



# Combined Project Information Documents / Integrated Safeguards Datasheet (PID/ISDS)

Appraisal Stage | Date Prepared/Updated: 12-Nov-2020 | Report No: PIDISDSA30299

**BASIC INFORMATION****A. Basic Project Data**

Country Ethiopia	Project ID P174874	Project Name ETHIOPIA WOMEN ENTREPRENEURSHIP DEVELOPMENT PROJECT ADDITIONAL FINANCING	Parent Project ID (if any) P122764
Parent Project Name Ethiopia Women Entrepreneurship Development Project	Region AFRICA EAST	Estimated Appraisal Date 13-Nov-2020	Estimated Board Date 16-Dec-2020
Practice Area (Lead) Finance, Competitiveness and Innovation	Financing Instrument Investment Project Financing	Borrower(s) Ministry of Finance	Implementing Agency Development Bank of Ethiopia (DBE), Federal Urban Job Creation and Food Security Agency (FUJCFSA)

**Proposed Development Objective(s) Parent**

The project development objective of the WEDP is to increase the earnings and employment of MSEs owned or partly owned by the participating female entrepreneurs in the targeted cities. This will be achieved by: i) tailoring financial instruments to the needs of the participants and ensuring availability of finance; and ii) developing the entrepreneurial and technical skills of the target group and supporting cluster, technology and product development for their businesses.

**Components**

Component 1: Access to Microfinance

Component 2: Entrepreneurial skills, Technology and Cluster Development.

Component 3: Project Management, Advocacy and Outreach, Monitoring Evaluation and Impact Evaluation.

**PROJECT FINANCING DATA (US\$, Millions)****SUMMARY**

<b>Total Project Cost</b>	130.00
<b>Total Financing</b>	130.00
<b>of which IBRD/IDA</b>	100.00
<b>Financing Gap</b>	0.00

**DETAILS****Private Sector Investors/Shareholders**

Equity	Amount	Debt	Amount
		IFI Debt	100.00
		IDA (Credit/Grant)	100.00
		Commercial Debt	30.00
		Unguaranteed	30.00
<b>Total</b>	<b>0.00</b>		<b>130.00</b>

**Payment/Security Guarantee**

<b>Total</b>	<b>0.00</b>
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Environmental Assessment Category

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Decision

The review did authorize the team to appraise and negotiate

**B. Introduction and Context**

## Introduction

1. **Additional financing in the amount of \$US100 million is requested for the Women Entrepreneurship Development Project (WEDP) (P174874) to leverage the project's proven infrastructure to scale up the provision of financing and business services to viable, women-owned micro- and small enterprises (MSEs) that have now been adversely affected by the COVID-19 pandemic.** As a key part of the World Bank's crisis response strategy for Ethiopia as well as its commitment to women's economic empowerment, the additional financing seeks to both secure the impressive gains made WEDP firms prior to the pandemic and to realize the potential for renewed employment growth once the crisis abates. To facilitate the deployment of additional financing, a three-year extension of the project until December 31, 2024 is requested.

2. **For this additional financing, the task team has invoked paragraph 12 of the Investment Project Financing (IPF) policy for additional flexibilities in processing in cases of urgent need of assistance and obtained permission to continue to use the safeguards policies that were in use when the parent project was prepared (old safeguards).** Due to the exceptional circumstance of the COVID-19 crisis and the negative impacts of this crisis on WEDP businesses, the task team has invoked paragraph 12 of the IPF Policy to provide additional flexibilities to the borrower in the case of urgent need of assistance due to a natural or man-made disaster or conflict. These flexibilities in project



