDC annual reports	0	2017	7	3	10	Management Information System (MIS), secondary data from CoEEs	Commitment of Universities
	1.7 No. of university staff benefited from capacity building training in entrepreneurship and BDS provision (30% women)	Reports from CoEEs, EDC annual reports including M&E	1,000	2017	50	50	150	Management Information System (MIS), and secondary data from CoEEs	Commitment of Universities



 <p>Output 2. Promoted Entrepreneurship Competencies and skills and employability skills through Training</p>	1.8 No. of business innovation competitions conducted in each CoEE	CoEEs annual reports and M&E reports	3	2017	5	11	11	27	Management Information System (MIS), secondary data from CoEEs	Mobilized resources, Commitment of Universities
	1.9 No. of government and private sector employees' knowledge and skills in entrepreneurship enhanced 40% women)	Annual reports (EDC's and institutions')	2,640	2017	500	1,500	500	2,500	Management Information System (MIS), secondary data from institutions	Commitment of institutions, Mobilized resources
	1.10. National conference on entrepreneurship	EDC annual reports	1	2017	1	-	1	2	Management Information System (MIS)	Mobilized resources
	1.11 No. of strategic partnerships established with key stakeholders (public, private, NGOs, and development partners)	EDC annual reports	11	2017	6	6	6	18	Management Information System, signed MoUs, data from institutions	Commitment of partners
	1.12 No. of policy dialogue forums	EDC annual report	15	2017	4	4	4	12	Management Information System (MIS), attendance	Commitment of partners
	1.13 No. of studies conducted on success and challenges of entrepreneurs	EDC annual reports	0	2017	2	2	2	6	Management Information System (MIS), the studies (observation)	Mobilized resources
	1.14 Annual GEW Host	EDC annual reports	3	2017	1	1	1	3	Management Information System (MIS), attendance	Commitment of partners
	2.1 No. of enterprises benefited from ETW (40% women owned)	Trainees data, EDC reports	17,287	2017	6,000	8,000	6,000	20,000	Trainees application, and use the MIS	Commitment of partners & trainees
	2.2 No. of entrepreneurs benefited from LLE training (30% women)	Trainees data, EDC reports	2,025	2017	2,150	2,867	2,150	7,167	Trainees application, and use the MIS	Commitment of partners & trainees
	2.3 No. of women entrepreneurs benefited from WET	Trainees data, EDC reports	6,004	2017	2,150	2,867	2,150	7,167	Trainees application, and use the MIS	Commitment of partners & trainees
	2.4 No. rural entrepreneurs benefited from RET (30% women)	Trainees data, EDC reports	1,055	2017	2,150	2,866	2,150	7,166	Trainees application, and use the MIS	Commitment of partners & trainees
	2.5 No. of aspiring youth entrepreneurs benefited from YET (40% women)	Trainees data, EDC reports	19,795	2017	4,950	6,600	4,950	16,500	Trainees application, and use the MIS	Commitment of partners & trainees
	2.6 No. of entrepreneurship trainers trained (30% women)	Trainees data, EDC reports	212	2017	400	400	200	1,000	Trainees application, and use the MIS	Commitment of partners & trainees
	2.7 No. of business development services providers trained (40% women)	Trainees data, EDC reports	517	2017	400	400	200	1,000	Trainees application, and use the MIS	Commitment of partners & trainees
2.8 No. of trainers certified by UNCTAD (40% women)	Trainees data, EDC reports	59	2017	75	75	-	150	Trainees application, and use the MIS	Commitment of partners & trainees	





Output 3: Enhanced Productivity and Job Creation of SMEs through and Inclusive Business Development Services	2.9 No. of prospective university graduates benefited from employability skill training (40% women)	Trainees data, EDC reports	0	2017	6,000	8,000	6,000	20,000	Trainees application, and use the MIS	Commitment of partners & trainees	
	2.10 No. of employees (particularly in agro-industrial and industrial parks) attended soft skill training (30% women)	Trainees data, EDC reports	0	2017	9,000	12,000	9,000	30,000	Trainees application, and use the MIS	Commitment of partners & trainees	
	Indirect Beneficiaries 2.11 No. of enterprises provided with entrepreneurship training through government employees who have been trained by EDC through GCBT	Reports from TVETs and Universities & M&E reports	205,200	2017	45,000	60,000	45,000	150,000	Secondary data from TVETs, and Universities	Commitment of partners & trainees	
	3.1 No. of entrepreneurs benefited from group and one-to-one BDS support (40% women)	BDS client data, EDC reports	8,305	2017	5,400	7,200	5,400	18,000	BDS application, and use the MIS	Commitment of partners & clients	
	3.2 No. of entrepreneurs benefited from group BDS (40% women)	BDS client data, EDC reports	464	2017	4,590	6,120	4,590	15,300	BDS application, and use the MIS	Commitment of partners & clients	
	3.3 No. of entrepreneurs benefit from one to one BDS (40% women)	BDS client data, EDC reports	7,841	2017	810	1,080	810	2,700	BDS application, and use the MIS	Commitment of partners & clients	
	3.4 No. of entrepreneurs mentored through the Executive Mentorship and Seminar Program (50% women)	BDS client data, EDC reports	0	2017	270	360	270	900	BDS application, and use the MIS	Commitment of partners & clients	
	3.5 No. of mentors identified for the Executive Mentorship and Seminar Program (40% women)	BDS client data, EDC reports	0	2017	5	7	5	17	BDS application, and use the MIS	Commitment of partners & clients	
	Indirect Beneficiaries 3.6 No. of enterprises benefited from BDS provided by government employees who have been trained by EDC through GCBT (30% women)	Reports from TVETs and Universities & M&E reports	29,040	2017	27,000	36,000	27,000	90,000	Secondary data from TVETs, and Universities	Commitment of partners & clients	
	4.1 No. of local business angel networks established	EDC reports	0	2017	-	1	-	1	Attendance, observation, MIS	Commitment of partners	
	4.2 No. of finance institutions linkages established	EDC reports	1	2017	2	4	4	10	Attendance, observation, MIS	Commitment of partners	
	4.3 No. of entrepreneurs' access finance from the institutions (40% women)	Data from MFIs, Banks, and EDC reports	17	2017	250	1,000	1,000	2250	Secondary data from MFIs and banks	Commitment of partners	
	Output 4: Facilitated Access to Finance for entrepreneurs										



VI. MONITORING & EVALUATION

Monitoring and Evaluation (M&E) of the program will be implemented in accordance with policies and procedures outlined in the UNDP user guide, Programme Implementation Manual (PIM), and bases EDC's M&E strategy. The M&E aims to collect and provide information that will be used to track progress on implementation of all components of the program. Additionally, it will identify gaps and weaknesses in implementation; plan, prioritize, allocate and manage resources; evaluate the developmental impact of the program; and document challenges, successes and lessons for program design and review.

Promoting evidence-based program interventions and implementations, M&E of the program follows a result-oriented system which gives high priority to tracking achievements of outcomes and end results of program interventions. Result-oriented M&E system focuses on assessing outcomes and development results of the program to ensure effective and efficient implementation of activities.

EDC's M&E team with active participation of relevant stakeholders has the responsibility of monitoring activities on a regular basis and conducts evaluations. Program activities will be monitored periodically: tracking immediate outputs continuously, while outcomes/results will be monitored every quarter. Mid-term and final evaluations of the program will be done at respective periods of the program. With continuous review of implementations and approaches, it becomes automatic to take timely corrective measures and review program implementation approach, when necessary. Furthermore, programme successes and lessons are identified, documented and shared to partners at a real-time.

The M&E system will have two major components; i) Implementation (Output) monitoring, and ii) Outcomes (result) monitoring and evaluation.

Implementation monitoring: Through a Management Information System (MIS) and quarterly and annually tracking tools and reporting templates, implementation of activities will be monitored according to quarterly and annual plans and strategic targets. This component of the M&E mainly focuses on continuously monitoring progresses of activity implementations as compared to plans and targets. In addition to tracking accomplishments and indicating status of implementation, it used to compile major output data including type and number of services (e.g. training sessions) and profile of beneficiaries.

