Japanese ODA Loan

Ex-Ante Evaluation (for Japanese ODA Loan)

１． Name of the Project

Country：The Federal Democratic Republic of Ethiopia (hereinafter referred to as "Ethiopia")

Project：Women Entrepreneurship Development Project (hereinafter referred to as "the Project")

Loan Agreement：February 24, 2017

Loan Amount：5,500 million Yen

Borrower：The Government of the Federal Democratic Republic of Ethiopia

２． Background and Necessity of the Project

(1) Current State and Issues of Micro and Small Enterprise Sector in Ethiopia

Ethiopia has the second largest population in Africa (99.39 million, 2015). Its real GDP growth was an average of 10% during 2004 to 2015. In Ethiopia, there are approximately 400,000 companies, of which 99.5% are categorized as micro and small enterprises (hereinafter referred to as "MSEs"). The number of MSEs has been increasing recently along with rapid population growth and urbanization. Crucial issues facing MSEs growth are lack of access to finance, lack of capacity building opportunities, and lack of access to business trainings and information.

Ethiopian financial institutions face a chronic problem of insufficient financial sources, limiting access to finance to MSEs. Moreover, potentially higher administrative costs and risks associated with lending to MSEs discourage financial institutions from providing finance to MSEs. Corresponding to this issue, the Ethiopian government has officially announced that microfinance institutions (hereinafter referred to as "MFIs") shall take a role of providing finance to MSEs. However, MFIs are unable to meet the rapidly increasing financial demand of MSEs because of insufficient financial sources of the financial sector in Ethiopia.

Furthermore, it is particularly difficult for women entrepreneurs to access loans, since houses and lands that are usually required as loan collaterals tend to be registered traditionally by men. In addition, high ratio of collateral requirements and a male-dominant business environment impede women entrepreneurs from obtaining loans from financial institutions, constraining their businesses and earnings from growing.

(2) Development Policies for MSEs Sector in Ethiopia and Priority of the Project

In 2009, the Ethiopian government formulated a five-year Growth and Transformation Plan (hereinafter referred to as "GTP1") and subsequently in 2015, Growth and Transformation Plan II (hereinafter referred to as "GTP2"), with a goal of becoming a lower middle-income country by 2025 by accelerating economic transformation from an agriculture centered economy to a more industrialized economy. During the term of GTP2 (2016-2020), the government aims to improve access to finance as well as trainings and business information for women entrepreneurs. Based on GTP2, the government aims to strengthen its support to MSEs with potential for scaling up their businesses. The Project will contribute to achieving the goals of GTP2.

(3) Japan and JICA's Policy and Operations in MSEs Sector

Japan Country Assistance Policy for Ethiopia identifies private sector development as one of the priority sectors to support GTP1 and GTP2. JICA Country Analysis Paper for Ethiopia also focuses on private sector development program. This project is consistent with these cooperation policies and analysis as the project aims to contribute to achieving fair competition, MSE development and increasing employment.

JICA's cooperation projects for Ethiopia are based on the above-mentioned program that consists of two levels of activities - policy level and project level. Regarding the policy level assistance, since 2009, JICA has implemented Industrial Policy Dialogue with the Ethiopian government high level officials. Regarding project level assistance, JICA has supported Ethiopia's domestic enterprises growth by implementing projects related to Champion Product Approach and Kaizen management. As a result of the three phases of Kaizen project, 129 MSEs received Kaizen training. In addition, 57 consultants of Ethiopia Kaizen Institute and 131 teaching staffs of Technical, Vocational and Educational Training (hereinafter referred to as "TVET") Colleges were trained.

(4) Other Donors' Activity

The World Bank's (hereinafter referred to as the "Bank") Country Partnership Strategy (FY 2013 to 2016) for Ethiopia consists of the following two main pillars.

1) Fostering competitiveness and employment
2) Enhancing resilience and reducing vulnerabilities

The Project is part of the first pillar. The Bank is also implementing SME Finance Project (2016-2022). Approximately 70% of the maximum lending amount (200 million USD) of the project will be used for lease financing component for manufacturing companies to purchase machineries.

Kreditanstalt für Wiederaufbau (KfW) is implementing a credit guarantee project to reduce burden of MFIs brought by high collateral rate required for accessing loan from private banks. United States Agency for International Development (USAID) is financing a project Graduation with Resilience to Archive Sustainable Development operated by CARE International. Furthermore, Africa Development Bank and International Fund for Agricultural Development are implementing a microfinance project Rural Financial Intermediation Programme targeting poverty groups in rural areas. This project has currently expanded its support for women.

(5) Necessity of the Project

The Ethiopian government identifies MSEs development and improving social and economic participation of women as important development issues. The Project is in line with the development policies of the government and cooperation policies of Japan and JICA. In addition, the Project will contribute to achieving Goal 5 (Gender equality) and Goal 8 (Decent Work and Economic Growth) of the SDGs. Thus, it is highly required that JICA support the Project.

