Report Number: ICRR0023435

1. Project Data

Project ID	Project Name
P122764	ET:Women Entrepreneurship Development
Country	**Practice Area(Lead)**
Ethiopia	Finance, Competitiveness and Innovation

L/C/TF Number(s)	Closing Date (Original)	Total Project Cost (USD)
IDA-51120,IDA-68140,TF-16392	31-Dec-2017	112,029,671.23
Bank Approval Date	**Closing Date (Actual)**	
24-May-2012	31-Dec-2024	

	IBRD/IDA (USD)	Grants (USD)
Original Commitment	50,000,000.00	5,171,692.00
Revised Commitment	155,171,325.91	5,171,692.00
Actual	101,183,655.36	5,171,692.00

Prepared by	Reviewed by	ICR Review Coordinator	Group
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2. Project Objectives and Components

a. Objectives

The project development objective of the Ethiopia Women Entrepreneurship Development Project was to increase the earnings and employment of micro and small enterprises (MSEs) owned by female entrepreneurs in targeted cities.

This ICR Review and the "interim" ICR cover only that part of the operation that was approved in 2012 and completed by December 2021. Additional financing was approved in 2020 and is scheduled to close in 2024 (extending the life of the project to 12 years). The "interim" ICR was prepared following the guidance that an "interim" ICR is required when an additional financing is "expected to result in an overall project implementation period exceeding 10 years" (World Bank, 2021, *Bank Guidance - Implementation Completion and Results Report for Investment Project Financing Operations*). A "final" ICR will be due after the project closure.

b. Were the project objectives/key associated outcome targets revised during implementation?

No

c. Will a split evaluation be undertaken?

No

d. Components

The project had three components.

Access to Microfinance (US$45.4 million estimated at appraisal, US$149.3 million estimated after three restructurings) supported the: (a) the establishment and operation of a credit facility by the Development Bank of Ethiopia (US$42.4 million estimated at appraisal, US$145.7 million estimated after three restructurings) providing financing through participating microfinance institutions to growth-oriented MSEs fully or partly owned by women entrepreneurs in selected cities for working capital and investment loans; and (b) the provision of technical assistance (US$3 million estimated at appraisal, US$3.6 million estimated after three restructurings) for capacity building in selected participating financial institutions, an institutional development plan for the Development Bank of Ethiopia, and capacity building for the Project Management Team.

Entrepreneurial and Technical Skills Development (US$6.1 million estimated at appraisal, US$6.1 million estimated after three restructurings) supported the design and establishment of a technical assistance program to strengthen the capacity of implementing agencies providing direct services to project beneficiaries, including the National Project Management Team at the Federal Micro and Small Enterprise Development Agency, Regional Micro and Small Enterprise Development Agencies, One Stop Shops, technical and vocational education and training colleges, and supporting and coordinating institutions such as the City MSE Development Offices.

Project Management, Advocacy and Outreach, Monitoring and Evaluation, and Impact Evaluation (US$1.5 million estimated at appraisal, US$1.5 million estimated after three restructurings) supported: (a) the establishment of the National Project Management Team within the Federal Micro and Small Enterprise Development Agency; (b) the provision of technical assistance (consultant services and training) to build awareness and expand the outreach of the project to beneficiaries and other stakeholders, conduct a public information program by organizing meetings and strengthening access to sources of information through public media, and disseminate results, good practices, and lessons learned; (c) the development of a monitoring and evaluation system to collect data from all implementing agencies to identify gaps in project implementation, draft corrective actions, and improve planning by Federal Micro and Small Enterprise Development Agency; and (d) the conduct of an impact evaluation of the project.

e. Comments on Project Cost, Financing, Borrower Contribution, and Dates

Project Cost. The project was estimated to cost US$55 million at appraisal and US$168.5 million after three rounds of restructuring but excluding the additional financing (see Section 2. A).

Project Financing. The project was financed by a credit of SDR 32.2 million (US$50 million equivalent) from the International Development Agency (IDA) and a grant of US$5.171 from the IDA acting as administrator of the Multi-Donor Trust Fund for the Co-financing of the Women Entrepreneurship Development Project. The amount of US$47.7 million (95.4 percent) of the IDA credit and US$5.171 (100 percent) of the IDA grant were disbursed.

The project obtained parallel financing of US$10 million from the Government of Canada, US$3.6 million from the U.K. Department for International Development (DFID), US$50 million (fully disbursed) from the Japan International Cooperation Agency (JICA), EUR 15 million (US$15.8 million equivalent) (fully disbursed) from the Italian Agency for Development Cooperation (AICS), and US$34 million from the European Investment Bank (EIB). These donors provided parallel financing directly to the Government and signed co-financing agreements with the Bank, which would be responsible for project supervision.