The MIS is a web-based system for inputting, collating and organizing data that provides selective information and reports to the management and implementing staff, to assist in monitoring immediate outputs of the programme, and tracking and controlling programme resources, activities and results.

Result/outcome monitoring: This component of the M&E is central as it emphasizes on development results of the program rather than activity implementations; responding to 'so what?' question of program intervention and implementation. Periodic (quarterly) outcome monitoring surveys will be conducted to generate evidences of development results expected from the program. Furthermore, evaluations and in-depth studies will be undertaken to assess effectiveness and efficiency of program approaches and implementation, and to track, document, and share impacts of the program.

The figure below indicates the M&E framework aligned with EDP.



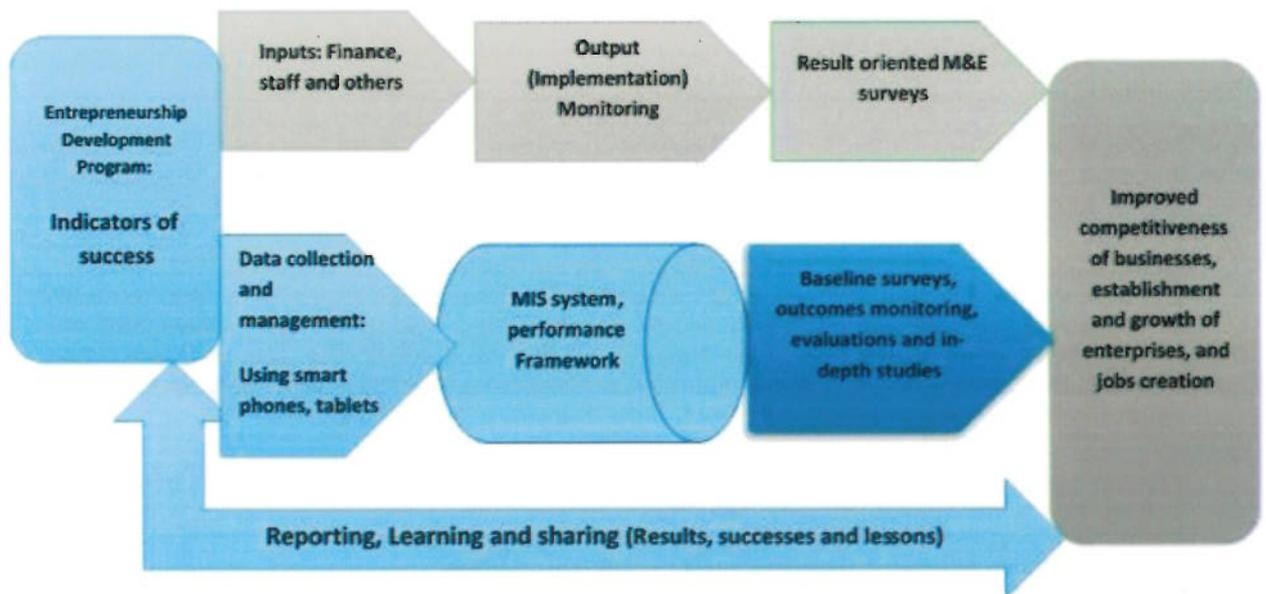


Figure 3: M&E System

The Monitoring and Evaluation of the program will have the following major activities and outputs:

Establishing benchmarks: Baseline surveys will be conducted; indicating initial status of major indicators against which program impacts can be measured, and results will be compared and assessed. The baseline defines initial conditions and status of target beneficiaries (or clients) as per outcomes and impact indicators set in the log frame, and forms a basis to compare before and after situations or changes over time, or with-and-without interventions.

Undertake periodic output and outcome monitoring to continuously review status, take timely measures, and revise implementation, when required. The monitoring focuses on the indicators set for outputs and outcomes, and inform about the quantity, quality and timeliness of program outputs as well as effect of interventions on developmental results. Particularly, the outcome monitoring focuses on results of the interventions like change in entrepreneurial and business skills, profitability, establishment of new enterprises and growth of existing ones and job creation.

Evaluation: Assessment of overall program approaches and implementation at midway and by the end of the program period will be conducted to determine *relevance, efficiency, effectiveness, impact and sustainability* of the program.

Impact Assessment: Assess impacts of the program (conduct impact evaluation, and in-depth studies on a specific area of interest) to track results and impacts of the program as compared to the baseline status. The impact evaluation requires a rigorous methodology with its own specific design of programme implementation targeting randomly selected clients, whereas, the in-depth studies can be done annually with a simple methodology assessing different specific issues related to entrepreneurship development.

Documenting successes and Communication of results: Through well managed data set and synthesized reporting, M&E findings will be presented as knowledge products to staff members, management and key stakeholders for use and decision making. With the intention to promote learning and sharing lessons, attempts will be made to document, publish and share successes, challenges and lessons to partners and wider audiences.

In accordance with UNDP's programming policies and procedures, the project will be monitored through the following monitoring and evaluation plans:





Monitoring Plan

Monitoring Activity	Purpose	Frequency	Expected Action	Partners (if joint)	Cost (if any)
Track results progress	Progress data against the results indicators in the RRF will be collected and analysed to assess the progress of the project in achieving the agreed outputs.	Quarterly, or in the frequency required for each indicator.	Slower than expected progress will be addressed by project management.		
Monitor and Manage Risk	Identify specific risks that may threaten achievement of intended results. Identify and monitor risk management actions using a risk log. This includes monitoring measures and plans that may have been required as per UNDP's Social and Environmental Standards. Audits will be conducted in accordance with UNDP's audit policy to manage financial risk.	Quarterly	Risks are identified by project management and actions are taken to manage risk. The risk log is actively maintained to keep track of identified risks and actions taken.		
Learn	Knowledge, good practices and lessons will be captured regularly, as well as actively sourced from other projects and partners and integrated back into the project.	At least annually	Relevant lessons are captured by the project team and used to inform management decisions.		
Annual Project Quality Assurance	The quality of the project will be assessed against UNDP's quality standards to identify project strengths and weaknesses and to inform management decision making to improve the project.	Annually	Areas of strength and weakness will be reviewed by project management and used to inform decisions to improve project performance.		
Review and Make Course Corrections	Internal review of data and evidence from all monitoring actions to inform decision making.	At least annually	Performance data, risks, lessons and quality will be discussed by the project board and used to make course corrections.		
Project Report	A progress report will be presented to the Project Board and key stakeholders, consisting of progress data showing the results achieved against pre-defined annual targets at the output level, the annual project quality rating summary, an updated risk log with mitigation measures, and any evaluation or review reports prepared over the period.	Annually, and at the end of the project (final report)			
Project Review	The project's governance mechanism (i.e., project board) will hold regular	Specify frequency	Any quality concerns or slower than expected		

(Project Board)	project reviews to assess the performance of the project and review the Multi-Year Work Plan to ensure realistic budgeting over the life of the project. In the project's final year, the Project Board shall hold an end-of project review to capture lessons learned and discuss opportunities for scaling up and to socialize project results and lessons learned with relevant audiences.	(i.e., at least annually)	progress should be discussed by the project board and management actions agreed to address the issues identified.		
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Evaluation Plan

Evaluation Title	Partners (if joint)	Related Strategic Plan Output	UNDAF/CPD Outcome	Planned Completion Date	Key Evaluation Stakeholders	Cost and Source of Funding
Mid-Term Evaluation	FUJC&FSA			February 2019	FUJC&FSA, TVETs, Universities, MFIs and other key partners	40,000
Final Evaluation	FUJC&FSA			May 2020	FUJC&FSA, TVETs, Universities, MFIs and other key partners	50,000





VII. INDICATORS OF MAJOR OUTCOMES AND IMPACTS OF THE PROGRAM

The Program is expected to substantially improve productivity, competitiveness and job creation potential of Small and Medium Enterprises (SMEs), and enhance employment of youth through linkages and partnership with institutions in the public as well as private sector. Major outcomes of the program revolve around improving knowledge and skills of entrepreneurs, promoting employability skills of youth, facilitating establishment and expansion of businesses with business development service and improved access to finance.

