United Nations Development Programme

Building an institutional structure to provide marketing support and capacity building for Entrepreneurs under the “Mukhyamantri Yuva Udyami Yojana”

A) Background

The UNDP India Country Programme Action Plan (2013-17) signed with the Government of India enables UNDP to provide Development Support Services (DSS) to the country. The aim of the Development Support Services is to help government improve the administrative efficiency and effectiveness of government programmes and schemes both at the national and state level. The signed Country Programme Action Plan (2013-17), while describing DSS, notes that “with a view to supporting administrative efficiency and developing capacities of government agencies, UNDP will provide demand-based development support services, including procurement support services, with requisite professional skills, personnel and technical resources and with applicable UNDP’s standard management fees”.

The DSS proposals can be submitted to UNDP India by central ministries, state departments or any government entity. The following outlines the basic information needed for UNDP to start developing a fully-fledged DSS proposal in consultation with the DSS partner. For details on the DSS process, please see the process outline described in ANNEX-I. It may be noted that throughout the process of developing the DSS proposals UNDP keeps the Department of Economic Affairs, Ministry of Finance (UNDP India’s nodal department in India) up-dated and briefed.

B) Proposal Outline

I. Proposal Background

Government of Madhya Pradesh has launched a comprehensive entrepreneurship support programme in August 2014 named and Mukhyamantri Yuva Udyami Yojana (Chief Minister Young Entrepreneur Scheme) wherein any resident of Madhya Pradesh aged between 18-40 years with minimum qualification of class 10th can make an application through the General Manager, District Industry Centre for setting up a new small scale enterprise in the industry/service sector for an amount of INR 1 million to 10 million. The scheme is implemented by the Ministry of Commerce, Industry and Employment. The benefits available to the entrepreneur under the scheme are three fold:

1. Capital Investment subsidy of 15% of the project cost (maximum INR 1.2 million)
2. Interest Subsidy of 5% on applicable interest for 7 years
3. Applicable Guarantee Fee for 7 years

There is a provision of entrepreneurial training under the scheme which will build the capacity of the first generation entrepreneurs in areas like accounting, finance, marketing and general management.

A task force has been set up at the district level in all the 51 districts of the state. It comprises district level officials and bankers to review the proposals and recommend it to earmarked banks for sanction and disbursement. There is a provision for training to be provided by the state government after loan has been sanctioned to the entrepreneur. As on 31 March 2015, 995 entrepreneurs were disbursed loans aggregating to INR 2.12 billion (USD 33 million). The target for the current financial year 2015-16 is 1500 enterprises and loan disbursement of INR 3.75 billion (USD 59 million). Government of Madhya Pradesh

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has requested UNDP's support in establishing an institutional mechanism for providing hand-holding support to these first generation entrepreneurs across the 51 districts of the state.

II. UNDP ongoing or previous collaboration with Ministry/Department (if applicable). Any successful models supported by UNDP nationally or globally in the area.

UNDP's Strategic Plan (2013-17) calls for growth and development that is inclusive and sustainable, incorporating productive capacities that create employment and livelihoods for the poor and excluded.

In the last decade a number of strong partnerships between UNDP and National and state governments have been able to augment the promotion and development of MSMEs. Some of the key partnerships are listed below:

<table>
<thead>
<tr>
<th>S. No.</th>
<th>Country</th>
<th>Description</th>
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</thead>
<tbody>
<tr>
<td>1</td>
<td>Mongolia</td>
<td>Support to financial credit mechanism for medium and small enterprises has led to the establishment of XacBank, an independent commercial bank operating on a market basis, with nearly 85,000 loans</td>
</tr>
<tr>
<td>2</td>
<td>Haiti</td>
<td>Support to micro-enterprise development targeted at youth and women</td>
</tr>
<tr>
<td>3</td>
<td>Rwanda</td>
<td>Youth employment initiative YouthConnect which connects young people to role models, resources, skills, entrepreneurship, and employment and internship opportunities using social media</td>
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<tr>
<td>4</td>
<td>Jordan</td>
<td>Host Community Support Programme for Syrian Refugees for job placement and small and medium enterprise (SME) development</td>
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<tr>
<td>5</td>
<td>Sierra Leone</td>
<td>UNDP's support to youth employment programme has resulted in 5,000 young people starting their own businesses</td>
</tr>
<tr>
<td>6</td>
<td>Nepal</td>
<td>Micro Enterprise Development Program (MEDEP) has adopted value chain tools and approaches to link enterprises in key economic sectors</td>
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</table>