preparation will allow for the flow of necessary financing to ensure that WEDP entrepreneurs and MFIs are supported during the crisis and are able to restart growth after the crisis abates. Additionally, in line with its COVID-19 Specific Risk Considerations, OPCS approved a waiver of the following safeguards documents on September 21: the Environmental and Social Framework (the Vision for Sustainable Development, World Bank Environmental and Social Policy for Investment Project Financing and the Environmental and Social Standards); the Environmental and Social Directive for Investment Project Financing; and the Directive on Addressing Risks and Impacts on Disadvantaged or Vulnerable Individuals or Groups. As part of the waiver process, the task team updated the WEDP's Environmental and Social Management Framework (ESMF) in the light of COVID-19 related risks. Due to triggering paragraph 12, social assessments in existing and new project cities will be completed within three months of project effectiveness to examine conditions of social inclusion and discrimination including exclusion and adverse impacts on indigenous people and marginalized groups. The project design and Environmental and Social Management Framework will be updated and redisclosed accordingly based on the assessment findings.

### Country Context

3. **Over the past fifteen years, Ethiopia has been among the world's fastest-growing economies.** Real GDP growth has averaged around 10 percent per year between 2003/4 and 2017/18, according to official data, and GDP per capita increased from US\$136 to US\$772 during the same period. The Government of Ethiopia is currently pursuing an ambitious economic vision to turn Ethiopia into an industrialized middle-income country by 2025, and although challenges remain on the path to structural transformation, the sectoral composition of the Ethiopian economy has changed significantly over the years. Agriculture has been replaced by services as the largest contributor to GDP, while industrial value-added has more than doubled over the past five years on the back of a construction boom. Economic growth was accompanied by a substantial reduction in poverty; the percentage of Ethiopians living on less than US\$1.90 per day declined from 71 percent in 1995 to 31 percent in 2015 (the percentage of Ethiopians living on less than \$3.30 per day remained substantially higher, at 69 percent.)
4. **Under the Homegrown Economic Reform agenda, Ethiopia's economic policy is shifting from a state- to a private sector-led approach.** In the early 2000s, Ethiopia began to pursue a development agenda based on public infrastructure investment, the promotion of light manufacturing clusters, and policy-directed lending to priority projects. While this approach resulted in sustained GDP growth for more than a decade, growing macroeconomic imbalances led to an increased focus on foreign investment and private-sector capacity under the Growth and Transformation Plan II (2015-2020). The momentum for economic reform further increased with the presentation of a new policy framework – dubbed Homegrown Economic Reform – in mid-2019. Cornerstones of the new strategy include the (partial) privatization of state-owned enterprises, measures to reduce the regulatory burden for private enterprises, and a focus on new sectors such as Information and Communications Technology. The new strategy also introduces a set of financial sector reforms, including the modernization of state banks, an end to mandated lending for private banks, and plans to create national stock and bond markets.
5. **The success of the Homegrown Economic Reform agenda is predicated on the emergence of a strong MSE sector that can boost job creation.** Sustained GDP growth in recent years has not been matched by similar gains in economic productivity, and formal employment is struggling to accommodate the close to 2 million youth that enter the job market each year. With 70 percent of formal jobs in developing countries created by small- and mid-sized firms, according to World Bank estimates, small business owners have a key role to play in expanding employment opportunities. "Building vibrant and growth-oriented small and medium enterprises (SMEs)" is therefore one of the pillars of the new National Plan of Action for Job Creation, unveiled in October 2019, which



seeks to create 14 million new jobs by 2025. Ethiopia's first National Entrepreneurship Strategy, presented in August 2019, similarly emphasizes the importance of startups and MSEs to the realization of employment-led economic transformation.