By the end of the programme, the program directly trains about 60,000 beneficiaries and provides continuous business development advisory services to 18,000 enterprises and access to finance to about 2,250 entrepreneurs resulting in the establishment of 18,800 new entrepreneurs and growth of 18,000 existing SMEs. The program is expected to generate 147,400 new jobs. Women and youth account for at least 40% and 60% of direct beneficiaries of the program, respectively. Through government capacity building training to 2,500 employees, indirectly, the program will benefit a total of 150,000 trainees and 90,000 BDS clients through which 257,000 new jobs are expected to be created.

Through improved performance of businesses – improved profit, competitiveness, market share, and job creation potential – the program will have an impact on earnings and income of particularly youth and women. This is additional to an impact on women economic empowerment through their active participation in the establishment and expansion of enterprises.

Expected major outcomes and indicators of the programme are shown in the table below.

Major outcomes and indicators of the program, and means of verification

No.	Major Outcomes	Major Indicators	Baseline	Target	Means of verification
1.	Improved entrepreneurship skills and knowledge	Percentage change in PEC ¹ scores	83%	85%	Reports, Periodic monitoring survey of Trainings
2.	Improved business attitudes of entrepreneurs	Percentage change in pre-and post-training assessment scores	68%	80%	Reports, periodic monitoring survey of Trainings
3.	Improved business knowledge and practice	Number of businesses applying competencies learned in their businesses	95%	95%	Periodic monitoring survey of Trainings
4.	Improved finance services for businesses	Percentage of entrepreneurs whose access to financial resources improved	67%	75%	Outcome monitoring of trainings, BDS provision and access to finance
5.	Increased revenue and profit of businesses	Percentage increase in revenue and profit of businesses	93%	95%	Outcome monitoring BDS provision and access to finance
6.	New businesses established	No. of new enterprises established	3,836	12,380	Periodic Outcome monitoring
7.	Existing businesses expanded	No of existing businesses expanded	4,555	18,000	Periodic Outcome monitoring and evaluations
8.	Informal businesses formalized	No of informal businesses formalized	2,536	6,500	Periodic Outcome monitoring and evaluations
9.	New Jobs created	No. of new jobs by start-up and	54,018	147,400	Periodic Outcome monitoring and evaluations

¹ Personal Entrepreneurship Competencies (PEC)

		expanded businesses			
10.	Increased participation of women in the formalization, establishment and expansion of enterprises	% of women establishing new business and expanded their enterprises	4,370	9,834	Periodic Outcome monitoring, evaluation and in-depth studies
11.	Increased participation of women in the formalization, establishment and expansion of enterprises	% of youth and women owned new businesses and expanded enterprises	7,213	16,227	Periodic Outcome monitoring and evaluations
12.	Increased employability of youth	Percentage of youth supported by the program who would be employed	0	70%	Periodic Outcome monitoring and evaluations
13.	Improved productivity of employees within industrial/agro-industrial parks	Percentage of improved productivity of employees in industrial/agro-industrial parks	0	40%	Periodic Outcome monitoring and evaluations



VIII. MULTI-YEAR WORK PLAN

EXPECTED OUTPUTS	PLANNED ACTIVITIES	Planned Budget by Year		RESPONSIBLE PARTY	PLANNED BUDGET			
		(July 2017/June 2018) Y1	(July 2018/June 2019) Y2		(July 2019/July 2020) Y3	Funding Source	Budget Description	Amount
Output 1: Strengthened Institutional Capacity of Public and Private Institutions for Entrepreneurship Development <i>Gender marker:2</i> 	1.1 Activity: Strengthen capacity of EDC in the five regions (Addis + four regions) and establish new EDC offices in two regions.	579,600	772,800	FUJC&FSA		Recruitment & payroll	1,932,000	
	1.2 Activity: Strengthen capacity of existing CoEES and establish new CoEES	193,200	257,600	FUJC&FSA		Travel, ICT & equipment, workshop and conferences	644,000	
	1.3 Activity: Build institutional capacity of government and private institutions with focus on youth and women's associations to support entrepreneurial endeavours	96,600	128,800	FUJC&FSA		Training facilities, material costs	322,000	
	1.4 Activity: Conduct policy dialogue forums and stakeholders' engagement meeting focusing on business environment for enterprise development	96,600	128,800	FUJC&FSA		Meetings & Workshops	322,000	
	MONITORING	24,000	31,650	FUJC&FSA		Monitoring & Evaluation	79,275	
	Sub-Total for Output 1	990,000	1,319,650				3,299,275	
	Output 2: Promoted Entrepreneurship Competencies and skills and employability skills through Training <i>Gender marker:2</i>	2.1 Activity: Provision of entrepreneurship competency and behaviour development training	760,200	1,013,600	FUJC&FSA		Local consultants, materials, training facilities, travel, communications	2,534,000
		2.2 Activity: Provision of training of trainers and business development service advisors	217,200	289,600	FUJC&FSA		International consultants, travel	724,000
		2.3 Activity: Provision of employability skills enhancement training	108,600	144,800	FUJC&FSA		Local consultants, materials, training facilities, travel, communications	362,000
		MONITORING	24,000	31,650	FUJC&FSA		Monitoring & Evaluation	79,275
Sub-Total for Output 2	1,110,000	1,479,650				3,699,275		



Output 3: Enhanced Productivity and Job Creation of SMEs through Continuous and Inclusive Business Development Services and Facilitate Access to Finance for Entrepreneurs <i>Gender marker:2</i>	3.1 Activity: Micro and Small entrepreneurs assisted in expansion and start-up of own businesses and their business planning and managerial skills improved	705,600	940,800	705,600	FUJC&FSA	Local consultants, material costs, training facilities	2,352,000
	3.2 Activity: Mentorship	100,800	134,400	100,800	FUJC&FSA	Material costs, training facilities,	336,000
	3.3 Activity: Undertaking M&E of Business Development Services Provision	201,600	268,800	201,600	FUJC&FSA	Travel	672,000
	MONITORING	24,000	31,650	23,625	FUJC&FSA	Monitoring & Evaluation	79,275
	Sub-Total for Output 3	1,032,000	1,375,650	1,031,625			3,439,275
Output 4: Enhanced access to finance for entrepreneurs <i>Gender marker:2</i>	4.1 Activity: Access to finance for entrepreneurs	144,960	130,000	85,000	FUJC&FSA	Workshops & events, materials, communication, travel, local consultants	345,000
	MONITORING	24,000	31,650	23,625	FUJC&FSA	Monitoring & Evaluation	79,275
	Sub-Total for Output 4	168,960	161,650	108,625			424,275
Evaluation (as relevant)							
Direct Project Costing		328,600	TBD	TBD		General management services, implementation support services, communications	1,134,822
TOTAL		3,629,560	4,789,670	3,577,692			11,996,922



Remarks: Year one resource (2010 Fiscal Year) from UNDP is USD 775,000 USD and the remaining resources will have to be mobilized.

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IX. GOVERNANCE AND MANAGEMENT ARRANGEMENTS

The Entrepreneurship Development Programme management structure is shown in figure 1. The project will be nationally implemented with MoUDC as Implementing Partner. The National Implementation Modality (NIM) is guided by the pertaining UNDP NIM rules and regulations as well as the Ethiopia National Project Implementation Manual (PIM).

The project will be overseen by a Steering Committee (SC) which is responsible for making by consensus management decisions for a project when guidance is required by the CEO of the Centers, including recommendation for Implementing Partner/UNDP approval of project plans and revisions. Project reviews by the SC are made at designated decision points during project implementation, or as necessary when raised by the CEO. This group is consulted by the CEO for decisions when project management tolerances (normally in terms of time and budget) have been exceeded.