Borrower Contribution. There was no financial contribution to the project from the Government. However, in-kind contributions (staff time, office sites, and training locations) were expected at appraisal (the "interim" ICR did not provide any accounting of these in-kind contributions). Additionally, US$40 million in counterpart financing was provided to the project by 12 participating microfinance institutions in the form of lending from their own funds to project beneficiaries, according to the Project Paper of November 2020.

Dates. The project was approved on May 24, 2012, became effective on October 5, 2012, and is expected to close on December 31, 2024, seven years after the original closing date of December 31, 2017, following three rounds of restructuring in 2016, 2017, and 2019 and an additional financing in 2020.

Restructuring. The project was restructured three times.

- The first restructuring in January 2016: (a) dropped four activities – cluster development, support for productive technologies, support for backward and forward market linkages, and coaching arrangement – and limited the technology transfer activity in the second project component (renamed “Entrepreneurial and Technical Skills Development”); (b) raised the target for the output indicator "Volume of bank lending - lines of credit for MSEs" from US$42.2 million to US$45.9 million to account for a US$3.5 million financing from the Government of Canada of August 2013; (c) raised the target for the output indicator "Volume of bank lending - lines of credit for institutional development" from US$3.0 million to US$3.6 million to account for a U$596,000 additional financing from DFID; (d) reduced the target for the output indicator "Number of direct project beneficiaries for microfinance" from 17,500 (US$42.4 million line of credit for MSEs at a US$2,500 average loan size) to 4,000 (US$45.9 million line of credit for MSEs at a US$11,500 average loan size) to account for the bigger average loan size during implementation; (e) reduced the target for the output indicator "Number of active loan accounts" from 17,500 to 4,000; (f) changed the wording of the output indicator "Percentage of trainees passing the end-of-training competency test” to "Percentage of trainees passing the institutional end-of-training competency test at the technical and vocational education and training colleges" to reflect an agreement that the national competency assessment at the Occupational Competency Assessment and Certification Center was not mandatory for project beneficiaries; (g) reduced the target for the outcome indicator "Increase in number of hours worked for the MSE per week (paid and unpaid)" from 50 percent to 30 percent to align the target for hours worked with the expected increase in the number of employees; and (h) modified the roles in the project of the Regional Micro and Small Enterprise Development Agencies, the City MSE Development Offices, the One Strop Shops, and the technical and vocational education and training colleges.

- The second restructuring of July 18, 2017: (a) raised the target for the output indicator "Volume of bank lending - lines of credit for MSEs" from US$45.9 million to US$111.7 million to account for a US$50.0 million financing from JICA and a US$15.8 million financing from AICS; (b) raised the target for the output indicator "Number of direct project beneficiaries for microfinance" from 4,000 (US$45.9 million line of credit for MSEs at a US$11,500 average loan size) to 10,000 (US$111.7 million line of credit for MSEs at a US$11,500 average loan size); (c) raises the target for the output indicator "Number of active loan accounts" from 4,000 to 10,000; and (d) extended the closing date by two years from December 31, 2017, to December 31, 2019.
- The third restructuring of August 3, 2019: (a) raised the target for the output indicator "Volume of bank lending - lines of credit for MSEs" from US$111.7 million to US$145.7 million to account for a US$34 million financing from the EIB; (b) raised the target for the output indicator "Number of direct project beneficiaries for microfinance" from 10,000 (US$111.7 million line of credit for MSEs at a US$11,500 average loan size) to 13,000 (US$145.7 million line of credit for MSEs at an US$11,500 average loan size); (c) raised the target for the output indicator "Number of active loan accounts" from 10,000 to 13,000; and (d) extended the closing date by two years from December 31, 2019, to December 31, 2021.
- Although the outcome targets for the number of employees, the number of hours worked, and business earnings were reduced at the first restructuring, this ICR Review did not conduct a split evaluation because (a) the demand by women entrepreneurs for substantially larger loans increased the average loan size and decreased the number of MSE beneficiaries, hence reducing the outcome targets which were measured as averages per MSE, and (b) some targets were adjusted downward following changes to baselines, which were only determined in 2015 after a survey of businesses.

Additional Financing. Additional financing on December 25, 2020: (a) provided an additional credit of US$100 million to scale up the project and provide credit and business services to women-owned MSEs adversely affected by the COVID-19 pandemic; (b) extended the coverage of the project to additional cities; (c) added new activities to the first and second components of the project; (d) revised the results targets to account for the additional financing and the new activities and output indicators; and (e) extended the closing date by three years from December 31, 2021, to December 31, 2024. This additional financing is not covered by the "interim" ICR and this ICR Review (see Section 2. A).