UNDP supports the development of capacities of MSMEs in various countries through:
1. Strengthening the implementation of the national MSME Support Program;
2. Improving business support services to the MSMEs at regional and local levels;
3. Developing marketing support programmes to develop domestic as well as export opportunities for MSMEs; and
4. Providing information and promotional services to the MSMEs at national and regional levels.

Lessons learnt from the ongoing and completed UNDP supported/implemented projects globally will be incorporated in developing the implementation strategy for the proposed intervention in Madhya Pradesh. Efforts will also be made to build global networks for sharing best practices and adapting successful models from the inventory of UNDP implemented projects.

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III. Proposal

What is the proposal about and areas covered

The proposal seeks to provide hand-holding support to 5000 entrepreneurs selected under the Mukhyamantri Yuva Udyami Yojana in all the 51 districts of Madhya Pradesh. The support includes design and delivery of focused training modules for the entrepreneurs, development and dissemination of in-depth analytical reports on key problems faced by the entrepreneurs and provide a state-wide platform for knowledge management, experience sharing and grievance redressal for all the entrepreneurs in the state.

The project will be implemented by UNDP in partnership with the Ministry of Commerce, Industry and Employment, Government of Madhya Pradesh.

- Indian Institute of Management, Indore will be responsible for content development and its validation.
- Select training institutions of the state will be roped in for last mile delivery of the training programme to identified entrepreneurs.
- A project management unit will be established within the Directorate of Industries to implement the training programmes as well as monitor progress using ICT tools and web enabled services.
- The project will also work with national level institutions of technical excellence to design advanced training modules in specific sectors and link them to entrepreneurs who need inputs for expansion and diversification of their units.
- Studies on marketing will be commissioned by the project which will be looking at the entire value chain of the products and services and adopt a regional perspective for analysis.

Objective(s)

The project aims to provide relevant, context specific training and hand-holding support to 5000 entrepreneurs supported under the Mukhyamantri Yuva Udyami Yojana to build their capacities in relevant areas of entrepreneurship development and marketing.

Specific issues to be addressed and desired outcome

The project will address the gaps in entrepreneurs' knowledge and skill in the following areas:

- Marketing
- Strategic planning
- Managing employees
- Appraising and learning from competition
- Setting and managing performance standards
- Managing statutory requirements

Hand-holding support to the entrepreneurs in respect of key challenges faced will also be provided.

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1. Once the draft proposal is approved, this would be converted into the Standard UNDP Project Document (prodoc) for the Local Project Appraisal Committee (LPAC) approval process along with the finalized Financing Agreement. In cases where the DSS proposal is an add on to the existing ongoing project, the LPAC approved ongoing multi-year prodoc is required to be amended and submitted for LPAC approval process along with the finalized financing agreement.
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The project will build capacities of local training institutions in improving the delivery of entrepreneurship training. The project will also develop mentor network to provide handholding support to the first generation entrepreneurs being supported under the Mukhyamantri Yuva Udyami Yojana. The project will develop robust, cost-effective and technology enabled monitoring system to assess the impact of training on entrepreneur's business growth.

The desired outcomes for this project is the strengthening of the entrepreneurship ecosystem for development in the state with all the relevant stakeholders - Bankers, government, technical agencies, training institutions and entrepreneurs working on a common platform leveraging their strengths.