The SC will be under the overall oversight of the Minister of MoUD&H, who will be the institution with executive authority and responsibility. The Executive will be supported by beneficiary partners MoFED, the Federal Urban Job Creation and Food Security Agency, and supplier partners including UNDP. In addition to ensuring that that progress towards the outputs required by the beneficiaries remains consistent from the beneficiary perspective. The executive shall promote and maintain focus on the expected project outputs, prioritise and contribute beneficiaries' opinions on Project Board decisions on whether to implement recommendations on proposed changes, and resolve priority conflicts.

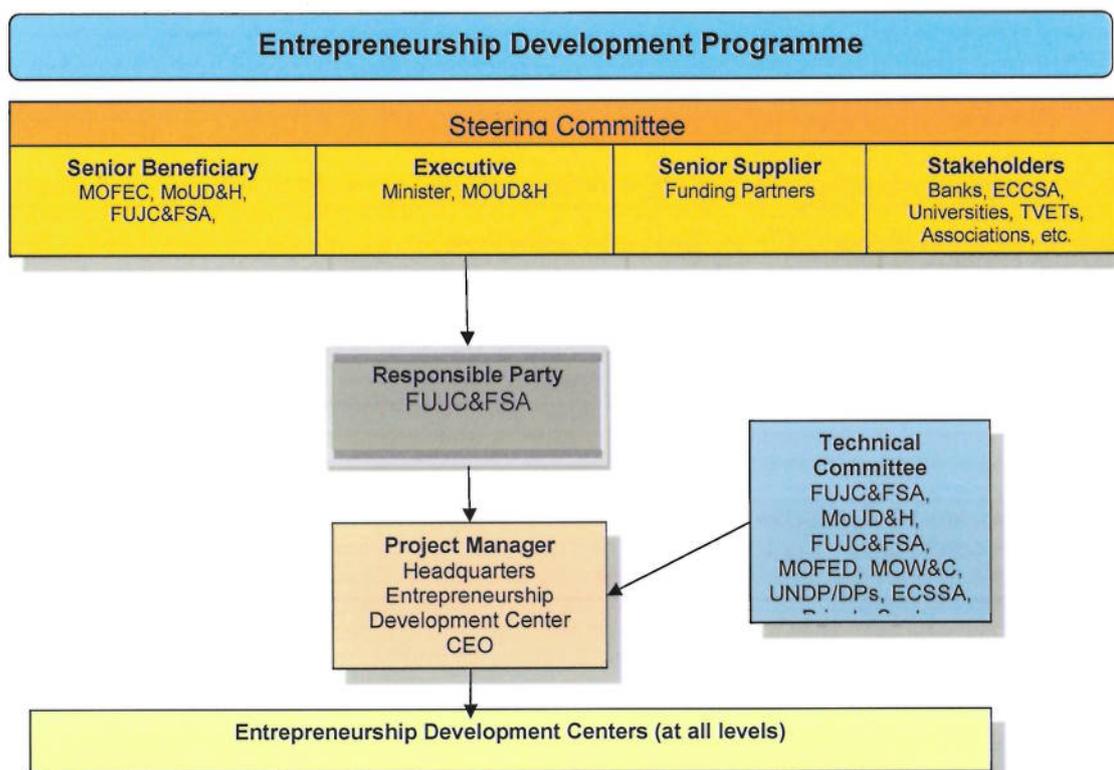
MoFEC, MoUD&H, FUJC&FSA and potentially other government ministries, as Senior Beneficiaries, will be responsible for validating the needs and for monitoring that the solution will meet those needs within the constraints of the project. The role represents the interests of all those who will benefit from the project.

In addition to the provision of funds and technical expertise to the project, UNDP and other Senior Suppliers will provide guidance regarding the technical feasibility of the project. The CEO will run the Entrepreneurship Development Project on a day-to-day basis, under the guidance of MoUD&H and report to FUJC&FSA, on behalf of the Project Steering Committee within the constraints laid down by the SC. The SC shall appoint a Technical Committee with representation of development partners, key government ministries, private sector and academia and other non-state actors. The Technical Committee which will review the policies operations of the project, provides regular reports to the overall SC, and serve as Project Assurance. In this capacity, the Technical Committee will support the Project Steering Committee in monitoring functions. Additional specific responsibilities will include, but are not limited to, ensuring: beneficiary needs and expectations are being met or managed; risks are being controlled; the project remains viable; Internal and external communications are working; quality management procedures are properly followed; and that the Project Steering Committee are followed and revisions are managed in line with the required procedures. As Stakeholders, the Ethiopian Chamber of Commerce and Sectoral Associations (ECCSA), banking institutions and MFI representatives, professional associations with strong linkages to entrepreneurial trades, TVETs, universities and youth and women's associations.

A quasi-governmental entity, headed by the CEO, will manage the Entrepreneurship Development Centers. The Centre will coordinate activities with the Federal Micro and Small Enterprise Development Agency (FUJC&FSA) and the Federal Small and Medium Manufacturing Industry Development Agency (FSMMIDA), and report to MoUD&H and. The purpose of institutional capacity building is to enable the Entrepreneurship Development Centers (EDCs) to align activities consistent and complementary to existing public sector goals and initiatives as well as existing private sector entrepreneurship initiatives. Under the overall guidance of MoUD&H and the CEO will be responsible for setting up the management structures and will utilize advisory support from international experts or consultants that will be recruited to set-up and operationalize the appropriate model at the Centre. Similar management structure will be established in consultation with regional governments and city administrations to support local implementation of the enhanced EDP. Similar technical committees will be established in regional and sub-regional levels as appropriate.

Figure 1 shows the proposed management structure for the Centre. The Centre will have its national headquarters in Addis Ababa and regional offices. These regional offices will facilitate and coordinate training and provision of business advisory services and will report to headquarters.

Figure 2: Management Arrangements



X. LEGAL CONTEXT

This project document shall be the instrument referred to as such in Article 1 of the Standard Basic Assistance Agreement between the Government of Ethiopia and UNDP, signed on 6 February 1981. All references in the SBAA to "Executing Agency" shall be deemed to refer to "Implementing Partner."

This project will be implemented by Ministry of Urban Development and Housing in accordance with its financial regulations, rules, practices and procedures only to the extent that they do not contravene the principles of the Financial Regulations and Rules of UNDP. Where the financial governance of an Implementing Partner does not provide the required guidance to ensure best value for money, fairness, integrity, transparency, and effective international competition, the financial governance of UNDP shall apply.

XI. RISK MANAGEMENT

1. Consistent with the Article III of the SBAA *[for the Supplemental Provisions to the Project Document]*, the responsibility for the safety and security of the Implementing Partner and its personnel and property, and of UNDP's property in the Implementing Partner's custody, rests with the Implementing Partner. To this end, the Implementing Partner shall:
 - a) put in place an appropriate security plan and maintain the security plan, taking into account the security situation in the country where the project is being carried;
 - b) assume all risks and liabilities related to the Implementing Partner's security, and the full implementation of the security plan.
2. UNDP reserves the right to verify whether such a plan is in place, and to suggest modifications to the plan when necessary. Failure to maintain and implement an appropriate security plan as required hereunder shall be deemed a breach of the Implementing Partner's obligations under this Project Document.