3. Relevance of Objectives

Rationale

Project Context. The Bank's *Systematic Country Diagnostic 2016: Ethiopia - Priorities for Ending Extreme Poverty and Promoting Shared Prosperity* identified "limited credit for private investment" as a "binding constraint to productive and competitive firms, particularly domestic firm growth." MSEs faced unique credit constraints: (a) MSEs were under-served by financial institutions; (b) bank loan collateral requirements were excessively high; (c) MSEs lacked assets to collateralize bank loans; (d) banks required borrowers to provide unlimited personal guarantees; and (e) MSE finance was characterized by a "missing middle" phenomenon, where small firms were even more credit constrained than either micro-enterprises or medium and large enterprises (World Bank, 2014, *SME Finance in Ethiopia - Addressing the Missing Middle*). Female-owned firms faced particularly weaker access to finance than male-owned firms. Access to credit was cited as a top constraint by women-owned firms, which were even less likely than their male counterparts to own fixed assets, such as houses or buildings, which typically served as bank loan collateral. As a result, many growth-oriented women entrepreneurs were unable to graduate from group borrowing to individual firm borrowing. Still, they would be instrumental to more significant female employment if they could (Alibhai and Strobbe, 2015, *Financing Women Entrepreneurs in Ethiopia*).

Country Priorities. The project objective was consistent with the development strategy and priorities of the Government. The *Federal Democratic Republic of Ethiopia Growth and Transformation Plan II (2015/16 - 209/20)* advanced nine strategies to achieve the overarching goal to "sustain the accelerated growth and establish a springboard for economic structural transformation, thereby realizing the national vision of becoming a lower middle-income country by 2025." The project objective was consistent with the second strategy – "Increase the productive capacity and efficiency to reach the economy’s production possibility frontier through concurrently improving quality, productivity, and competitiveness of productive sectors – and the eighth strategy – "Promote women and youth empowerment, ensure their participation in the development process and enable them equitably benefit from the outcomes of development."

Bank Group Strategy. The project objective was aligned with the Bank Group strategy in Ethiopia. The *Country Partnership Framework for the Federal Democratic Republic of Ethiopia for FY18-FY22* (CPF) committed Bank Group support to the development priorities of Ethiopia organized around three focus areas: (a) Promoting structural and economic transformation through increased productivity; (b) Building resilience and inclusiveness; and (c) Supporting institutional accountability and confronting corruption. The project objective was aligned with the first focus area, specifically with the CPF objective to "enhance the business and investment climate, notably access to finance for MSMEs." The document stated that the Bank "will support Ethiopia in addressing the binding constraint of access to credit for private investment and promoting financial inclusion."

Bank experience: The ICR notes that the project aimed to complement other programs and investments in Ethiopia. It provided a platform to stimulate growth in urban areas, complementing the growth-oriented rural World Bank-funded programs like the Agricultural Growth Program, the Productive Safety Net Program, and the Sustainable Land Management Program. It also complemented and was integrated with several major donor efforts to expand finance and support entrepreneurship.

Given the alignment with the Bank and country strategy and complementarity with other ongoing programs in Ethiopia, the overall Relevance is rated as High.

Rating

High

4. Achievement of Objectives (Efficacy)

OBJECTIVE 1

Objective

To increase the earnings and employment of micro and small enterprises fully or partly owned by the participating female entrepreneurs in targeted cities.

Rationale

Theory of Change. Creating and operating a credit facility at the Development Bank of Ethiopia would channel credit through participating microfinance institutions to MSEs owned by women for working capital and investment requirements. Providing credit to MSEs would address the headline binding constraint to doing business by MSEs in the Ethiopian economy – poor access to finance. Additionally, the extension of technical assistance, on the credit supply side, to microfinance institutions, and on the credit demand side, to MSEs, by a broad range of public and private business service providers – the Federal Micro and Small Enterprise Development Agency, the Regional Micro and Small Enterprise Development Agencies, One Stop Shops, technical and vocational education and training colleges, and City MSE Development Offices – would help address the twin constraint to doing business by MSEs – the lack of core business skills. The focus on women-owned MSEs was justified on two counts: women-owned MSEs were more credit constrained than men-owned MSEs, and women-owned MSEs were more likely to employ women, helping address gender inequalities in the labor market. The key operating assumptions were that: the credit facility would be used by microfinance institutions and MSEs, and the technical services institutions would be capable and effective business services providers. The efficacy of the combined credit and technical service interventions would be evidenced by an increase in the earnings of MSEs and an increase in the employment by MSEs.

Outputs. The project achieved the targets for eight of the nine output indicators based on data as of December 2021.