6. **However, Ethiopia's small business owners – and female entrepreneurs in particular – continue to face obstacles that limit their capacity for growth.** Ethiopia rank remains 159 in the World Bank's 2020 Doing Business rankings, and 168 in the Starting a Business category. Access to credit also remains a major constraint: while state owned enterprises (SOEs) increased their share of domestic borrowing four-fold over the past decade, lending to the private sector has remained well below demand. Ethiopia's ratio of private-sector credit to GDP stands at just above 12%, well below the 22% average of Africa's largest 20 economies. The situation is particularly acute for women entrepreneurs: on average, male-owned firms in Ethiopia have twice the level of invested capital as female-owned firms; even after adjusting for the sector of activity, the capitalization of male-owned firms is about 30 percent higher on average.<sup>1</sup> The growth potential of female-owned MSEs is further limited by gender-based constraints in areas such as access to finance, sector choice, and business education.
7. **The challenges have been amplified by the outbreak of the Coronavirus Disease 2019 (COVID-19) pandemic.** This is seriously threatening Ethiopia's gains in growth and poverty reduction, with urban areas affected the most by the resulting economic slowdown. Between April and September 2020, the Government of Ethiopia (GoE) issued a state of emergency under Article 93 of the constitution. More than half of households surveyed in the recent Living Standards Measurement Study reported their incomes were either reduced or had totally disappeared. As further detailed below, small businesses – particularly those in female-dominated sectors – have also seen their revenues dwindle as a result of the pandemic.

#### Sectoral and Institutional Context

8. **Ethiopian entrepreneurs are held back by a 'missing middle' financing problem that has been exacerbated by the COVID-19 pandemic.** Growth-oriented MSEs tend to find themselves in a market segment that is not served adequately by either microfinance institutions or commercial banks (World Bank, 2017). Microfinance institutions (MFIs) primarily provide loans to microenterprises, not MSEs, and the amounts they offer – typically capped at around \$1,000 – tend to be too small for growing firms that seek to make substantial capital investments. At the same time, small businesses tend to find it difficult to 'graduate' from MFIs to commercial banks, which prefer to lend to larger, less risky clients and are reluctant to issue loans below \$50,000. The problem is the same with equity financing: venture capital is still a niche phenomenon in Ethiopia, and the few existing firms typically target investments of \$1 million and above in high-growth industries. As a consequence, 76% of Ethiopian MSEs responding to the 2015 Enterprise Survey identified access to finance as the most serious challenge they faced in establishing a business. This constraint has worsened significantly as a result of the COVID-19 pandemic, with commercial banks and MFIs alike slashing their lending operations to preserve liquidity.
9. **Women entrepreneurs are particularly disadvantaged because they have less access to collateral.** Most financial institutions in Ethiopia only consider land titles and fixed assets – chiefly, buildings – as collateral for business loans. However, unequal access to property rights means that women are much less likely to own and control these assets than their male counterparts. According to a recent study by the Gender Innovation Lab (GIL), women are not only less likely to own land than men but also own plots that are on average 30% smaller (World Bank 2019b). What is

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<sup>1</sup> World Bank Group, 2019. Profiting from Parity: Unlocking the Potential of Women's Business in Africa. World Bank.



more, only half of those women who do own land have their name on a title deed. In a context of high collateral requirements, this means that a large section of women entrepreneurs is shut out of formal financial markets.

10. **In addition to WEDP, several other World Bank Group programs are assisting the Ethiopian government in removing barriers to financial inclusion for MSEs.** With support from the IFC's Credit Bureau Program, the National Bank of Ethiopia has been upgrading its Credit Information Center in recent years, and new regulations were introduced in 2019 to establish a national credit reference bureau. The World Bank's SME Finance Program also supported the development of market infrastructures which are crucial ingredients to foster sustainable financing to SMEs. The project financed hardware and software for the movable collateral registry and this registry went 'Live' in March 2020. Efforts to support the National Bank of Ethiopia, Commercial Bank of Ethiopia, and Development Bank of Ethiopia are also underway. In the meantime, however, Ethiopian financial institutions continue to rely heavily on fixed asset collateral to assess creditworthiness.

### **C. Proposed Development Objective(s)**

#### **Original PDO**

The project development objective of the WEDP is to increase the earnings and employment of MSEs owned or partly owned by the participating female entrepreneurs in the targeted cities. This will be achieved by: i) tailoring financial instruments to the needs of the participants and ensuring availability of finance; and ii) developing the entrepreneurial and technical skills of the target group and supporting cluster, technology and product development for their businesses.