3. The Implementing Partner agrees to undertake all reasonable efforts to ensure that no UNDP funds received pursuant to the Project Document are used to provide support to individuals or entities associated with terrorism and that the recipients of any amounts provided by UNDP hereunder do not appear on the list maintained by the Security Council Committee established pursuant to resolution 1267 (1999). The list can be accessed via http://www.un.org/sc/committees/1267/aq_sanctions_list.shtml.
4. Social and environmental sustainability will be enhanced through application of the UNDP Social and Environmental Standards (<http://www.undp.org/ses>) and related Accountability Mechanism (<http://www.undp.org/secu-srm>).
5. The Implementing Partner shall: (a) conduct project and programme-related activities in a manner consistent with the UNDP Social and Environmental Standards, (b) implement any management or mitigation plan prepared for the project or programme to comply with such standards, and (c) engage in a constructive and timely manner to address any concerns and complaints raised through the Accountability Mechanism. UNDP will seek to ensure that communities and other project stakeholders are informed of and have access to the Accountability Mechanism.
6. All signatories to the Project Document shall cooperate in good faith with any exercise to evaluate any programme or project-related commitments or compliance with the UNDP Social and Environmental Standards. This includes providing access to project sites, relevant personnel, information, and documentation.
7. The Implementing Partner will take appropriate steps to prevent misuse of funds, fraud or corruption, by its officials, consultants, responsible parties, subcontractors and sub-recipients in implementing the project or using UNDP funds. The Implementing Partner will ensure that its financial management, anti-corruption and anti-fraud policies are in place and enforced for all funding received from or through UNDP.
8. The requirements of the following documents, then in force at the time of signature of the Project Document, apply to the Implementing Partner: (a) UNDP Policy on Fraud and other Corrupt Practices and (b) UNDP Office of Audit and Investigations Investigation Guidelines. The Implementing Partner agrees to the requirements of the above documents, which are an integral part of this Project Document and are available online at www.undp.org.
9. In the event that an investigation is required, UNDP has the obligation to conduct investigations relating to any aspect of UNDP projects and programmes. The Implementing Partner shall provide its full cooperation, including making available personnel, relevant documentation, and granting access to the Implementing Partner's (and its consultants', responsible parties', subcontractors' and sub-recipients') premises, for such purposes at reasonable times and on reasonable conditions as may be required for the purpose of an investigation. Should there be a limitation in meeting this obligation, UNDP shall consult with the Implementing Partner to find a solution.
10. The signatories to this Project Document will promptly inform one another in case of any incidence of inappropriate use of funds, or credible allegation of fraud or corruption with due confidentiality.

Where the Implementing Partner becomes aware that a UNDP project or activity, in whole or in part, is the focus of investigation for alleged fraud/corruption, the Implementing Partner will inform the UNDP Resident Representative/Head of Office, who will promptly inform UNDP's Office of Audit and Investigations (OAI). The Implementing Partner shall provide regular updates to the head of UNDP in the country and OAI of the status of, and actions relating to, such investigation.

11. UNDP shall be entitled to a refund from the Implementing Partner of any funds provided that have been used inappropriately, including through fraud or corruption, or otherwise paid other than in accordance with the terms and conditions of the Project Document. Such amount may be deducted by UNDP from any payment due to the Implementing Partner under this or any other agreement. Recovery of such amount by UNDP shall not diminish or curtail the Implementing Partner's obligations under this Project Document.

Where such funds have not been refunded to UNDP, the Implementing Partner agrees that donors to UNDP (including the Government) whose funding is the source, in whole or in part, of the funds for the activities under this Project Document, may seek recourse to the Implementing Partner for the recovery of any funds determined by UNDP to have been used inappropriately, including through fraud or corruption, or otherwise paid other than in accordance with the terms and conditions of the Project Document.

Note: The term "Project Document" as used in this clause shall be deemed to include any relevant subsidiary agreement further to the Project Document, including those with responsible parties, subcontractors and sub-recipients.

12. Each contract issued by the Implementing Partner in connection with this Project Document shall include a provision representing that no fees, gratuities, rebates, gifts, commissions or other payments, other than those shown in the proposal, have been given, received, or promised in connection with the selection process or in contract execution, and that the recipient of funds from the Implementing Partner shall cooperate with any and all investigations and post-payment audits.
13. Should UNDP refer to the relevant national authorities for appropriate legal action any alleged wrongdoing relating to the project, the Government will ensure that the relevant national authorities shall actively investigate the same and take appropriate legal action against all individuals found to have participated in the wrongdoing, recover and return any recovered funds to UNDP.
14. The Implementing Partner shall ensure that all of its obligations set forth under this section entitled "Risk Management" are passed on to each responsible party, subcontractor and sub-recipient and that all the clauses under this section entitled "Risk Management Standard Clauses" are included, *mutatis mutandis*, in all sub-contracts or sub-agreements entered into further to this Project Document.



XII. ANNEXES

Annex 1: Risk Analysis.

#	Description	Date Identified	Type	Impact & Prob ability	Countermeasures / Mgmt response	Owner	Submitted, updated by	Last Update	Status
1	Ethiopia lacks national policy and framework of entrepreneurship development program. The project may therefore not be sustainable.		Regulatory	P = 3 I = 3	Ethiopia needs to design national policy framework and strategies of entrepreneurship development by learning from UNCTAD experiences. Output 3 designed to engage policy makers on addressing these institutional factors.				
2	Lack of entrepreneurial vision of most actors in the economy to enhance entrepreneurship in Ethiopia. It is still not the top agenda of most institutions in Ethiopia		Environmental	P = 3 I = 2	Program can design new partnerships that may make the major actors share the country's vision on entrepreneurship development.				
3	Lack of entrepreneurial attitude among the public at large in Ethiopia at national, regional and local level such that the implementation may not get sufficient support.		Environmental	P = 3 I = 5	Program must make regular effective and efficient publicity before, during and after the program launch				
4	Limited access to credit mainly due to lack of savings habits from public		Environmental	P = 4 I = 4	Link participants who will have creative and feasible business ideas and plans with local microfinance institutions for both saving and credit access				