3. Project Description

(1) Project Objective(s)

The Project is to increase incomes and employment of MSEs owned or partly owned by women entrepreneurs who operate their business in the six targeted cities in Ethiopia by improving access to finance and trainings, thereby contributing to social empowerment of women as well as private sector development of Ethiopia.

(2) Project Site/Target Area

Addis Ababa, Adama, Bahir Dar, Dire Dawa, Hawassa, Mekelle and the areas within 50 km radius from the targeted cities.

(3) Project Components

The Project is a co-financing project with the Bank, Department for International Development of the United Kingdom (hereinafter referred to as DfID), Canada and Italy. The Project targets MSEs owned or partly owned by women entrepreneurs who have operated their businesses for more than 6 months (hereinafter referred to as "sub-borrowers"). The Project consists of the following four components. The Bank and Canada have provided funds for 1), 3) and 4) and DfID has supported 2). JICA and Italy have agreed to finance 1).

1) Component 1a (Credit Facillity)

Providing loans to the Sub-Borrowers through Development Bank of Ethiopia (hereinafter referred to as "DBE") and 12 MFIs which were selected as participating financial institutions (hereinafter referred to as "PFIs") for the Project.

2) Component 1b (Technical Assistance facility)

Providing capacity building for risk management and loan approval process to each PFIs and the Project Implementation Unit (hereinafter referred to as PIU) organized in DBE.

3) Component 2 (Entrepreneurial skills and technology development)

Providing entrepreneurial and technical skills training through TVET colleges to women entrepreneurs that registered to the Project

4) Component 3 (Project Management, Advocacy and Outreach, Monitoring and Evaluation and Impact Evaluation)

Providing monitoring, impact evaluation, communication and reporting for implementation and management support for the Project.

(4) Estimated Project Cost (Loan Amount)

14,044 million Yen (Loan Amount：5,500 million Yen)

(5) Schedule

From October 2012 to December 2019 (total: 87 months）

The Project is planned to be completed on December 31, 2019 as defined by the Bank.

(6) Project Implementation Structure

1) Borrower：The Government of Ethiopia

2) Executing Agency：Development Bank of Ethiopia

3) Operation and Maintenance System

Component 1a and 1b are implemented by the PIU organized in DBE. Component 2, component 3 and coordination of the Project are implemented and managed by National Project Management Team established in FeUJCFSA.

(7) Environmental and Social Consideration/Poverty Reduction/Social Development

1) Environmental and Social Consideration

① Category: C

② Reason for Categorization

The project is categorized as C because the Project is likely to have minimal adverse impact on environment

2) Promotion of Social Development

The Project is expected to contribute to gender equality by providing finance and trainings to women entrepreneurs.

(8) Collaboration with Other Donors

As the Project is a co-financing project with the Bank and the others, the Bank will be assigned as a lead donor to manage and supervise the Project.

(9) Other Important Issues

N/A

4. Targeted Outcomes

(1) Quantitative Effects

1) Performance Indicators (Operation and Effect Indicator)

Indicator	Baseline（Actual Value in 2012）	Target (2019)【Expected value at the time of project completion】
Increase in numbers of full-time and part-time employees of the benefited MSEs (%)	2.03 (Number)	+30%
Increase in yearly average business earnings (%)	2,801 (Amount USD)	+50%
Number of active loan accounts owned by end user (number)	0	8,700

(Note 1) The table uses the same indicators as the Bank applied.

(Note 2) The baseline was set in May 2013 when the Bank conducted a baseline study of the Project by implementing some pilot projects.

(2) Qualitative Effects

Social and economic empowerment of women and private sector development in Ethiopia are expected as a result of an increase in employment and incomes of MSEs owned by women entrepreneurs.

5. External Factors and Risk Control

N/A

6. Lessons Learned from Past Projects

(1) Evaluations of similar projects undertaken in the past

At the time of ex-post evaluation for Micro, Small and Medium Enterprises Energy Saving Project in India, there were difficulties to gather information of the project progress due to an absence of the monitoring system of the implementation of the loans and repayments including the use of the revolving fund. Therefore the ex-post evaluation report suggested that monitoring system of the project shall be agreed at the time of appraisal from the perspective of sustainability so that the lending and repayment processes are duly monitored and recorded.

(2) Lessons for the Project

The Project is confirmed to have an appropriate system for monitoring, reporting and evaluation for the loans and repayments. Based on the lesson learned, JICA, the donors, the Borrower, and all related organizations agreed to establish a system for revolving of the fund, as well as its monitoring and reporting.

7. Plan for Future Evaluation

(1) Indicators to be Used

In addition to the above mentioned indicators in the table 1) Performance Indicators of 4. (1), other indicators that the Bank uses for impact evaluation of the Project will be also considered.

(2) Timing

At the time of the Project completion.

End