#### **Current PDO**

The project development objective of the WEDP is to increase the earnings and employment of MSEs owned or partly owned by the participating female entrepreneurs in the targeted cities. This will be achieved by: i) tailoring financial instruments to the needs of the participants and ensuring availability of finance; and ii) developing the entrepreneurial and technical skills of the target group and supporting cluster, technology and product development for their businesses.

#### **Key Results**

**PDO Level Indicators Progress towards achieving the PDO will be measured through the following key results indicators:**

- Increase in average numbers of full-time and part-time employees (paid and unpaid) per MSE (Number)
- Increase in number of hours of worked for the Micro and Small Enterprise (MSE) per week (paid and unpaid) (Hours)
- Increase in yearly average business earnings (Amount(USD))



#### D. Project Description

11. **Activities supported by additional financing will build on WEDP's current project objective and activities.** The project description, PDO, project components and implementation arrangements will remain materially the same. WEDP will continue to support women-owned MSEs in the 10 major cities in the capitals of the four Regional States of Tigray, Amhara, SNNPR and Oromia and the two chartered cities, Addis Ababa and Dire Dawa, where project infrastructure currently exists. At the request of the Government of Ethiopia, the additional financing will be extended to additional cities to reach an even greater number of beneficiaries. The project team has explored and monitored options for expansion over the past year and found conditions conducive in several new cities. The additional financing activities will expand the reach of the project to new cities but the nature of the existing WEDP services and are not expected to have significant environmental or social risks or impacts.
12. **Within the scope of the existing project components, the additional financing proposes three adaptations of WEDP activities to respond to the impacts of COVID-19.** First, the project will introduce a COVID-19 'rescue facility' as well as a window for uncollateralized growth capital under Component 1: Access to Finance. In addition to continuing the WEDP line of credit under which participating MFIs lend to WEDP clients at market-based rates, the rescue facility will incentivize participating financial institutions to restructure viable loans in the existing portfolio and offer grace periods to deserving new borrowers. A second additional window will leverage financial innovations – such as data-driven credit scoring, revenue-based financing and the new movable collateral registry – to provide growth capital to firms unable to surmount traditional collateral constraints. Moreover, the project will expand its participating financial institutions (PFIs) to include private commercial banks. This will allow growth-oriented women entrepreneurs that have a larger financing needs to be served by banks.
13. **Second, the project will introduce new e-learning options under Component 2: Business Development Services.** Demand for business training tends to increase during economic downturns, yet the COVID-19 pandemic has made classroom-based learning unviable for the foreseeable future. The project team has been developing or adapting several new e-learning initiatives for the Ethiopian market. These innovations include an app-based 'mini-MBA' program built around a mobile-first pedagogy, a phone-based training for retail entrepreneurs, a mobile mentoring platform, support for MSEs to access e-commerce platforms and digital sales channels, and the delivery of a traditional entrepreneurship curriculum via broadcast media (TV, radio) and online.
14. **Third, the project will scale up service delivery to additional cities.** An expansion of WEDP to additional cities has been requested by the Government of Ethiopia and by Ethiopia's House of People's Representatives. The project team has explored and monitored options for expansion over the past year and found conditions promising in several cities. Additional locations may be added based on local demand and the presence of a reliable project infrastructure.
15. **The project will retain the same component structure under Additional Financing.** Component 1 and 2 will continue to provide eligible firms with access to finance and business development services, respectively. Component 3 will cover project management. The details of each component are outlined below.