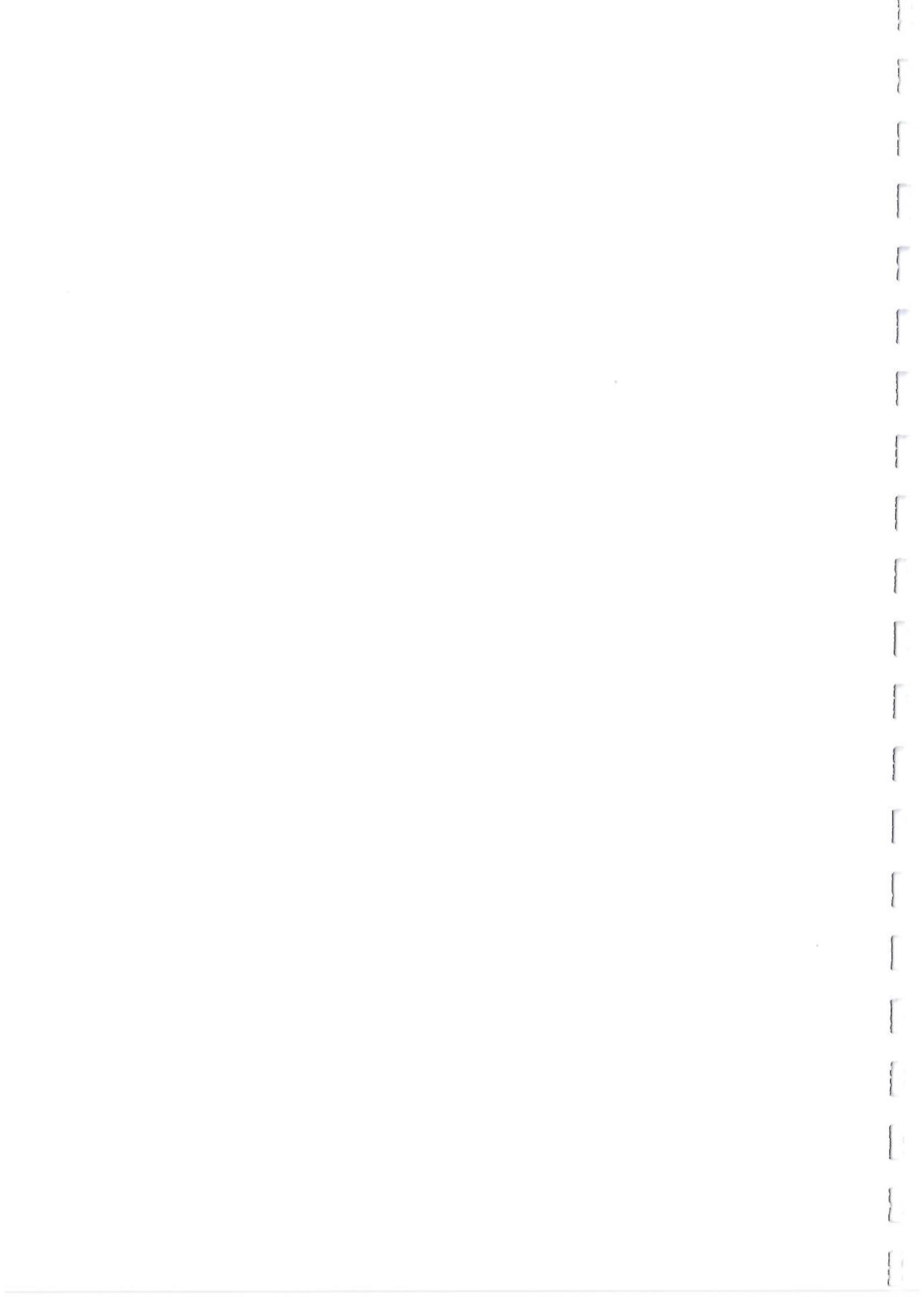




#	Description	Date Identified	Type	Impact & Probability	Counter measures / Mgmt response	Owner	Submitted, updated by	Last Update	Status
5	Lack of sustainable local fund to implement the project		Financial	P =4 I = 4	Stakeholders to mobilize sufficient funds				
6	Donors may quit from their commitments before the end of the project time due to global financial crisis and their local economic recession.		Financial	P=1 I=5	On the basis of their bilateral or multilateral agreements with the Federal Democratic Government of Ethiopia, the payments need to be in place on time.				
7	Lack of committed Staff to run the project and possible fast employees' turn over in the national and regional centres due to the dynamic, inspiring and independence seeking nature of the project packages to be delivered to them		Organizational	L=1 I=5	Create staff personal growth opportunities and incentive that will encourage them stay in the project during the implementation period				
8	Lack of committed TOT, and BDS trainers, and providers due to low level of entrepreneurial awareness. Most may lack time and financial freedom as they are expected to be currently employed by the public sector		Organizational	L=3 I=5	Create staff incentive packages that will make them stay in the project during the implementation period				
9	Lack of sufficient awareness on the program and attentions of the commitment of the advisory board members and other local authorities to manage the project due to holding various responsibilities and lack of program orientations. They may also join the board in different times without getting proper orientations and awareness about the program		Organizational	L=3 I=3	Provide series of orientations to all who will shoulder implementation responsibilities				
10	ETW training participants may lack access to both credit and market which may discourage the project		Operational	L=1 I=1	Prepare and link them with financial institutions and large business owners and angel entrepreneurs				
11	Local similar programs focusing on women and youth may use the same		Strategic	L=1 I=1	Work collaboratively with other programs				

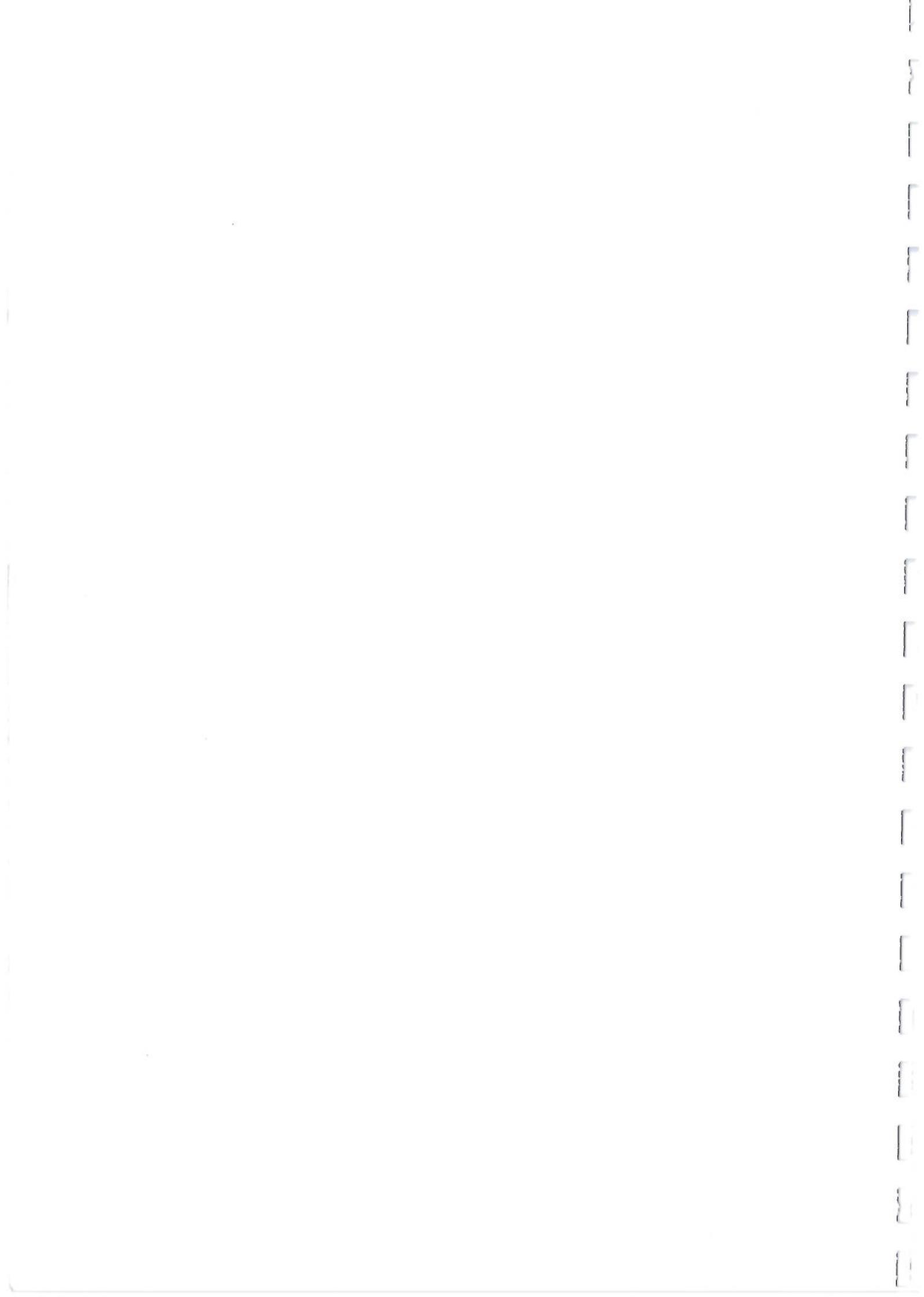






Annex 2: Current and potential stakeholders										
	Banks and Micro Finance Institutions	Business Forums	Development Partners	Educational Institutions	Ministries/ Agencies	Advocacy Organizations	NGOs	Multi-National Corporations	Other	
Associations	Awash Bank	Empretec Business Forum*	Italian Corporation	Addis Ababa University*	Ministry of Housing and Development *	CAWEE*	DOT	Microsoft*	Iceaddis	
Addis Ababa Chamber of Commerce and Sectoral Association*	Enat Bank*		World Bank	Bahir Dar University*	Ministry of Industry, MoFEC, Ministry of Youth and Sports, Ministry of Agriculture, Ministry of Tourism and Culture, Ministry of Social Affairs, Ministry of Foreign Affairs		Cordaid*	Dangote	Ethiopian Climate Innovation Centre	
Ethiopian Leather Association	Abay Bank		Embassy of Canada	Mekelle University*	Industrial Park Corporation		Oxfam	Unilever	Boston Partners PLC *	
Ethiopian Textile Association	Commercial Bank		JICA	Hawassa University*	TVET Agencies*		Save the Children	H&M	Women Entrepreneurship Development Programme	
Ethiopian Women Entrepreneurs Association	<i>Others to consider:</i> African Development Bank, Dashen Bank, Wagagen Bank, Nib Bank, Hebrat Bank, Zemen Bank, Abyssinia Bank, Oromia International Bank, Cooperative Bank of Oromia,		DFID	Adama Science and Technology University*	Ethiopian Investment Commission		SOS	Coca Cola	Ethiopian Airlines	







Annex 3: Capacity Assessment

The Implementing Partner, the Federal Urban Job Creation and Food Security Agency, has undergone HACT micro assessment. Following the assessment, the overall financial management risk of the IP for cash transfer is classified as low risk. The assessment concluded that the IP is capable of correctly recording all transactions and balances, supports the preparation of regular and reliable financial statements, safeguards the partner's assets and are subject to acceptable auditing arrangements. All areas of financial management under the assessment have been rated low risk.

