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Socio-economic Response and Recovery on the impact of COVID and Social Crisis in Amhara and COVID impact in Oromia and Somali  
Regions  
(JANUARY 2021- JUNE 2022)

REPORT OF THE EXTERNAL EVALUATION  
(Final Report)

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## TABLE OF CONTENTS

ACRONYMS AND ABBREVIATIONS.....	4
EXECUTIVE SUMMARY .....	6
2 INTRODUCTION.....	13
2.1 Background to the project.....	13
2.2 PURPOSE AND SCOPE OF THE WORK.....	14
2.3 Approach and methodology of the final evaluation .....	14
3 FINDINGS.....	17
3.1 Project relevance, design, and adaptive management .....	17
3.2 Effectiveness.....	23
3.3 Efficiency.....	34
3.4 Prospect for Impact .....	38
3.5 Sustainability.....	40
4 ACCOUNTABILITY AND ADDITIONAL CROSSCUTTING ISSUES.....	44
5 LESSONS LEARNT .....	48
6 CONCLUSIONS AND RECOMMENDATIONS.....	51
6.1 Conclusions .....	51
6.2 Recommendations .....	53
LIST OF ANNEXES .....	56
Annex 1: Proportion of grant applicant MSMEs who got financial support from the DFATD funded COVID-19 response project .....	56
Annex 2: In-kind support made to regions year 2021/22 .....	56
Annex 3: Risks identified at project design and their evolution during project implementation.....	57
Annex 4: Activity summary (As per the Project agreement of JCC and UNDP; multiyear planning-Jan 2021– June 2022 .....	60
Annex 5: Assessment of the quality of the project outputs .....	64
Annex 6: References .....	65
Annex 7: List of persons interviewed/contacted during the desk and field phase.....	67

## LIST OF TABLES

Table 1: Delivery on Prodoc Indicators under output 1 and some indicators of output 3 and 6 (Multiyear planning-January 2021 –June 2022).....	24
Table 2: Delivery on Prodoc Indicators under Output 2 (Multiyear planning- January 2021 –June 2022) .....	25
Table 3: Delivery on Prodoc Indicators under Output 3 and some indicators of output 6 (Multiyear planning- January 2021 – June 2022).....	26
Table 4: Delivery on Prodoc Indicators under Output 4 and some indicators from output 6 (Multiyear planning-January 2021 –June 2022).....	31

Table 5: Delivery on Prodoc Indicators under Output 5 (Multiyear planning- January 2021 – June 2022) .....	32
Table 6: Delivery on Prodoc Indicators under Output 7 and some indicators from output 6 (Multiyear planning- January 2021 – June 2022).....	34
Table 7: Grant/ wage subsidy allocation by target urban centers for informal and formal enterprises impacted by COVID-19 and other emerging crises.....	36
Table 8: Project financial plan and utilization summary (Jan. 2021– June 2022) .....	37

## **LIST OF BOXES**

Box 1: Outcome Ratings Scale - Relevance, Effectiveness, Efficiency.....	16
Box 2: Sustainability Ratings Scale .....	16

## **LIST OF FIGURES**

Figure 1: Number of grant applicant MSMEs who got financial support from the DFATD funded COVID-19 response project .....	47
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## ACRONYMS AND ABBREVIATIONS

BCP	Business Continuity Planning
BDS	Business Development Service
BEU	Business Emergency Unit
CBE	Commercial Bank of Ethiopia
CBO	Cooperative Bank of Oromia
CPD	UNDP Ethiopia Country programme document
COVID	Coronavirus Disease
CEDAW	Convention on the Elimination of All forms of Discrimination against Women
CIS	Credit Information System
CSO	Civil Society Organization
DBE	Development Bank of Ethiopia
DFATD	Department of Foreign Affairs, Trade and Development
DIM	Direct Implementation Modality
EDI	Entrepreneurship Development Institute
EMP	Environmental Management Plan
ENVCSP	Ethiopian National Volunteer Community Service Programme
EoP	End of Project
EPHI	Ethiopian Public Health Institute
FGD	Focus Group Discussion
FDRE	Federal Democratic Republic of Ethiopia
GAC	Global Affairs Canada
GBV	Gender Based Violence
HH	Household
IES	Industry Extension Service
IP	Implementation Partner
JCC <sup>1</sup>	Job Creation Commission
KII	Key Informant Interview
LGS	Loan Guarantee Scheme
LMIS	Labor and Market Information System
MINT	Ministry of Innovation and Technology
MoLS	Ministry of Labor and skills
MoP	Ministry of Peace

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<sup>1</sup> This ministry has been rebranded as Ministry of Labor and (MoLS ). In this report the name MoLS is constantly used accommodating the change in the life of the project

MOTR	Ministry of trade and regional integration
MSMEs	Micro, Small and Medium Enterprises
ND	No data provided by the implementing partner
NGO	Non-Governmental Organization
NIM	National Implementation Modality
OSSC	One Stop Service Center
PCG	Public Credit Guarantee Scheme
PIR	Project Implementation Report
PLG	Public Loan Guarantee
PPE	Personal Protective Equipment
PRA	Provisional Regional Administration
ProDoc	Project Document
PSNP	Productive Safety Net Programme
RRSU	Response and Recovery Support Unit
SDG	Sustainable Development Goal
SOPs	Standard Operation Procedures
TIN	Tax Identification Number
TVET	Technical and Vocational Education and Training
TA	Technical Assistance
UNDP	United Nations Development Program
UNSDCF	Nations Sustainable Development Cooperation Framework
USAID	United States Agency for International Development
USD	United State Dollar
WIPO	World Intellectual Property Organization

## EXECUTIVE SUMMARY

### Project Summary

Title of UNDP supported Government of Canada financed project	Socio-economic Response and Recovery on the impact of COVID and Social Crisis in Amhara and COVID impact in Oromia and Somali Regions
Project Goal	Containing the spread of COVID-19 and strengthening resilience of communities
Contribution to UNDP Ethiopia CPD/ UNSDCF outcome and output	By 2025, all people in Ethiopia benefit from an inclusive, resilient and sustainable economy; specifically Output 2.2
Lead coordination agency	United Nations Development Programme (UNDP)
National Implementing Partners	Ministry of Labor and skills (MoLS) Ministry of Innovation and Technology (MiNT) Ministry of Peace (MoP)
Donor	Department of Foreign Affairs, Trade and Development (DFATD), Global Affairs Canada (GAC), MPTF and RFF
Project Location	Federal level and three regions of Ethiopia (Oromia, Somali and Amhara)
Region/Country	Africa/Ethiopia
Project Beneficiaries	Micro, Small and Medium Enterprises (MSMEs) and jobs impacted by COVID-19
Project duration (Agreement with JCC)	January 2021– June 2022 (Revised AWP)
Project duration (Agreement with Canada)	January 2021– March 2022
Final report submitted on	August 2022
Total resource required:	USD 21,000,000
Secured resources	Canada <sup>2</sup> : USD 2,288,135 UNDP Core USD 368,000 Rapid Financing Facility (RFF): USD 1,500,000 MPTF: USD 765,000 Total: USD 4,921,135
Unfunded	USD 18,367,000 (73.2% of the required resources)
Purpose of the evaluation assignment	Assessing the relevance, effectiveness, efficiency, impact, and the prospect to sustainability of the interventions implemented with the support of DFATD funding under this grant
Final Evaluation Consultant	Tesfaye Yimer (PHD)

<sup>2</sup> 3,000,000 Canadian Dollar (CDN \$) including 8% cost recovery for indirect costs of the total value of the grant

## **Brief Project Description**

The project had been completed within 18 months (January 2021-June 2022), without cost neutral extension, with a total budget of USD 4,921,135 (46.5% of the budget from Canada and co-financed by other finding streams of UNDP). The design of the project was informed by a high level national and regional level socio-economic assessments produced with the coordination of UNDP and active participation of the federal government and other UN agencies. The community level benchmark assessments as well as the local situations have also been used to revise the project strategies. The Project was initiated with an aim to help MSMEs in the selected regions recover and build back better jobs, livelihoods and MSMEs within the context of improved, resilient, sustainable, and inclusive growth at regional level in Ethiopia. It also aims at building institutional capacities of the affected areas so that they will be able to respond to challenges and help their respective communities (mainly MSMEs) recover from the challenges.

The project predominantly followed National Implementation Modality (NIM) by partnering with MoLS, MiNT and MoP. A project advisory board led by the commissioner of the MoLS was established to lead the project. Business Emergency Unit (BEU) that plays the coordination role and facilitates the proper implementation of the project has been initiated under MoLS with UNDP support. Further, implementation modality had been prepared to effectively facilitate the management of the grant allocated for MSME support. The activities were done in close collaboration with international and national counterparts, including X-Hub Addis, Private Banks, Universities, Ethiopian Public Health Institute (EPHI), and UN agencies.

At policy and regional levels the project focused on introducing and delivery of trainings on Business Continuity Planning (BCP) and emotional resilience building to ensure that public services are not interrupted in times of current and future crises. There was also advocacy and lobbying activities with MoLS for the development and endorsement of National Business Resilience and DRM Guideline. The interventions at micro level aimed at addressing the health, economic and psycho-social impacts of the pandemic and conflicts through delivering essential health supplies; providing finance and non-financial support to informal and formal MSMEs; financing innovative ideas; and deploying volunteers. Specifically ten urban centers (Adama, Ataye, Degehabor, Gelan, Gode, Gondar, Injibara, Kebridehar, Kemise and Mersa and their inhabitants) were benefited from the intervention that focused on supporting MSMEs, laid off workers and the unemployed through wage subsidy/ grant and social safety.

The evaluation focused on assessing the approach employed (project relevance and design), impact, effectiveness, efficiency, the prospect to sustainability (ownership), and consideration of gender, youth, disability and environment in the design and implementation of the project. Additional assessment criteria including adaptability, coherence, coordination mechanism and its effectiveness, suitability of the indicators, benchmarks and targets set in the project have also been considered. The task harvested lessons and provided recommendations that can guide the engagement areas of UNDP CO on jobs, livelihoods and formal/informal MSMEs planning, integrated service delivery, resilience and coordination.

Both primary and secondary data were used for the evaluation purpose. Primary data were gathered through qualitative methods and field level direct observations of activities. Besides, the Project document (Prodoc) and final project implementation reports (PIRs), diverse study documents produced with the support of the project, programme, policy and legal related documents prepared by government and United Nation (UN) agencies were reviewed. The summary of key successes, challenges, gaps and suggested focus areas in relation to the core thematic areas of the action are presented below.

## **Key project timing and critical events**

A number of risks and uncertainties such as prevalence of pandemic, insecurity throughout the country, extended conflict in north Ethiopia and frequent change in the political leadership happened during the implementation phase of the project. On the positive said the project actors (Federal Democratic Republic of Ethiopia-FDRE, UNDP and donors) consensus to change the implementation areas from Tigray to Oromia and additional urban centers in Amhara and Somali - due to the inaccessibility of the Tigray region when the violent conflict was resumed in north Ethiopia - was appropriate. This among others enabled the country to deliver the secured resources in other areas affected negatively by the pandemic and other emerging crises.

## Project Progress Summary

*Providing High Priority Policy, Advisory and Support (focus area one):* The project financed and coordinated the preparation of a national socio-economic assessment, and response and recovery plan, which served as the base for all development partners to respond to the pandemic. The technical support included undertaking an assessment on the comprehensive socio-economic impact of the north Ethiopia conflict in Tigray between the period of March – May 2021 and preparation of an emergency recovery plan to protect lives and livelihoods of the people in the region. This document had been produced through the coordination of UNDP and other UN agencies as well as other development partners (WB, USAID and others) and in collaboration with the Ethiopian government line ministries and the leadership of the provisional regional administration (PRA) of Tigray. Nonetheless, this assessment and the recommendations in the recovery plan were not implemented due to relapse of the north Ethiopia conflict in June 2021. Regions were also assisted to develop their own response and recovery plans by considering their local contexts. Further, the project supported MoLS to draft national business resilience and disaster risk management guideline that incorporated among others role and responsibility of key stakeholders, monitoring framework and contingency response planning process. There were ongoing lobbying activities to make the guideline a policy document, including ensuring that the document has the awareness, acceptance and full-hearted support of actors' beyond the MoLS such as regional governments, the PM office and the house of people representatives. Innovation is not well developed in Ethiopia as the Global Innovation Index 2021 indicated. The project financed the idea of seven innovators who submitted their technological solution that assist for the prevention and control of the pandemic. This component of the project was substantially underfunded.

*Enabling continuity of Critical Government Functions (focus area two):* The assistance by UNDP (ICT equipment support, zoom licenses and training on business continuity and standard operating procedures) has strengthened the government offices capacity and commitment to organize virtual meetings in the era of COVID-19 among officials and experts to ensure that decisions are made on time and services are delivered without interruption to the general public in the times of current and future crises.

*Strengthening the implementation capacity of the government at federal, regional and urban center levels (focus area three):* The project facilitated review meetings as well as trainings on the project implementation modality. The participants included, the Job creation council members ( including Trade , Revenue , Women and Social Affairs, micro finance institutions...), the project advisory board, BEU/MoLS, and the regional project focal persons. Further MoLS procured and dispatched office equipment and supplies to the end users at regional and urban center levels.

*Supporting informal and formal MSMEs to mitigating the socio-economic impact of COVID-19 and other emerging crises (focus area four):* The DFATD/UNDP funded project supported 11,509 MSMEs impacted by the pandemic (COVID-19) and resulted in the retention of 26,550 jobs/employees in collaboration with financial institutions (Cooperative Bank of Oromia-CBO<sup>3</sup> and Commercial Bank of Ethiopia-CBE<sup>4</sup>), and the MoLS. In aggregate nearly 152 million Birr (about 46 percent from DFATD contribution) has been provided as grant to the informal sector, wage subsidy to the formal MSMEs, and social safety net to jobless youths between January 2021 to June 2022 in the target ten urban centers in Amhara, Oromia and Somali regions. Formal and informal business owners contacted by the evaluation team confirmed how the financial assistance contributed for subsidizing their family basic needs, and the protection of their business from closure, selling of productive asset, and/or their employees from losing their job. The evaluation found the huge unmet financial needs and suggests the expansion of soft loan facilities that includes increasing loan size and designing system that address the guarantee and collateral bottlenecks for both Ethiopian informal sector and formal MSMEs. It is evident from the project evaluation that a comprehensive financial and non-financial strategy including finance, training, coaching, market, working space, and mentoring should be delivered to the target enterprises.

*Deploying Social Capital to Combat COVID-19 (focus area five):* Activities implemented under this focus area were supporting youth volunteers' engagement, production and dissemination of communication materials, and delivery of

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<sup>3</sup> As per the agreement signed on June 27, 2021 between JCC and CBO to administer grants to be provided for informal sector

<sup>4</sup> As per the agreement signed in December 2020 between JCC and CBE to transfer wage subsidy payments to MSMEs



trainings on emotional resilience and essential health supplies, aimed at minimizing the health, economic as well as the psycho-social impacts of the pandemic and the violent conflict in north Ethiopia on the general public and public employees. These activities complemented and implemented in line with the strategies of other similar programmes of UNDP in the country. Specifically, 291 (91F) youth volunteers were deployed for COVID-19 prevention campaign in seven of the nine urban centers under the umbrella of the Ministry of Peace Ethiopian National Volunteer Community Service Programme (ENVCSP). The volunteers provided psychosocial support, motivational, and business advisory support as well as training in public health measures to combat COVID -19 pandemics and the social crises in intervention areas. The emotional resilience training workshop has been provided to 236 government staff of ten administrative zones in Amhara. This was provided to ensure that the public workers are developing emotional resilience in planning and doing business in the face of crisis. The delivery of essential health supplies such as mask and sanitizer for the prevention of the dissemination of the corona virus were not fully achieved, since this was not highly prioritized during the implementation period of the project that started in January 2021. The project reached about 120,000 citizens with psychosocial support, COVID-19 messaging and information through printed and electronic media that contributed for the prevention and controlling of the spread of COVID-19 in Ethiopia.

*Support to the BEU (focus area six):* MoLS established BEU - with UNDP support- to coordinate the effective implementation of projects focused on MSMEs' support. This unit has been set up to report to Delivery Assurance and Capability Building Directorate within Job Creation Commission (JCC), rebranded currently as Ministry of Labor and Skills (MoLS). Initially it has been structured to have nineteen staff for the federal and regional level offices; eleven to be assigned at eleven region and city administration levels and eight of them to be assigned at federal level. Finally twelve experts have been assigned with the support of the project mainly to federal office. Focal person from the existing staff of regional and urban center labor and skills offices have been assigned for the regional and local level MSME support activities. The BEU was said to be adequately staffed at federal level.

### **Lessons learnt**

The evaluation finds the following lessons generated from the review of the documents and consultations with the project stakeholders:

- Besides giving focus on new jobs creation, the challenges of existing informal and formal MSMEs should be well understood and appropriate support provided to them.
- Evidences from Somali region suggested the possibility of changing the policies of private banks towards making their policies in favor of vulnerable MSMEs.
- The current evaluation approves the relevance of having national business resilience and disaster risk management strategy in addressing the response and recovery needs of Ethiopian MSMEs. Nonetheless, we are arguing that this will have muscle when the document has policy support and the ownership of all key actors and the federal and regional government.
- Targeting biases that lead to various types of inequalities and discrimination in all spheres of life can be addressed when we have data to tell the extent of the problem. The evaluation highlighted the need to make information and effective project management as a central part of the implementing partners that includes enabling them to determine baseline values, project targets and generate a gender, age and disability disaggregated information on ProDocs and PIR.
- In terms of minimizing the risks of borrowers and increasing the creditworthiness of MSMEs, guarantee schemes mainly a guarantee from the public actors are more likely is a workable debt instrument compared to (a) personal guarantee that is challenging to deliver for the vulnerable MSMEs; (b) group collateral approach of MFIs that made accountable other group members if someone from the group is a defaulter; and (c) loan risk Guarantee fund that have limited follow up and low repayment rates.
- The evaluation suggested that future financial supports to MSMEs should be provided as soft loan instead of free grant as this modality provides a room for other vulnerable enterprises to access cheap loan from the repayments and weeding out of fake beneficiaries.

- We have found some challenges and gaps on horizontal coordination in among key actors' such as MoLS, MiNT, MoP and Entrepreneurship Development Institute (EDI) when the COVID-19 Challenge Grant, national volunteer and the Business Development Service (BDS) support component of the project was implemented. This highlighted the need to establish a multi-stakeholders' platform to mitigate risks, achieve value for money, and enhance the effectiveness, sustainability and ownership of external assistances.

### Summary of conclusions

- The final external evaluation concludes that generally the project strategy was informed by high level socio-economic assessments, the need of the target urban centers, Ethiopian government national priorities and global commitments as well as UNDP development cooperation priorities and programming experience elsewhere in Ethiopia or globally.
- The project encountered a number of complex political, operational, and financial risks during the implementation phase. Eventually BEU/MoLS tried to minimize the adverse impact of these crises- on the effectiveness of the DFATD, MPTF and RFF investment- by applying workable strategies. In sum, most of the planned activities were done and the allocated budget had been utilized in the agreed time frame, without cost-extension.
- The numbers of MSMEs reached by the project, Banks, and other state and non-state actors finance delivery mechanizes were few compared to the huge need throughout the country or in the urban centers selected for the implementation of this activity.
- The government regular budget is mainly used for covering administrative costs and salary of staff at all levels. Further, all levels of government including the micro level administrations have shifted budgets if any for security, humanitarian response and rehabilitation and restoration of damaged infrastructures due to the current regional problems related to the conflict in the north of Ethiopia, climate change and impacts of COVID-19, with limited capital and operational budget to finance developmental activities.
- UNDP CO engaged less and promoted NIM in the implementation of the project. Besides the agency assisted MoLS to establish BEU that strengthen the effectiveness of the NIM and the technical and project management capacity of MoLS in the long term. Nonetheless, a number of gaps on timely delivery of tasks, data management, risk analysis and management, updating and using ProDoc as management tool have been observed. We have the conclusion that there are gaps on the data system evidenced by our challenge to fully verify the level of participation of vulnerable groups in the different focus areas of the project, since the ProDoc and PIR didn't provide extensive data on project targets and achievements disaggregated by age, sex and disability status. There were several changes on project strategies, the operational context and the project implementation areas that dictated the reallocation of budget and its utilization, mostly for direct cash transfer to the affected MSMEs (respondents' information from BEU/MoLS). Nonetheless, we couldn't able to provide evidence based comment and elaboration on this since the financial/audit report of the project from the client was not ready and shared to the consultant during the inception and field phase of the evaluation mission. In addition, the modifications on the project implementation strategies were not reflected in the master ProDoc specifically on result framework, although this tool is critical in monitoring progresses towards achieving the desired results and impacts. Further, the ProDoc was not updated by incorporating the risk related information that were identified and documented in the EMP and the PIR.
- The MoP is requiring continues external assistance in the areas of technical cooperation such as sharing information, experiences and researches; training; facilitating exposure visits; and material support to make the ENVCS more effective. UNDP should also engage in collaborative advocacy and lobby with the government of Ethiopia (FDRE) to ensure that the country has a volunteers' policy to moving forward the volunteerism agenda in Ethiopia.
- There was a tendency of following a fragmented approach in the project implementation by assigning some component of the COVID-19 response project (e.g. the social safety net activity) to a newly targeted urban center. This approach has limitation to deliver durable solution, and might not lead also to harvest multi-sectoral

lesson that can be scaled up elsewhere in the country by the government, UNDP or other urban agenda development partners.

- Despite the project implementation challenges like the pandemic and insecurity in the operational areas, most of the wage subsidies and other grants were distributed in the life of the project. The decision to maintain the initial project period -without having cost neutral extension- was appropriate, since the remaining works of following up the beneficiaries could be easily managed by the existing structure of the government, including One Stop Service Center (OSSCs) at community level.

## Recommendations

The final external evaluation offers the following recommendations.

- As per the project documents and confirmed from the respondents, the experts and officials from urban centers, regions and the federal government prioritized capacity gaps and job creation/retention as their focus areas to improve livelihoods of their people; therefore, the need for UNDP financial and technical support locally is strong. Eventually, the establishment, operation and evaluation of future finance delivery mechanisms to MSMEs should be governed by lessons harvested from the success and challenges of past and existing initiatives such as Credit Guarantee Schemes (CGSs) including public or other third parties credit guarantees scheme, loan guarantee fund, soft loans, and free grant/wage subsidy implemented by government of Ethiopia with its own resources and in collaboration with financial institutions, UN agencies, and NGOs.
- Perhaps NIM implementation and partnership modality could be more successful if the UNDP CO supports to the Implementation Partners (IPs) on data collection and analysis systems and skills, risk assessment and on project management in general to facilitate implementation, monitoring, documentation and reporting requirements of a project has been strengthened further.
- UNDP and the national IPs should identify potential coordination, security, health, legal, policy, structural, political, administrative, financial and environmental risks with their mitigation strategies besides project assumptions, in the project design phases, as this is a precondition to the effective address anticipated and emerging challenges. Having proper risk and uncertainties analysis during the project design is useful to completing tasks on time; ensure wise use of human and financial resources; and achieving the objectives and sustainability of a given external investment.
- Results framework/log frames should be used as an effective management tool and any modifications including implementation strategies and budget revisions should be approved by concerned bodies and reflected with justifications in the multiyear Prodoc. In addition, a comprehensive monitoring and evaluation plan should be prepared to guide project data collection and reporting.
- UNDP can add value for the strengthening of the ENVCSPP through providing technical assistance (TA), training, experience sharing, and material support to MoP. Collaborative advocacy with the FDRE is another engagement area to facilitate the drafting and endorsement of a national volunteers' policy.
- UNDP and its partners should explore further to make complementarity or integration of the business resilience and DRM guideline with the existing DRM policy of the government of Ethiopia to enhance the quick adaptability of the business resilience and DRM guideline by state and non-state actors in Ethiopia.