- Indicative activities
  - Preliminary activities
    - Enterprise level analysis of issues faced by units supported under the scheme
    - Development of training modules, manuals for entrepreneurs, training institutions
    - Identification of District/Division level Training Institution
    - PMU and MIS for the project established
  - Operational activities
    - Validation and finalization of training module through pilot training at IIM Indore
    - Capacity building of identified personnel from field level training institutions
    - Entrepreneurship training of 5000 entrepreneurs across the state in phases
    - Annual report of the programme completed involving all stakeholder representatives.
    - Mentor network formed and select MYUY entrepreneurs linked to business leaders from the state
    - Regional Economy based value chain studies undertaken
    - Support to advanced training modules rollout for 3 identified industry clusters
    - Evaluation of the Project completed and institutional exit strategy finalized
    - Final review of the programme completed with all stakeholder representatives
IV. Indicative budget – INR 4.22 crore (USD 640,237 @ 1 USD = INR 65.96)
Details are provided in the Annexure II

V. Implementation arrangements (including fund flow and financial management)

The project will be directly implemented by UNDP in close collaboration with the Ministry of Commerce, Industry and Employment, Government of Madhya Pradesh to provide demand-based development services including procurement and/or capacity development services. UNDP, as the implementing partner for this project, will be responsible for all financial management, reporting, procurement and recruitment services in line with UNDP rules and procedures.

UNDP will enter into contracts with individuals and organizations in line with its rules and procedures for providing goods and services to the project, and keeping within the mandate of direct implementation of the project UNDP will consult the Ministry of Commerce, Industry and Employment, Government of Madhya Pradesh with regard to technical specifications of services to be rendered for implementation of this project.

The project results will be reviewed at the Country Programme Management Board (CPMB) comprising DEA, Ministry of Finance, Government of India and UNDP. The oversight will consist, at a minimum, of a six monthly review (at the end of the second quarter) and an annual strategic review (in the last quarter of the year) between DEA and UNDP.

UNDP will receive funds from the Ministry of Commerce, Industry and Employment, Government of Madhya Pradesh for the budgeted work plan. A UNDP standard financing agreement will be signed with the Ministry of Commerce, Industry and Employment, Government of Madhya Pradesh to receive funds in UNDP bank account. The funds will be managed and accounted for as per standard UNDP rules and regulations. The Funds shall be subject to 3% cost recovery for indirect costs incurred by UNDP in providing General Management Support (GMS) services. All direct costs of implementation will be identified in the project budget and borne by the project.

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HOW TO DEVELOP A DEVELOPMENT SUPPORT SERVICES (DSS) PROPOSAL

1. Once a preliminary indication has been received from a Government counterpart a technical expert can be requested from UNDP to support the formulation of a draft proposal using the standard format based on the identified Government priorities and areas of need.

2. Once the draft proposal has been put together it will be shared with the Government along with the UNDP standard Financing Agreement template.

3. The Government after internal clearances then submits the draft proposal together with a draft Financing Agreement to UNDP and requests for DSS support.

4. Upon approval of the draft proposal, technical experts from UNDP will prepare a detailed Project Document with budgets using the standard UNDP Project Document (prodoc) format and finalize the Financing Agreement.

5. Subsequently UNDP would organize a (Local) Project Appraisal Committee (LPAC) meeting chaired by the Department of Economic Affairs, Ministry of Finance, with participation from UNDP and the DSS partner, ministry or state department.

6. Following the LPAC approval, UNDP would prepare an annual work plan for review by the Government counterpart and have it signed between UNDP and the Government along with the Financing Agreement.

7. The transfer of funds from the government to UNDP would be initiated in line with the tranches agreed on in the Financing Agreement.