- The volume of bank support for lines of credit for microfinance rose from 0 in the baseline to US$185 million in end-2021, exceeding the target of US$42.4 million set at appraisal (from the IDA). Five donors provided parallel financing for the credit facility: the Government of Canada - US$3.5 million, JICA - US$50 million, AICS - US$15.8 million, and EIB - US$34 million. With the IDA financing and the donor parallel financing disbursed, the Development Bank of Ethiopia and the participating microfinance institutions used their own funds to continue lending to MSEs.
- The volume of bank support for institutional development for MSEs rose from 0 in the baseline to US$3.6 million in end-20121, exceeding the target of US$3 million set at appraisal (from the IDA). The DFID provided parallel financing of US$0.6 million for technical assistance.
- The number of direct project beneficiaries (microfinance) reached 19,144 in end-2021, exceeding the revised target of 13,000.
- The number of One Stop Shops, microfinance institutions, and technical and vocational education and training colleges reporting according to the monitoring and evaluation system was 90, exceeding the target of 53.
- The number of One Stop Shops, microfinance institutions, and technical and vocational education and training colleges undertaking data collection and reporting according to the monitoring and evaluation system was: 49 One Stop Shops in end-2021, exceeding the target of 45; 16 microfinance institutions, exceeding the target of 8; and 25 technical and vocational education and training colleges, for which there was no target.
- The number of microfinance institutions that adopted and implemented institution development plans and project-related credit technologies was 12 in end-2021, exceeding the target of 8.

- The portfolio of MSE loans at risk was reduced from 5.1 percent in the baseline to 5 percent in end-2021, failing to achieve the target reduction to 3 percent. According to the ICR, the portfolio of MSE loans at risk was 6 percent in 2020.
- The proportion of participating financial institutions that reported portfolio at risk was 100 percent in end-2021, meeting the target of 100 percent.
- The percentage of loan officers trained by the project reached 57 percent in end-2021, exceeding the target of 20 percent.

The project achieved the targets for five of the six output indicators associated with developing entrepreneurial and technical skills and defined for the objective to increase the earnings and employment of MSEs.

- The number of women entrepreneurship development training programs that were established with fully operative modules was 11 by end-2021, exceeding the target of six.
- The number of One Stop Shops fully staffed, trained, and well functioning was 67 by end-2021, exceeding the target of 45.
- The number of direct project beneficiaries that received in-person training was 25,015 by end-2021, exceeding the target of 10,000.
- The percentage of female direct project beneficiaries that received in-person training was 100 percent by end-2021, meeting the target of 100 percent.
- The percentage of trainees who passed the end-of-training institutional competency test at technical and vocational education and training colleges was 98 percent by end-2021, exceeding the target of 80 percent.
- The increase in general business knowledge was 67 percent by end-2021, failing to achieve the target of 79 percent.

Outcomes. There is no data in December 2021 or even later (at the time of the preparation of the ICR or of this ICR Review) to determine whether the targets for the outcome indicators were achieved at the closing of the original financing. The project met the targets for the three outcome indicators defined for the objective to increase the earnings and employment of MSEs in December 2019. Still, it is unwise to assume that the results would have been maintained, much less improved, through 2021, considering the outbreak of the COVID-19 pandemic beginning in 2020. According to the ICR, the outcome indicators could only be assessed through impact evaluation surveys. Still, the last survey was conducted at the end of 2019, and no surveys have been conducted since due to the COVID-19 pandemic.

- The average number of full-time and part-time employees, paid and unpaid, per MSE increased from 1.86 in the baseline to 2.95 in end-2019, compared to the target of 2.42 for end-2021. After discovering during project implementation that MSE employees actually worked long hours (two employees, the average for most MSEs, worked 60 hours each per week) and were not under-employed as assumed at appraisal, the Bank reduced the target for the output "Increase in a number of hours worked for the MSE per week (paid and unpaid)" from 50 percent to 30 percent. The new 30 percent target (from 1.86 in the baseline to 2.42 by closing) corresponded to this expected increase in the number of MSE employees. According to the ICR, the job gains achieved in 2019 could not be projected to have risen even as the number of MSE loan recipients increased. Instead, the project's impact during the COVID-19 pandemic would have been to "prevent job losses."

- The number of hours worked per week, paid and unpaid, per MSE increased from 179 in the baseline to 275 in end-2019, compared to the target of 232 for end-2021.
- The average business earnings per annum per MSE increased from US$2,414 in the baseline to US$4,053 in end-2019, compared to the target of US$3,621 for end-2021. The achievement reflected the focus on "growth-oriented" MSEs which was reinforced at implementation. Because the actual demand from MSEs during project implementation was for more sizable loans, the Bank raised the estimate of the average loan size from the US$2,500 anticipated at appraisal to US$11,500, the actual average after two years of project implementation. The larger average loan size implied that the participating microfinance institutions were catering to "growth-oriented" MSEs, as intended. According to the ICR, a phone survey of 1,200 project clients in 2020 (the phone survey was not as rigorous as an in-person impact evaluation survey) indicated that MSE profitability had fallen by 80 percent during the COVID-19 pandemic.