Annex 4: Terms of Reference for EDC CEO

A: BACKGROUND

The growth and transformation plan (GTP) of the Ethiopian Government seeks to consolidate the positive development outcomes attained in the last decade to bring about broad-based and transformative structural changes required to stir the economy on rapid growth path toward becoming a middle-income country by 2025. This development goal is especially anchored on stimulating rapid growth in ways that enhance wealth creation and expansion of employment opportunities in the economy. The GTP is articulated under various strategic pillars and one of them is the strategic pillar on industrial development.

This pillar emphasizes the need to create conditions that will enable industry play a key role in the economy and promote the establishment and growth of export-oriented and import-substituting industries in the country. The GTP envisions that this will be accomplished by strengthening the micro and small-scale manufacturing enterprises in a manner that unleashes the full growth potentials of the SMEs to grow into medium and large scale domestic enterprises. This is expected to expand the country's industrial base and increase foreign exchange earnings by encouraging export and import substitution activities, and to generate employment opportunities and wealth by promoting value addition to the vast raw materials including primary agricultural products.

Given Government's unmet desire to develop a sturdy and growing MSEs to spearhead the structural transformation of the economy, the development and practice of entrepreneurship as currently available in Ethiopia is grossly inadequate to provide the results envisioned in the GTP. There is an urgent need to establish and implement a more robust methodology of entrepreneurship development to support government development objectives and to help sustain its entrepreneurial drive.

The Entrepreneurship Development Programme aims to develop the personal entrepreneurial competencies that are associated with successful entrepreneurs worldwide, through dedicated training and integrated consultancy and business advisory support systems that will drive them to greater and more sustainable achievement. This program, will concentrate its efforts on identifying and grooming to success, growth oriented and potential entrepreneurs, women entrepreneurs, and unemployed youth with a passion to make it in self-employment. The aim is for these entrepreneurs, in the shortest possible time establish businesses or grow rapidly existing enterprises which will create employment, generate incomes and wealth and increase foreign exchange earnings.

This initiative has been crafted in a project document with the objective of attainment of this goal by development of a robust entrepreneurship and enterprise development program that will be anchored on four major pillars or components; 1. Strengthen institutional capacity of government to deliver entrepreneurship development program and improve the business environment for MSEs; 2. Promote entrepreneurship competencies and skills through training; 3. Enhance productivity and job creation potential of MSMEs through continuous and inclusive business development services; and 4. Access to finance for entrepreneurs.

B: OBJECTIVE OF ASSIGNMENT

The overall objective of the project is to bring about a transformational change in the development and growth of micro, small and medium scale enterprises (MSMEs) by 2015 through entrepreneurial skills training and provision of a comprehensive range of business advisory services. The Entrepreneurship Development Programme will identify and select growth-oriented enterprises as well as potential entrepreneurs, and unemployed youth and women entrepreneurs, and provide them with entrepreneurship training and a comprehensive and integrated range of business development services in Addis Ababa and all the 11 regions of Ethiopia in the long term. This **service mix** shall include entrepreneurial and management training, technical assistance in the preparation and review of business plans, business counselling, assistance in sourcing credit, and assistance in identifying local subcontracting opportunities between small enterprises and

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large local companies. It is expected that the programme will stimulate economic growth, create self and wage employment opportunities, bringing equal development, improving income of the society and poverty reduction, facilitating economic growth and lays foundation for industry development. During the implementation, both local and external resources will be mobilized for scaling up the programme.

C. OBJECTIVE OF THE POSITION

By 2025, Ethiopian MSEs/SMEs, sustainably improve their competitiveness and employment creation potential

D: SCOPE OF WORK

- Under the overall oversight of the the Ministry of Urban Development and Housing (MoUDH) and the Ministry of Industry (Mol), the Federal Urban Job Creation and Food Security Agency and the Federal Small and Medium Manufacturing Industry Development Agency (FSMMIDA), implement the program as outlined in the project document and report to the Advisory Board on a periodic basis
- Manage Entrepreneurship Development Centres as follows:
 - Establish personnel needs with approval of Advisory Board
 - Establish and control budgets and cash flow for project activities
 - Establish and implement administrative and accounting controls
 - Supervise the personnel of the Centres
- Plan, organise and implement entrepreneurship and other business development training programs.
- Plan and implement a comprehensive business development support services to MSEs
- Establish and maintain a database of MSEs trained and on business support services provided indicating growth pattern and impact of business support services.
- Identify, enroll, train and maintain a roster of consultants who provide services to the project
- Supervise and monitor local consultants engaged to provide services to the project.
- Direct and coordinate negotiations with financial institutions to ensure opportunities for credit sourcing for SMEs.
- Establish and maintain relations with the relevant government and non-governmental agencies involved in private sector development.
- Establish and maintain relations with relevant local institutions that provide technical and professional support or engage in other activities to promote the development of MSMEs.
- Organise awareness and policy dialogue on micro and small enterprise development among key stakeholders especially on MSEs and private sector development.
- Establish and maintain relations with local press, radio and TV to enhance awareness of project activities and its impact.
- Assist in providing support to participating entrepreneurs in the establishment of voluntary network/associations and to cooperate with them on their training and information activities.
- Establish and maintain relations with the International network of Enterprise Africa programs promoting exchange of information and cross-border contacts between participants.
- Prepare quarterly and annual reports for the attention of the advisory board and key stakeholders.
- Develop and implement a resource mobilisation strategy that can sustain the project beyond its initial stage.

E: COMPETENCY AND EXPERTISE REQUIREMENTS

i. Qualification and Skills

A Masters degree in relevant discipline e.g. Project Management, Business or Public Administration, Accounting, Social Science, Marketing, Engineering with a minimum of 10 years post qualification experience in senior management position of which 5 years should be in project or program management

A professional qualification in a relevant discipline will be an advantage

ii. General Professional Qualification

- Extensive Project Management experience and good organisational and interpersonal relationship skills;
- Experienced with annual work plan preparation, implementation and reporting;