#### Component 1 - Access to Finance



16. **Additional funding for WEDP's line of credit is crucial for mitigating the COVID-induced liquidity crunch faced by both WEDP firms and microfinance institutions.** The recent study of participating MFIs has shown that while most institutions have retained sufficient liquidity to meet regulatory requirements, they have done so by severely cutting down on new credit. Disbursements of new WEDP loans shrank by more than 70% between March and June 2020, while the overall amount of loans issued by MFIs contracted by close to 20% during the same period. Meanwhile, the August 2020 wave of the WEDP firm survey showed that demand for new loans remains high, with 64% of business owners expressing a need for additional capital at this time. Without outside capital, this demand will go largely unmet as Ethiopian financial institutions are likely to remain risk-averse during this time of protracted uncertainty.
17. **Building on the existing WEDP line of credit model, the project will extend funds to the Development Bank of Ethiopia (DBE), which will serve as a wholesaler to participating financial institutions (PFIs – both microfinance institutions and commercial banks) with a capacity and appetite to lend to growth-oriented women entrepreneurs.** The network of 12 MFIs participating in the first phase of WEDP will be expanded to private commercial banks and additional MFIs. This will help the project ensure coverage of the additional cities and serve women entrepreneurs that are 'graduating' from MFI loans. PFIs will be selected based on a set of eligibility criteria, including but not limited to number of borrowers, geographical coverage, portfolio quality, and compliance with prudential norms. All new PFIs will participate in a mandatory technical assistance program aimed at enhancing their capacity in appraisal and techniques for serving the target segment of growth-oriented women entrepreneurs. This approach has been very successful in the original project, and it has changed the attitude of PFIs towards lending to women entrepreneurs.
18. **Component 1 will comprise three sub-components:**
  - a. **The majority of additional financing will be used to replenish WEDP's line of credit under Sub-Component 1a.** Funds from this window will be on-lent to WEDP borrowers, with PFIs tailoring 'WEDP' loans to the needs of growth-oriented women entrepreneurs. Based on results to date, average loan sizes are expected to be around \$10,000 and maturities are expected to range from 24 to 48 months. The credit line will target only growth-oriented MSEs – 'zombie' firms which failed to repay loans even before COVID-19 will be excluded from new financing as will financing for sectors where solvency (rather than liquidity) concerns dominate. Moreover, the incentive for on lending to viable women entrepreneurs is also inbuilt in the design of the credit line - PFIs share risks and rewards as the credit risk from the loan is borne by the respective financial institution. Experience with the credit line to date shows that there is high demand from PFIs to lend these funds at commercial market rates, and this demand is expected to rebound once the COVID crisis has abated.
  - b. **Component 1b will incentivize PFIs to provide increased flexibility to viable WEDP firms adversely affected by the economic downturn.** PFIs will be able to access this 'rescue facility' to either restructure or refinance WEDP loans, e.g. by offering a temporary payment holiday, increasing the repayment period, or recalibrating the interest rate. Funds from Component 1b will be used to cover the operational expenses, foregone income, and other costs associated with repayment deferrals, reduced interest rates and grace periods to ensure that issuing and serving WEDP loans remains profitable for participating financial institutions. No additional liquidity for loans will be provided through this window. Eligibility under this component will be restricted to WEDP firms that have been operating for at least a year, who have a good credit history, and whose outstanding loans (if any) were not in arrears as of January 1, 2020.





The rescue facility will be phased out once the immediate crisis has abated (as measured by indicators such as PFI's portfolio in arrears and business closures) or when its funds have been depleted.

- c. **Component 1c, titled 'WEDP X', is an additional window in the credit line which will focus on providing innovative growth capital to high-potential but financially excluded firms.** Since lack of collateral is a key constraint for many women-owned firms ready to expand their operations, funds from Component 1c will be delivered through innovative financial products which draw on fintech innovations to reduce or circumvent the need for traditional fixed asset collateral. In addition to providing capital to growing firms that are ineligible for commercial loan financing, access to the window will provide an incentive for PFIs to explore an underserved market and introduce new digital innovations into their operational model.
- d. **Component 1d, The project will also continue to extend technical assistance (TA) to MFIs to improve their operational capacity.** Support for participating microfinance institutions and banks will focus on challenges stemming from COVID-related portfolio restructuring, as well as on compliance with new consumer protection rules issued by the National Bank of Ethiopia.