## Limitations and Challenges

- The main challenge that hinders the field data collection was the difficulty to prepare a work plan that fits the availability and work plan of the regional focal persons in the three regions. The work plan of the consultant was changed three times to accommodate the other priority of the field experts. There was also ongoing political leadership and experts' changes<sup>5</sup> in the target towns and regions due to demotion, promotion, transfer and resignation that limited the evaluator to meet some of the experienced project focal persons and experts for the

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<sup>5</sup> We have encountered this in Adama, Gode towns, and at Oromia and Somali at regional levels

interview. However, this was managed by having conversations with other experts who have information about the project. There was no security, COVID-19 pandemic and other natural disaster related challenge that limited the consultant to do the field visits and meeting with peoples in the study area in Amhara, Oromia and Somali. For federal and regional level respondents, telephone interview had been used when there is a challenge to have physical meetings because of distance and unavailability of the interviewees for several reasons.

- There are no indicators as well as project self-report information to evaluate the progress towards the project contribution for the achievement of the project objectives. Nevertheless, the current assessment has tried to generate impact level information using secondary document review and based on the data obtained from the key informants and the focus groups. This helps to confirm the contribution of the project towards the achievement of the project objective.

### **Structure of the Final External Evaluation Report**

The final external evaluation report starts with an executive summary, highlighting the project summary, the key findings, conclusions, recommendations, lessons learnt and limitation of the assessment. Section One – Introduction – presents background of the project, the purpose and scope of the work, and approach and methodology of the final evaluation. Section Two presents introduction about the project and evaluation techniques, while Section Three, Four, Five and SIX presents the evaluation findings, accountability and additional crosscutting issues, lesson learnt, and conclusions and recommendations respectively. Annexes are found in the last section.

## 2 INTRODUCTION

### 2.1 Background to the project

The Socio-economic Response and Recovery on the impact of COVID and Social Crisis in Amhara and COVID impact in Oromia and Somali Regions project was an eighteen months project, funded by DFATD, RFF, UNDP/MPTF and UNDP Core with a budget of USD 4,921,135. The project was officially closed by the end of June 2022; which includes delivery of the final report. The project was designed based on the UNDP coordinated and FDRE endorsed socio-economic assessment of the impact of COVID-19 on jobs, livelihoods and MSMEs in Ethiopia and the accompanying response and recovery plan. The strategies of the project and its operational areas were modified latter by incorporating emerging issues and the local context after undertaking benchmark assessments in selected urban centers and after consultation and reaching consensus with key stakeholders from the government, Banks and UNDP.

The project was implemented at macro, meso and macro levels. The interventions at federal and regional levels focused on capacity building of key governmental agencies on business continuity planning, business resilience and DRM guideline formulation, and emotional resilience skill. It also included producing socio-economic assessment reports that guided the preparation of the response and recovery plans of the federal government and the regions. Whereas the project aimed at addressing the health, economic and psycho-social impact of the pandemic, conflicts and climate change at the community level through delivering Personal Protective Equipment (PPE), promoting innovations, and supporting informal and formal MSMEs as well as the implementation of the ENVCSP.

The activities at grass root level were done in selected ten urban centers from Amhara, Oromia and Somali regions. The implementing partners of UNDP were MoLS, MiNT and MoP and the activities were done in close collaboration with international and national counterparts, including X-Hub Addis, Private Banks, Universities, EPHI, and UN agencies. BEU established with UNDP support and located in MoLS was coordinating the implementation of the project, getting leadership and direction from the project advisory board led by the commissioner of labor and skills. Regional and urban center level project focal persons from Bureaus of labor and skills and Bureaus of Peace and Security were assigned to provide backup support to the project coordination unit and to follow up the project on a day-to-day basis and to ensure that the project produces the results specified in the project document, to the required standard of quality and within the specified constraints of time and cost. The project developed implementation modality that guides the management of the financial support to MSMEs in its extended inception phase. The UNDP CO was also providing technical and field level support to the BEU/MoLS.

The overall objective of the project is containing the spread of COVID-19 and strengthening resilience of communities. Specifically, the project had been designed to help MSMEs in the selected regions recover and build back better jobs, livelihoods and MSMEs within the context of improved, resilient, sustainable, and inclusive growth at regional level in Ethiopia. It also aims at building institutional capacities of the affected areas so that they will be able to respond to challenges and help their respective communities (mainly MSMEs) recover from the challenges. This project has six focus areas to be achieved by the end of June 2022:

- Focus area (FA) one: Providing High Priority Policy, Advisory and Innovation Support
- FA two: Enabling continuity of Critical Government Functions
- FA three: Strengthening the implementation capacity of the government at federal, regional and urban center levels
- FA four: Mitigating the socio-economic impact of COVID-19
- FA five: Deploying Social Capital to Combat COVID-19
- FA six: Strengthening the management capacity of the BEU

## **2.2 PURPOSE AND SCOPE OF THE WORK**

The external evaluation covered 18 months of project implementation period (from January 2021 to June 2022). The evaluation was forward looking to capture effectively lessons learnt and provide information on the nature, extent and where possible, the potential impacts and sustainability of the project. The evaluation assessed the approach employed (project design and scope); identify gaps and major success of the project towards contributing to MSMEs resilience building; challenges encountered; and propose possible solutions that can inform the upcoming programs and interventions of UNDP for Ethiopia with attention to jobs, livelihoods and formal/informal MSMEs planning, integrated service delivery, resilience and coordination.

**Specifically, the evaluation was planned to:**

- Assess the relevance, effectiveness, efficiency, coherence, sustainability, and the impact of the program in delivering on agreed outcomes and outputs and their contribution to national development efforts,
- Review validity of programme assumptions and the logic/ theory of change
- Determine the adequacy of the existing systems and structures for implementing the program,
- Review risk assessment & mitigation measures taken for ensuring progress on implementing the programme's interventions
- Assess if program outputs and outcomes have been achieved,
- Identify major constraints faced, document lessons learned during implementation, and make recommendations for overcoming implementation challenges and supporting results achievement going forward,
- Identify implementation challenges and operational issues, and provide feedback,
- Identify factors that have contributed to achieving or not achieving the intended program Output/outcome,
- Identify factors that have or may have not contributed to relevance, effectiveness, efficiency, coherence, and sustainability of interventions.

## **2.3 Approach and methodology of the final evaluation**

### **Final External Evaluation Team Members**

UNDP assigned one independent national evaluation consultant who has been involved from the inception phase, field work, data analysis and report writing. There was no security concern and COVID-19 travel restriction was relaxed during the final evaluation. Therefore, the consultant directly involved in the field work that gave him a chance to meet with people and make physical observation of the implemented activities. The evaluator was linked with the key informants from the target government stakeholders, service providers and urban actor partners at national and municipal levels by the BEU/MoLS. The city administrations specifically the offices of labor and skillss organized key informant interviews (KIIs), Focus Group Discussions (FGDs) and field observations with the local government actors, as well as community and MSMEs in Adama, Injibara and Gode towns. In addition, the BEU/MoLS, and other government stakeholders delivered all the available documents for the consultant for review work.

### **Evaluation mission approval and consent to Participate**

This evaluation was approved by MoLS and the agency wrote a formal letter of support (Reference Number: 23/6903/164/2015; dated 24-2-2015 Ethiopian Calendar) to each of the three regions requesting them to assist the consultant during the field data collection by organizing community meetings, field visits and interview with key informants. The consultant did the interviewees and taken pictures when he got their consents.

### **Data Collection and Analysis**

Qualitative data collection methods mainly with semi-structure questions have been applied to collect qualitative and quantitative data from primary and secondary sources. The final external evaluation depends on data from document review, KII, FGD, and field observation.

**Preparation and Inception:** This step included face to face meetings and cell phone conversation with BEU/MoLS to discuss the programme of work, gather the relevant documents, agree on a list of stakeholders to be consulted and finalize the evaluation questions. The outcome of these consultations has been incorporated in the final evaluation Inception Report.

**Document Review:** All documents which are related to the project such as annual work plan, technical and other reports, UNDP publications and guidelines, diverse documents produced by the project support were reviewed to complement information collected from the primary sources. Moreover, relevant secondary documents that were mainly from web based free access resources had been reviewed. These document reviews provided a basis for the analysis, and to establish linkages and determination of the project contribution to national development programs, plans and policies; Sustainable Development Goals (SDGs); and UNDP Ethiopia Country programme document (CPD's)-United Nations Sustainable Development Cooperation Framework (UNSDCF). The key documents reviewed are contained in annex 6.

**Key Informant Interview (KII) and Focus group discussion (FGD):** Overall, 75 (45 Female-F) respondents were contacted as key informant and/or focus group participants from different stakeholders. Respondents from BEU/MoLS, MoP, MiNT, Entrepreneurship Development Institute (EDI), municipal level government offices, MSMEs and other form of private sector, urban residents were included in the KII and FGD (annex 7).

**Participatory Technical Observation:** Physical observation of the working place of the target MSMEs were done. In general, twenty five working places, including open markets, beauty salon, retailing shops, restaurants and market sheds were visited.

**Selection of project sites for the field visits:** Primary information from the operational areas in Amhara, Oromia and Somali regional states had been collected by a mixed approach - directly visiting and remotely accessing the operational areas- to effectively use our limited ten days field work time. In sum, three of the ten project sites from the three target regional states were visited since the peace and security was reliable in the selected areas. Data from six project sites had been collected via cell phone communication.

Directly visits	Remote/virtual data collection
Amhara-Injibara	Amhara- Ataye, Kemise and Gondar
Somali-Gode	Somali- Kebridehar and Degahabur
Oromia-Adama	Oromia-Gelan

It is deemed that the three towns are fully representative of the whole project area. These cities were purposely selected by the evaluator and the visit implemented after getting the consent of the client. In sum, the selection of these three cities for the field work is justified in terms of effective time management. In addition, the findings were cross referenced with the key informant interview findings from all target cities and at federal levels, other documents such as the PIR. The final external evaluation consultant does not therefore consider that the selected visit of the target cities interfered with the accuracy or the quality of the findings in any significant way.

**Evaluation Rating Scale<sup>6</sup>:** Project performance was reviewed and rated using the standard rating scales set out in the UNDP (2020) guidelines (see Box 1 and Box 2 for a summary). The main dimensions of project performance that were rated are: Relevance, effectiveness, efficiency and sustainability. The primary reference points for assessing performance were the indicators and targets set in the ProDoc, with consideration given to contextual factors. The actual evaluation was guided by the issues outlined below:

<sup>6</sup> [http://web.undp.org/evaluation/guideline/documents/GEF/TE\\_GuidanceforUNDP-supportedGEF-financedProjects.pdf](http://web.undp.org/evaluation/guideline/documents/GEF/TE_GuidanceforUNDP-supportedGEF-financedProjects.pdf)



### Box 1: Outcome Ratings Scale - Relevance, Effectiveness, Efficiency

**Highly Satisfactory (HS, value 6)** - Level of outcomes achieved clearly exceeds expectations and/or there were no shortcomings

**Satisfactory (S, value 5)** - Level of outcomes achieved was as expected and/or there were no or minor shortcomings

**Moderately Satisfactory (MS, value 4)** - Level of outcomes achieved more or less as expected and/or there were moderate shortcomings.

**Moderately Unsatisfactory (MU, value 3)** - Level of outcomes achieved somewhat lower than expected and/or there were significant shortcomings

**Unsatisfactory (U, , value 2)** - Level of outcomes achieved substantially lower than expected and/or there were major shortcomings.

**Highly Unsatisfactory (HU, value 1)** - Only a negligible level of outcomes achieved and/or there were severe shortcomings

**Unable to Assess (UA)**-The available information does not allow an assessment of the level of outcome achievements

Source: Guidance for conducting terminal evaluations of UNDP-supported GEF-financed projects (2020)

### Box 2: Sustainability Ratings Scale

**Likely (L, value 4)** - There are little or no risks to sustainability

**Moderately Likely (ML, value 3)** - There are moderate risks to sustainability

**Moderately Unlikely (MU, value 3)** - There are significant risks to sustainability

**Unlikely (U, value 4)** - There are severe risks to sustainability

**Unable to Assess (UA)** - Unable to assess the expected incidence and magnitude of risks to sustainability

Source: Guidance for conducting terminal evaluations of UNDP-supported GEF-financed projects (2020)

**Project Strategy (Project design and Results Framework/Logframe):** The final external evaluation examined the problem addressed by the project and the underlying assumptions; reviewed the effect of any incorrect assumptions or changes to the context to achieving the project results as outlined in the ProDoc; reviewed the relevance of the project strategy and assessed whether it provides the most effective route towards expected/intended results; checked if lessons from other relevant projects were properly incorporated into the project design; examined how the project addresses country priorities and reviewed country ownership. The final evaluation also reviewed decision-making processes to determine if the planning phase took the perspectives of those who would be affected by project decisions, those who could affect the outcomes, and those who could contribute information or other resources; and, the extent to which relevant gender, youth and disability issues were raised in the project design.

**Data Analysis:** Both quantitative and qualitative analysis methods were used to analyze data obtained from KII, FGD, field observation, and document review. This evaluation tried to move beyond the traditional approaches of measuring only knowledge and skill change, and take into account urban leadership capacity building interventions for their relative impact on behavior change, self-efficacy (including confidence), changes in practice, policies, application, services, and organizational support. The evaluation offered data not only on the individual level changes but also at multiple level (including organizational, and system) outcomes of the capacity development intervention even though attribution was more difficult at organizational, and system level. This was attempted using potential proxy measures like changes in government structures and urban leaders' implementation practices, for instance. The evaluation considers data collection methods beyond self-report of BEU/MoLS, or applied additional validation measures to strengthen confidence in their outcomes and decrease the potential risk of bias and misinformation. The



data gathered through the qualitative methods were analyzed by using triangulation, concepts and opinions interpretation, and compare and contrast methods, and was presented using narrative quotes.

### 3 FINDINGS

#### 3.1 Project relevance, design, and adaptive management

Overall evaluation rating- **Moderately Satisfactory**

1. The staffs of the BEU—who are administratively reporting to UNDP—were fully connected with the human resources of MoLS<sup>7</sup>, not only sharing the same office but also technically reporting and working closely with the different officials and experts of the ministry. This was also confirmed from the responses of the target regions and urban center experts who perceived BEU staffs as part of the MoLS structure. This demonstrated the relevance of the project design as well as the willingness and commitment by the BEU staffs and the management of MoLS attentiveness to make the TA from UNDP more useful. On the other hand, the continuity of the BEU is constrained by unavailability of financial resources to implement new projects<sup>8</sup>, and maintain the staff of the unit<sup>9</sup>. This could be addressed if the project advisory board mobilizes resources to scale-up the recovery interventions as stipulated in the implementation modality (2021) and the project agreement between JCC and UNDP.
2. The final evaluation finds that the project strategy is fully aligned and contributing to Ethiopia's national and international commitments. This is evidenced as follows:
  - The project was consistent with Ethiopia's development objectives as set out in the Ten -Year Development Plan (2021–2030)<sup>10</sup> which has diverse focus areas, including Trade Development, Innovation and Technology Development, and Gender and Social Inclusion.
  - A key thrust of the MSMEs development strategy for Ethiopia (which is under revision since January 2020) is addressing the enterprises bottlenecks that included limited access to finance specifically to the informal sector and vulnerable groups like women, youth and person with disabilities<sup>11</sup>. One of the focus areas of the Plan of Action for Job Creation (2020-2025)<sup>12</sup> stated about transforming the business ecosystem to build vibrant and growth-oriented MSMEs through improving access to finance, by notably establishing a partial public credit guarantee scheme (PCG), and supporting the development of innovative financial products for start-ups. The project outputs that has been catered to address the financial demand of MSMEs and their employees who were negatively impacted by COVID-19 and other emerging crises through providing wage subsidy/grant, coverage of operational cost for businesses/financial services <sup>13</sup> and engaging them in public work/social safety net programme was aligned with these documents.
  - MSMEs account for 90% of businesses, 60 to 70% of employment and 50% of GDP worldwide<sup>14</sup>. Job creation through MSMEs means benefiting the poor and vulnerable, particularly women and youth, thereby directly reducing poverty, increasing income and positively impacting on household investments in education and health over time; contributing to Sustainable Development Goals (SDGs) -SDG 1 (end poverty), SDG 2 (zero hunger), SDG 3 (good health and well-being), SDG 5 (gender equality), SDG 8 (promote inclusive and sustainable economic growth, employment and decent work), and SDG 9 (improve sustainable industrialization and fostering

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7 Dual reporting approach was in place, for UNDP and JCC- Delivery assurance and capability building Directorate

8 MoLS (former JCC) has an ambition to mobilize about 5.4 billion Birr for soft loan and wage subsidies/ grant to the informal sectors (Implementation modality, 2021) from multilaterals and bilateral, including French Development Agency and European Union. This could be partly or fully achieved (despite the political situation that limited the country to access foreign assistance) if other potential donors were investigated and approached as well.

9 Even though the BEU is a temporary project based arrangement (Implementation modality, 2021), the target of accessing and implementing MSME financial support projects with about 5.4 billion Birr in practice takes more time beyond the life of the Canada/UNDP funded project.

10 Government of Ethiopia, Planning and Development Commission of Ethiopia. 2007. Ten Year Plan, 2021–2030. Addis Ababa

11 <https://jobscommission.gov.et/msme-strategy-revision/>

12 <https://jobscommission.gov.et/wp-content/uploads/2019/11/National-Plan-for-Job-Creation-Brief.pdf>

13 coverage of operational cost for businesses/financial services (soft loan) was not provided in practice because of the strategy change that reallocated the soft loan fund to wage subsidy to the formal sector, and cash grant to informal enterprises

14 <https://www.un.org/en/observances/micro-small-medium-businesses-day>

innovation)<sup>15</sup>. In this regard, the DFATD/UNDP funded project that aimed at addressing the emergency and recovery needs of the MSMEs in the target ten urban centers in Ethiopia was highly relevant.

- The project focus area on supporting MSMEs impacted by manmade and natural crises, including COVID-19, Conflict and Climate Change corresponds to UNDP Ethiopia Country programme document (CPD's)-United Nations Sustainable Development Cooperation Framework (UNSDCF) outcome that says "by 2025, all people in Ethiopia benefit from an inclusive, resilient and sustainable economy"; specifically Output 2.2 Marginalized groups, particularly the poor, women, persons with disabilities and displaced are empowered to access entrepreneurship services and financial and non-financial assets and services to build productive capacities and benefit from sustainable livelihoods and jobs.
3. Beyond its health impact, the pandemic has caused socio-economic disruption to the wider community<sup>16</sup>. Representatives of the target MSMEs reported how their business activity and livelihood were affected when the pandemic was a public health concern and gathering and movement of people was restricted by the government at federal, regional and local levels<sup>17</sup>. The final evaluation rated the project as relevant, since the DFATD/ UNDP funded project in Ethiopia targeted and offered financial resources to MSMEs adversely affected by COVID-19 and additional emerging crises<sup>18</sup> to enhance their emergency and recovery needs. The respondents said that the financial support provided to them was worthwhile in addressing their needs for investment; wage subsidy; family consumption; loan repayment to avoid the risk of defaulting on their existing debt; payments of tax and children school fees.

*I started the traditional coffee selling business - on the market shed provided to my sister by the government- immediately after I graduated from university on Sociology in 2021. The income was good but COVID came soon, before I established myself. The first case of the pandemic in Amhara region was reported in our town, and the public was in panic to use our services for long time. My family and I consumed most of my savings and it was difficult for me to resume the business at full scale until I got cash assistance of Birr 12,900 from the government. I used the cash to upgrade my traditional coffee selling basic materials, including chair, cups, clay and metal pots. I have started generating good income again. I will never seek for public sector employment. I will expand the traditional coffee business or look for other opportunities if I get loan - Tsega Bitawelege (F), Injibara, Amhara region*

4. Further, there were cases where the project showed some flexibility to cope with changing conditions. During the implementation period (January 2021-June 2022), the project plan to deliver COVID-19 essential supplies (e.g. test kits, masks, sanitizer, etc...) became less relevant. Among others the five month state of emergency was lifted in September 2020, and the pandemic has become less public health concern since then. Therefore, the decision made by the project advisory board at MoLS to use this fund for other more relevant purposes was wise use of limited resources. When the north Ethiopia conflict relapsed, the situation in Tigray didn't allow project implementation in the region. The prevalence of this event forced the project stakeholders to make some flexibility that resulted in the substitution of the implementation areas in Tigray region<sup>19</sup> by urban centers in Oromia, Amhara and Somali regions.

<sup>15</sup> [https://sdgs.un.org/sites/default/files/2020-07/Policy\\_Brief\\_MSMEs\\_and\\_SDGs.pdf](https://sdgs.un.org/sites/default/files/2020-07/Policy_Brief_MSMEs_and_SDGs.pdf)

<sup>16</sup> <https://www.who.int/news/item/13-10-2020-impact-of-covid-19-on-people's-livelihoods-their-health-and-our-food-systems>

<sup>17</sup> On 16 March 2020, the office of the Prime Minister announced that schools, sporting events, and public gatherings shall be suspended for 15 days (<https://www.aa.com.tr/en/africa/covid-19-ethiopia-closes-schools-bans-public-events/1767683>); On 31 March 2020, Amhara regional state introduced 14-day total lockdown in 4 cities including Injibara and three other towns (<https://www.fanabc.com/archives/17133>); On March 30, 2020, The Oromia Region Communication Bureau announced a total suspension of transportation services in Adama city after three new cases of COVID-19 were confirmed in the town. This also included restriction of human movements in the city in a bid to halt the spread of the virus (<https://www.ezeqa.com/News/NewsDetails/7864/Adama-City-Freezes-Transportation-Services-over-COVID-19>); On 30 March 2020, a complete ban on cross-country and inter-city public transportation was imposed in Adama town (<https://www.ezeqa.com/News/NewsDetails/7864/Adama-City-Freezes-Transportation-Services-over-COVID-19>); On 10 April, parliament approved a five-month state of emergency, giving authorities sweeping powers to battle the disease. It introduced measures such as a nationwide ban on gatherings of more than four people, making the wearing of masks compulsory outdoors, and regulating the operation of transportation services, hotels, and restaurants under reduced capacity.

<sup>18</sup> Covid-19, Conflict and Climate Change

<sup>19</sup> [https://info.undp.org/docs/pdc/Documents/ETH/COVID%20AWP\\_2021\\_Signed.pdf](https://info.undp.org/docs/pdc/Documents/ETH/COVID%20AWP_2021_Signed.pdf)

On the negative side, however, more than five months have taken before endorsing this change on operational areas.

