December 9, 2013

His Excellency Ato Sufian Ahmed
Minister of Finance and Economic Development
Ministry of Finance and Economic Development
Addis Ababa
Federal Democratic Republic of Ethiopia

Excellency:

Re: Ethiopia IDA Financing 5112-ET (Women Entrepreneurship Development Project)
First Amendment of Additional Instructions: Disbursement

We refer to the individual letter titled Additional Instructions: Disbursement ("Disbursement Letter") dated June 12, 2012 for the aforementioned IDA extended to the Federal Democratic Republic of Ethiopia for the above-referenced project, dated June 12, 2012. We would like to inform you that we propose that the Disbursement Letter is amended under the following sections:

1. Section I. Disbursement Arrangements, (i) Disbursement Methods (section 2). The following Disbursement Methods may be used under the Financing:
   - Advance
   - Reimbursement (only for Disbursement Categories 2 and 3)
   - Direct Payment (only for Disbursement Categories 2 and 3)
   - Special Commitment (only for Disbursement Categories 2 and 3)

2. Section II. Withdrawal of Financing Proceeds, (vi) Advances (sections 5 and 6), bullet 4 Ceiling (subsection 6.1); Designated Account A is amended to read as follows:
   - For Designated Account A: US$16.2 million. The forecast submitted by DBE should be supported by a list of PFI s with the total forecast sub-credits from each PFI. Such forecast should be authorized by DBE, and be based on forecasts submitted by each eligible Participating Financial Institution ("PFI").

3. Section III. Reporting on Use of Financing Proceeds, (i) Supporting Documentation (section 4), bullet 2 is amended to read as follows:
   - For reporting eligible expenditures paid from the Designated Accounts:
For expenditures under Category 1 (paid from Designated Account A):

- Statement of Expenditures in the form attached (Revised Attachment 4A). Supporting documents to be attached in each case would be a List from the Participating Financial Institution ("PFI") of amounts of funds received and on-lent to beneficiaries/sub-borrowers.
- Copy of the bank statement of the Designated Account A and a reconciliation statement for this account (Designated Account Statement, in the form attached as per Revised Attachment 6) should be submitted with each Application.

4. **Section IV. Other Disbursement Instructions**, bullet 2, 3 and 4.

- Funds may be transferred by DBE from Designated Account "A" to the PFIs for onward remittance to approved sub-borrowers only on the basis of a documented rolling 3-monthly forecast prepared by the PFI, clearly indicating the total number of sub-borrowers expected to receive project funds, the total amount expected to be advanced to sub-borrowers for eligible expenditures, and a confirmation that these sub-borrowers would be eligible to receive funds under this Project. This expenditure forecast from each PFI should be retained at DBE and form the basis of the forecast submitted to the Association for the Advance. Actual disbursements made by each PFI and the balances outstanding with them should be monitored by DBE and separately reported in the project finance.

- Statement of Expenditures will show transfers from DBE to PFIs and payments made by PFIs for eligible beneficiaries. Payments made by PFIs to eligible beneficiaries will be used to document advances to the Designated Account "A".

- Given the expected large number of sub-credits to sub-borrowers that PFIs are expected to disburse to beneficiaries and their relatively small average loan size, final sub-borrowers (i.e. women entrepreneurs) will not be required to submit any formal financial reporting for World Bank's disbursement documentation purposes. A more simplified accountability mechanism is proposed to ensure that funds have been used for productive and intended purposes. Under this mechanism, Participating Financial Institutions ("PFI") will be required to obtain, from each sub-borrower, periodical reports on how much project funds were received by them and what these were spent on. This information would be retained by PFIs and made available for Bank supervision and project audits. Based on this information, a summary report will be prepared quarterly by each PFI and sent to DBE. This report would comprise a list with the name of the sub-borrowers, the date of agreement between each PFI and sub-borrower, the amount given as sub-credit to the sub-borrower, the amount spent by the sub-borrower, the balance left unspent and the nature of expenditures incurred by the sub-borrowers. The format for such reporting will be incorporated in the agreement to be signed between the PFI and the sub borrower. DBE management will keep these lists for monitoring purposes and quarterly reporting in the project financial reports. Based on that summary report, World Bank supervision and auditors will perform random checks to verify the correctness and accuracy of the reported information and report any discrepancies found.