## Component 2: Business Development Services

- 19. **Component 2 will support the delivery of ancillary business trainings and business development services to women-owned enterprises.** As such, it complements the provision of access to finance with support in developing skills, behaviors and linkages. The focus of this component will be on imparting a set of technical as well as mindset-oriented skills that can help women to grow their firms. A particular focus will be on digital delivery of business development services, so that firms can safely and flexibly access the support and assistance they need. In addition to new forms of entrepreneurship e-learning, the project will continue to leverage its existing network of public as well as private service providers.
- 20. **A new emphasis under Component 2 will be on digital training, which offers a more flexible and COVID-resilient approach than classroom-based training.** Female business owners typically face higher childcare and household demands, restricting their ability to attend traditional forms of training. As a result, training providers are increasingly exploring digital tools that are cost-effective, facilitate flexible learning and have the potential to overcome these constraints and improve the performance of women-owned MSEs. The project will pilot and evaluate the impact of new digital training technologies and approaches to generate a cutting-edge knowledge base on how best to design and implement digital support services for women entrepreneurs.
- 21. **Training delivery will leverage existing public and private sector delivery models in Ethiopia while introducing promising new approaches to training and business services.** Implementation partners will be coordinated centrally by the PIU and will include technical and vocational education and training (TVET) colleges as well as local non-governmental organizations (NGOs) and private service providers. A key focus in light of the COVID-19 crisis will be in leveraging the extensive digital database of nearly 40,000 WEDP clients to explore modalities for the delivery of digital business training delivered to clients' mobile phones, via apps for smartphones as well as SMS messaging and interactive voice recording (IVR) technologies for feature phones.

## Component 3: Project Management



22. **The final component will support overall project management and coordination.** This includes outreach to potential women entrepreneurs, registration of participating entrepreneurs in an online Management Information System (MIS), delivery of services and client follow-up, and linkages between financial and non-financial service providers. These activities will be overseen by the Project Implementation Unit (PIU), housed in the Federal Urban Job Creation and Food Security Agency. A Project Management Team (PMT) housed in the Development Bank of Ethiopia will manage the line of credit component of the project.

## E. Implementation

### Institutional and Implementation Arrangements

23. **For these additional financing activities, the Ethiopian Ministry of Finance (MoF) will delegate project implementation to the Development Bank of Ethiopia (DBE) and the Federal Urban Job Creation and Food Security Agency (FUJCFSA).** World Bank Credit proceeds will be transferred directly to the implementing agencies in line with the provisions of the Subsidiary Agreement to be signed between MoF and the respective institutions. To ensure continuity from WEDP, the additional financing will use existing structures and institutions which have proved to be successful in implementing the project. The WEDP Project Management Team (PMT), which is housed at DBE, will maintain direct responsibility for managing Component 1 (Credit Facility including the rescue facility). The Project Implementation Unit (PIU), which is housed at FUJCFSA, will maintain its mandate of overall project coordination and will have direct responsibility for Component 2 (Business Development Services) and Component 3 (Project Implementation, Communication, M&E).

The project environmental and social safeguards implementation arrangements will follow the existing mechanisms for the parent WEDP. Both WEDP implementing agencies: DBE and FUJCFSA have experiences applying the ESMF in addressing environmental and social risks and impacts in Bank-financed projects. The dedicated E&S specialists in DBE will continue overseeing and monitoring the implementation of safeguards instruments during the Additional Financing. Additionally, an E&S expert will be deployed for the project Additional Financing at the PIU-level to strengthen the overall safeguards implementation, monitoring and reporting of the project.

## F. Project location and Salient physical characteristics relevant to the safeguard analysis (if known)

WEDP will continue to support women-owned MSEs in the 10 major cities where a project infrastructure currently exists. The existing 10 cities are situated in the four Regional States of Tigray, Amhara, SNNPR and Oromia and the two chartered cities, Addis Ababa and Dire Dawa. The additional financing activities will expand the reach to several more cities but will maintain the same implementation model and counterpart agencies. These activities, which are largely in the service and trade sectors, are not expected to have significant environmental or social risks or impacts. The physical setting is relevant for safeguard analysis as some of the MSEs subprojects may involve capital investment or civil works. Any potential negative impacts will be avoided or mitigated through the screening process using the checklist included the ESMF.