8. The implementation of the Project would commence following the receipt of the first tranche.

9. Throughout the implementation of the Project the progress will be monitored and reported to the Government in line with the timelines agreed in the Financing Agreement and Project Document.
### Detailed Budget

#### S. No. | Item | Responsible Party | Unit cost | Yr. 1 | Yr. 2 | Yr. 3 | All values in INR
---|---|---|---|---|---|---|---
1 | Project Design and Development Expenses | | | | | | |
   a) | Development of training modules, manuals for entrepreneurs, training institutions based on analysis of issues faced by units disbarred loans under the scheme | IIM Indore | 600000 | 1 | 600000 | | |
   b) | Identification of District level Training Instruction through competitive process | UNDP | 500000 | 1 | 200000 | | |
   c) | Workshop for finalisation of project Implementation strategy with the District level implementation agencies | UNDP | 100000 | 1 | 100000 | | |
   d) | Customisation and integration with the Department MIS for the project | UNDP | 200000 | 1 | 200000 | | |
   **Sub Total (1 a-d)** | | | | | | | 1200000
2 | PMU Expenses | | | | | | |
   a) | Project manager (@ 1 lakh p.m. with 10% increase in year 2 & 3) | UNDP | 1200000 | 1 | 1,200,000 | 1,320,000 | 1,452,000
   b) | Project Personnel (Banking coordination, Training specialists @50,000 p.m. with 10% increase in year 2 & 3) | UNDP | 600000 | 2 | 1,200,000 | 1,320,000 | 1,452,000
   c) | Admin and data support assistant @ 20000 p.m. with 10% increase in year 2 and 3 | UNDP | 240000 | 1 | 240,000 | 264,000 | 290,400
   **Sub Total (2 a-c)** | | | | | | | 2,040,000 | 2,904,000 | 3,194,400
3 | Training Expenses | | | | | | |
   a) | Entrepreneurship Development Programme costs for 50 participants for a three-day condensed module (25 entrepreneurs and 25 trainers) | IIM Indore | 12000 | 50 | 600,000 | | |
   b) | Finalisation of training modules for wider implementation based on feedback received | IIM Indore | 50000 | 1 | 50,000 | | |
   **Sub Total (3 a-b)** | | | | | | | 1,090,000
4 | Knowledge Management and Dissemination Expenses | | | | | | |
   a) | Marketing Support and Value chain studies commissioned and completed and disseminated | UNDP | 250000 | 10 | 1,250,000 | 1,250,000 | | |
   b) | Support to development of advanced training module for relevant industry clusters (demand based) in collaboration with relevant institutions of technical excellence | UNDP | 50000 | 3 | 500,000 | 500,000 | 500,000
   c) | Annual convention of all the entrepreneurs and partners of the project with a 5% increase in year 2 & 3 | UNDP | 300000 | 1 | 3,000,000 | 3,150,000 | 3,312,250
   d) | Preparation of Annual Project Report | UNDP | 200000 | 3 | 200,000 | 200,000 | 200,000
   **Sub Total (4 a-d)** | | | | | | | 4,950,000 | 5,190,000 | 6,032,250
5 | Total Cost (1-4) | | | | | | | 11,940,000 | 11,940,000 | 14,081,463
6 | Direct Project Cost (95% of the project cost) Development Effectiveness Charges (95% of the project cost)* | UNDP | 955,200 | | 955,200 | 1,126,517 |
7 | Total Project Cost (6+4) | | | | | | | 12,895,200 | 12,895,200 | 15,207,980
8 | General Management Services Cost (3% of Total Project Cost)** | UNDP | 286,856 | | 286,856 | 436,297 |
9 | Grand Total (sum 7+8) | | | | | | | 13,182,056 | 13,182,056 | 15,644,277
10 | Grand Total for 3 years (NR) | | | | | | | 42,210,000 |
11 | Grand total for 3 year in USD (1 USD = INR 65.90) | | | | | | | 660,317 |

* 3% Development Effectiveness charges under discussion with DEA and subject to approval
**GAMS represents a management fee through which UNDP expresses the cost of providing general management services. It applies to all programmes funded from Other Resources, irrespective of the source of contribution or source.