The degree of achievement of the objective is rated substantial with moderate shortcomings. Although the targets for the outcome indicators were met in 2019, there is no data to indicate that the achievements were maintained at the completion of the original financing in 2021, and there are strong indications based on the phone survey that the results of the outcome indicator related to earnings declined after 2019. Also, as the ICR notes, the job gains achieved in 2019 could not be projected to have risen even as the number of MSE loan recipients increased.

Rating
Substantial

OVERALL EFFICACY

Rationale
The overall efficacy of the project is rated substantial with moderate shortcomings. As noted above, even though the targets for the outcome indicators were met in 2019, there is no data to indicate that the achievements were maintained by end-2021 or subsequently, and there are strong indications based on the phone-based panel survey that the results of the outcome indicators related to earnings declined after 2019.

Overall Efficacy Rating

Substantial

5. Efficiency

Economic Efficiency. The Project did not calculate an economic rate of return for the project at appraisal, nor did the ICR at closing, although the ICR offered the following metrics.

- The average MSE loan (around US$12,000) created one additional job (i.e., the average number of employees per MSE increased from 1.86 to 2.95) – the implied cost of creating one job was US$12,000. By comparison, the cost of creating a job in an active labor market program (training, job search assistance, wage subsidies, public works) ranged from US$500 to US$3,500 per job, according to one Bank source (Robalino, 2018, *How Much Does It Cost to Create a Job?*, World Bank Blogs). The ICR notes (para 49) that since 30 percent of WEDP enterprises closed down, US$12,000 should be increased to roughly US$15,600. Per ICR, a similar project supporting small and medium enterprises in Ethiopia has estimated that each job created costs approximately US$12,500. This suggests that WEDP was comparable if one accepts that supporting women microenterprises is somewhat more challenging. However, the original project expected an even more efficient impact on employment - a 30 percent increase, compared to the 59 percent increase achieved by loans five times larger than initially planned.
- The ICR notes that the efficiency of the training component is unclear. While the 2019 survey results do not account for differences in entrepreneurs' characteristics, those receiving only training did less well than the control group. Employment in their enterprises declined between 2016 and 2019. Those loan beneficiaries who also got training did less well than entrepreneurs who only took a loan. The results of the much smaller training component do not appear commensurate with the associated investment of US$6.1 million.
- The average MSE loan increased annual profits by US$435 (i.e., for MSEs that received loans from the project compared MSEs that did not). Participating microfinance institutions reported higher repayment rates on loans made under this project than on loans in the rest of their portfolios (e.g., as high as 94-97 percent for some microfinance institutions);
- Interest rates were partly subsidized (Varcando, 2020, *MFI Loan Pricing Assessment*): (a) the Development Bank of Ethiopia lent to microfinance institutions at 8 percent (inflation averaged 10 percent until 2020, before rising to 25 percent in 2021); (b) participating microfinance institutions charged less than market rates – the annual percentage rate on a one-year US$3,000 loan was 31 percent (compared to 47-60 percent in Kenya, Tanzania, and Uganda, where inflation was generally 5 percent or less); (c) for the public microfinance institutions, the ratio of average profit to average loan balance was 4.3 percent, less than the minimum 5 percent deemed necessary for sustainability.

Operational Efficiency. The project fully disbursed the original IDA credit and grant for the project. The US$42.4 million allocated for the MSE credit facility was fully disbursed by March 2016, two years after the start of lending operations (January 2014) and two years before the original closing date (December 2017). The project drew parallel financing from other donors – US$10 million from the Government of Canada, US$3 million from DFID, US$50 million from the JICA, US$15.8 million from AICS, and US$34.5 million from EIB. With the parallel financing also drawn down, the participating microfinance institutions tapped their own resources to lend to MSEs, as did the Development Bank of Ethiopia using a revolving fund. The original project was implemented four years longer than initially planned (October 2012 - December 2021 rather than October 2012 - December 2017) because of the other donor parallel financing committed and disbursed in batches (2016, 2017, and 2019). The additional IDA financing in December 2020 extends the implementation period by another three years to December 2024.

Given the absence of an adequate economic efficiency analysis, mixed findings from the available economic efficiency metrics, including the lower-than-expected efficient impact on employment of the lending component and the unclear impact of the training component compared to the commensurate investment, the efficiency is rated as Modest.

Efficiency Rating

Modest

a. If available, enter the Economic Rate of Return (ERR) and/or Financial Rate of Return (FRR) at appraisal and the re-estimated value at evaluation:

	Rate Available?	Point value (%)	*Coverage/Scope (%)
Appraisal		0	0 ☐ Not Applicable
ICR Estimate		0	0 ☐ Not Applicable

* Refers to percent of total project cost for which ERR/FRR was calculated.