5. CBE in December 2020, CBO in June 2021 and Development Bank of Ethiopia (DBE) in July 2021 signed agreement with JCC<sup>20</sup> to transfer/administer wage subsidy payments to MSMEs; grants to the informal sector; and soft loan to MSMEs respectively. The agreements with CBE and CBO went well with minor modification on the operational areas and mandate. CBE transferred both wage subsidies and grants to the informal sectors in Amhara and Somali. Whereas, CBO transferred both wage subsidies and grants to the informal sectors in Oromia. The implementation gap here was that –initially– the applicant enterprises in Oromia didn't get clear information about the financial service provider. The applicants were called again to deliver CBO account number after they spent some time and completed their registration with CBE account number. The respondents from beneficiaries in Adama said that CBO was overcrowded with thousands of people who were expected to open bank account from this bank in short time. According to them this was disgracing experience specifically to those who were applied for the grant but not selected, since they spent more time hoping that they are getting the assistance.
6. As per the project implementation modality (June 2021) and grant agreement with Canada (January 2021-March 2022), financial assistances for MSMEs enterprises (other than wage subsidy to formal sector and grant to informal sector) was planned to be provided as coverage of operational cost for businesses/financial services<sup>21</sup> within the framework of a personal guarantee modality. **On the demand side** (as per the respondents from the government and community), micro and small enterprises can rarely provide the securities or collateral for their loans<sup>22</sup>. A loan grant administration agreement between JCC and DBE has been signed to address this challenge of vulnerable enterprises. As per this agreement DBE is administering a loan grant (initially 50 Million Birr sourced mainly from UNDP, to be increased when new funds are secured) to be transferred to the Banks by JCC, and loan size of 30 thousand, 60 thousand, and 90 thousand will be transferred to small, micro and medium formal enterprises respectively by the Bank at a soft loan (5% interest) when the borrowers are delivering a personal guarantee (fixed term employment<sup>23</sup> or trade license<sup>24</sup>) as collateral where the guarantor signs a personal guarantee for the borrower<sup>25</sup>. Based on the same source of information the loan amount that ranges from Birr 30,000 (per micro), Birr 60,000 (per small) and Birr 90,000 (per macro) enterprises was less attractive, particularly to small and medium enterprises. **On the supply side**, the Development Bank, the public owned financial facility selected to administer the soft loan, was not in a position to manage small size soft-loans<sup>26</sup> due to the administrative hassle and costs associate with distribution of the loan and collection of repayments to and from MSMEs. The challenge associated with the credit information system (CIS) of National Bank of Ethiopia has also been mentioned as limiting factor not to deliver soft loan through DBE. Currently the CSI blocks the bank from approving the credit request for the borrowers without referring the information on interest rate, but this is not compatible to the Muslim creditors. Further, the CIS works after feeding the Tax Identification Number (TIN) of clients; which is not applicable for informal businesses. As the result the planned coverage of operational cost for businesses/financial services (soft-loan) modality was unappealing to the DBE. Eventually the project relocated the resource as wage subsidy to formal sector and free grant to the target informal enterprises.
7. The current evaluation has the opinion that free donation of cash is not durable and limits the development partners to reach the financial need of many more unreached MSMEs. When situations changed (when DBE was not in a position to administer small loans and when the loan size was found to be small for the target enterprises for instance), the project was unable to pursue alternative strategies, such as (a) changing the financial service provider; (b) delivering larger loans by decreasing the number of beneficiaries; and (c) designing a partially covered loan

20 Currently it is renamed as MoLS. JCC and MoLS are interchangeably used in this report

21 Coverage of operational cost for businesses/financial services or soft loans are loans with more generous repayment terms than most commercially available loans, including having below-market interest rates and long grace periods before repayment starts

22 the complex loan criteria of Development Bank of Ethiopia; which includes delivery of three years financial and bank statement, fixed asset collateral and wage staff contractual agreement

23 employees with a monthly salary of Birr 3,000

24 enterprises with renewed license and a paid capital of 20,000 Birr

25 JCC (current MoLS) and DBE signed the agreement on July 23, 2021, seven months after a grant agreement was signed between Canada and UNDP

26 The allocated loan size was Birr 30,000 for Micro, Birr 60,000 for Small and Birr 90,000 for Medium enterprises

guaranty scheme (LGS)<sup>27</sup> or partially repayable loans either with DBE or other financial service providers. Lack of agility in the design and implementation of the project has been identified. Among others, lessons from previous experiences on regional states experience in the collection and redistribution of previous soft loans initiated by the federal government<sup>28</sup>, as well as the loan guarantee schemes funded by the United States Agency for International Development (USAID) and the Swedish International Development Cooperation Agency<sup>29</sup>, Oxfam<sup>30</sup>, the Common Fund for Commodities/ CABI/Ministry of Agriculture<sup>31</sup> and the UNDP<sup>32</sup> in the country should have been harvested and sufficiently embedded in the design and later in the implementation phase. Lesson from the public loan guarantee schemes of the FDRE<sup>33</sup>—which has been developed to farmers' unions—might also be consulted to design MSMEs friendly soft loan facilities.

8. Ethiopia was one of the weakest in innovation both in Africa and globally (ranked 126th out of 132 countries according to the Global Innovation Index 2021)<sup>34</sup>. Interventions that promote innovations, including the COVID-19 Innovation Challenge are therefore highly relevant to the country. It was also aligned with the UNDP-UNSDCF outcome that says “by 2025, all people in Ethiopia benefit from an inclusive, resilient and sustainable economy”; specifically Output 2.3 Institutional capacities strengthened through UNDP support to design and implement innovative and gender responsive solutions for sustainable development.
9. The MoLS is mandated to promote and support innovations, and mobilize resources and innovative investments that support start-ups, enterprises and job creation programs<sup>35</sup>. The agency has also experience in managing and coordinating Innovation Challenge Awards, in partnership with the MiNT and funding partners<sup>36</sup>. Nonetheless, the project design missed to include MoLS in the implementation of the COVID-19 Innovation Challenge Grant. As the result the implementation of this sub-project was solely facilitated by the MiNT and UNDP CO experts, without the knowledge of MoLS experts and officials<sup>37</sup>.
10. Indicator one of the output five (capacity of the regions to plan, implement, coordinate and monitor crisis management and recovery measures strengthened) of the project mentioned about organizing platforms on response and recovery mechanism, and supporting the facilitation of the periodic platform meetings for knowledge sharing in among its members and strengthening the coordination between regions and federal structures for effective coordination and reporting. Practically review meetings financed by the project were organized with the participation of the internal staff of the federal and regional representatives of MoLS and Bureau of Labor and Skills (BoLS). This platform could be more impactful if its design and implementation aspired to bring together federal and regional wage and self-employment related stakeholders from public and private sectors, start-up incubators, education and training institutions, civil society, UN agencies and other relevant actors. This type of multi-stakeholders platforms could be relevant, among others, to harmonize implementation strategies, avoid duplication of efforts of different actors and ease policy and other barriers.

27 This is a partial risk sharing arrangements to enhance accessibility of lenders in Ethiopia who use collateral that gives lenders security in case the borrower is unable to repay the loan.

28 Officially called Ethiopian Youth Revolving Fund, and had been established as per Proclamation No. 995/2017 with a 10 Billion Birr budget allocation from the Federal Government. Based on the key informants from Labor and Skill offices at regional and local levels the repayments in Somali and Oromia region is said to be very low. According to the sources from Amhara there is good progress in collecting the repayments, and the region has prepared a new revolving fund guideline that can enable ACSI ( a micro finance that manages the revolving fund; currently Tsadey Bank) to redistribute the repayments to new MSMEs as loan.

29 <https://2012-2017.usaid.gov/ethiopia/news-information/press-releases/loan-agreement-will-increase-access-finance-ethiopian> (a new loan portfolio guarantee agreement with Enat Bank in 2016. The agreement guarantees up to 50 percent of losses on \$10 million in loans, allowing the bank to offer more loans to women entrepreneurs and expanding its capacity to lend to small- and medium-sized businesses. In this arrangement, the applicant should offer collateral equivalent to 50% of the loan requested, in the form of building, cash substitute, bank share and bonds)

30 <https://www.empoweryouthforwork.org/loan-guarantee-fund-a-pilot-from-ethiopia/>

31 <https://www.cabi.org/news-article/effects-of-credit-guarantee-scheme-in-opening-up-lending-to-smallholder-coffee-cooperatives-in-ethiopia-examined/>

32 [https://info.undp.org/docs/pdc/Documents/ETH/Annex%20IV\\_UN%20to%20UN%20Agreement%20with%20UNCDF%20June2021%20Innovation%20for%20Development%20Project%20Document%20-%20final.pdf](https://info.undp.org/docs/pdc/Documents/ETH/Annex%20IV_UN%20to%20UN%20Agreement%20with%20UNCDF%20June2021%20Innovation%20for%20Development%20Project%20Document%20-%20final.pdf)

33 <https://openknowledge.worldbank.org/bitstream/handle/10986/21488/943650WP0Box380nt0Feb01002015040Web.pdf?sequence=1&isAllowed=y>

34 [https://www.wipo.int/edocs/pubdocs/en/wipo\\_pub\\_gii\\_2021.pdf](https://www.wipo.int/edocs/pubdocs/en/wipo_pub_gii_2021.pdf)

35 <https://jobscommission.gov.et/>

36 <https://jobscommission.gov.et/competitions/>

37 BEU staffs have knowledge about it but they are project staff. They should have to involve the project advisory board or provide information about it in its regular meetings and reports

11. There were flexibility that resulted in the revision of the project strategies based on the changes in the local context and macro level political and policy environment, and lesson learnt during the implementation phase. However, the changes in the project strategies were not integrated and used in updating the multiyear ProDoc. This included not regularly updating the master ProDoc by considering the changes made in the agreement and implementation period, number of outputs, and amount of budget. For instance:
- ProDoc of UNDP titled “Enabling and Accelerating the National Response to the Impact of COVID-19: April 2020 – April 2021” has four outputs but the project agreement document signed by Job Creation Commission (currently MoLS) and UNDP has seven outputs<sup>38</sup>. The original ProDoc should accommodate this change and reviewed to assure consistency.
  - Indicator three of output six (# of micro and small enterprises-formal and informal-provided with financial stimulus package/facility and technology support) and the associated activities and budget should have to be under output three (socio-economic impacts are mitigated for women owned enterprises and employees and most affected groups, sectors and geographic areas through implementation of selected recovery interventions on jobs, livelihoods and MSMEs) - Annex 5.
  - Most of the project outputs under output five and six of the MoLS and UNDP signed agreement are related to strengthening the implementation capacity of the government at federal, regional and urban center levels. The project indicators, activities and budgets associated to these outputs (output 5 and 6) should have been combined under one output, not as two separate outputs. This could be important, among other, to do effective activity and budget monitoring.
  - One indicator of Output six (Indicator 5: # of BEU team members maintained to provide direct support for impacted MSMEs), and all project indicators and activities under output seven are related to financing and strengthening the BEU that has been initiated by MoLS with the support of UNDP. They should be reorganized and stated under one output to effectively manage the activities and the budget.
  - *Title of the project*: There are different names used for the project, including Accelerating Ethiopia’s Response to COVID-19 (Agreement with Canadian Government); Enabling and Accelerating the National Response to the Impact of COVID-19 in Ethiopia (Project final report submitted to DFATD); Enabling and Accelerating the National Response to the Impact of COVID-19: April 2020 – April 2021 (UNDP-Ethiopia); Socio-Economic Response and Recovery on the impact of COVID and Social Crisis in Amhara and COVID impact in Oromia and Somali Regions(Agreement with JCC).
12. Ministry of trade and regional integration (MOTR) has functional etrade portal <sup>39</sup> that among others requires business entities to register and renew their business license online. The challenge however is that business entities in all regions and city administrations didn’t complete the use of this system and informal business are not allowed to use this online platform. In this regard the use of this automated method for tracking and verifying the target business was not realistic. One key assumption for identifying the number of employees in each formal business was to use the existing database of the Private Sector Pension Contribution Agency. However, this assumption was found to be infeasible due to the irregular payment of pension contributions (or no pension contribution) by the private sector, as a result, the database does not provide reliable information about the number of employees per each MSME in Ethiopia. In addition, the plan to apply online platform- developed and freely accessed from Kifiya Financial Technologies/Master Card Foundation- for the registration of MSMEs applying for the financial and non-financial assistances was not utilized despite its suitability to COVID-19 prevention measures as it avoid face to face contact of people. This happened since there were some technical issues on the software and the lockdown was lifted during the registration phase. Partly this happened due to MSMEs challenge to upload photo documentation of trade licenses and other relevant documents on the technology platform mainly because of poor quality of internet connection, low public awareness, and the capacity limitation of micro and small enterprises at local level. Therefore, BEU/MoLS preferred to use the manual or paper based approach in the registration of applicants. The

38 Whereas the agreement that was initially signed- but discarded due to the north Ethiopia conflict- for the implementation of the project in Amhara, Somali and Tigray has six outputs

39 <https://etrade.gov.et/>

implementation of the manual registration approach was done in collaboration with the local and regional level labor and skills offices. Once the paper based applications has been delivered to BEU/MoLS in Addis Ababa from the regions, due diligence check has been done by BEU in collaboration with MoLS relevant staff to select some of the applicants for funding based on some ranking criteria. The list of the approved and selected formal enterprises was then provided to the financial service providers to facilitate the free grant transfer. This strategy change on the registration modality of applicants created more time, human resources and logistical requirements to the unit and its collaborators at regional and urban centers levels.

13. Overlap of mandate and duplication effort by different actors, including other COVID-19 response and recovery projects that substantially affect the implementation of the project was not reported. Rather, additional projects implemented by UNDP, IOM, MasterCard foundation, national and international NGOs and the government in the operational areas like Ataye, Adama and Kemise were complementing each other by providing psycho-social support, rehabilitating working spaces, finance and training of the affected enterprises.
14. Ethiopia has pledged to promote gender equality and women empowerment (SDG 5) and uphold the convention on the Elimination of All forms of Discrimination against Women (CEDAW). SDG 5 (Achieve gender equality and empower all women and girls) has got proper attention by the project evidenced by the decision to develop a project specific gender equality strategy (UNDP and JCC grant agreement, January 2021- June 2022) and incorporation of gender and disability affirmative actions in the implementation modality.
15. The project design has been diversity sensitive to ensure that equal opportunity is given to different groups without discriminating them by their category of disability, age, gender, economic status, identity (language, ethnicity), place of origin (highlander or lowlander), and without promoting these differences as a tool for criteria for targeting or not-targeting beneficiaries. In this regard, the design of the project is in line with the targets of SDG 10: Reduced Inequalities. On the negative side, project targets disaggregated by different socio-economic characteristics like gender and youth were not determined for a number of project indicators and end line values. This created a bottleneck to check the diversity sensitivity of the project in practice.
16. On the positive side, the six focus areas of the project incorporated policy, regional and municipal level interventions with a potential to address the complex and multidimensional challenges of urban centers. However, one of the activities of the project, particularly the social safety net component, were further spread horizontally (geographically) and implemented outside the nine target urban centers, without following an integrated approach. This type of gap on project design and implementation limits the effectiveness, impact and sustainability of a project. In addition, it creates a challenge to monitor, track and measure the contribution or the net impact of the project.
17. The BEU/MoLS has organized itself at federal level to coordinate the implementation and management of the six core components of the project. There were no regional COVID-19 response and recovery support unit (RRSU)<sup>40</sup> - as suggested in the project agreement with JCC - with a role of coordinating, following up, documenting and sharing comprehensive information on all regional efforts related to COVID-19 under one management and reporting line. In addition, the plan to assign a business support expert per region was not implemented. There were regional and city government focal persons from the BoLS and the bureau of peace and securities but they were responsible only to follow up either the MSMEs support or the volunteerism focus areas of the project. This created a challenge to coordinate regional level activity and generate comprehensive information –at regional level- about the different component of the project implemented at each region.
18. In practice, the financial assistance has been used by the target enterprises to address their working capital, business expansion needs, as well as some of their family food and non-food needs. Therefore, the wage subsidy was large enough to cover only a portion of the one month salary expenses of the employees, not three months as calculated in implementation modality, and communicated to the beneficiaries during the pre-grant awareness creation session. This is because of the fact that the assistance didn't consider additional expenses like operational, investment and other family costs.

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<sup>40</sup> This unit was expected to have three to five people, and located at the regional Bureau of Finance and Economic Cooperation to support the project by working closely with the federal level BEU



## 3.2 Effectiveness

### Progress towards output analysis

Despite the prevalence of health, political, security and economic related risks throughout the implementation phase, the project has achieved substantial results in its different components. The key achievement and challenges in connection with the six focus areas are presented in the below section.

- Providing High Priority Policy, Advisory and Innovation Support (Focus area/FA one)
- Enabling continuity of Critical Government Functions (FA two)
- Strengthening the implementation capacity of the government at federal, regional and urban center levels (FA one)
- Mitigating the socio-economic impact of COVID-19 (FA four)
- Deploying Social Capital to Combat COVID-19 (FA five)
- Strengthening the management capacity of the BEU (FA six)

### Providing High Priority Policy, Advisory and Innovation Support (focus area one)<sup>41</sup>

This section of the report evaluates the project contribution towards enhancing MoLS and its counterparts' capacity to the COVID-19 and other crisis in terms of risk preparedness, crisis management, as well as business resilience and disaster risk management policies. The analysis illustrate mainly the macro level UNDP engagement, focusing on assessment on the situation and suggesting intervention and funding options to address the impacts of multiple crises on formal and informal MSMEs that have low resilience capacity to adapt and survive. It also included the evaluation of the UNDP assistance in promoting innovations that contributes for the prevention of the pandemic.

Output 1. Critical socio-economic impacts, including for women and girls, identified and response/recovery plans designed through improved data and analytics on jobs, livelihoods and MSMEs	Attainment of Output 1
	Satisfactory

19. FA one of the project has four output indicators that were expected to be achieved in the life of the project. Three of the indicators that aimed at researching and producing a benchmark impact assessment report; development of a national business resilience and DRM guideline and the preparation of a response and recovery plans for micro and small enterprises to address the social and economic impact of the pandemic and other emerging crises at federal and regional levels has been substantially achieved. The project provided financial, training, and TAs through BEU and consultants for the implementation of these activities. Whereas, the plan to finance COVID-19 innovative challenges were not fully achieved due to the funding gap of USD 780,000 (table 1). The detail assessment on the status towards achieving the target indicators of outputs under focus area one are presented in the below section.
20. Seven benchmark impact assessment reports has been produced at federal and regional levels-one at national level; one at Tigray region level; and for five urban centers in three regions- Amhara, Oromia and Somali (table 1). UNDP led the Socio-Economic Impact assessment of the Pandemic on the Country that calls on an integrated and whole of government approach, without creating a demarcation between response and recovery as well as between the health, humanitarian and socio-economic dimensions of this pandemic. Specifically, these assessments on the impact of the pandemic and other emerging crises led the government to be alerted to respond to the impact and protect businesses and jobs from existing and emerging crises.
21. Among others these assessments have informed the preparation of eleven response and recovery and financing plans at national level and for Tigray region and the nine target urban centers in Amhara, Oromia and Somali regions

<sup>41</sup> This includes activities from **output three** (training of government staff on socio-economic assessment and emergency and recovery planning; support regions to develop guidelines on multi-sectorial disasters risk assessment and mainstream in their regular annual planning a using the UNDP disaster and climate risk governance program as entry point) and **output six** (assessment of impact, need identification, define support package, and set up financial mechanism) from the agreement between JCC and UNDP

to address the social and economic impact of the pandemic and additional emerging crises (table 1). These enabled the FDRE to access funding from UNDP and other agencies. Nonetheless, the achievement was not as expected since most of the funding partners like European Union (as per the perception of the federal government respondents) suspended most of the recovery and development assistances in connection with the north Ethiopia conflict. On the other hand, the practice in documenting issues, and preparing response and recovery and financing plans were found to be weak in the visited urban centers.

22. Further the socio-economic assessment results at national, regional and local levels were consulted to develop a national business resilience and disaster risk management guideline that aimed at enhancing the resilience capacity of MSMEs from the impact of current and future challenges such as COVID-19 pandemic, Climate Crisis, Conflicts and price inflation. This document among others includes promotion of the creation of system, structure and institutionalization of this approach and establishment of risk financing to support these enterprises in building resilience to external shocks and pursuing sustainable business models. However, additional effort is required to create directive, policy, system and structure to ensure the institutionalization of the guideline at federal, regional and local levels. There is ongoing effort for the revision of the MSMEs Development Strategy of the FDRE<sup>42</sup>, and as confirmed by a respondent from the ministry the final version of this document is incorporating key points from the national business resilience and disaster risk management guideline. Another way of formalizing this guideline could be integrating its core concepts under the existing national policy and strategy on disaster risk management (2013) and the associated disaster risk management strategic programme and investment framework (DRM SPIF) (2014) of the FDRE, since this document includes a comprehensive framework of disaster risk management measures aimed at reduction of disaster risks and potential damage caused by a disaster in Ethiopia<sup>43</sup>.
23. The project initiated a COVID-19 Innovation Challenge Grant worth USD 200,000 to support the implementation of local tech innovation to combat the pandemic. The plan was to support ten innovative ideas to find Ethiopia-specific solutions that can rolled out quickly but the actual was funding the implementation of seven start-ups (e.g. Ultraviolet-UV sterilizer and Web-based automation of medical information system with mobile apparatus) due to the funding gap of USD 780,000. The support included training and mentoring of the innovators in collaboration with X-Hub Addis innovation and acceleration hub.

**Table 1: Delivery on Prodoc Indicators under output 1 and some indicators of output 3 and 6 (Multiyear planning- January 2021 –June 2022)**

Objectively Verifiable Indicators (OVI)	Baseline value	EoP target	Delivered
Output 1/Indicator 1. # of benchmark impact assessment report produced at federal and regional levels	0	3	7
Output 1/Indicator 2. Response and recovery plans prepared to address the social and economic impact of the virus	0	3	11
Output 6/Indicator 1: Completed and detailed impact assessment report and intervention plan for micro and small enterprises in the target areas/regions	0	1	ND
Output 1/Indicator 3. No. and type of Ethiopia specific innovative solutions identified and rolled out	12	10	7 (1F)
Output 3/Indicator 2 : # of guidelines developed on disaster risk assessment	0	3	1

Source: ProDoc for the baseline values and project targets. The figures for the end line values was completed based on self-reports/PIR of BEU and key informant interview findings

<sup>42</sup> The existing Micro and Small Enterprises development strategy was drafted in 2004 and revised in 2011 by the Ministry of Urban Development and housing aiming to create Job opportunities, to cultivate national Investors, to speed up and create equitable economic growth.

<sup>43</sup> <https://edmc.gov.et/>



## Enabling continuity of Critical Government Functions (focus area two)

The below analysis focuses on understanding the project achievements towards the improvement of MoLS's and other federal and regional government agencies agility, preserving the country's resilience to maintain continuity of critical government functions in times of current and emerging crisis. The progress made by the project in realizing its different levels of results (output and indicators) are examined and presented in the following section.

Output 2: Ensure continuity of critical government functions in order to provide the needed basic services at the time of COVID-19 and the crisis	Attainment of Output
	Satisfactory

24. The project has made significant progress towards focus area two, fully achieving end of project targets on two indicators (No. of FDRE institutions enabled to maintain critical functions at Federal and Regional levels operational; and No. of Staff (m/f) trained on BCP and familiarize the Standard Operation Procedures (SOPs); that could also be adapted to other crises. It was however unmanageable to implement the targets for one indicator (contextualize and develop and apply SOPs & protocols and systems).
25. UNDP promoted the business continuity management approaches in Ethiopia that were not common in the public service of Ethiopia before the prevalence of the pandemic<sup>44</sup>. 257 (65F) government staff compared to the plan of 200 trainees were trained on BCP and familiarized on the SOPs. Further, the self-report of the BEU/MoLS indicted the provision of training manual of BCP/SOP to the trainees. The project support to the government actors was tailored by considering the actual situation in the country and by identifying the skill gaps to plan, manage and mitigate risks. Nonetheless, the assessor didn't find any evidence that confirms the application of the skills on risk and business continuity assessment, and preparation of SOPs, protocols for maintaining the safety of staff and systems to maintain minimum service levels even in the worst-case scenario by MoLS as well its counterparts at the federal, regional and urban centre levels<sup>45</sup>.

As discussed on the self-report of BEU and confirmed by the assessor during the field work, the government has ensured uninterrupted provision of essential services without much disruption by the pandemic. Agencies like the MiNT reported access to zoom license from UNDP that enabled them to organize virtual meetings, without having physical contact or presence in the office. Based on the key informants from MoLS, the Labor and Market Information System (LMIS) development before the project<sup>46</sup> is in its test phase and expected to be fully functional soon. The TA and training under the enabling continuity of critical government functional area; which included training on BCP and SOPs preparation have its own contribution to the reported progress in the automation of enterprise information in Ethiopia, encouraging online rather than in-person contact. Nonetheless, more work is required to make fully functional the LMIS, including staff capacity development on the system, and providing the required equipment and internet facilities to the one stop service centers (OSSCs) at the ground.