- All balances with PFIs that are not fully reported as disbursed by sub-borrowers by the Closing Date of the project should be promptly refunded to DBE, who in-turn should refund these to the Association.
All other provisions of the Disbursement Letter remain in full force and effect. The above-mentioned amendment to the Disbursement Letter shall become effective as of the date of this Amendment Letter.

Yours sincerely,

Jose C. Janeiro  
Senior Finance Officer  
Loan Department  
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Attachments remain valid as under the original Disbursement Letter, except for the following revised attachments:

   Revised Attachment 4A. "Form of Statement of Expenditures" (for Designated Account A)  
   Revised Attachment 6. "Form of Designated Account Reconciliation Statement

Cc with copies:  
Project Implementing Entity  
Development Bank of Ethiopia  
Addis Ababa, Ethiopia

   Project Management Team  
Federal Micro and Small Enterprise Development Agency (FeMSEDA)  
Addis Ababa  
Ethiopia
Prepared by: Marie Khoury – CTRLA

Cleared with and Cc:  Nikolai Soubbotin - Counsel - LEGAM
Francesco Strobbe (AFTFE) & Yasmin Tayyab - AFTCS
Meron Tadesse Techane – AFTME
### REVISED ATTACHMENT 4A
FOR DISBURSEMENT CATEGORY 1 - FOR DESIGNATED ACCOUNT 'A'

FOR: PAYMENTS MADE BY PFIs TO ELIGIBLE BENEFICIARIES
FOR PERIOD FROM __________________ TO __________________

<table>
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<tr>
<th>Item No.</th>
<th>PFI - Microfinance Institution</th>
<th>ET BIRR Amount received from DBE</th>
<th>ET BIRR Amount disbursed to eligible beneficiaries</th>
<th>Remaining Balance by PFI (3) - (4)</th>
<th>Rate of Exchange utilized</th>
<th>US$ equivalent of eligible expenditures Paid (4) x (6)</th>
<th>Remarks</th>
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**TOTALS**

Supporting documents for this SOE retained at: ________________________________.
DESIGNATED ACCOUNT RECONCILIATION STATEMENT

LOAN/CREDIT/GRANT?PPF/COFINANCIER NUMBER ______________
ACCOUNT NUMBER ______________ WITH (BANK) ______________

1. TOTAL ADVANCED BY WORLD BANK (OR COFINANCIER) $ __________

2. LESS: TOTAL AMOUNT RECOVERED BY WORLD BANK - $ __________

3. EQUALS PRESENT OUTSTANDING AMOUNT ADVANCED TO THE SPECIAL ACCOUNT (NUMBER 1 LESS NUMBER 2) = $ __________

4. BALANCE OF SPECIAL ACCOUNT PER ATTACHED BANK STATEMENT AS OF DATE ______________ $ __________

5. PLUS: TOTAL AMOUNT CLAIMED IN THIS APPLICATION NO. ______________ + $ __________*

6. PLUS: TOTAL AMOUNT WITHDRAWN AND NOT YET CLAIMED REASON: ______________ + $ __________*

7. PLUS: AMOUNTS CLAIMED IN PREVIOUS APPLICATIONS NOT YET CREDITED AT DATE OF BANK STATEMENTS

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<tr>
<th>APPLICATION NO.</th>
<th>AMOUNT *7</th>
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SUBTOTAL OF PREVIOUS APPLICATIONS NOT YET CREDITED + $ __________

8. MINUS: INTEREST EARNED - $ __________*

9. TOTAL ADVANCE ACCOUNTED FOR (NO. 4 THROUGH NO. 9) = $ __________

10. EXPLANATION OF ANY DIFFERENCE BETWEEN THE TOTALS APPEARING ON LINES 3 AND 9:


11. DATE: ________________ SIGNATURE: ________________
    TITLE: __________________

* ALL ITEMS SHOULD BE INDICATED ON THE BANK STATEMENT