6. Outcome

The relevance of the objective is rated High, given the alignment of the project objectives with the Bank and Country strategies. The overall efficacy is rated as Substantial with moderate shortcomings due to the lack of the latest data post COVID-19 and no evidence that the original results were maintained at the end Dec 2021. In fact, there is evidence of the decline in results of specific outcome indicators based on the phone panel survey of 1,200 clients, even though the survey was not as robust as per COVID surveys. The efficiency is rated as Modest, given the mixed findings from the available economic efficiency metrics and the lack of robust economic analysis. The overall outcome of the project is rated as Moderately Satisfactory.

a. **Outcome Rating**
Moderately Satisfactory

7. Risk to Development Outcome

Although the additional IDA financing of US$100 million approved in 2020 maintains the near to medium-term sustainability of the outcomes achieved by this project, there is at least one source of risk to the development outcomes.

Security and Political Risk. The Tigray War, fought in the Tigray region between the Ethiopia federal government and the Tigray People's Liberation Front beginning in November 2020, left thousands dead and 350,000 others living in famine conditions before the opposing forces agreed to a cessation of hostilities in November 2022. According to the ICR, the conflict destroyed some enterprises and closed many others in the affected region (the Tigray region accounted for 11.5 percent of the project portfolio). The peace deal remains fragile, leading to high levels of insecurity and political instability that pose high risks to the sustainability of the development outcomes achieved by this project – employment by and revenue growth among women-owned MSEs.

In addition, the ICR notes that the project outcomes were threatened by the onset of COVID-19 in 2020, but with COVID-19 gradually dissipating and in the wake of the support of the Additional Financing, the risk is reduced.

8. Assessment of Bank Performance

a. Quality-at-Entry

Analytic Underpinning. The project design was generally well designed and informed by analytic work produced by Bank and other authors, which analyzed Ethiopia's MSE sector and women entrepreneurs. In addition to *Systematic Country Diagnostic 2016* and other studies (see Section 3), six surveys – the World Bank Enterprise Survey (2011), the Ethiopia Central Statistical Agency Large and Medium Scale Manufacturing Census (2012/13), the Ethiopia Socioeconomic Survey (2013/14), the National Business Agenda (2014), the World Economic Forum Global Competitiveness Report (2014 and 2015), and the World Bank Doing Business Report (2016) – consistently cited access to finance as a top-three binding constraint to doing business in Ethiopia. Firms that were fully credit constrained exhibited poorer performance and productivity – 15 percentage points lower sales growth, 5 percent lower job growth, and 11 percentage points lower labor productivity growth. MSEs also had low levels of core business skills. While the skills deficiency was prevalent across the private business sector, it was particularly evident and constraining in the MSE sector (World Bank, 2014, *Skills for Competitiveness and Growth in the Manufacturing Sector in Ethiopia*). The Government's *National Technical and Vocational Education and Training Strategy 2008* and *MSE Development Strategy 2011* also provided practical project design frameworks.

Donor Coordination. The Bank coordinated the design of this operation with other donors supporting entrepreneurship and providing enterprise finance in Ethiopia, including the Kreditanstalt fur Wiederaufbau, which Capital Link Project provided guarantees for private bank on-lending through microfinance institutions; the U.S. Agency for International Development, which Development Credit Authority provided guarantees to private banks to lend to female entrepreneurs; and the African Development Bank and International Fund for Agricultural Development, which Rural Financial Intermediation Program provided loans to microfinance institutions for on-lending to rural areas. The Bank received interest at appraisal from the Government of Canada and the U.K. Department for International Development to provide parallel financing for the project.

Operational Risks. The Bank assessed the operational risk to be moderate overall. Although it thought the project activities were more complex than in past operations, the Bank considered the wide range of technical assistance and capacity-building initiatives directed at public and private project participants to be a substantive risk-mitigating measure. Considering the successful completion of the original financing and the substantial parallel financing provided by other international donors and participating financial institutions, this ICR review deems the risk assessment and the mitigation measures embedded in the project design – the use of existing institutions and structures aligned with the Government's MSE strategy – appears to have well considered.

Quality-at-Entry Rating

Satisfactory

b. Quality of supervision

The Bank supervised the project regularly. The Bank filed 19 Implementation Status and Results Reports (ISRs) until December 2020 (before the additional IDA financing in the same month and year) and two more ISRs since. The twice-a-year frequency matched the average for Bank investment financing projects. The Bank conducted a mid-term review on October 12, 2015.