### G. Environmental and Social Safeguards Specialists on the Team

Tamene Tiruneh Matebe, Environmental Specialist  
Solomon Soroto Tanto, Social Specialist

### SAFEGUARD POLICIES THAT MIGHT APPLY

Safeguard Policies	Triggered?	Explanation (Optional)
Environmental Assessment OP/BP 4.01	Yes	
Performance Standards for Private Sector Activities OP/BP 4.03	No	
Natural Habitats OP/BP 4.04	No	
Forests OP/BP 4.36	No	
Pest Management OP 4.09	No	
Physical Cultural Resources OP/BP 4.11	No	
Indigenous Peoples OP/BP 4.10	No	
Involuntary Resettlement OP/BP 4.12	No	
Safety of Dams OP/BP 4.37	No	
Projects on International Waterways OP/BP 7.50	No	
Projects in Disputed Areas OP/BP 7.60	No	

### KEY SAFEGUARD POLICY ISSUES AND THEIR MANAGEMENT

#### A. Summary of Key Safeguard Issues

1. Describe any safeguard issues and impacts associated with the proposed project. Identify and describe any potential large scale, significant and/or irreversible impacts:

The additional financing will leverage WEDP's existing social and environmental safeguards (currently rated 'Satisfactory') without changing the project's risk profile (currently rated 'Moderate'). Scaled-up activities will expand the reach but not the nature of existing project activities and will not raise the safeguards category of the project. The additional financing will build on the effective project structures and implementing partners of WEDP to mitigate risks and achieve project targets; and continuously strengthen partner systems. The project description, PDO, project components and activities and implementation arrangements will remain materially the same. Geographically, the project will continue to support women-owned MSEs in the 10 major cities where project infrastructure currently exists, while also expanding into new cities using the same implementation model and counterpart agencies. The key



environmental and social risks under additional financing given the COVID-19 context for WEDP businesses include risks related to occupational health and safety, social inclusion, and gender based violence. The WEDP Environmental and Social Management Framework (ESMF) has been updated to reflect the current context and risks given the COVID-19 crisis based on the completed MFI COVID assessment and the high frequency COVID impact firm surveys. Social assessments in new and existing WEDP cities will cover issues of social discrimination and inclusion tailored to operating in the COVID-19 context, including risks and mitigation measures applicable to SEA/SH or GBV, occupational health and safety, labor, social inclusion including for indigenous people and disadvantaged groups, local conflicts, and stakeholder engagement. Upon completion of the social assessments, the ESMF will be updated again with context from the results of the assessments and strategic measures to mitigate and manage social risks during project implementation. It will then be redisclosed upon clearance.

2. Describe any potential indirect and/or long term impacts due to anticipated future activities in the project area:

The task team has not identified any potential indirect and/or long term impacts due to the additional financing activities in the project area. To update the ESMF and ensure the project fully addresses all COVID-19 specific risks, a review was complete of the project's ESMF in partnership with World Bank Environmental and Social Specialists. A social assessment on issues of social discrimination and inclusion will be conducted in both existing and new project cities and rapid social assessments will be conducted and implemented in each of the new project cities within three months of project effectiveness. The results of these assessments will be integrated into the project ESMF.

3. Describe any project alternatives (if relevant) considered to help avoid or minimize adverse impacts.

The task team has identified three key actions to help avoid or minimize adverse impacts due to project activities. The first is the task team will work with the PIU to implement social assessments in the new and existing cities. This includes evaluating risks and mitigation measures applicable to SEA/SH or GBV, occupational health and safety, labor, social inclusion, local conflicts, and stakeholder engagement.

Secondly, the project will work to further strengthen the screening of subprojects for environmental and social risks through consultations with the regional Environment, Forest and Climate Change Commission (EFCCC) on the project's existing screening processes. The PIU will also explore involvement of the EFCCC in training and monitoring visits of the project to ensure sustainable management of environmental and social risks and impacts in project activities.