**Table 2: Delivery on Prodoc Indicators under Output 2 (Multiyear planning- January 2021 –June 2022)**

Objectively Verifiable Indicators (OVI)	Baseline value	EoP target	Delivered
Indicator 1. No. of FDRE institutions enabled to maintain critical functions at Federal and Regional levels operational	0	9	16
Indicator 2. No. and type of SOPs & protocols and systems developed and applied	0	Not determined	0

<sup>44</sup> KII with BEU/MoLS and information from the <https://www.undp.org/sites/g/files/zskgke326/files/migration/et/BCP-TRAINING-END-OF-ASSIGNMENT-REPORT-FINAL-NOVEMBER-9-2020.pdf>

<sup>45</sup> National Electoral Board of Ethiopia, Judiciary and Law Enforcement Institutions (Federal First Instance and High Courts, the Federal Police, the Federal Prison Administration), the Prime Minister's Office, the House of People's Representatives, the Ministry of Peace, the Ministry of Revenue, Offices of all Regional State Presidents, Regional High Courts, as well as service delivery instructions such as the Ministries of Health, Education, Agriculture and Trade and Industry, the Industrial Parks Development Commission (IPDC), municipalities and city administrations.

<sup>46</sup> <http://lmis.jobscorrelation.gov.et/>

Objectively Verifiable Indicators (OVI)	Baseline value	EoP target	Delivered
Indicator 3. No. of Staff (m/f) trained on Business continuity planning and familiarize the SOPs; that could also be adapted to other crises	0	200	257 (65F)

Source: ProDoc for the baseline values and project targets. The figures for the end line values was completed based on self-reports of BEU and key informant interview findings

### Strengthening the implementation capacity of the government at federal, regional and urban center levels (focus area three)<sup>47</sup>

Output 3: Capacity of the regions to plan, implement, coordinate and monitor crisis management and recovery measures strengthened	Attainment of Output
	Moderately Satisfactory

26. According to the key informants from BEU and other departments of MoLS, the budget allocated for the platform had been used to organize review meetings of the project advisory board from MoLS and regional project focal persons. Among others, eleven (11) consensus building/knowledge sharing platforms were held in collaboration with regional and city level emergency response teams to raise awareness about the COVID-19 response and recovery mechanism. As a result, the COVID-19 response and recovery mechanism was clearly communicated to regional and city-level task forces. The project advisory board was led by the commissioner and responsible to the implementation of the project, including approval of decisions on the implementation areas, and changes on implementation strategies (e.g. from coverage of operational cost for businesses/financial services to direct grant/wage subsidy).
27. According to the key informants from the MoLS and BEU, procurement of office equipment specifically printer and tonner has been done (annex 2). However, the delivery of these items were not reported by the target three regions, urban centers as well as one-stop service providers in the target regions during the field work in the second and third week of November 2022. Rather, one stop centers visited by the evaluator reported their gaps in computer and other office equipment facilities to effectively deliver their tasks.

**Table 3: Delivery on Prodoc Indicators under Output 3 and some indicators of output 6 (Multiyear planning-January 2021 – June 2022)**

Objectively Verifiable Indicators (OVI)	Baseline value	EoP target	Delivered
Output 3/ Indicator 1: # of platforms organised on response and recovery mechanism	0	6	Budget used to organise 11 review meetings of the project advisory board and the regional focal persons of the project
Output 3/ Indicator 3 : Enhanced institutional capacity of agencies receiving technical and material support	0	1	Budget reallocated to MSME financial support
Output 6/Indicator 2: # of stakeholders whose awareness was raised in the current situation of MSMEs in the target region	0	20	ND
Output 6/Indicator 3: Strengthened the operational and management capacity of	3	2	ND

47 This includes some activities and indicators from **output six** (strengthening the operational, monitoring and material capacity of federal, regional and local actors within JCC/MoLS ) from the agreement between JCC and UNDP

Objectively Verifiable Indicators (OVI)	Baseline value	EoP target	Delivered
regional, federal and implementing partners			
Output 6/Indicator 4: # of strengthened one-stop service providers at Woreda level in the target regions	272	80	ND

Source: ProDoc for the baseline values and project targets. The figures for the end line values was completed based on PIR of BEU and key informant interview findings

### Mitigating the socio-economic impact of COVID-19 (focus area four)<sup>48</sup>

The below section of the report presents actions taken at the micro level to address the financial and non-financial needs of informal and formal MSMEs as well as their employees and dependents as part of the socio-economic response to COVID-19 pandemic and additional emerging crises, affecting beyond health due to loss of income, market price inflation, reduction on the purchasing power of clients, supply gaps on inputs and products, closure of businesses and reduced hours of work, and rising unemployment. Assistance provided to unemployed and laid off citizens or in danger of losing their jobs due to the socio-economic impact of COVID-19 through temporary jobs creation under productive safety net approach has also been discussed here. This part of the report focus on successful interventions but also highlight ongoing challenges and represent the experience of related programmes by other actors and elsewhere in the country.

Output 3. Socio-economic impacts are mitigated for women owned enterprises and employees and most affected groups, sectors (formal and informal) and geographic areas through implementation of selected recovery interventions on jobs, livelihoods and MSMEs (Output 3- JCC and UNDP agreement).	Attainment of Output
Output 3: Deploying measures related to financial instruments including guarantees (Enabling rapid restoration and re-establishment of MSMEs' and bring back the jobs in key sectors/sub-sectors using the successful model employed to address the socio-economic impact of COVID-19 (Output 6- JCC and UNDP agreement)	Satisfactory

28. The project has delivered significant results under focus area four, exceeding the End of Project (EoP) targets for one of the two Prodoc indicators by providing wage subsidy/free grant and enterprise extension service to 8,131 (5436 F owned business) MSMEs compared to the target of 8,000 delivering financial and non-financial assistance to MSMEs in nine urban centers in three target regions (figure 1). Overall, 26,550 (15,030 F) employees and family members who were dependent of the assisted enterprises were protected from losing their jobs and their source of income. The operational urban centers were selected by the regional counterparts of the MoLS in Amhara, Oromia and Somali regions.

*My Beauty Salon was closed for long time due to lack of working capital. The financial assistance enabled me to cover my basic costs, including rental for working space- Eden Tekele Markos (F), Adama, Oromia region*

<sup>48</sup> This includes some activities and indicators from **output six** (assessment of impact, need identification, define support package, set up financial mechanism and disbursement of grant and delivery of BDS) from the agreement between JCC and UNDP

29. USD 3,151,450.00 (about Birr 153,477,600; 43.5% from Canadian contribution) had been allocated to support formal and informal enterprises negatively impacted by COVID-19<sup>49</sup> and other emerging crises (conflict and climate change) in nine urban centers from three regions<sup>50</sup> in the project implementation period of January 2021 to June 2022.
30. This project was a continuation of previous projects funded by UNDP and its funding partners including Japan<sup>51</sup> to address the unmet needs of vulnerable enterprises. Nonetheless, key informants from the MoLS commented that the resource allocated by Canada and UNDP funded project to deliver financial and advisory assistance to vulnerable MSMEs was still very low compared to the huge need throughout the country or in the urban centers selected for the implementation of this activity. For instance the financial support was provided only for about 19% of the applicant MSMEs (figure 1).
31. There was a plan to integrate the financial support with BDS, and it has been self-reported by BEU about its effort to link the target enterprises with EDI and Mercy Corps<sup>52</sup> to enable them access BDS from them. However, there is no strong evidence (based on the community and government actors' interview, including EDI) that verifies the integration of entrepreneurship skill training, market linkage and other BDS to the MSMEs in the visited three operational urban centers. The limitation of the project towards integrating the financial support with a comprehensive non-financial support has also been confirmed by the key informants from the other five target urban center labor and skills offices, who have been interviewed using cell phone. The only exception is the case of Kemise where 54% (N=122) of the target individuals were trained on entrepreneurship and business plan development skill by Kemise polytechnic college.
32. The financial support had been provided mainly to family based enterprises where their operation depends on family members' skill and labor, and in return the enterprises deliver most of the incomes for the family consumption<sup>53</sup>. In this regard the focus groups and key informants mentioned how the financial support enabled them not only to subsidize business recovery costs but also to address part of their family food and non-food item needs in those difficult times. Some of the target enterprises have part time and fulltime employees, and disclosed the contribution of the UNDP/DFATD assistance to subsidize employees wage and retaining some or all of the employees. There were also beneficiaries who mentioned the use of some portion of the cash assistance to pay income tax, repay in-cash and in-kind loans from traditional lenders, and pay children school fees.
33. Respondents to the evaluation unanimously confirmed about their participation on a pre-grant orientation section facilitated by the urban center labor and skills offices in collaboration with the federal BEU that enabled them to know, among others, about the need to use the grant for the recovery of their business. Project target MSMEs contacted by the assessor disclosed about the technical support (despite its irregularity) provided to them by the industrial service experts of the Kebele level OSSC in their urban centers.

*I reopened my mini restaurant business that was closed for more than ten months, by using the project fund as start-up. I need additional finance to buy refrigerator and other capital items but Commercial Banks are not accessible to me since they require fixed asset collateral and have additional requirements. I can get loan from micro finances but their interest rate is high and they promote group collateral that made me accountable once, when one of our group members disappeared and the rest of us repaid her loan. I am willing to take loan if I can get a loan guarantee from the Kebele - Bezuye Bedada (F), Adama, Oromia region*

49 Cross regional movement restrictions, fifteen days and extended lockdowns in some regions and urban centers, five months state of emergency and social distancing measures directly and indirectly affected local businesses, organisations and communities.

50 **Amhara** (Ataye, Gondar, Injibara and Kemise); **Oromia** (Adama and Gelan); and **Somali** (Degehabor, Gode and Kebridehar)

51 <https://info.undp.org/docs/pdc/Documents/ETH/AWP%20for%20Socio-Economic%20Response%20and%20Recovery%20in%20Ethiopia%20in%20the%20Aftermath%20of%20COVID-19.pdf> and respondents from BEU/MoLS

52 Among the efforts made by BEU/MoLS included sharing the list of the project target informal and formal enterprises for EDI (2,745 MSME from Oromia and Amhara region linked with EDC for BDS, and Mercy Corps (190 MSMEs linked with Mercy Corps Mentor! programme for BDS in Somali region), with the expectation that the institutions are delivering BDS to the target enterprises

53 On average an enterprise supports the livelihood of five (in Amhara), six (in Oromia) and fifteen (in Somali) individuals (Community respondents for the evaluation)

34. Nonetheless all the business owners contacted during the field visits and focus groups discussions said that they are still in another phase of challenging time that resulted in the reduction in the purchasing power of their clients and reduction in their sells volume due to the high price escalation on goods and services. According to them they could not able to engage in bulky purchase of raw materials and marketable products to decrease cost per product or service mainly due to financial capacity limitation. They said that access to loan facilities from formal Banks and Micro Finances is not easy for them due to high interest rate and the complicated and difficult to fulfill criteria<sup>54</sup>, including requirement to deliver fixed asset collateral, other business entity or personal guaranty, and delivery of financial statements prepared by registered auditors/accountants. According to the community respondents, micro finances are applying a group collateral approach where other group members are required to repay the repayment obligation of a defaulter group member(s).
35. The overall success of external initiatives to support informal and formal MSMEs partly depends on the efforts made to avoid large inclusion and exclusion errors. This includes assessing the techniques used to promote the COVID-19 response and recovery project, and the process followed for the enrollment, verification, shortlisting, and final approval and selection of the formal and informal enterprises. The enterprise support grant was promoted to the community using locally available means such as posting announcement at public places and in the OSSCs, and door to door promotion mainly using local languages (Amharic, Oromifaa and Somali in Amhara, Oromia and Somali regions respectively). Registration was done at OSSCs and using door to door service to increase reach and accessibility. The time allocated for this task (about a month) was said to be fairly enough based on the respondents from Somali region but the promotion could be more effective if local TVs and radios were used for instance. In sum, the approach followed by the project partners cannot fully address errors in targeting of better-off enterprises compared to enterprises that are significantly affected by the multiple crises of COVID-19, conflict and climate change related food shortages. Non-indigenous peoples who might not understand the local languages could also be excluded in a situation where there is no quota system, and multiple languages are not used to promote the grant at local level.
36. The cash allocated for each target formal enterprises (21,000 to 186,000 Birr) were higher than the cash subsidy per an informal enterprise (12,960). The formal sector business applicants are allowed to register only to wage subsidy or soft loan, not to free grants (Implementation modality, June 2021). Nonetheless, we have found a formal business owner<sup>55</sup>- in one of the operational urban centers during the field visit of sample end users- who collected cash earmarked per each informal business owners. Surprisingly this person was happy (being selected for the assistance) and didn't complain concerning the amount of cash transferred to her/him bank account. The current assessment found that this happened partly due to lack of providing detail grant information to the end users. The person was registered and completed the grant application formats with the support of government experts but without having clarity on the criteria of registration specifically her/his entitlements (e.g. amount of grant to be provided, as well as her/his duties and the modality of transfer (loan or direct transfer). Perhaps the person could disclose her/his complaint if the project related facts had been communicated in advance and if the compliance mechanism allows doing this.
37. The cash grant was free, and it is said to be important to cover some of the family expenses, investment costs, and operational costs of the enterprises during the market disruption but the amount of cash allocated per each enterprises owner, particularly small and medium enterprises, was said to be small to cover the overall capital needs of the target groups. Specifically the businesses were not able to do bulky purchase of products and raw materials for their work due to the steady market price inflation<sup>56</sup> compared to the small grant size.

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54 This is in line with the findings of the UNDP funded study on Inclusive and Innovative Finance for Development (2021) that found only 1.9% of small enterprises in Ethiopia access loans or line of credit, while the figure rises to 6% for micro-enterprises, 20.5% for medium enterprises, and 35.5% large enterprises (<https://www.undp.org/ethiopia/press-releases/undp-partners-national-bank-ethiopia-set-innovative-finance-lab-msmes>).

55 The name, gender and identity of the person is not mention here for protection purpose

56 Depreciation of Birr relative to US dollar has substantially contributed for the perceived high rate of inflation. It took only two years (between 2019 and 2022) for the depreciation of birr by 18 birr, compared to the four years it took (between 2015 and 2019) to reduce its value by 11 birr. In fact, the downward trajectory of birr's value started in 2012, when the exchange rate was at 10 birr per USD (<https://www.thereporterethiopia.com/22382/>). Other contribution domestic factors for the inflation included the prevalence of violent conflicts and natural disasters (e.g. drought) that resulted in, among others, on the reduction of agricultural production.

38. One of the minimum evidences to check and confirm the formality of business entities in Ethiopia is checking the availability of renewed trade license granted by the office of trades. We couldn't able to see this document from the sample MSMEs selected by the project as legal entities and accessed financial support from the project in Gode town.
39. The project tried to target MSMEs from trade<sup>57</sup>, services<sup>58</sup>, urban agriculture<sup>59</sup> and, and manufacturing<sup>60</sup>. The infrastructure and construction sector was one of the most affected due to the slow down on the development of houses and other infrastructure works<sup>61</sup>. However, the economic activities and their wage employees engaged in this sector was neglected and excluded from the project support mechanism like wage-subsidy and productive social safety-net.

*Most of my clients in my small food preparation and selling business were construction workers, including daily laborers and heavy truck and machine drivers. There is limited construction work since the prevalence of COVID-19 and there is market stagnation due to the north Ethiopia conflict. The project assistance enabled me to cover some of my business and home expenses, and contributed for the survival of my work. Nonetheless, my income is still less than the pre pandemic and conflict situation - Abune Adamu (F), Injibara, Amhara region*

40. Despite the difference in the socio-economic deference and the local context (e.g. variation on inflation rate and cost of living in different regions) in among different localities in Ethiopia, the amount of cash transfer per informal enterprise and formal enterprises to all nine urban centers was equal<sup>62</sup> and this was prescribed by the BEU/MoLS at federal level.
41. The Coordination platform members have been engaged on the promotion and registration of enterprises after providing them training on the implementation modality that included project objective and the application criteria. The training was provided by the BEU to trainees recruited from the labor and skill offices of the target urban centers and the three regions. The criteria were further trickledown to individuals who assisted labor and skills offices in the registration of the business community.
42. As presented in table four below USD 80,000.00 (about Birr 3.8 million; 100% from Canadian contribution) was allocated to 3,378 unemployed/ laid off women and youths in Mersa town in Amhara region who were affected by multiple crises (COVID-19, conflict, climate change and market price inflation). The decision to create temporary job to the vulnerable groups in this town was made by the project advisory board considering the severity of the economic stress in Mersa town. The plan was to engage the end users on a one month environmental protection activities specifically tree planting and cultivation between July-September 2022. The project advisory board made the payment revision (from USD 4 USD to USD 23.7 per person) by considering the wage rate specified on the urban Productive Safety Net Programme (PSNP) implementation guideline.

57 Retail traders, mini food and non-food items marketing shops, drug store, stationary, small cloths boutique, construction material, round wood/construction wood marketing

58 Shoe shining, beauty salon, dried traditional food tea and coffee, health, computer, small and big hotels, mobile floor wiper seller, egg retailer, other food and non-food items retailers, grocery, garage, photo shop, gold/ornamental item retailer, electronics maintenances, outdoor games, car wash, small restaurant, private school

59 Poultry and livestock production and marketing

60 Brick production, furniture, metal work, glass factory, bakery, garment and traditional cloth weaver

61 According to a JCC estimate, 60% of construction projects will cease operation due to financial liquidity problems. The medium estimate of this study indicates that due to the pandemic, 34% or 741,000 employees will be laidoff from this sector during April - June 2020 (UNDP, May 2020, ONE UN Assessment: Socio- Economic impact of Covid-19 in Ethiopia)

62 Birr 12,960 per an informal enterprise; Birr 21,600 per micro enterprise, Birr 60,000 per small enterprise and Birr 186,000 for medium enterprises



**Table 4: Delivery on Prodoc Indicators under Output 4 and some indicators from output 6 (Multiyear planning- January 2021 –June 2022)**

Objectively Verifiable Indicators (OVI)	Baseline value	EoP target	Delivered
Output 4/Indicator 1: No of MSMEs benefitting from financing and advisory services	14,000	8,000	8,131 (5436 F owned business)
Output 6/Indicator 3: # of micro and small enterprises (formal and informal) provided with financial stimulus package/facility and technology support			
Output 4/Indicator 2. No. of jobs retained and people (m/f) including youth supported	Not determined	20,000	26,550

Source: ProDoc for the baseline values and project targets. The figures for the end line values was completed based on self-reports of BEU and key informant interview findings

### Deploying Social Capital to Combat COVID-19 (focus area five)

Output 5: Social capital deployed, and awareness enhanced to contain and reverse the pandemic and psycho-social, motivational and post conflict business restoration through implementation of selected recovery interventions in selected regions on jobs, livelihoods and MSMEs particularly targeting the most vulnerable sectors and groups and those left behind.	Attainment of Output
	Highly Satisfactory

43. The project delivered psychosocial support, key COVID-19 messaging<sup>63</sup> and critical supplies<sup>64</sup> to the communities and partners; which contributed for the awareness creation of the communities about COVID-19 guidelines, correct hygiene procedures, and finally for the prevention and controlling of the spread of the pandemic in Ethiopia. As self-reported by the BEU, about 120,000 individuals were reached through the application of online platform, printed communication materials and Television using six languages (Afar, Amharic, English, Oromifa, Somali, and Tigrigna). As self-reported by the BEU/MoLS and verified during the field phase of the evaluation, the pandemic has gone away with relatively lower damage (specifically on human life) against what was anticipated at the beginning. Among other factors the project assistances in the form of disseminating information and delivery of essential health materials have their own contribution for this positive report.
44. Delivery of training on Emotional Resilience (psycho-social support) to government technical staff in February 2022 was reported by respondents from Amhara region and BEU/MoLS. Overall, 236 individuals in the leadership position representing the offices of labor and skills, universities and other institutions in the region who passed through different stressful and traumatic experiences during disaster period participated in this training. The training that was facilitated by EPHI applied resilience-focused approaches to change, and contents of the training focused on trauma awareness, recovery and healing process of individuals and communities and restoring dignity and hope. It was organized some months after areas forcibly occupied by TPLF in East Amhara were freed in November 2021, aiming at breaking the cycles of violence and the psychological stress and trauma they cause, providing participants with the necessary knowledge, skill and attitude required to identify, prevent, mitigate and control of emotional disturbances. The training is expected to help the trainees to effectively understand and manage employees who have passed with similar situation like them.

<sup>63</sup> Nine type of communication materials, including banner, text messages, gatherings, podcasts, flyers, brochures, social media and TV spots and Informative Infographics to create awareness on prevention methods including hand washing, social distancing, use of mask, detecting the signs of the virus, and knowing about the availability of hotlines and procedures for handling suspected cases. MoLS has a weekly TV programme using Fana Broadcasting Service where documentary film produced in connection to the project and other events of the project were provided for viewers at national level..

<sup>64</sup> Test kits

45. According to respondents from MoP, UNDP is a key partner in the design and implementation of the ENVCS starting from the year 2020. With the budget from the current project, UNDP sponsored the deployment of 291 (91 F) youth volunteers. 45 days of training had been provided to the volunteers on volunteerism, community service, life skills and leadership, digital media smart use, civic rights and social virtue, peace building, consensus building in diversity, entrepreneurship and employability skill before they were deployed for a ten month service at community level.
46. The youth volunteers were hosted by urban centers and communities outside their region, in different culture and language. Volunteers deployed by the project assistance from other regions to Amhara were assigned in Gonder and Ingibera towns. They engaged in activities like older people care and support, green legacy, urban waste management, food preparation, blood donation, and public work activities. On the other hand, challenges that limits the performance of the volunteers, including gaps in the engagement of the youths partly due to the limitation of the hosting agencies (e.g office of finance, health, hospital) to provide full time task to the volunteers. The coordinating bodies from the office of peace and securities at local level raised their equipment, logistics, and operational cost challenge (e.g. cell phone card, lap top computer, travel cost) to effectively follow up the effectiveness of the initiative. The monthly incentive (about 3,200 Birr per month per youth) was reported to be inadequate to cover the housing, food, communication, travel, and other basic costs of the volunteers, which contributed for the dropping out of substantial number of the youths before completing the ten months programme.
47. UNDP delivered various medical and ICT tools by allocating about USD 930,000 (with other project resources), and this was done within one month after Ethiopia reported COVID-19 cases in March 2020 to support critical business continuity of Ethiopia's public service during the COVID19 pandemic<sup>65</sup>. Nonetheless the UNDP plan to continue similar assistance using the DFATD/UNDP resources (USD 160,085) was not fully achieved. The plan of the project to deliver COVID-19 essentials (e.g. mask and sanitizer) to the working force specifically women and youth in the industrial parks, and other PPE such as medical mask along with gown, gloves and eye protection to health workers become less relevant when the implementation of the project started in January 2021. According to the key informants from the BEU/MoLS, the remaining budget for this activity and other activities were reallocated to address the financial needs of the target MSMEs.