The Bank made well-informed decisions over three restructurings, serving to rectify assumptions that were overstated at appraisal. For example, with MSEs more likely to engage in trade and services rather than manufacturing, the Bank dropped cluster development and technology transfer as these project activities were more relevant to manufacturing and less to services.

The ICR noted the following: (a) with the original IDA financing disbursed two years ahead of schedule, the Bank continued with project supervision as it also managed the other donor parallel financing; (b) the supervision teams at the field and headquarters were well qualified; and (c) the participatory Project Implementation Committee proved effective (and has since been adopted in other Bank projects in the country).

The Bank acted proactively at the onset of COVID-19 and proposed an additional financing of US$100 million to secure the past gains made by the project. The task team did conduct a phone-based panel survey of borrowers during the pandemic to monitor the impacts of the downturn and design an appropriate response. Even though the ICR acknowledges that the survey was not as robust as the previous impact evaluation surveys, the data was not used to inform the results framework or the candor of project ratings in the wake of solid indication of declines in some outcome indicator aspects.

Quality of Supervision Rating

Satisfactory

Overall Bank Performance Rating

Satisfactory

9. M&E Design, Implementation, & Utilization

a. M&E Design

The project design defined 15 outputs and three outcome indicators to measure the results of the project activities and the achievement of the project objectives. The results framework was well designed, with the outcome indicators relatively simple, clear, and aligned with the project objective. Monitoring and evaluation would be the responsibility of the National Project Management Team (NPMT) under the Federal Micro and Small Enterprise Development Agency (the agency responsible for the project's overall implementation). The NPMT would receive M&E data about lending by participating microfinance institutions to women-owned MSEs from the Project Management Team of the Development Bank of Ethiopia (the agency responsible for implementing the credit facility). The NPMT would prepare Project Reports every semester and submit them to the IDA within two months after the end of each reporting period. The NPMT would also submit reports to the Federal MSE Development Council (the agency responsible for managing the relationships among federal institutions participating in the project).

b. M&E Implementation

The project retained the 15 outputs and three outcome indicators throughout implementation, although some revisions were necessary. The Bank clarified one output indicator at the first restructuring (see Section 2. E). It revised the target for two output indicators at the first restructuring due to changes in the underlying design assumptions made at appraisal (see Section 8. B). Meanwhile, the outcome indicators remained the same, except that the targets were first revised to align them with the corrected baseline figures and then adjusted upward with the provision by other donors of parallel financing in 2016, 2017, and 2019 (see Section 2. E).

The impact evaluations, planned for 2–3-year intervals, were conducted carefully and were of high quality, at least until 2018, according to the ICR. Thereafter, the impact evaluation in 2019 was less extensive than in the past, and no impact evaluation was conducted in 2021 due to COVID-19. There was no data available on the outcome indicators after December 2019. The task team did conduct a phone-based panel survey of borrowers during the pandemic to monitor the impacts of the downturn even though the ICR acknowledges that the survey was not as robust as the previous impact evaluation surveys, The ICR notes that the main PDO targets were possibly modest when the loan size increased significantly. The average loan size was significantly increased at restructuring (by over five times), and there were repeat borrowers. Still, the targets for job creation, work hours, and enterprise earnings were not raised commensurately.

c. M&E Utilization

The M&E data was reported in the ISRs to guide operational management and informed decisions to restructure the project. The M&E data was also helpful to the other donors providing parallel financing to the project. The team clarified that the project has also operationalized a real time MIS system to capture WEDP results and the system is up and running since 2014. All the intermediate indicators have been updated in the MIS, but the limitations outlined above have constrained the ability to update the outcome indicators in the M&E system.

A new impact evaluation survey to capture the outcome results would be helpful..

M&E Quality Rating
Substantial

10. Other Issues

a. Safeguards

Environmental Safeguards. The project was rated at appraisal as an environmental category B project (some type of environmental assessment/review/plan is required, but limited in scope and flexible in structure, reflecting the corresponding limited environmental impacts of the project and the anticipated relatively straightforward mitigation). The project triggered environmental safeguards policy OP 4.01 - Environmental Assessment. An Environmental and Social Management Framework (ESMF) was prepared and disclosed in the country at the Federal Micro and Small Enterprise Development Agency website and the World Bank InfoShop, addressing the screening criteria for MSE sub-projects, their likely environmental and social impacts, and measures to mitigate identified risks. Participating microfinance institutions would receive technical assistance to help build capacity in the environmental and social assessment of MSE sub-projects.

The ICR reported the following activities during implementation: (a) training of microfinance institutions started in 2016 and significantly improved safeguards compliance; (b) an inaugural ESMF monitoring mission was conducted, and a system of quarterly visits was adopted in 2018; (c) a complaint mechanism, previously overlooked, was operational by 2018; (d) the ESMF was updated in 2020 to reflect COVID-19 related risks and in 2021 following a new social assessment; and (e) a training module in the ESMF focusing on occupational health and safety was delivered to over 21,000 entrepreneurs.