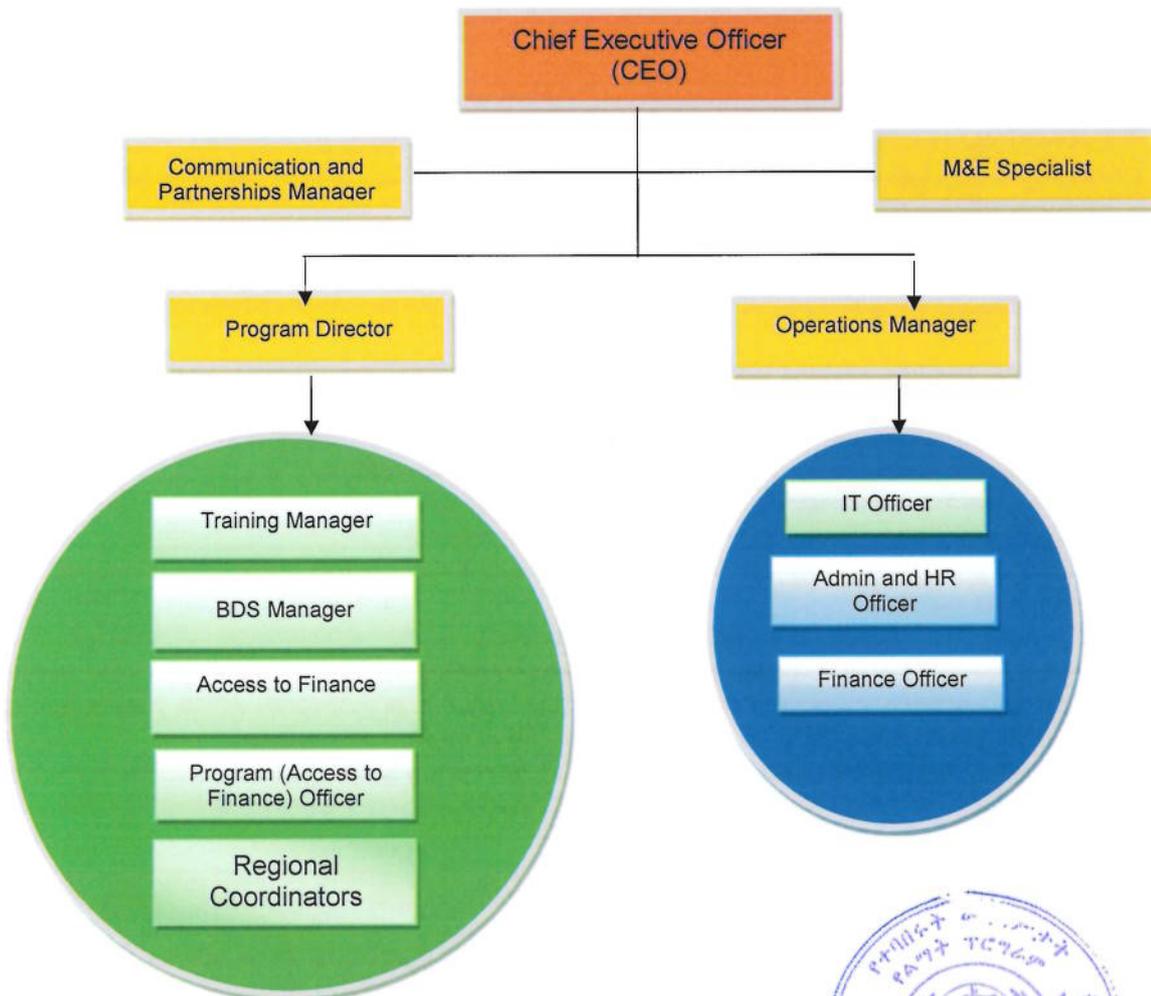
- Fluency in both spoken and written English and in Amharic;
- Computer literacy and good reporting skills;
- Self-driven, results-oriented professional with a positive outlook;
- A clearly demonstrated passion and commitment to entrepreneurship development and understanding of the private sector;
- Mature, credible, and comfortable in dealing with public officials, private industry officials, professional personnel, and entrepreneur clients of Entrepreneurship Development Centres;
- Ability to plan, direct, and coordinate program and administrative activities of a complex, interrelated and interdependent nature;
- Ability to maintain favourable public relations;
- Position requires extensive travel and many days outside station.

iii. Specific Professional Qualification

- Specific experience in the management of UNDP/Bilateral/multilateral donor funded and government programs;
- Thorough knowledge and experience of UNDP/Bilateral/multilateral donor funded and government procurement rules and annual work-plan management and accounting procedures;

Experience with the implementation of entrepreneurship and business development strategies aimed at improved enterprise development of MSEs and poverty reduction over at least the past 10 years.

Annex 4. EDC HQ Organogram





Annex 5: Proposed sustainability models and practices for similar programmes in other countries

Other countries experiences

Zimbabwe: Empretec Zimbabwe started as a project of UNDP and the Government in 1992. In 1997, it was registered as a Trust to ensure local ownership and continuity when the project ends. Accordingly, when the project ended it started operating as a Trust. It also operates as a consulting entity and bids for assignment and projects with other organisations. The last funding from UNDP was received in 2004 and since then the project exists on its own efforts. During the donor funding period, services were subsidized and offered to SMEs with donor support. The entrepreneurs would pay a portion.

Ghana: The project started in 1990 as a public private partnership between Barclays Bank, UNDP and government. It transformed into an independent Foundation in 1994 -1997. It achieved 100% maturity and sustainability since 2004.

Uganda: Uganda started as a project of UNDP in 2007. It later transformed into a private enterprise. It continues to run its services through donor funds, with big donors on board such as DFID. The company is currently registered as a local private entity. It also receives government support and funding.

South Africa: South Africa has a model that is housed under a Government Ministry/Department responsible for SMEs and hence gets budget allocation from government.

Business model for sustainability

In order for the program to attain sustainability upon end of this programme phase, the Entrepreneurship Development Centre, which is implementing the programme on the ground, needs to explore the following three options.

Option A: Maintain Status Quo (EDC being a quasi-government entity)

- **Pros of this option**
 - Continued donor funding with some governmental support
 - Management oversight would still be guided by Steering Committee composed of FUJC&FSA, MoFEC, MoUD&H, Ethiopian Chamber of Commerce, Donors, and EDC Senior Management
 - EDC would still share physical resources, marketing channels, and other common assets with government entities where available (i.e., cost sharing/minimization)
- **Cons**
 - Continued reliance on donor funding goes against one of the key strategic goals on which EDP is anchored --- "to build a self-sustained EDC"
 - Current arrangement do not clearly define the direct delegation of day-to-day operational authority of the EDC Senior Management team
 - Current arrangement would not facilitate the development of a "fee-for- services" operational model as similar services provided by similar counterparts are free to clients (eg. WEDP)

Option B: Incorporate EDC structure under FUJC&FSA

- **Pros**
 - EDC would have funding support as a line item within FUJC&FSA budget, and would remove need for continued reliance on donor funding
 - Management oversight would still be guided by Steering Committee composed of FUJC&FSA, MoFEC, MoUD&H, Ethiopian Chamber of Commerce, Donors, and EDC Senior Management
 - EDC would still share physical resources, marketing channels, and other common assets with government entities where available (i.e., cost sharing/minimization)
 - Alignment with FUJC&FSA MSE strategies and goals would be clear and facilitated
- **Cons**
 - Securing funding through government budget line-item goes against one of the key strategic goals on which EDC is anchored --- "to build a self-sustained EDC"
 - EDC essentially would operate as division and FUJC&FSA and such an arrangement would not facilitate the development of a "fee-for- services" operational model as similar services provided by governmental counterparts are free to clients (eg. WEDP)

Option C: EDC as a Separate Entity

- **Pros**
 - This business model is clearly in several key strategic goals which anchor EDC's creation
 - EDC would be forced to develop and put in place a resource mobilization scheme which would allow it to minimize/remove its dependence on donor funding to operate
 - Management oversight would still be guided by Steering Committee composed of FUJC&FSA, MoFEC and MoUD&H, Ethiopian Chamber of Commerce, Donors, and EDC Senior Management
 - This business model would support the addition of a neutral experienced business entrepreneur to the Steering Committee to provide additional guidance and real-life expertise
 - This business model would more clearly clarify the direct delegation of day-to-day operational authority of the EDC Senior Management team
 - EDC would still share physical resources, marketing channels, and other common assets with government entities where available (i.e., cost sharing/minimization)
 - "Fee-for-services" model would be facilitated, as the necessity for resource mobilization would be accelerated due to the severing of donor funding stream
- **Cons**
 - There may be some transitional issues causing service disruptions as EDC moves from current model to free-standing entity
 - The current training cost structure may not allow significant cost recovery in a "fee-for-services" model unless several key costs are driven down or eradicated (e.g., venue charge for trainings)
 - EDC will need to review and refine its relationship with both stakeholders and clients as it moves to its independent entity status

The reality is that MSMEs by their very nature have no capacity to fully pay for services and will therefore need to somehow be subsidized. Hence the sustainability of such programmes always needs to be supported somehow whether by the Government or donors and the private sector. This is the practice worldwide, even in the USA where such programmes are supported by the Small Business Administration.



Annex 6: Theory of Change