**Table 5: Delivery on Prodoc Indicators under Output 5 (Multiyear planning- January 2021 – June 2022)**

Objectively Verifiable Indicators (OVI)	Baseline value	EoP Target	Delivered
Indicator 1. No and type of communication materials produced and disseminated	0	Not determined	9 type of communication materials
Indicator 2. No. of youth (m/f) accessing information and psycho-social support	0	Not determined	236
Indicator 3. No. of National Youth Volunteers identified and deployed to support the response	0	Not determined	291 (91 F)
Indicator 4. No and type of essential supplies (testink kits) procured and number of recipients (m/f)	0	160,000	10,000

Source: ProDoc for the baseline values and project targets. The figures for the end line values was completed based on PIR of BEU and key informant interview findings

<sup>65</sup> <https://ethiopianmonitor.com/2020/08/21/undp-supports-ethiopias-covid-19-response/>



## Strengthening the management capacity of the BEU (focus area six)<sup>66</sup>

Output 6: Project management, follow up, monitoring and reporting to ensure equality and enhance performance	Attainment of Output
	Moderately Satisfactory

48. All BEU staffs were stationed at federal level providing remote and field visit support to the regions and urban centers to facilitate the implementation of all six focus areas of the project. The target regions and urban centers, particularly the offices of labor and skills, and security and peace, assigned focal persons, to follow up the implementation of the MSMEs support and volunteerism activities respectively. Major collaboration challenge in among the BEU and the meso/micro level actors that limit the effectiveness of the project was not reported. Eventually there was no regional and city level BEU staff or government focal person (or seconded staff) to deal with all component of the project, including facilitating implementation, monitoring and managing information of the whole project at regional and urban centers level.
49. Key informants from MoLS has positive view on the relevance and contribution of BEU for the implementation of the project since such type of external assistances cannot be effectively managed by the existing structure and staff who have their own regular work and workload. Based on the field assessment finding, however, MoLS didn't make any decision that endorse the continuity of BEU such as allocation of budget for retention of the staff. Currently only three staff of BEU are maintained and their continuity depends on the allocation of resources from UNDP. Nonetheless, ownership and sustaining most of the project outcomes/impacts will not be a challenge since MoLS and MoP, and their counterparts at regional and urban center levels have structures and human resources that include industrial extension experts, OSSCs and peace and security offices. Most importantly the government staffs were fully involved at each step of the implementation that included promotion of the project to the community, management of the volunteers, registration of the applicant MSMEs for the small grant/wage subsidy, endorsement of the list of beneficiaries selected by the federal BEU/MoLS, and following up and delivery of industry extension services to the target enterprises.
50. BEU recruited 12 employees including a monitoring and evaluation expert to facilitate the effective management, coordination, implementation, monitoring, and documentation and report writing. It is assumed that the staff was responsible to update the ProDoc when there are changes on the implementation strategies and missing information, and prepare a complete self-report of the project. Nonetheless, baseline values and/or project targets were not determined for five of the twenty two project indicators. In addition, the ProDoc and the reports have gaps in providing gender, age and disability disaggregated data. Further, a comprehensive report that incorporated all outputs, indicators and activities funded by the four funding sources (DFATD, RFF, MPTF, and UNDP Track) were not prepared during the evaluation period. In line with this, the end line achievements were not reported for most of the project indicators during the evaluation period.
51. Key informants from the federal, regional and urban center levels confirmed about the field visits conducted by the BEU team and the MoLS and MoP permanent staff at community level to spot check the most impacted MSMEs and jobs in the target areas; create awareness on application and registration criteria, as well as accepting applications and registration of enterprises; identify and correcting inclusion and exclusion errors that included checking the quality of the promotion and enterprise registration process; monitor and technical support to the youth volunteers; and providing awareness about the funding such as source of the grant and objective of the financial support. Based on the perception of the regional and urban center respondents from the government side, the number of visits from BEU and other wings of the federal MoLS and MoP (that were about two per region on average) were fairly enough to assure quality and provide technical support to the field staff.

<sup>66</sup> This includes some activities and indicators from **output six** (strengthening the operational, monitoring and material capacity of federal, regional and local actors within JCC/MoLS ) from the agreement between JCC and UNDP

52. Issue related to project administrative costs such as difficulty to cover monitoring costs was not raised by the federal actors including BEU. Project management costs that could be used during the beneficiary selection process, technical support and for monitoring of the implementation of the interventions were not allocated for regional stakeholders. Most of the government budget at regional bureaus level is used to cover the salary of the staff with limited resource for quality assurance and related activities. Unavailability of resources for these activities limited the project stakeholders to provide frequent follow up to the MSMEs and the volunteers assigned in the target urban centers. This implies the need to proportionally share and allocate project operational budgets to the local level actors as well.
53. Respondent from BEU said that the resource allocated (USD 50,000) for the enhancement of institutional system and software capability for efficient and effective management of the project was reallocated as grant/wage subsidy.
54. The project has developed excel spreadsheet that has been used for registration of the applicants and documenting of the final beneficiaries. Nonetheless, the practice on summarizing and providing gender, age and disability data disaggregated information was found to be weak at urban centers level.
55. **Table 6: Delivery on Prodoc Indicators under Output 7 and some indicators from output 6 (Multiyear planning- January 2021 – June 2022)**

Objectively Verifiable Indicators (OVI)	Baseline value	EoP target	Delivered
Output 7/ Indicator 1: # of BEU team at federal and regional level	0	12	12
Output 6/Indicator 5: # of BEU team members maintained to provide direct support for impacted MSMEs	10	10	ND
Output 7/ Indicator 2: # of monitoring visits	0	6	ND
Output 7/ Indicator 3: # of reports produced	0	1	Donors based reports for Canada, RRF and MPTF have been delivered
Output 7/ Indicator 4: # of software procured	0	1	0

Source: ProDoc for the baseline values and project targets. All figures for the end line values was completed based on key informant interview findings

### 3.3 Efficiency

Overall evaluation rating- **Moderately Satisfactory**

56. The BEU staffs were provided office space within the premises of MoLS. According to the respondents, this decision enabled the project advisory board to reallocate USD 65,000 (USD 30,000 from DFATD) office rental cost for other activities specifically to enterprise direct transfer. Perhaps the assessor might have better understanding on the actual financial utilization if he got financial report/ audit report during the inception or field phase of the evaluation.
57. Respondents from BEU/MoLS revealed the reallocation of budget from some activities to other, particularly to financial assistance to MSMEs. Further, the proposed enterprise stimulus package of covering the operational cost for businesses (financial services) was changed to direct cash transfer to the beneficiaries. National IPs' agility to make adaption on the project strategies and budget spending by reading the local situation is virtuous provided that such type of changes are done in the sprite of ensuring efficient and effective utilization of resources, and by consulting all appropriate actors. The current assessment didn't get any evidence that confirm the consultation of UNDP and the back donors (e.g. DFATD) on such type of reported changes. In addition, the ProDoc including the log frame, theory of change as well as the activity and budget plan was not updated by considering this change. In addition, the donors based PIRs didn't reflect such type of changes, indicating the weakness to use the results framework/log-frame as an effective management tool at the project design and implementation stage. Further, the

accuracy of adjustments on the ProDoc was not confirmed by the consultant since he didn't access and review the financial or audit report of the project during the inception and field phase of the evaluation.

58. The EMP identified risks (COVID-19, conflict, climate change, environmental impact of some of the project activities) that could affect the achievement of the project higher level objectives, outputs and activities if they are not properly managed. Further, additional notable changes (market price inflation, delay in the responsiveness of the government agencies to make fast decision, frequent change in the political leadership, security, high demand for financial support from the MSMEs, enterprise data availability, management and high officials availability gap) to the context had happened during the implementation phase with a potential impact to hinder the achievement of the project results, and this was documented in the PIR. None of the risks have proven to be incorrect, and are still valid. Even though they are relevant a detail risk analysis and mitigation plan was not prepared to them. Further, the ProDoc was not updated by incorporating these risk related information, and their management strategies that should be monitored and addressed throughout the implementation period.
59. The five month state of emergency to fight the pandemic (declared on 8 April, 2020 by the Council of Ministers and approved on 10 April, 2020 by the parliament) was left when the implementation of the project started in January 2021. In addition, economic activities were allowed to continue during and after the public health crisis by taking some prevention measures, including applying face mask, social distancing, and hand washing/use of sanitizer. Working from home and use of virtual meetings was encouraged by the public sector but this was not fully enforced and mandatory, and its application depends on the commitment and choice of the government officials. Nevertheless, there was time taking process (e.g. changing the operational area from Tigray to Oromia and partly to Amhara and Somali regions<sup>67</sup> and financial delivery mechanisms from coverage of operational cost for businesses (financial services) to wage subsidy and free grant, procurement of office materials to the regions, preparation of the implementation modality, etc...). On the other hand, the respondents didn't disclose challenge that hinders the implementation of COVID-19 innovation challenge and national youth volunteers' deployment interventions.
60. Mersa town was one of the severely affected urban centers because of the north Ethiopia conflict, and due to other crises including the pandemic, climate change and the price inflation. This steered the project advisory board to allocate the entire social safety net budget to the communities in this locality. This adaptation is appropriate and wise use of resources but the decision was made and implemented by the end of the project. Budget has been allocated for procurement of office equipment when the project was designed, and these items were easily available in the market and badly needed at the grass root levels, particularly by OSSCs. BEU/MoLS reported the procurement of printers and toners but they were not delivered to the end users by third week of November 2022.
61. The majority (98.6 percent) of the budget allocated for grant/wage subsidy had been transferred (table 7) to the end users bank account, indicating the effectiveness of the collaboration between the BEU/MoLS and the urban centers in properly documenting the personal information of the applicants and correction of typo and other targeting errors before sharing the lists of beneficiaries to the financial service providers (CBE in Amhara and Somali regions, and CBO in Oromia region). The holding of about Birr 2,103,360.00 - that was allocated in the name of 132 enterprises in seven of the nine target urban centers (annex 1) - happened partly due to the fact that the applicants didn't deliver correct bank account, and cell phone or other address during their registration or later when the payment was processed. However, the status in this unutilized fund was not confirmed since we don't have detail information on the financial aspect of the project.
62. The challenge of the business community in Ataya town was said to be more complex compared to other target urban centers. Besides the impact of the pandemic and climate change in the country, MSMEs in Ataya town were substantially affected by eight rounds of armed forces attacks<sup>68</sup> in the past four years since the new federal level

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67 That included making decision on the operational areas, including (a) changing target areas when the situation on the ground doesn't allow (from Tigray due to insecurity; and from Addis Ababa since the city has other sources of funding from agencies like MasterCard foundation) to Oromia (Adama and Gelan) and additional urban centers in Amhara (Ataya and Kemise) and Somali; and (b) including additional target area for the implementation of the social safety net programme in Amhara (Mersa)

68 It has been reported that these forceful occupation has been done by armed forces named as OLF Shene (since 2010 EC) for seven rounds) and joint force of TPLF and OLF Shene (in 2014 EC for one round)

political leadership change in 2 April 2018. The communities of the town were forcibly displaced for eight rounds and the incidences caused lootings and destruction of properties and displacement of people from their place of origins. The project allocation of huge financial grant-compared to other seven target urban centers- to support enterprises in Ataye was; therefore, justifiable and appropriate (table 7). The allocation of huge resources for enterprises in Adama was also reasonable when considering its size<sup>69</sup> and the extended insecurity that happened in the town in connection to the killing of the Hachalu Hundesa (a prominent Oromo singer) three months after the declaration of the pandemic in Ethiopia or when the state of emergency was still active.

**Table 7: Grant/ wage subsidy allocation by target urban centers for informal and formal enterprises impacted by COVID-19 and other emerging crises**

Target urban centers	Total allocation in Birr			Actual utilization in Birr			%age of utilization
	Formal	Informal	Both	Formal	Informal	Both	
Adama	18,168,000	24,662,880	42,830,880	17,757,600	23,781,600	41,539,200	97
Ataye	27,129,600	7,063,200	34,192,800	27,000,000	7,024,320	34,024,320	99.5
Gondar	14,680,800	6,337,440	21,018,240	14,508,000	6,285,600	20,793,600	98.9
Gelan	2,500,800	12,363,840	14,864,640	2,414,400	12,234,240	14,648,640	98.5
Injibara	8,995,200	3,732,480	12,727,680	8,973,600	3,706,560	12,680,160	99.6
Degehabor	7,542,000	3,136,320	10,678,320	7,542,000	3,136,320	10,678,320	100
Gode	6,918,000	1,995,840	8,913,840	6,858,000	1,995,840	8,853,840	99.3
Kebridehar	4,567,200	1,438,560	6,005,760	4,567,200	1,438,560	6,005,760	100
Kemise	1,545,600	699,840	2,245,440	1,502,400	648,000	2,150,400	95.8
<b>Grand total</b>	<b>92,047,200</b>	<b>61,430,400</b>	<b>153,477,600</b>	<b>91,123,200</b>	<b>60,251,040</b>	<b>151,374,240</b>	<b>98.6</b>

Source: Database of BEU and documentation of the target urban centers<sup>70</sup>

63. Except some delay (about three weeks) in the cash transfer of the beneficiaries associated with the account authentication regulation of CBO, the current evaluation didn't find other collaborative challenges with CBO and CBE. This assessment revealed the potential of using Bank transfers to minimize or avoid the prevalence of ghost beneficiaries<sup>71</sup> and perhaps rent seeking behavior.
64. As mentioned in the ProDoc a total emergency response and recovery programme of USD 21 million by UNDP would be an important contribution to the larger UN System effort to assist Ethiopia to effectively handle the social and economic impact of COVID-19. Nonetheless, 73.2% of the financial requirement was unfunded (table 8). This was planned assuming that donors are providing a matching fund to UNDP available resources. The actual unfunded amount during the implementation phase (73.2%) was higher than the design phase (63.4%).

<sup>69</sup> Said to be most populated city in the country next to Addis Ababa (KII with Adama Labour and Skills officials)

<sup>70</sup> The data from BEU has been taken when there is variation between the two figures from BEU and the target urban centers

<sup>71</sup> Individuals taking subsidies that is not their entitlements or in the name of others who actually do not exist or using fake names

**Table 8: Project financial plan and utilization summary (Jan. 2021– June 2022)**

Source of funds	At Multiyear planning US\$ <sup>72</sup>	At Final External Evaluation US\$-actual allocation	At Final External Evaluation US\$-actual utilisation	Percentage of utilisation from the actual allocation
DFATD/Canada government	2,288,135	2,288,135	2,328,077.49	101.7% <sup>73</sup>
UNDP	5,390,000	368,000		
RRF		1,500,000		
MPTF		765,000		
Unfunded	13,321,862	18,367,000		
Total project budget	21,000,000	21,000,000		
Percentage unfunded	63.4%	73.2%		

Source: ProDoc and PIR

65. It has been reported that even though many more beneficiary MSMEs used the free financial support wisely there were also enterprise owners who misuse the assistance for ill-advised consumptions, including religious ceremony, chewing Khat and other extravagant consumption for food and non-food items. In the case of Ataye town, some of the enterprises who have got Birr 60,000 and above from the project didn't show willingness to return in the town to continue their business mainly due to security concern in connection to the localized conflict in Ataye-Kemise corridor. That means cash provided to the recovery of business activities in the town has been invested in places like Addis Ababa and Debre Brihan.
66. Interviews with regional stakeholders from Amhara, Oromia and Somali revealed the tendency of BEU/MoLS to bypass the regional offices and directly communicating with target urban centers in the implementation of the project, including direct consultation of urban centers on the MSME and volunteers deployment interventions. Eventually this gap was traced and corrected in good time without affecting the relationship of the federal and regional actors, and the effectiveness of the project. Urban centers are administered and directly reporting to the regional governments. In this regard projects should first contact the regional counterparts before reaching to the lower administrative structures to avoid miscommunication and enhance the effectiveness of external assistances.

<sup>72</sup> DFATD contribution for the implementation period of Jan. 2021 to June 2022 (USD 2,288,135 on agreement signed between UNDP and JCC);

<sup>73</sup> Due to exchange rate variation of the time gap between advance release and liquidation (final report)

### 3.4 Prospect for Impact

*Almaz Demeke (ethnic Amhara and locally categorized as highlanders) had been affected by multiple crises several times that adversely impacted her restaurant business, livelihood and security. In 2018 her property in the hotel, including refrigerator, chairs, cooking pots and tables were looted and destroyed by organized youth in the region that attacked civilians. She reorganized herself and started the business when peace was restored with the intervention of the Somali region and the federal government. Nonetheless, her business was affected again (since 2020) when mega infrastructure and construction activities were scaled down due to the pandemic and the north Ethiopia conflict in and around Gode. Almaz was selected by the project and have got cash assistance. Her happiness was multifold. She said the assistance was beyond cash for me. I had never been communicated, consulted and targeted for development assistances in the past few decades by the local officials. I was surprised and felt happy when I was told that I am selected for the financial support. The cash was also important for me to buy more raw materials for my restaurant.*

*Almaz Demeke (F), Gode, Somali region*

67. The regional officer from Amhara Bureau of Peace and Security recalled his experience during the first round national volunteers' programme and said that most of the youth volunteers were strongly rejecting an offer to travel outside their region of birth because of the negative perception they created in their mind about other communities and ethnic groups. He said the national youth volunteers programme has been implemented for four rounds mobilizing about 28 thousand youths, and the volunteers are no more refusing to serve in other regions and culture that they didn't accustomed before.
68. Two of the seven innovators confirmed the contribution of the financial, training, mentoring, business development and follow up supports of the project to make their dream a reality. One of the innovators adopted and developed UV room sterilizer for hospital, hotels, beauty salons and medical equipment application. He reported distribution of more than two thousand Ethiopian-Made UV room sterilizers to the private sector and government end users, saving foreign currency and decreasing the cost of production. He has interest to increase production to decrease imports and integrate his product in the foreign market but mentioned his challenge to get capital, working space and shortage of foreign currency. The innovators suggested that the grant should be reasonably high to ensure that the winners are implementing their ideas. The idea funded by external actors might not be implemented, according to them, if the amount of grant is too small, particularly for innovations like mechanical ventilator production.
69. Evidences indicated that the damage of the pandemic in Ethiopia, particularly on human life, was relatively lower against what was anticipated at the beginning. The project contributed for this positive outcome through assisting the government to disseminate vital information on the pandemic prevention methods and delivery of essential health materials for health facilities. In addition, the acquired knowledge and skill may have an everlasting impact on these communities, applying their learning to prevent spread of infections such as common cold, diarrheal diseases and Trachoma.
70. The evaluation confirmed the increased awareness and public policy attention of the macro, meso and micro level actors from labor and skill offices and other actors on the vulnerability of informal sector and formal MSMEs in Ethiopia. The TA of the BEU established by the UNDP support as well as the awareness creation created on the

scale of the problem by producing and disseminating socio-economic studies and information on the impact of the pandemic has contributed for the improvement of the policy makers and officials perception and understanding on the challenges of the self-employees and employees in the informal and formal MSMEs in the country. These can be evidenced by:

- The willingness of MoLS to support the design of national business resilience and DRM guideline
- The efforts to seek financial delivery options for enterprises affected by the pandemic and other emerging crises by the regional governments in Amhara and Somali regions. As an example the regional government of Somali assisted 1,000 women led MSMEs to access soft loan from Dashen Bank and the Amhara region reviewed the revolving fund guideline to make the soft loan fund accessible to formal enterprises in the region.

71. The external evaluation finds evidence from the PIR and the field assessment that the government is using project outputs – notably knowledge gained via training of government staff, planning exercises and review meeting and information generated via socio– economic assessments reports- to:

- Improve the government actors volunteers management, including facilitating national youth volunteers integration with the host community and enhancing their engagement in productive and peace building activities
- Increase BCP and Change management (CM) knowledge and skills of the trainees from the targeted government institutions that can be adapted to respond to existing and emerging crisis, specifically the skill can be used as an input to disseminate BCP/CM capability in country.
- Strengthen the ongoing civil service reform of the FDRE, especially the strategy of e-government providing a digital platform for governmental services to the public (e.g. LMIS of MoLS)

72. On the other hand our evaluations regarding the status of the institutionalization of best practices on BCP as well as business resilience and DRM reveals that although there is improved knowledge, skill, awareness and some effort to draft guidelines, more effort is required for the establishment of policies, systems and structures to make them functional.

73. The diverse benefits of the selection of the final beneficiaries by the federal BEU and the transfer of payments using bank systems (without direct contact of the end user and the local staff of the government), including enabling the end user to withdraw cash whenever it is required, facilitating the culture of thrift, and reduction of chances of rent-seeking by actors involving in the selection of end users and cash payment has been mentioned by the government counterparts and the community.

74. Further the respondents from the Federal MoP, Amhara region and Gonder City Administration Peace and Security Bureau offices mentioned the perceived benefit of volunteerism to the volunteers and the community at large, including cultural exchange, strengthening people to people relationship, becoming champions of peace and contribute to nation-building, and practicing their theoretical education by providing professional services in the areas of their qualification that enhance their employability and self-employment motive.

75. The contribution of the free cash donation <sup>74</sup> to the informal and formal enterprises that includes saving jobs as well as livelihood of employees, employers and their family members have been uttered by the government and community respondents. According to individuals who are engaged in micro business activities like traditional coffee, shoe shining, retail trade, and localized food preparation the support was said to be substantially high since it enabled them to cover some of their subsistence needs and protected them to stay in business and keep generating income for their livelihood in the time of market disruption. For small and medium enterprises the financial support they got from the project is still generous but they said that they are requiring more finance to expand or diversify their business and address the impact of price inflation on their raw material and supplies purchasing power.

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<sup>74</sup> Birr 12,960 per an informal enterprise; Birr 21,600 per micro enterprise, Birr 60,000 per small enterprise and Birr 186,000 for medium enterprises

76. There is a good start in adapting and applying technologies and virtual meetings. The lesson learnt from the project can be easily used in managing future crises by the participating public institutions. If properly used, organization virtual meetings and trainings have multiple factors such as environmental impact reduction on the fuel consumption for vehicles and increasing the number effective work hours. On the positive side there is a continued interest to use the virtual meetings.
77. According to the government counterparts from macro and micro levels, the TA by BEU was useful evidenced by the value addition of the experts in the areas of project implementation modality preparation and facilitating its implementation, including training of regional and urban center experts on this document, supporting the local actors to effectively promote the program and register formal and informal enterprises, verification and selection of the applicants, follow up the transfer of the finance to the financial service providers and its disbursement to the selected enterprises, ensuring that the target groups are accessing non-financial support, monitoring and day to day follow up of the project activities that includes promotion of volunteerism, innovation and financial access to affected enterprises; quality assurance, as well as donor compliance and report writing. The experts' effort to assist the resource mobilization effort of MoLS and participation in other policy level activities has also been highlighted. This can be evidenced by the staff engagement on concept note and proposal preparation that had been submitted to funders like Africa Development Bank, EU and AFD; evidence generation that had been used by UNDP to prepare post-conflict recovery programme in east Amhara; and national crises response and recovery plan development in collaboration with World Bank team. GIZ is expected to provide resources for MSME support in three regions. BEU staff has been involved in this process of resource mobilization effort of MoLS.

### 3.5 Sustainability

Overall evaluation rating- **Moderately Likely**

*I engaged on traditional coffee selling business. Before the project I was buying raw material (raw coffee and beans) on loan from the retailers. Now I am buying on cash and the amount of raw materials that I am buying at a time has increased from half Kg to one Kg for coffee, and from one Kg of beans to two Kgs. I need more cash to buy coffee grinder, and to buy and store coffee and beans when the prices are low during production time- Worknesh Mulu (F), Injibara, Amhara region*

78. According to the respondents from MiNT and MoLS, the draft Start-up Businesses Proclamation that has been submitted to the House of Peoples' Representatives for approval suggested the establishment of an Innovation Fund, indicating the likely of sustaining the Challenge Grant initiatives of UNDP and other development partners in Ethiopia. On the other hand, the MiNT requested UNDP for procurement and delivery of zoom license in a letter written on 23 March 2022. On the positive side this indicated the demand created by MiNT for the application of virtual meeting technologies. On the other hand, such type of requests suggests the need to inform the partners from the onset on how they can procure software or suggest free sources like goggle meeting and Skype for instance.
79. The ENVCS<sup>75</sup> initiated with technical and financial support of external actors like UNDP since 2020 has continued for four rounds. So far the programme mobilized about 28 thousand volunteers, and there is a plan to implement the fifth round with 12 thousand youths. This indicated that the government of Ethiopia has valued the benefit of volunteerism and has shown commitment to ensure its continuity by allocating logistics, budget, and

<sup>75</sup> <https://www.undp.org/ethiopia/projects/ethiopian-national-volunteer-community-service-programme>



making structural change; including assigning human resources<sup>76</sup> for the management of the programme. Among others there is a National Volunteers Programme Coordinator under the Peace Building Department of the Amhara Peace and Security Bureau. The project assistance contributed for the continuity of the ENVCSPP. This was achieved by injecting resources for technical support, volunteers training on life skill and community and government stakeholders' capacity development. The ministry of peace, the region and urban centers disclosed their additional needs on the capacity development areas to effectively coordinate, implement, monitor, evaluate, document and report the national volunteers' programme, particularly in the areas of human resource development and equipping the urban center level offices with the required office facilities. Development of a Volunteers Policy- that further enforces the institutionalization of the ENVCSPP- is pending from the government side. Further, the effectiveness of this programme in terms of the duration of the community service, cultural and language barriers, quality of programme, engagement level of the volunteers, and contribution towards the volunteers personal development and creating social-cohesion and national consequences was not systematically investigated to harvest lesson and make corrective measures on the ENVCSPP.