Social Safeguards. The project did not trigger any social safeguards policy.

Overall, Safeguards was rated satisfactory in the December 15, 2021, Implementation Status and Results Report (ISR).

b. Fiduciary Compliance

Procurement. Citing the Aide Memoire of October 2021, the ICR concluded that "procurement management under the project was inadequate." The procurement staff did not often follow up on procurement activities; the procurement plan was not updated regularly; procurement documents were not uploaded since the last supervision mission to the Bank's Systematic Tracking of Exchanges in Procurement (the online system for recording and tracking key stages in the process for projects). By October 2021, the Project Implementation Unit lacked a procurement staff following the departure of the previous staff.

Procurement was rated moderately satisfactory in the ISR of December 15, 2021.

Financial Management. The project complied with all financial management requirements, according to the ICR. Project financial transactions were recorded in the proper set of accounts; internal control systems were adequate; quarterly Interim Financial Reports were submitted on time; and audit reports were of acceptable quality.

Financial management was rated satisfactory in the ISR of December 15, 2021.

c. Unintended impacts (Positive or Negative)

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d. Other

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11. Ratings

Ratings	ICR	IEG	Reason for Disagreements/Comment
Outcome	Highly Satisfactory	Moderately Satisfactory	Lack of data post-Dec 2019 and evidence of a decline in results of specific outcomes in light of the COVID-19 shock. Efficiency is also rated Modest. A fresh impact evaluation survey would be helpful to report on the latest results and inform ratings.
Bank Performance	Satisfactory	Satisfactory	
Quality of M&E	Substantial	Substantial	
Quality of ICR	---	Substantial	

12. Lessons

Three lessons are drawn from the ICR, with some adaptation.

Lending to women-owned MSEs is a viable business if the right incentives are provided. This project showed that demand for credit by women-owned MSEs was robust in an economy where women-owned MSEs were significantly more under-served by the financial system than men-owned MSEs. The project fund for the credit facility was disbursed two years ahead of schedule. The credit facility attracted parallel financing from other donors, more than twice the original IDA credit. Participating microfinance institutions tapped their own funds and the

Development Bank of Ethiopia, a revolving fund, to continue lending to women-owned MSEs, beyond the original scope of the operation. The average loan was over four times larger than assumed, indicating demand by "growth-oriented" MSEs in the "missing middle." The repayment rate by women-owned MSEs was higher than in the rest of the loan portfolios of the participating financial institutions. Interest rates were partly subsidized. The high loan repayment rate suggests that, given the right incentives, women entrepreneurs can be a viable segment for loan financing.

Technical assistance to MSE lenders is as vital to entrepreneurship development and finance as technical assistance to MSE borrowers. This project provided technical assistance to MSE lenders – including support for the preparation of an institutional development plan for the Development Bank of Ethiopia, assistance in implementing institutional development plans at microfinance institutions, and the training of loan officers at microfinance institutions. The services aimed to upgrade institutional and technical capacity at MSE lenders to foster lending to women-owned MSEs, including growth-oriented MSEs that needed more sizable loans. The capacity building and training helped participating microfinance institutions serve women-owned MSEs which were not their traditional clients, according to the ICR.

Knowledge gained through rigorous evaluation strengthens project impacts. This project partnered with the Africa Gender Innovation Lab – a World Bank unit that conducts impact evaluations to assess the outcome of development interventions in Sub-Saharan Africa focused on the gender gap in earnings, productivity, assets, and agency – to produce evidence on what works in interventions that support women entrepreneurs. The evaluations covered, among others, innovations to reduce collateral requirements and "psychology-based" business training. According to the ICR, the evaluations made attracting other donor financing for this project easier. The findings from these evaluations have since informed the design of similar Bank operations supporting women entrepreneurs in Indonesia, Mexico, Nigeria, and Turkey.

13. Assessment Recommended?

No

14. Comments on Quality of ICR

The ICR is consistent with OPCS guidelines on ICRs for investment project financing operations.

The document is concise yet comprehensive enough to cover all three project restructurings and parallel financing from five donors.

The efficacy assessment is outcome-oriented and based on the degree of achievement of the results targets. While the ICR is candid at not being able to measure the achievement of the project outcomes after 2019, the ratings are still based on the results in December 2019 rather than the panel-survey results and candid judgment at the time of the submission of the ICR.

In the absence of a formal cost-benefit analysis, the ICR offers various economic efficiency metrics.

The ICR presents ample evidence to support its assessment of the project's operational efficiency, the Bank’s performance at design and implementation, and the project's M&E design and implementation.

a. **Quality of ICR Rating**
Substantial