Finally, the WEDP GRM will be strengthened and expanded to better serve communities by leveraging the existing public grievance management system. This public GRM will be more accessible to local communities, subproject workers and other stakeholders to allow for a clear communication channel for any individual or group of people who believe that they may have been adversely impacted by the activities of WEDP businesses. In coordination with the offices of Women, Children and Youth Affairs, the GRM will be strengthened to cover gender issues and sensitivities as well as address project specific GBV related risks. This system will be used to receive, review and resolve any issues and concerns related to the WEDP enterprises and participating financial institutions. All grievances will be monitored and reported on a monthly basis.

4. Describe measures taken by the borrower to address safeguard policy issues. Provide an assessment of borrower capacity to plan and implement the measures described.

WEDP has a 'Satisfactory' overall environmental and social safeguard rating and has effectively managed project-related risks through the set up and implementation of a robust Environmental and Social Management Framework (ESMF). While the WEDP has an ESMF in place, in practice, DBE uses the SME Finance Project's ESMS to identify, assess, manage and monitor environmental and social risks of their activities and relevant risk and impacts of MSE subprojects. The Development Bank of Ethiopia (DBE) designed and operationalized a Women Entrepreneurship Credit



Facility Operations Manual that defines responsibilities, eligibility and procedures related to the implementation and monitoring of the WEDP credit facilities in compliance with all World Bank safeguard policies.

The WEDP project has a committed project implementation unit and robust strategies, structures and tools in place to implement the Environmental and Social Management Framework. Over the past five years, the project has built the capacity of participating Ethiopian micro and small enterprises (MSEs) and microfinance institutions (MFIs) to comply with the required safeguards policy and strengthen environmental and social safeguards effectiveness. Actions taken to manage risks include implementation of quarterly monitoring visits and reports to manage safeguards compliance, execution of MFI environmental and social assessments, establishment of occupational, health and safety guidelines, training on ESMF for project implementers and management of a grievance redress mechanism (including a hotline). These established project risk management structures make WEDP well placed to expand project activities through additional financing and continue project support and remote monitoring.

5. Identify the key stakeholders and describe the mechanisms for consultation and disclosure on safeguard policies, with an emphasis on potentially affected people.

The WEDP project team has done extensive outreach on the project's safeguards policies in project cities. The project has focused on training and capacity building for implementers and beneficiaries through the implementation of bi-annual awareness trainings on the ESMF for MFIs and entrepreneurship training providers. To directly reach the clients with relevant guidance, the WEDP team designed a module on the ESMF with a focus on occupational health and safety that is included in the WEDP entrepreneurship training for clients, and has been delivered to over 21,000 entrepreneurs.

The task team updated the project's existing ESMF to cover specific risks related to COVID-19 and strengthen the occupational healthy and safety, highlight the risk and mitigation measures related to GBV and detail remote implementation and monitoring approaches. Additionally, the expansion of the GRM to utilize the public grievance management system will allow for more direct communication channels from project communities to the project management structures.

## **B. Disclosure Requirements (N.B. The sections below appear only if corresponding safeguard policy is triggered)**

### **Environmental Assessment/Audit/Management Plan/Other**

Date of receipt by the Bank	Date of submission for disclosure	For category A projects, date of distributing the Executive Summary of the EA to the Executive Directors

### **"In country" Disclosure**



**C. Compliance Monitoring Indicators at the Corporate Level (to be filled in when the ISDS is finalized by the project decision meeting) (N.B. The sections below appear only if corresponding safeguard policy is triggered)**

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#### APPROVAL

Task Team Leader(s):	Aly Salman Alibhai Mengistu Bessir Achew
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#### Approved By

Safeguards Advisor:	Peter Leonard	12-Nov-2020
Practice Manager/Manager:	Niraj Verma	12-Nov-2020
Country Director:	Ousmane Dione	13-Nov-2020