80. The youths are expected to engage in a ten-month community service period outside their regional states and administrations. According to the key informants from the local and regional government in Amhara, the incentives provided to volunteers (less than Birr 4,000 per month per volunteer) is too low to cover the living expenses (e.g. food, uniform, accommodation, communication and transport) of the youths. In connection to this some of the volunteers are not completing this 10 months community service programme partly due to financial challenge. Other factors that contributed for the dropping out of the participants from the programme include securing permanent job; which is a rare opportunity to miss in a country where there are thousands of unemployed university graduates.
81. The perceived support or supportive environments by the state and non-state actors are indirect indices of measuring the success towards the achievement of the project aimed to help MSMEs in the selected regions recover and build back better jobs, livelihoods and MSMEs within the context of improved, resilient, sustainable, and inclusive growth at regional level in Ethiopia. The state and non-state actors who are consulting, involving and showing interest to address structural issues of MSMEs are on rise as per the opinion of respondents from the state actors at all levels. This can be evidenced by the, the federal, regional and local government actors' alertness to understand and respond to the business community challenges.
82. The Somali regional government recent effort (October 2022) to launch a 100 Million Birr interest free loan in collaboration with Dashen Bank is one example. This initiative was designed to finance the temporary working capital needs of the MSMEs to alleviate the problem of inadequate cash flow and/or meet other short term financial constraints of the enterprises. The loan has a maturity period of two years with a quarterly repayment schedule. Under this public-private partnership agreement 1,000 women owned and managed MSMEs in the region are accessing this loan. The loan amount will be Birr 100,000 per each woman owned enterprise. The guarantor of this loan is the regional Skill and Job Creation Bureau. That means, the regional and local governments are expected to repay the principal from their annual budget if there are defaulters.
83. Further, the Amhara region experience in the collection of previous soft loans initiated by the federal government was found to be encouraging. The re-distribution of repayments from this soft loan is expected to be done soon in areas that collected about 60% of the repayable loan. This will be done as per the Amhara region revolving fund guideline that revised the 97% repayment collection precondition of the central bank of Ethiopia. The loan fund is managed by ACSI and will be distributed at 8% interest rate. The loan size will be max Birr 250 thousand for sole proprietorship, and Birr 500 to 750 thousand for PLCs. Based on the key informants from the target urban centers; however, the amount of loanable fund from this source is far below than the demand from the existing enterprises. This soft loan still requires some personal collateral and may become less accessible to most of the MSMEs. In addition, informal sectors are not included in this revolving loan plan of the regional government.

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<sup>76</sup> Initially ENVCSPP was managed by committee but recently a directorate that lead the volunteerism activities has been established by the ministry

84. The urban PSNP program<sup>77</sup> is expanding from time to time reaching vulnerable economically active people (under the public work component) besides its direct support to the economically inactive citizens. There are also additional post-conflict recovery assistances funded by agencies like UNDP<sup>78</sup>, IOM and local NGOs (Ethiopian Orthodox Church and Tesfa Birehan) and the regional government to the business community in east Amhara (Ataye and Kemise towns). The support included rehabilitation of market shades and delivery of Birr 10,000 per selected enterprise. Nonetheless, the number of people reached was low compared to the needs of the affected business community.
85. The evaluation noted that sustained high inflation is a major challenge for enterprises—especially hitting MSMEs disproportionately hard—since it limits the purchasing power of their clients and enterprises capacity to make bulky purchase of raw materials and marketable products.
86. Governmental entities have limited practices on putting in place risk management plans, including business continuity plans for critical government functions. UNDP assisted the FDRE in the areas of business continuity management as well as business resilience and disaster risk management approaches as an alternative to effectively plan and manage existing and future risks that adversely affect the existence of MSMEs and the effective delivery of public services. The support was provided in the form of trainings, sharing documents, and practically facilitating the preparation of guideline as well as response and recovery plan on business resilience and disaster risk management. The project phased out before the institutionalization of these innovative approaches by the federal and regional actors. Further, there is no practical example on the scaling up of the tool elsewhere in Ethiopia beyond the current pilot regional states. Therefore, it is immature at this stage to provide evidence based critic on the effectiveness of the approach towards the improvement of the public service delivery and resilience of MSMEs in Ethiopia.
87. The ProDoc identified diverse strategies to ensure the sustainability of the activities implemented with the project support, including making the capacity development assistance (e.g. training and TA) need based; institutionalization of knowledge and skill management and sharing practices; establishment of Business Emergency Unity (BEU); promotion of business continuity management and business resilience and DRM approaches; engagement of the local community and relevant experts and officials of government in the preparation of COVID-19 impact assessment and response plan preparation, collaboration with other UN agencies, Private sector (Banks), Public institutions and coordination mechanisms (COVID-19 task force, entrepreneurship development institute, Women Entrepreneurship Development service, Women entrepreneurship development programme/WEDP), enterprise and NGOs like Mercy Corps, as well as following up/TA on the approval, implementation, ownership of plans/ activities, and scaling up best practices. The suggested strategies regarding knowledge management includes electronically storing and identifying target MSME as well as use of adequate ICT technology for project implementation, etc. These strategies were appropriate but the application and effectiveness of these strategies have been discussed in the below section.
88. The DFATD/Canada funded project was designed without identifying potential risks and outlining mitigation strategies. Nonetheless the project identified and documented risks (later when EMP was prepared during the inception phase of the project and in the PIR), including the pandemic, climate change, conflict and insecurity in different parts of the country that are still valid. Further, the current evaluation identified additional emerging risk (high price inflation and challenge to access raw materials) that affected the sustainability of the assisted business enterprises. None of the risks have proven to be incorrect and still valid. Annex 3 assesses the evolution of the risks during the project implementation and offers comments on the impacts of the evolution on the project results and their sustainability.
89. Despite the observed success stories such as financial support for enterprises affected by the pandemic and other emerging crises, there still remains huge work in sustaining and making functional this initiative. This is because the existing and emerging challenges of the country, regions and urban centers, including inflation,

<sup>77</sup> The Ethiopian pilot urban productive safety net program has been started at the end of the year 2016

<sup>78</sup> Poverty eradication and peace building/ livelihood, economic recovery and peace building support for communities affected by communal conflict in North Showa and Oromia (KII with Labor and skills office experts in Ataye and Kemise towns)

insecurity, war economy, human resource (limited access to skill development trainings; low level of staff salary, satisfaction or motivation; high staff turnover and changes in leadership positions) as well as gaps on logistic (e.g. motorbike, vehicles), office facilities and equipment, and monitoring budget are still valid posing a risk in sustaining the started works. The severity of some of the risks increased from moderate to high adversely impacted the effectiveness and sustainability of the project. The government budget is mainly allocated for staff salary with insignificant budget in addressing the identified technical, logistic, as well as operation and investment/project cost gaps.

90. The financial and technical assistance of UNDP through establishing Business Emergency Unit (BEU)<sup>79</sup> to address the impact of the pandemic and other emerging crises on informal and formal MSMEs has been appreciated by the government representatives at federal level. Among others, the experts assigned to the unit provided project implementation, monitoring and reporting services in collaboration with the permanent staff of the Ministry of Labor and Skill. This enterprise recovery program couldn't able to secure resources from other sources (the Ethiopian Government, European Union, French Government and other International partners) as speculated in its inception phase<sup>80</sup>. The costs of the BEU human resources were attached to the phased-out UNDP COVID-19 response project. Therefore, most of the staff of the unit has been redundant when this project phased out in June 2022. In sum, the unit is not integrated with the structure of the ministry and less likely to continue despite its importance to manage existing and upcoming enterprise recovery and resilience building projects.
91. MSMEs are recurrently affected by mounting crises that shaped the path of inflation as well as the cash flow of the enterprises and the purchasing power of the consumers since the start of the pandemic in March 2020; which includes internal conflict, natural disasters<sup>81</sup>, the sharp increase in commodity prices associated with the Ukraine- Russia war (affordability)<sup>82</sup>, foreign currency shortage by the FDRE<sup>83</sup>, the weakening of Birr relative to the dollar, and high variation between the Bank and informal exchange rate of dollar<sup>84</sup>. The adverse impact of inflation and the weakening on the purchasing power of consumers on MSMEs is elaborated below.
92. The Amhara, Oromia and Somali regional level overall inflation on goods and services has increased by 23.6 percent<sup>85</sup>, 24.9 percent<sup>86</sup> and 30.8 percent<sup>87</sup> in October 2022 as compared to the one observed in October 2021 or a year ago respectively (CPI October 2022). Further unofficial accounts from the focus groups in Somali region point to a fourfold multiple of that number. This information of the Ethiopian Statistics Service (October 2022) and the community responses have revealed the prevalence of high level of inflation- which affects the performance of enterprises- in the three target regions, risking the profitability and survival of MSMEs as well as worsening the food security of their employees and their family members who are dependent on the income from the businesses.
93. Despite the establishment of macro, meso and micro level government offices that focused on creating, developing and protecting jobs, and their commitment to address the needs of the MSMEs, there is huge disparity between the enterprises demand to liquid asset, and the supply side from diverse financial sources such as free grant/wage subsidy, soft loan, guarantee fund and other financial facilities. Among others the loans of most of the formal banks and micro finances are inaccessible to MSMEs as discussed in the effectiveness

<sup>79</sup> <https://jobscommission.gov.et/researches-and-publications-on-impacts-of-covid-19/>

<sup>80</sup> <https://jobscommission.gov.et/researches-and-publications-on-impacts-of-covid-19/>

<sup>81</sup> The triple crises (Covid, Conflict and Climate Change) and their impact on enterprises operation and existence has been clearly mentioned in the project document

<sup>82</sup> <https://www.imf.org/en/Blogs/Articles/2022/10/14/how-countries-should-respond-to-the-strong-dollar>

<sup>83</sup> <https://www.africanews.com/2022/10/16/ethiopia-restricts-use-of-foreign-currency/>

<sup>84</sup> Officially 1USD= 52.9 but 1USD=106 Birr in the illegal market at Togo Wuchalle on 11 November 2022-FGD and KII in Somali with government stakeholders and community representatives

<sup>85</sup> **Amhara:** This is calculated by comparing October 2021 CPI which was (245.4) with October 2022 (321). This resulted in a 75.6 point increase in the 12 months period.  $75.6/321=0.23551$  which when rounded to one decimal place and converted to a percentage equals 23.6% annual inflation.

<sup>86</sup> **Oromia:** This is calculated by comparing October 2021 CPI which was (243.4) with October 2022 (324.1). This resulted in a 80.7 point increase in the 12 months period.  $80.7/324.1=0.248997$  which when rounded to one decimal place and converted to a percentage equals 24.9% annual inflation.

<sup>87</sup> **Somali:** This is calculated by comparing October 2021 CPI which was (220.5) with October 2022 (318.4). This resulted in a 97.9 point increase in the 12 months period.  $97.9/318.4=0.3074748$  which when rounded to one decimal place and converted to a percentage equals 30.8% annual inflation.

section of this report. According to the key informants from the regional and urban center stakeholders, the repayment of finances distributed under the soft loan initiatives<sup>88</sup> of the government of Ethiopia, and credit guarantee schemes (CGSs)<sup>89</sup> established with the support of agencies like the World Bank and UNDP was said to be negligible. That means funds from these source are not readily available for other loan seekers.

94. The informal sector is in a disadvantage position from accessing technical support, training and financial services from the government, Banks and other others. The effort to facilitate voluntarily transformation of beneficiaries from the informal business to the formal business; which includes assisting them to have TIN and business license has been mentioned by the key informants from the local government actors.
95. The current assessment found that the overall MSME emergency and disaster preparedness level at the national and local levels still requires more effort, commitment and resources. This can be evidenced by the nonexistence of MSMEs' sensitive national disaster risk management policy. Despite political will and increased investments to improve MSMEs resilience through providing financial and non-financial support, there is no steady MSME response and recovery plan and budget at all levels of the government structure. Fragmented approaches to enterprises development is still the norm. Government, start-ups, innovators, universities, donors, UN agencies, banks, MFIs, and other partners, including Master Card Foundation<sup>90</sup>, USAID, World Bank, and UNDP have not come out of their organizational specific silos to work collaboratively. Scalable and evidence-based models to support MSMEs disrupting the status quo are missing, not shared or are not well documented. This indicates the need to design a sound advocacy and lobbying strategy to ensure that appropriate MSME sensitive policies are designed and properly implemented by having workable structures and resources.

#### 4 ACCOUNTABILITY AND ADDITIONAL CROSSCUTTING ISSUES

##### Gender, youth, minority groups, protection, and beneficiaries targeting

*I graduated from university on physical education field but didn't manage to get job in the public, NGO or private sector, at any position. That is why I decided to start a mini clothes boutique with family support. When COVID came I was substantially affected as a single mam, with a difficulty to caring for my daughter. I closed my business because of lack of market and difficulty to continue paying rental for my boutique. Access to finance from the project and working space from the labour and skill office energized me to restart my job. A starting capital of Birr 21,600 is not enough, considering the low purchasing power of Birr in the recent months, to generate more income that address my family need and sustain the business. I recently applied for a loan fund of the government that will be channeled thorough ACSI (currently Tsedy Bank). We were told that the interest rate of this loan is eight percent, not 17.5 percent as ACSI did on its regular loan arrangement. I would be happy if they give me Birr 300,000 as a loan, since it enable me to do bulky purchase of cloths from Addis Ababa or elsewhere in Ethiopia - Woynishet Mamo (F), Injibara, Amhara region*

88 Officially called Ethiopian Youth Revolving Fund, and had been established as per Proclamation No. 995/2017 with a 10 Billion Birr budget allocation from the Federal Government. Based on the key informants from Labor and Skill offices at regional and local levels the repayments in Somali and Oromia region is said to be very low. According to the sources from Amhara there is good progress in collecting the repayments, and the region has prepared a new revolving fund guideline that can enable ACSI ( a micro finance that manages the revolving fund) to redistribute the repayments to new MSMEs as loan.

89 A CGS offers risk mitigation to lenders by taking a share of the lenders' losses on MSME loans in case of default

90 For instance two separate units have been established under JCC with the support of Master Card foundation and UNDP

96. Do to the competitiveness of the financial grant initiative; there was the risk of exclusion of minority and vulnerable groups from the project. The project Implementation Modality (2021) and the accompanied application excel spreadsheet incorporated additional affirmative criteria that provide a maximum score of 25% for women and 5% for person with disabilities to enhance the inclusion of these vulnerable groups.
97. Diverse documents of the project mentioned that women owned enterprises and women employees, particularly women in the informal sector, were the most affected due to the pandemic. In line with this the proportion of women owned enterprises that have got financial assistance from the project at 66.9% (N=8,131 targeted enterprises) and 54.6% (N=26,550 beneficiaries) respectively was substantially high, indicating the project actors awareness on the magnitude of the problem of women compared to their men counterparts.
98. The project tried to intentionally integrate the youth and girls in the ENVCS for about ten months that benefit them to contribute for the development and revitalization of social capital, and peace building process in Ethiopia, and to develop work experience for their personal growth and to enhance their employability. On the negative side, of the total 291 established opportunities of voluntary services related to Ministry of Peace 31% have been women.
99. Capacity building support to government actors to make them gender sensitive to give focus for targeting the most affected specifically women has been provided. The integration of Gender Based Violence (GBV) awareness raising interventions including facilitation of survivor support and referral mechanisms in the project has been reported. This type of actions is contributing in changing the attitude and practices of officials and experts in the public sector.
100. We have found –during the field work- married women MSME owners benefited from the project cash transfer, specifically women whose husbands are working in the public sector, with no risk to loss their job and income during the pandemic and other situations. Other vulnerable women MSME owners, particularly widows, divorced, single, and single moms, might have better chance to be targeted if there were additional affirmative actions or special treatments for these types of groups.
101. On gender, age and disability data segregation, the project indicators and their targets didn't have a minimum target for the participation of women and men as well as other characteristics like diverse aging and disability status. This was important to avoid women, youth, and disability related exclusion from development processes and for better monitoring of gender, youth and disability responsiveness of the project. In this situation, either gender (male or female; and people from certain age or disability group) could be prioritized without considering the actual vulnerability and needs, and resulted in inclusion and exclusion errors. In addition, most of the project achievements didn't provide, age and disability disaggregated data.
102. The visited urban centers have raw data that can enable any interest group to extract gender, age and disability status information of the beneficiaries. However, the PIRs provided gender disaggregated data only for some of the project achievements, and there is no summarized data on the project actual beneficiaries disaggregated by age (youth and other age groups) and disability status.
103. It was not clear from the reports to check the proportion of women and other vulnerable groups (e.g. person with disabilities and older people) attended and benefited different events organized by the project. The external evaluation tried to fill some of this data generation gap by inquiring the respondents from the government and BEU staff.

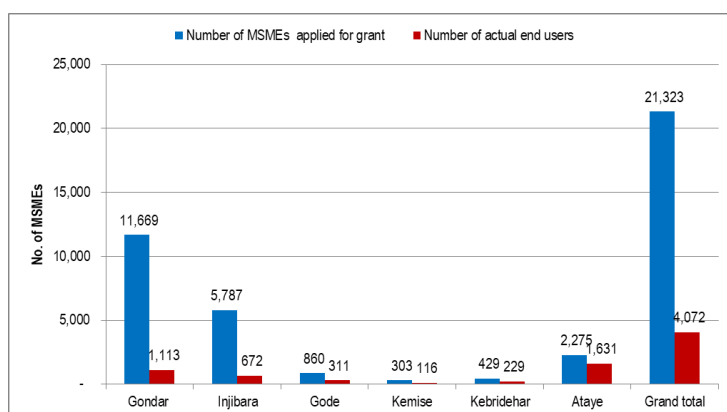
### **Human Right, Accountability and Environment**

104. The grant agreements between Canada and UNDP and the project implementation modality prepared by BEU/MoLS has human rights and accountability and engagement strategies that guides the implementation towards the realization of some of the economic and social rights of the target community. Some of the positive steps taken towards realizing human rights included wider dissemination of the information on the grant opportunity that resulted in the registration of more than 20 thousand applicants in the target areas. In addition, there were efforts for the inclusion of minorities (e.g. non indigenous people in Somali and Oromia regions) in the targeting.

105. Among the efforts to ensure the inclusion of Tigray included conducting of a comprehensive socio-economic impact of the crisis in Tigray between the period of March – May 2021 and preparation of an emergency recovery plan to the region through the coordination of UNDP and other UN agencies as well as other development partners (WB, USAID and others) and in collaboration with the Ethiopian government line ministries and the leadership of the PRA of Tigray. The recommendations in the recovery plan were not implemented in the region due to the relapse of the north Ethiopia conflict in June 2021; which disconnected the official relationship of the Tigray people from the central government. Urban centers from Amhara, Oromia and Somali regions substituted the target areas from Tigray region. This was decided in consultation with UNDP and the interim government of Tigray initiated by the federal government of Ethiopia.
106. As suggested in the project agreement (UNDP-Canada), UNDP prepared EMP that is environmentally friendly or promoting climate smart approaches. This EMP (2021) was prepared immediately after the launch of the project. The document among others, presents how it will address activities identified as having environmental concerns (e.g. disposal of wastes of essential health items). The current assessment confirmed the integration of the recommendations of the EMP and management of the identified risks in the project implementation as discussed below:
- Laid off and other citizens who were in danger of losing their jobs or adversely impacted by the pandemic, as well as the north Ethiopia conflict and climate change in Mersa, north Wollo have been engaged in forestry activities as cash for work or social safety net program. Among others, they planted tree seedlings that have positive outcome to the environment. However, it is too early to make a statement on its effectiveness since the activity was done recently (June-July 2022).
  - The wastes from the health essential items delivered to health facilities are expected to be avoided in the safe approach as per the waste disposal guideline and system of the ministry of health. As highlighted in the final report submitted to DFATD/Canada, and based on the respondents from the ministry of peace, and the Amhara regional and urban center level peace and security offices, the national youth volunteers deployed with the support of the project have engaged in the waste management activities, including community awareness creation and mobilization on waste management.
  - MiNT disclosed the project support through delivery of zoom license to organize virtual meetings. This has a positive outcome for the reduction of air pollution since people are working from home or meeting from elsewhere (their own office, home, regions or urban centers) without traveling by air or vehicle. This showed the potential of applying environmental mainstreaming strategies besides direct implementation of environmental activities.
107. MSMEs and innovations/start-ups supported by the project are more or less dependent on raw materials from nature (e.g. water) and generating wastes but they are small in size and their aggregate contribution on extraction of natural resources and pollution is said to be non-substantial. Most of the assisted enterprises such as hotels, bakery, furniture, round wood/construction wood marketing are dependent on wood products and firewood as source of energy but the huge green legacy initiative of the country has the potential to offset this environmental impact. The project further supported public work that focused on tree planning with USD 100,000. The supported big hotels, even though they are few, are generating huge liquid and dry wastes but there is functional municipal administration that is mandated to manage such types of issues in all target urban centers. On the negative side, the shipping of the hardcopy of the application documents (besides the softcopy of the documents) to the federal BEU was not convincing to some of the respondents when considering the cost, and time associated with delivery of these documents.
108. There were some effort to deliver psycho-social training and support to conflict-affected public workers and communities' in Amhara to end the cycles of violence and the psychological stress and trauma they cause.
109. Periodic reports that show the progress in the implementation of the project were provided to DFATD/Canada.
110. In Adama town applicants were requested to deliver CBO account some times after they submitted CBE account number in their registration form. Respondents said that CBO was congested by thousands of individuals

(including those who didn't latter get the assistant) who were striving to open bank account, to meet the deadline of the labor and skills office. Gaps in the application process that create humiliation on the potential beneficiaries should be avoided by providing clear information on the grant preconditions from the onset.

111. Only 19.1% (N=21,323) of the MSME applicants from the six of the nine target urban centers has been selected and accessed the grant (figure 1 and annex 1)<sup>91</sup>. The general perception of the applicants (specifically those who accessed the support) was that the selection was done in a randomized approach where only people who have chance got the direct cash transfer. Based on the respondents from the urban center Labor and Skill Offices, the candidate enterprises registration was done without having clear information on the beneficiary and budget quota allocated for their urban center as well as the transfer modality- grant or loan- and actual amount of financial support dedicated for different category of beneficiaries. That means most of the MSMEs were registered without knowing that only some of the applicants will be selected for the financial support. According to the respondents from the local government and project beneficiaries, this created discontent on enterprises that didn't get the grant especially when they learnt about some selection gaps, including picking up of more than one individual per a family and targeting of some individuals who were better off compared to them for the free grant. For instance, the respondents testified the case of selecting three family members from one household in Gondar town. This is not fair when we think of 91.5% (N=11,669) of applicant formal and informal enterprises in Gondar town who were not selected and then didn't get the financial assistance. The non-targeted enterprise



owners heard about the outcome and justification of the selection from words of mouth or up on request from the office of labor and skills. The implementation modality (2021) of MoLS has compliance mechanism but it restricts reporting grievance once the list of the applicants is sent to the BEU/MoLS for final verification and selection. The pros and cons of this condition on compliance and accountability mechanisms require some assessment by the MoLS and UNDP CO for future programming.

Figure 1: Number of grant applicant MSMEs who got financial support from the DFATD funded COVID-19 response project

Source: KII with the urban center staff of labor and skills offices and documentation of BEU/MoLS

112. The publicly disclosed Board of Auditors' Report (2020) at <https://www.un.org/en/auditors/board/auditors-reports.shtml>, highlighted, among others, (a) the UNDP's effort to establish fraud control and accountability mechanisms (e.g. development of updated delegation of authority templates, internal oversight plans, etc...) specifically for projects implemented with national partners; (b) how UNDP integrated sustainability into the procurement process both at system and operational levels; (c) about the policy on direct cash transfers and reimbursements, where advances to implementing partners were liquidated and expenses were recognized when the partner reported the expenses incurred from the funds advanced; (d) about the UNDP policy and practice on quality standards such as spot checks of project quality assurance reports to assess their quality and accuracy and inform organizational learning. The current evaluation didn't find any project procurements that didn't meet environmental sustainability standards. In addition, the EMP of the project didn't find project components that are more likely to cause negative environmental impact. UNDP CO commissioned micro assessment (August 2020) of JCC before transferring cash to the national implementing partner. The finding of the auditors categorized JCC as low risk in terms of financial management<sup>92</sup>. The UNDP CO financial expert was

<sup>91</sup> The analysis didn't include Adama, Gelan and Degehabor due lack of data but the finding could not be different from this, since we have been told that the numbers of selected MSMEs from the applicants in these three cities were much lower than the applicants.

<sup>92</sup> <https://info.undp.org/docs/pdc/Documents/ETH/Micro%20assessment%20report%20of%20JCC%20-Final.pdf>



frequently visiting MoLS to make on spot quality checks of the financial documentation. The BEU established with the support of UNDP together with the MoLS staff had made a minimum of two rounds of field visits in all operational urban centers in the life of the project.

## Communication and Visibility

113. The Prodoc gave attention to communication and visibility evidenced by allocation of budget for this activity. Among others UNDP was required to make clear to the beneficiaries and stakeholders about the source of funding by diverse means, including speeches, press releases, and other communications like reports and training materials, sign boards, t-shirts, banners, capes, fixed assets purchased by DFATD resources; and promoting the activities of the project in publications/printed media and social media and UNDP website.
114. UNDP virtual communications and website<sup>93</sup> clearly provide information about the grant sources of COVID-19 Response & Recovery projects in Ethiopia that included DFATD. The role of UNDP for the establishment of the Business Emergency Unit (BEU) has been elaborated in the website of MoLS (former JCC). Nonetheless, the contribution of Canada was not mentioned in the homepage or other web pages, including COVID-19 and Jobs web page<sup>94</sup>.
115. The final report of the DFATD funded component of the project has the logo of the DFATD/Canada, and the project Environmental Management Plan (EMP) refer to the GAC's development assistance initiative requirement on Environmental sustainability and Environmental Integration Process.
116. According to the respondents from the BEU/MoLS at federal, regional and urban center levels the promotion of the contribution of UNDP country program and donors including Canada has been done when events like awareness creation programmes on the objective of the wage subsidy/grant to the beneficiaries. However, the community representatives have difficulty to recall back, and mention the government of Canada and UNDP as source of the fund during the field work in November 2022.

## 5 LESSONS LEARNT

The following lessons have been extracted from the evidence to inform UNDP and the national implementing partners:

117. The focus in the past from the government stakeholders was on new job creation than addressing the survival, diversification and expansion needs of existing MSMEs. There is a growing trend in understanding the challenges of existing MSMEs, and supporting them to recover from perceived and upcoming crises.
118. **Strong public-private partnerships:** Partnership and trust building with financial service providers have allowed Somali region to secure women enterprise soft loan, including the PCG Scheme funded by Dashen Bank.
119. **Business resilience and disaster risk management strategy:** Allows for more rapid response to formal and informal enterprises impacted by public health threats and other manmade and natural crises. Nonetheless, the effectiveness of business resilience strategy depends on having policy support and the ownership of the macro level government, and this require continues collaborative advocacy. However, the effectiveness of policy advocacy requires explicit skills development, as well as careful, strategic and consistent messaging to influence the government counterpart and the policy makers.
120. Urban centers and OSSCs located at the forefront are vital enabler of the ability of MoLS and regional Labor and skills Bureaus to deliver; they require maximum support and flexibility to help the federal and regional level actors to meet their aims. Recognizing their centrality in the MSMEs emergency response – and localizing the beneficiary selection where possible, strengthening their capacity and empowering them – will support them in this role.

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<sup>93</sup> <https://open.undp.org/profile/12113/donorprofile>

<sup>94</sup> <https://jobscommission.gov.et/researches-and-publications-on-impacts-of-covid-19/>

121. **Making technical assistance more productive:** Besides promoting the establishment of technical assistance unit like BEU that provides regular technical and project management support to the government, UNDP CO should follow up the performance of such type of units in collaboration with the national implementing partners. From the CO side, this requires providing supportive supervision as well as technical support and training to project technical units placed in the premises of government counterparts. Supporting Urban Development initiatives has considerable potential for UNDP expansion, particularly in the areas of supporting informal and formal MSME owned and managed by women, youth and person with disabilities, but this requires identifying and fixing the engagement areas of UNDP at policy and local levels.
122. The current evaluation highlighted that the success of debt instruments to the vulnerable MSMEs could be high for loan facilities allocated by financial institutions and the guarantor are partly or fully the government. LGS established with a fully covered Guarantee Fund from external actors are more likely getting weak follow up from the lender financial service providers and the government counterparts, resulted in low repayment rates. This is mainly because the financial institutions have a secured guaranty fund to recover their loan if there are defaulter borrowers. Government actors, on the other hand, may spend more time to monitor the status in the repayments if they provide part of the guaranty to the lenders, and have a strong commitment to address the supply constraints and reach more MSMEs with loans with favorable terms and lower barriers. In sum, the existing and upcoming programmes such as the recently initiated Innovative Finance Lab (IFL) of the National Bank of Ethiopia (NBE) and the UNDP that may have up to 100 million USD fund and aimed at to test, innovate and grow a new set of services, products and inclusive instruments to unlock new avenues of financing for the rapidly growing MSMEs sector in Ethiopia<sup>95</sup> should learn from previous and existing interventions. In this regard it is good to mention here the experience of the recent women enterprises soft loan<sup>96</sup> delivery agreement between the regional government of Somali and its private partner (Dashen Bank); which will be implemented by applying Public Loan Guarantee (PLG) schemes<sup>97</sup> where in this case the government will be the guarantor to the Bank. Initially Dashen Bank agreed to allocate 50 million Birr for a loan to be provided at the rate of Birr 50 thousand per woman enterprise owner. Nonetheless, this amount has increased to 100 million loan fund after the consultation and consensus reached between the two parties to increase the loan size from Birr 50 thousand to 100 thousand per woman enterprise.
123. **The need to develop operational guideline on the management of soft-loan and loan guarantee scheme:** MoLS has recently inclined to deliver financial assistances to MSMEs as free grant/wage subsidy; which is not sustainable and limit the agency to reach additional needier enterprises overtime. Establishment of system for a soft-loan administration system where the leader, government and the Banks are also taking some responsibility and accountability will enable MoLS to effectively manage and utilize enterprise development grants from external actors like UNDP, since the repayments from the lenders, and the defaulters are properly followed up by the Banks, as well as MoLS and its regional counterparts'. The loans provided to target enterprises should be competitive but provided to MSMEs at low interest rate with partial loan guarantee coverage (either from personal or public guarantor). Among others, the MoLS might start from reviewing the strength and limitation of the recently revised revolving fund management guideline of Amhara region. Eventually the upcoming guideline should consider the MSMEs challenge to deliver security/guarantor and collaterals.
124. The Financial support has been transferred as free donation to the target enterprises. This approach, if it is not properly managed, could result in dependency syndrome and misuse of the fund by the beneficiaries; as well as unfairness, nepotism, inappropriate targeting and prevalence of ghost beneficiaries<sup>98</sup>. In this regard future financial supports to MSMEs should be provided as soft loan to facilitate the growth potential of the target

95 <https://www.undp.org/ethiopia/press-releases/undp-partners-national-bank-ethiopia-set-innovative-finance-lab-msmes>

96 It is a zero-interest lines of credit

97 Loan guarantee schemes (in this case public credit guarantee schemes) are mechanisms in which a third party—the guarantor—pledges to repay some (partial credit guarantee) or the entire loan amount to the lender in case of borrower default. That means the guarantor assumes part or all of the credit risk, reducing the risk faced by financial institutions and thus making it possible for MSMEs to obtain credit or improve the terms and conditions under which they can borrow (<https://european-economy.eu/leading-articles/public-credit-guarantees-and-access-to-finance/>). Not that the Dashen Bank loan for women enterprises in Somali region is interest free loan

98 Individuals taking subsidies that is not their entitlements or in the name others who actually do not exist or using fake names

groups. This modality of financial transfer could also provide a room for other vulnerable enterprises to access cheap loan from the repayments and weeding out of fake beneficiaries.

125. **Strengthen collaboration with other agencies and initiatives to enhance the effectiveness of project:** On the positive side, UNDP signed an agreement with MoLS to facilitate joint operation of the Project, and ensure sustainability and country ownership. There is some overlap in the mandate of MoLS and MiNT in the areas of promoting innovation and supporting start-ups. Nonetheless, MoLS was not involved in the selection process of COVID-19 Innovation Challenge Grant competition, an activity managed by MiNT. There was effort to link the project target MSMEs with EDI for BDS. Nonetheless, this was not successful, since the respondents reported that they didn't access trainings from the institute. In this regard, project designs and implementations should properly address collaboration challenges to mitigate risks, achieve value for money, and enhance the effectiveness, sustainability and ownership of external assistances.

## 6 CONCLUSIONS AND RECOMMENDATIONS

### 6.1 Conclusions

126. Even if MSMEs in Ethiopia provides a significant contribution to local employment and to the overall gross domestic product they are operating with small reserves and limited working capital and have limited resilience to shock struggling to survive a prolonged period of reduced economic activity. The design of a project that initially aimed at reducing the impact of the pandemic on informal and formal MSMEs, and later on transformed to address the adverse impact of additional emerging crises (conflict and climate change) on MSMEs was appropriate.
127. Many more women are engaged in the informal business sector with limited access to financial services specifically to loan. The project effort to reach more women (66.9% women enterprise from 8,131 targeted enterprises) with loan facilities was appropriate in this regard. The availability of gender sensitive project implementation modality and selection criteria to have a clear element of women engagement, as well as the commitment of the project actors to address gender disparity - at policy and local levels- has contributed for this achievement. Further, most of the grants were provided to informal micro enterprises in the service sector. Enterprises in this category have limited access to financial facilities and owned by highly vulnerable resource poor families with low resilience capacity to recover and sustain business in time of crises. In this regard the decision made by MoLS was appropriate.
128. The wage subsidy/grant application and registration was open for informal and informal MSMEs engaged in diverse economic activities. Nonetheless only few of the applicants had got the financial support after spending more time and energy both by the potential beneficiaries and the government actors for the identification and registration of the MSMEs.
129. Individuals engaged as wage and self-employed in the construction sector have lost their jobs or underemployed because of the stagnation on the infrastructure and construction activities associated with the pandemic and other multiple factors including the conflicts in the different part of the country, skyrocketing price of construction materials and unavailability of mega projects. Nonetheless these sections of the community - even though they are one of the most affected- have been overlooked by existing social safety net, job creation and business recovery programmes like COVID-19 response and livelihood recovery initiatives.
130. Because of the generosity of the Canadian government 3,378 jobless youths, 8,131 (5,436 F owned business) informal and formal MSME; and about 26,550 (15,030 F) wage employees and family members of the project target groups had got grant as social safety net, free grant or wage subsidy aimed at addressing the impact of COVID-19 and other emerging crises (conflict and climate change). This enabled the target groups residing in ten urban centers in Amhara, Oromia and Somali regions to subsidize their emergency as well as recovery needs, including family consumption; staff wage payment; tax, loan and school fee payment as well as investing on the recovery of their businesses. Nonetheless, the business development service to the formal and informal enterprises were not fully funded, and the alternative strategies (incl. use of EDI and Mercy Corps) to provide BDS to the target groups was not effective.
131. As reported by the representatives of the enterprises, the frequent rise on consumer prices has resulted in the reduction in the volume of their sales, and then on their net income since the start of the pandemic in early 2020. There is a fear that inflation is here to stay, affecting the liquidity, profitability and survival of MSMEs.
132. The terminal evaluation finds how the MSMEs focused interventions of DFATD/UNDP; which included financial delivery to informal and formal enterprises affected by multiple crises enhanced the state actors' responsiveness and triggered them to track and provide solutions to the challenges of vulnerable MSMEs. Among others, the Somali region recently initiated PLG scheme<sup>99</sup> in partnership with private financial institution named Dashen Bank, and the Amhara regional state completed preparatory works to redistribute repayments from previous

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<sup>99</sup> The loan will be provided to 1,000 women enterprise owners (Birr 100,000 per a women) as soft loan, with zero interest rate and with a repayment period of two years

revolving funds allocated from the government budget. However, these types of supports are insignificant considering high vulnerability of the informal and formal MSME in Ethiopia to manmade and natural crises.

133. The soft loan component of the project was designed by including loan requirement that is compatible to resource poor borrower MSMEs. Specifically loan guarantee was required from guarantors and statement of paid up capital, not collateral as it has been done in the traditional bank financing system. Nonetheless, the contribution of Canada, RFF, and MPTF has been fully distributed as free grant to the informal sector and wage subsidy to the formal sector, since the implementation of the innovative soft loan administration agreement signed between JCC and DBE faced administrative, technical and/or operational challenges. On the other hand, the utilization of the free grant for ill-advised purpose by some of the beneficiaries such as trivial social activities and consumptions has been reported by the respondents. Further, some took the cash but used it for investment in other urban centers, partly due to security concern to return back in their place of origin (e.g. Ataye town).
134. Based on key informants from government offices like MoLS, MoP and MiNT, the service delivery and daily operations of critical functions at Federal and Regional levels were not substantially affected in the era where the pandemic was a public health concern in Ethiopia and due to additional emerging disasters that included conflict. The project assistances through delivery of business continuity and emotional resilience trainings, and virtual meeting technologies have some contribution for this reported positive story. The assessment proved further the improved on the business community and the government actors understanding on the effects of manmade and natural crises on the operation of businesses. On the other hand, this evaluation concludes that even though the government actors and the MSME owners disasters risk perception were high, these key stakeholders were not satisfactorily prepared for the potential emergency conditions on MSMEs.
135. The respondents from MoLS valued the role of the BEU team in the implementation of the COVID-19 response and recovery project, and through technical and management support of other similar projects of the agency. However, the evaluation has the opinion that this unit is more of project based and less likely to be maintained – as it is or through other arrangement- by MoLS when the UNDP financial assistance is fully terminated.
136. The list of target beneficiaries with the detail personal information of the applicants are documented in excel spread sheet per each target region and urban centers. Any interest group can extract and determine easily basic socio-economic information of the end users from this raw data. However, the project documentation (ProDoc and PIR) provided gender disaggregated data only for some of the project baseline values, targets and achievements. In addition, there is no summarized data on the project target groups disaggregated by age (youth and other age groups) and disability status in all project documentations reviewed by the external consultant. That means the plan to establish a localized database on jobs and MSMEs in the regions and target urban centers for the purpose of planning and monitoring was not realized. Ministry of Labor and skills has online Ethiopian LMIS but it is not fully functional to document and share information on the status of enterprises that includes financial and non-financial support provided to them by different agencies, and generate gender, age and disability status data about the existing enterprises. Among others the staffs of OSSCs has limited office equipment (e.g. computer), internet access and skill to document, analyze and/or share up to date information about the status of enterprises in their operational areas.
137. Based on our preliminary review of the project reports and achievements as well as the project logic, most of the available and suggested project outputs and activities and the respective targets are specific, achievable, relevant and time bounded. There are a number of changes during agreement signing process of UNDP with JCC (current MoLS), as well as the implementation phase of the project activities. Nonetheless this was not used to update the project document and the logframe/ theory of change. There are different ways of presenting the project results in the diverse projects prepared by UNDP (agreements with Canada and JCC; ProDoc by UNDP). In addition we didn't get a comprehensive four by four log frame matrix/theory of change that could easily show the logical relationship between the Hierarchy of Objectives. Further, we didn't find an updated version of the UNDP master project document that incorporated and aligned with the project agreements with JCC, Canada and the other two additional funding sources. Specific examples are the changes that resulted in the increment

of the project output from four to seven in the JCC and UNDP signed multiyear project; which was not reflected on one of the diverse ProDoc of UNDP CO that we reviewed.

138. The project didn't identify risks and mitigation measures during its design phase but did it latter when EMP was prepared. The PIR has also identified a number of challenges. All the challenges/risks identified are still valid linked to the fact that the job creation activities and the MSME supported with the project support are further affected if they are not properly mitigated. The current evaluation identify serious emerging trends besides the pandemic, climate change, conflict and insecurity in different parts of the country (that is high price inflation and challenge to access raw materials) that could result in less income, and need to be given attention and risk mitigation measures formulated.
139. The project had been implemented in a fragmented political landscape specifically in a situation where there was continues replacement and turnover of the experts and officials as well as violent conflicts and insecurities in East Amhara (Ataye and Kemese), and the city of Adama. There were also some time taking process such as approval of changes in the implementation area (from Tigray to Oromia and partly to Amhara and Somali) and project strategies (e.g. coverage of operational cost for businesses/financial services to wage subsidy/grant); which contributed for the reduction in the effective implementation period of the project. Despite these challenges the project was implemented without cost neutral extension.
140. The ENVCSPP continued without interruption for four rounds in the past two and half years, and the implementation of the fifth round is on progress. MoP recognized the substantial contribution of UNDP for the initiation and the continuity of this programme, particularly through supporting the pre-deployment trainings of the youth volunteers. Under this project alone UNDP supported the training and deployment of 291 (91 F) youth volunteers in the different parts of the country. ENVCSPP that deploy volunteers drawn from all the regional states to serve communities outside their regional states, if properly implemented, has the potential towards enhancing national consensus among Ethiopians. The trainings and their practical engagement on community work is expected to increase the wage and self-employment of the youths. MoP disclosed its need on the capacity development areas, particularly in the areas of human resource development and equipping the urban center level offices with the required office facilities. Additional bottleneck that hinders the durability of ENVCSPP is the lack of volunteers' policy in the country. Further there is no in-depth information about the opportunities and challenges of this national programme, particularly in the areas of overall design of the programme; incentives, engagement and graduation of the volunteers, and the value addition of the program for the volunteers personal growth and building the social capital and national consequences.

## 6.2 Recommendations

Recommendations	Who should implement
The effectiveness of the existing OSSC at community level could be enhanced by providing them capacity strengthening support and enabling them to facilitate business development trainings to MSMEs.	MOLS, with the support of external actors like UNDP
The FDRE that is required to manage complex social, political and economic challenges might not have the resources to support and stimulate the recovery of MSMEs. This suggests the need to seek the engagement and partnership of financial service providers (private and public banks), donors and UN agencies- that could inject soft loan funds- to address the financial needs of vulnerable enterprises.	MoLS and UNDP
MSME provides employment opportunity and safeguard livelihoods, specifically for vulnerable groups including women, youth and person with disabilities. However, these enterprises specifically the informal sector is hampered from getting credit due to lack of sufficient collateral, and there is challenge for them to access comprehensive non-financial support. The evaluation recommend the government to create enabling environment that build the resilience capacity of	MoLS and UNDP

Recommendations	Who should implement
these enterprises from external shocks, including facilitating access to soft-loan with eased collateral requirements and designing private or PCG as well as delivery of working space, technical and business skill training, market linkage, and continues industry extension service.	
Free donation to the few formal MSME as wage subsidy and grant to the informal sector should be discouraged when we think of the appropriateness of collection and redistribution of available resources to the unreached in the form of soft loan; and when considering criteria like fair distribution and effective utilization of limited project resources.	MoLS
The initiatives of the project that promoted the formulation of business resilience and DRM guideline, and establishment of BEU was appropriate to enhance the resilience of MSMEs and synergy of urban development actors. Nevertheless, more work is required to ensure the effectiveness and sustainability of these innovative and impactful ideas. This requires among others making sure that MoLS is committed to review its structure, system and policies, and allocate human resources and budget.	Collaborative advocacy and lobbying by UNDP
A database system that track, summarize, and report gender, disability and age (e.g. youth) disaggregated data is vital to understand if proper consideration is given to eliminate gender and other types of discrimination during screening, shortlisting and selection of informal and formal MSMEs for financial and non-financial assistances. This might require assisting all level of government structures to strengthen the capacity of their staff on data management and research, and use that information to promote financial inclusions of vulnerable groups. This also includes provision of all the required office equipment and infrastructure such as computer and internet access.	UNDP and other development partners
Urban centers and OSSCs located at the forefront are vital enabler of the ability of MoLS and regional Labor and skills Bureaus to deliver; they require maximum support and flexibility to help the federal and regional level actors to meet their aims. Recognizing their centrality in the MSMEs emergency response – and localizing the beneficiary selection where possible, strengthening their capacity and empowering them – will support them in this role.	MoLS
The results framework/log frame/theory of change should be well designed at the inception phase of a project. The project strategies can be changed based on assessment findings, emerging trends, and local situations but the ProDoc/ project result framework should be persistently updated to accommodate any changes on the project strategies and budget revisions during the implementation phase. The updated document should be approved by concerned bodies (e.g., donors, project advisory board/signatory government, and UNDP), documented and shared for monitoring and evaluation purpose and tracking the changes and the reasons for the changes. In addition, a comprehensive monitoring and evaluation plan should be prepared detailing all key monitoring and evaluation activities to be carried out during the implementation of the project and throughout evaluation phase.	MoLS
MoLS/UNDP should identify potential coordination, security, health, legal, policy, structural, political, administrative, financial and environmental risks with their mitigation strategies besides project assumptions as this is a precondition to the effective address anticipated and emerging challenges. Having proper risk and uncertainties analysis during the project design is useful to completing tasks on time; ensure wise use of human and financial resources; and achieving the objectives and sustainability of a given external investment.	MoLS
UNDPs assistance towards the effectiveness of the ENVCSPP should focus on the one hand on technical, material and logistics assistance to MoP and the regional and urban level peace and security offices to strengthen the implementation, monitoring and review of the programme . On	UNDP



Recommendations	Who should implement
the other hand the agency should give more attention on evidence based advocacy to ensure that Ethiopia has national volunteerism policies that sustain the huge technical and financial investments of UNDP CO on the national initiative on ENVCSP. This among others demands doing impact assessment and real time assessments of the programme that improves the effectiveness of the programme, and provides evidences that convince the FDRE on the need of having a volunteers' policy.	
The evaluation found the need to strengthen the collaboration in among the government actors like MoLS, MiNT, and the Federal Small and Medium Manufacturing Industry Development Agency <sup>100</sup> ; and establishment of a functional multi-stakeholders platform that brings together relevant enterprise development actors from government agencies, private sector, start-ups, innovators, universities, NGOs, UN agencies and other development partners to share learning, influence policies, enhance coordination and avoid duplication of effort	MoLS

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<sup>100</sup>[http://sme.gov.et/overview-of-the-ministry?p\\_p\\_id=58&p\\_p\\_lifecycle=0&p\\_p\\_state=normal&p\\_p\\_state\\_rcv=1&\\_58\\_struts\\_action=%2Flogin%2Flogin](http://sme.gov.et/overview-of-the-ministry?p_p_id=58&p_p_lifecycle=0&p_p_state=normal&p_p_state_rcv=1&_58_struts_action=%2Flogin%2Flogin)

## LIST OF ANNEXES

### Annex 1: Proportion of grant applicant MSMEs who got financial support from the DFATD funded COVID-19 response project

Target urban centers	Number of MSMEs applied for grant			Number of selected end users			Number of actual end users			%age of targeted enterprises from the registered
	Formal	Informal	Both	Formal	Informal	Both	Formal	Informal	Both	
Adama	ND	ND	ND	801	1903	2704	782	1835	2617	
Ataye	1095	1180	2275	1095	545	1640	1089	542	1631	71.7
Gondar	ND	ND	11,669	636	489	1125	628	485	1113	9.5
Gelan	ND	ND	ND	114	954	1068	110	944	1054	
Injibara	2,137	3,650	5,787	387	288	675	386	286	672	11.6
Degehabor	ND	ND	ND	146	242	388	146	242	388	
Gode	360	500	860	158	154	312	157	154	311	36.2
Kebridehar	300	129	429	118	111	229	118	111	229	53.4
Kemise	124	179	303	68	54	122	66	50	116	38.3
Grand total (a)				3523	4740	8263	3482	4649	8131	
Grand total (b)			21,323						4,072	19.1

Source: Documentation of BEU and key informant interview with the target urban centers

### Annex 2: In-kind support made to regions year 2021/22

Region	Computer Printer	Tonner
Amhara	10	39
Oromia	10	39
Somali	5	21
<b>Total</b>	<b>25</b>	<b>99</b>

Source: BEU documentation

### Annex 3: Risks identified at project design and their evolution during project implementation

The external evaluation finds that project design (specifically the EMP process) was based on the analysis of risks. The project identified two risks during the EMP preparation, assessing their probability and impacts and identifying risk mitigation. The risks are largely relevant and none of the risks have proven to be incorrect. The validity of the identified risks has been monitored, mitigation strategies designed and implemented. Further, additional five existing/emerging risks that were not documented/elaborated/ or considered during the design phase have been identified/documentated with their impact and the mitigation measures to be taken. The table below will assess the evolution of the risks during the project implementation and offers comments on the impacts of the evolution on the project results and their sustainability. The document review in the current evaluation finds that there was flexibility in revising the project strategies; which can be evidenced by incorporating emerging risks and needs of the federal government authorities such as increasing the number of project outputs from four to seven; consideration of other crises (climate change and conflict) besides COVID-19 to identify target cities and regions; re-planning the project document when it was found that implementing the project in Tigray was impossible. Nevertheless, the project didn't anticipate, identify or try to address critical risks like the market price inflation that could possibly undermine project results and should have to be monitored during the design and the implementation phase.

#### Risks and their effects on project implementation and achievements-Risk assessment based on the project EMP

Risk in the EMP	Rating	Suggested prevention/ and or mitigation measures/ Reality at EoP evaluation	Situation at EoP evaluation and Impact on the results, and measures taken to correct or address
<b>Risk 1: Standard 7: Labor and Working Conditions</b>  While MSMEs including informal businesses are supported to continue their operation, however their working conditions may not meet national labor laws and international commitments including social distancing at workplace and to keep occupational safety of employees	I = 1 L = 4 <b>Low</b>	The project allocated budget for (a) the procurement and delivery of safety items like mask, sanitizer; and (b) public awareness creation on the pandemic and prevention methods; and (c) funding innovations that contribute the prevention and mitigation of the pandemic	The awareness creation on the pandemic continued. The pandemic was not serious public health concern during the evaluation. In addition vaccination was freely available by the FDRE for those who are interested to take it.  <b>Rating- Low</b>
<b>Risk 2: Standard 8: Pollution Prevention and Resource Efficiency</b>  The generation of waste (both hazardous and non-hazardous)  Significant consumption of raw materials, energy, and/or water	I = 2 L = 4 <b>Moderate</b>	The project design included diverse measures, including promoting virtual meetings; supporting environment sensitive productive safety net activities (specifically tree planning); deployment of volunteers who supports on waste management. In addition the national green legacy of the country was expected to offset the environmental effect of enterprise depends on forest resources	The impact of the selected categories of MSMEs for the wage subsidy and grant to the informal sector to waste generation and extraction of natural resources was low, and the suggested strategies were adequate to address the negative impacts  <b>Rating- Low</b>

## Risks and their effects on project implementation and achievements (Risks on the PIR)

Risk in the PIR	Rating	Suggested prevention/ and or mitigation measures	Situation/ Reality at EoP evaluation and Impact on the results, and measures taken to correct or address
Inadequate information and weak baseline data on MSMEs and jobs impacted by the pandemic as well as the crisis/war; this hampered proper targeting.	Not Determined (ND)	Conducted an impact assessment; gathered data on MSMEs, particularly those most impacted by COVID-19 and the crisis; reviewed the UN assessment, World Bank facts, and others	ICC and One UN assessment on the pandemic and enterprises consulted and benchmark assessments done at target urban centers level. Nonetheless, the construction sector was overlooked despite the fact that this sector is the most affected by the multiple crises  <span style="color: red;">Rating the 'Impact' of a Risk-Extreme</span>
The intensified spread of the COVID-19 pandemic, combined with conflict, hampered implementation in regions	ND	Prioritized activities that can be done remotely and where field activities are authorized, ensure adherence to protocols and precautions, provided frontline staff and workers with needed equipment and materials, and so on.	During the project's implementation period several changes and incidences were witnessed, particularly the change in government structure/leadership, war outbreak in northern regions (Tigray, Amhara, and Afar), and social unrest in Oromia regions. As a result, the project was subject to time constraint to implement the project activities in the right time. In general, the project went through different challenges and achieved the intended results and addressed the needs of MSMEs that were affected by the adverse impact of COVID-19 and other crisis (conflict and climate change). Diverse adjustments like changes on the operational areas and implementation strategies and budget allocation had been made to address the risks. Some activities (e.g. preparation of the implementation modality, change on the operational areas, and transfer of cash to the beneficiaries) has taken extended time and delay  <span style="color: red;">Rating the 'Impact' of a Risk-Extreme</span>
Many MSMEs were unable to meet a minimum creditworthiness requirement and also had unpaid loans from local microfinance institutions. These two major issues have remained a barrier to the implementation of loan guarantee schemes.	ND	Given the three crises that have affected MSMEs, the financial institutions' concerns, and the limited time available to implement the project, the resources allocated for the <b>Loan Guarantee Scheme</b> were used in the form of wage subsidies for formal businesses and a one-time grant for informal businesses.	Based on our opinion other alternative should be sought to use the external assistance as soft loan to ensure that the fund is repaid and redistributed for unreached MSMEs overtime  <span style="color: red;">Rating the 'Impact' of a Risk-Extreme</span>

Risk in the PIR	Rating	Suggested prevention/ and or mitigation measures	Situation/ Reality at EoP evaluation and Impact on the results, and measures taken to correct or address
Lack of a proper inter-ministerial and federal/regional level coordination on the MSMEs sector	ND	Organized a project Steering Committee comprising key governmental entities together at both the federal regional and city administration level	<p>This risk is precondition for the success of the project. Indeed, the project has activities to address the issues linked to the risk, including budget for platform meetings; using existing coordination mechanisms and using the MoU signed between UNDP and the JCC as entry point to strengthen the work relationship with the government. Nonetheless this was not achieved</p> <p><b>Rating the 'Impact' of a Risk-Extreme</b></p>
Continued conflict and insecurity in Tigray, Amhara, Somali and Oromia region prohibited access to project intervention areas, damaging project reach and effects.	ND	Focused on accessible areas of Somali and Oromia initially and gradually scale-up across Amhara region.	<p>Implementation area changed from Tigray to Oromia and partly to Amhara and Somali but the decision process has taken extended time. The security situation in east Amhara was not good between September and November in East Amhara that delay the implementation further. The time taking process to redesign/retargeting due to the north Ethiopia conflict contributed for the delay in the on time delivery of some of the tasks</p> <p><b>Rating the 'Impact' of a Risk-Extreme</b></p>

Source: PIR and final evaluation findings; Rating the 'Impact' of a Risk (Extreme -5; Extensive -4; Intermediate -3; Minor -2; Negligible -1)<sup>101</sup> (UNDP. (2022). Guidance Note: UNDP Social and Environmental Standards (SES), Social and Environmental Screening Procedure)

<sup>101</sup>[https://info.undp.org/sites/bpps/SES\\_Toolkit/SES%20Document%20Library/Uploaded%20October%202016/UNDP%20Social%20and%20Environmental%20Screening%20Procedure\\_JULY2022\\_ENGLISH.pdf](https://info.undp.org/sites/bpps/SES_Toolkit/SES%20Document%20Library/Uploaded%20October%202016/UNDP%20Social%20and%20Environmental%20Screening%20Procedure_JULY2022_ENGLISH.pdf)

**Annex 4: Activity summary (As per the Project agreement of JCC and UNDP; multiyear planning-Jan 2021– June 2022**

Activity Description	Unit	Target	Achievement	Remark
<b>Output 1. Critical socio-economic impacts, including for women and girls, identified and response/recovery plans designed through Improved data and analytics on jobs, livelihoods and MSMEs</b>				
1.1 Rapid multi-sectoral social, economic and governance impact assessment of the pandemic and crisis at national level	No. of documents	1	1	
1.2. Rapid multi-sectoral social, economic and governance impact assessment of the pandemic and crisis and conflict in Ataye and Kemise town from Amhara region, Gode town in the Somali region and Adama and Gelan towns from Oromia region	No. of documents	3	5	
1.3. Support regions to develop recovery plan using disaster recovery and governance models and then establish response and recovery units with the mandate to assess, plan, implement and coordinate socio-economic response and recovery interventions on jobs, livelihoods, and MSMEs including effective linkages with the federal level	No. of urban centers	Not determined	9 (at urban centers level)	
1.4. Comprehensive national/region wide response and recovery plan with costed set of interventions developed and launched	No. of documents	1	1	
1.5. Through launching challenge grant award; identify and promote quick impact local based innovation solutions to address the pandemic	No. challenge grant awarded	10	7 (1F)	
1.6. Comprehensive assessment of the impact of the crisis in Tigray on jobs, livelihoods and MSMEs conducted and priority recovery needs identified:	No. of documents	1	1	
1.7. Development of a national business resilience and disaster risk management guideline	No. of documents	1	1	
<b>Output 2: Ensure continuity of critical government functions in order to provide the needed basic services at the time of COVID-19 and the crisis</b>				
2.1. Enabling continuity of critical government functions in the regions impacted by the pandemic and the crisis in selected regions. This may include delivery of ICT equipment support, zoom licenses and standard training to regional and federal actors on business continuity and standard operating procedures during the time of COVID-19; that could be also adapted to other crises	No. of regional institutions	9	16	

Activity Description	Unit	Target	Achievement	Remark
Output 3: Socio-economic impacts are mitigated for women owned enterprises and employees and most affected groups , sectors (formal and informal) and geographic areas through implementation of selected recovery interventions on jobs, livelihoods and MSMEs.				
3.1. Provide stimulus packages ( job retention or compensation schemes/wage subsidies , small grants) for jobs, livelihoods and MSMEs mainly in the informal sector that are most impacted by the pandemic and crisis	No, of enterprises	8000	8,131	
3.2. Support to micro and small enterprises of women and most affected groups to be revitalized through access to financial and non-financial services in collaboration with financial institutions like CBE and DBE and other regional level financial facilities				
3.3. Launch job retention or compensation schemes in MSMEs using safety net interventions for youth and women	No. of jobs created and retained	20,000	3,378	
3.4 Service fees for third party like ABH to provide program non-grant fund management	Office space rental	1	0	
Output 4: Social capital deployed, and awareness enhanced to contain and reverse the pandemic through Implementation of selected recovery interventions in selected regions on jobs, livelihoods and MSMEs particularly targeting the most vulnerable sectors and groups and those left behind.				
4.1. Supply materials and equipment + enable targeted public health measures in around businesses/industrial parks in response to the pandemic and crisis	Ls	160,000	10,000	
4.2. Outreach, information, communication and data management	LS	Not determined	9 type of Outreach, information, communication materials	
4.3 Deployment of national youth voluntary services to combat the pandemic	Number	Not determined	291 (91F)	
Output 5: Capacity of regions to plan, implement, coordinate and monitor crisis management and recovery measures strengthened				



Activity Description	Unit	Target	Achievement	Remark
5.1. Organize periodic platforms for knowledge sharing led by regional task force on the COVID-19 responses and recovery and crisis so as to strengthen coordination between regions federal for effective coordination and reporting	No.	6	Budget used to organise review meetings of the advisory board and the regional focal persons of the project	
5.2. Support regions to develop guidelines on multi-sectoral disaster risk management assessment (not only COVID-19 response and recovery but also other risks) and mainstream in their regular annual planning using the UNDP disaster and climate risk governance program as entry point	No.	3	Delivered	
5.3. Build the capacity of regions Micro and Small Enterprises Agency through provision of technical, financial and material support to re-organize its operating systems and refurbish the damaged office	LS	1	Budget reallocated for enterprise financial support	
Output 6: Deploying measures related to financial instruments including guarantees (Enabling rapid restoration and reestablishment of MSMEs' and bring back the jobs therein key sectors/sub-sectors using the successful model employed to address the socio-economic impact of COVID-19 -				
6.1. Conduct assessment (spot checks) to identify most impacted MSMEs and jobs in the target area	Frequency	1	Budget reallocated to MSME support	
6.2. Stakeholders workshop to identify financial package and its operational framework (Financial institution, BOLSA, JCC, etc...)	No.	Not determined	2	
6.3. Establish grant funding mechanism targeting informal and formal sector with emphasize on micro and small enterprise	Ls	Not determined	The allocated budget fully used as grant/wage subsidy under output one above	
6.4. Strengthening the operational and management capacity of the implementing partners to implement and manage the financial stimulus package including grant fund	Frequency	2	4	
6.5. Strengthening the operational and management capacity of one stop service providers in the Woredas in the form of training and provision of materials	No.	80	ND	

Activity Description	Unit	Target	Achievement	Remark
6.6. Strengthening Business Emergency Unit at JCC and in the regions to in turn provide technical support and BDS service to impacted MSMEs	No. of staff	10	10	
6.7. Strengthening monitoring and supervision capacity of JCC to ensure quality and recovery performance	Frequency	Not determined	12	
<b>Output 7: Project management, follow up, monitoring and reporting to ensure equality and enhance performance</b>				
7.1. Establish and strengthen the business emergency unit and its operation capacity to support the most impacted MSMEs' and to implement and monitor as well as report the progress periodically. This may also include support of necessary material for the BEU team based at JCC and in the regions to augment the capacity of regional agencies to execute the implementation of the project	# of BEU teams	12	12	
Supply of materials and equipment for the technical team providing support to MSMEs	# of BEU teams	12	12	
Document lessons learned and success on the response for further scale up and future preparedness	No.	Not determined	ND	
Periodic monitoring of recovery interventions and then reporting timely	Frequency	Not determined	ND	
Project implementation follow up, administration and supervision	Frequency	Not determined	ND	
Enhancing institutional system and software capability for efficient and effective management of the project	# of software	1	Budget reallocated to grant/wage subsidy	

Source: Self-reported by BEU/MoLS and key informants interview with BEU and other regular staff of MoLS

## Annex 5: Assessment of the quality of the project outputs

JCC-UNDP (Amhara, Oromia and Somali)
<b>Output 1.1:</b> Critical socio-economic impacts identified and response, recovery plans designed through improved data and analysis on jobs, livelihood and MSMEs ( <b>output 1</b> in the agreement)
<b>Output 1.2:</b> Capacity of the region to plan, implement, coordinate and monitor crises management and recovery measures strengthened ( <b>output 3</b> in the agreement; training of government staff on socio-economic assessment and emergency and recovery planning; support regions to develop guidelines on multi-sectorial disasters risk assessment and mainstream in their regular annual planning a using the UNDP disaster and climate risk governance program as entry point)
<b>Output 1.3:</b> Deploying measures related to financial instruments including guarantees (enabling rapid restoration and reestablishment of MSMEs and bring back the jobs therein key sectors/sub-sectors using the successful model employed to address the socio-economic impact of COVID-19 ( <b>output 6</b> in the agreement; assessment of impact, need identification, define support package, and set up financial mechanism)
Output 2: Ensure continuity of critical government functions in order to provide the needed basic services at the time of COVID-19 and the crises (output 2 in the agreement)
Output 3.1: Capacity of the region to plan, implement, coordinate and monitor crises management and recovery measures strengthened (output 3 in the agreement; Indicator 1 : # of platforms organised on response and recovery mechanism and Indicator 3 : Enhanced institutional capacity of agencies receiving technical and material support and activities associated with it)
Output 3.2: Deploying measures related to financial instruments including guarantees (Enabling rapid restoration and re-establishment of MSMEs' and bring back the jobs in key sectors/sub-sectors using the successful model employed to address the socio-economic impact of COVID-19 (Output 6 in the agreement; Indicator 2: # of stakeholders whose awareness was raised in the current situation of MSMEs in the target region; Indicator 3: Strengthened the operational and management capacity of regional, federal and implementing partners; and Indicator 4: # of strengthened one-stop service providers at Woreda level in the target regions
Output 4.1: Socio-economic impacts mitigated for most affected groups, sectors and geographic areas through implementation of selected recovery interventions on jobs, livelihoods and MSMEs (output 4 in the agreement)
Output 4.2 Deploying measures related to financial instruments including guarantees (Enabling rapid restoration and re-establishment of MSMEs' and bring back the jobs in key sectors/sub-sectors using the successful model employed to address the socio-economic impact of COVID-19 (Output 6 in the agreement; assessment of impact, need identification, define support package, set up financial mechanism and disbursement of grant and delivery of BDS)
Output 5: Social capital deployed , and awareness enhanced to contain and reverse the pandemic through implementation of selected recovery interventions in selected regions on jobs, livelihoods and MSMEs particularly targeting the most vulnerable sectors and groups and those left behind (output 5 in the agreement)
Output 6.1: Project management, follow-up, monitoring and reporting to ensure quality and enhance performance (output 7 in the agreement)
Output 6.2: Deploying measures related to financial instruments including guarantees (Enabling rapid restoration and re-establishment of MSMEs' and bring back the jobs in key sectors/sub-sectors using the successful model employed to address the socio-economic impact of COVID-19 (Output 6 in the agreement; Indicator 5: # of BEU team members maintained to provide direct support for impacted MSMEs and the corresponding activities under it)

## **Annex 6: References**

### **ProDocs and agreements**

- MoF. (n.d). Government of Ethiopia and United Nations, Annual joint Work Plan, EFY 2013/14 (October 2020-December 2021)
- UNDP assisted Programme Document and Agreement (funded and unfunded)
- UNDP-Ethiopia. (n.d). Enabling and Accelerating the National Response to the Impact of COVID-19: April 2020 – April 2021
- Grant agreement between Department of Foreign Affairs, Trade and Development (DFATD) and UNDP (January 2021 – March 2022)
- UNDP. (n.d). Revised annual work plan: Socio-economic response and recovery on the impact of COVID-19 and social crisis in Amhara and COVID-19 impact in Oromia and Somali regions; Start date: January 2021; End date: June 2022; Implementing agency: Jobs Creation Commission; signed by UNDP and JCC
- AWP-JCC and UNDP (January 2021-June 2022). Retrieved from [https://info.undp.org/docs/pdc/Documents/ETH/COVID%20AWP\\_2021\\_Signed.pdf](https://info.undp.org/docs/pdc/Documents/ETH/COVID%20AWP_2021_Signed.pdf)
- Socio-economic Response and Recovery on the impact of COVID and Crises in Tigray, Amhara and Somali (Project agreement)

### **Loan administration agreement**

- Soft loan administration agreement between JCC and DBE
- Wage subsidy administration agreement between JCC and CBO
- Grant transfer to informal sector administration agreement between JCC and CBO

### **Implementation Modality**

- JCC. (June 2021). Implementation Modality. Socio-economic response and recovery in Ethiopia in the aftermath of COVID-19 Business Support to MSMEs, Addis Ababa, Ethiopia

### **Assessments and studies**

- Comprehensive socio-economic impact assessment of the north Ethiopia conflict in Tigray and an emergency recovery plan to protect lives and livelihoods of the people in the region ( March – May 2021)
- UNDP. (May 2020). Socio – Economic impact of COVID-19 in Ethiopia. One UN assessment.
- National programme document (UNDP, other UN agencies, other donors and FDRE)
- Environmental Management Plan (EMP) (2021) for a project entitled “Accelerating Ethiopia’s Response to COVID-19
- Sample preliminary benchmark assessment reports from Ataye, Kemise, Gode and Adama and Gelan towns

### **Project report**

- UNDP. (August 2022). Enabling and Accelerating the National Response to the Impact of COVID-19 in Ethiopia. (January 2021 – June 2022). Final Report. Submitted to Department of Foreign Affairs, Trade and Development (DFATD), Global Affairs Canada, Addis Ababa, Ethiopia.
- UNDP. (n.d). 2022 Reporting - Rapid Finance Facility (COVID 2.0)
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#### **Other relevant documents**

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- FDRE. (2004). Micro, Small and Medium Enterprises (MSMEs) Development Strategies in Ethiopia Addis Ababa, Ethiopia
- Job Creation Commission. (2020b). The jobs impact of COVID19: Rapid labor force survey (RLFS/E)
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- MoA. (2014). Disaster risk management strategic programme and investment framework, Disaster risk management and food security sector
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- The United Nations System-Wide Action Plan (SWAP) on Gender Equality and the Empowerment of Women Evaluation Performance Indicator
- The United Nations Disability Inclusion Strategy
- Sustainable Development Goals (SDG)
- WIPO. (2021). Global Innovation Index 2021
- Hailegiorgis Terefe Anbessie Auditing Service. (2020). Micro assessment on Jobs Creation Commission (JCC), Addis Ababa, Ethiopia. Retrieved from <https://open.undp.org/projects/00130143>
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- UNDP. (2020). Ethiopia CPD 2021-2025
- UNDP. (2021). Environmental Management Plan (EMP) for a project entitled “Accelerating Ethiopia’s Response to COVID-19, Submitted to Department of Foreign Affairs, Trade and Development (DFATD), Addis Ababa, Ethiopia
- UNDP. (2022). Guidance Note: UNDP Social and Environmental Standards (SES), Social and Environmental Screening Procedure. Retrieved from [https://info.undp.org/sites/bpps/SES\\_Toolkit/SES%20Document%20Library/Uploaded%20October%202016/UNDP%20Social%20and%20Environmental%20Screening%20Procedure\\_JULY2022\\_ENGLISH.pdf](https://info.undp.org/sites/bpps/SES_Toolkit/SES%20Document%20Library/Uploaded%20October%202016/UNDP%20Social%20and%20Environmental%20Screening%20Procedure_JULY2022_ENGLISH.pdf)
- United Nations Sustainable Development Cooperation Framework (UNSDCF)

## **Annex 7: List of persons interviewed/contacted during the desk and field phase**

### **Government stakeholders**

#### **Macro level/Federal Government**

##### **Job Creation Commission (current Ministry of Labor and Skills-MoLS)- BEU**

- Abraham Nathanael, BEU Manager
- Dr. Teshome, Business Support Expert
- Matewos Terefe (M), Financial Sector Expert,

##### **Job Creation Commission (current MoLS)**

- Selemon Tadesse Debeb (M), Director-Delivery Assurance and Capability Building Directorate, Head, Marketing Research and Linkage Desk,

##### **Ministry of Peace**

- Tesfaye Muleta, Volunteers program facilitator

##### **EDI/MoLS**

- Dr. Hassen Hassen, Chief Operation Officer operation officer

##### **Ministry of Innovation and Technology (MoIT)**

- Selamyhun Haile, Director General
- Birhanu

#### **Regional, Zonal and Urban center Government (Labor and skills Offices)**

##### **Amhara Region**

- Cherenet Beyne, Amhara Peace and Security Bureau, Peace Building Department, National Volunteers Programme Coordinator
- Mulugeta Tesfa, Gonder city administration Labor and skills Department, Deputy Office Head
- Samuel Alemnehe, Injibara town labor and skillss office, Industry Extension Service Team Leader
- Alemnech Aragaw, Kebele 02 OSSC, Injibara town enterprise registration, organizing and capacity development expert
- Tsesgaye Tasew, Ataye City Administration -Labor and skills Office head
- Bayise Mejena (F), Labor and skills Department Head, Oromia Special zone

##### **Oromia Region**

- Muna Kelifa, Urban Job Creation and Skills Team Leader, Job Creation and Skills Bureau, Oromia
- Feleke Neguse, Job Creation Process owner-Team Leader, Adam town
- Kenene Abera, Training Expert, , Adam town
- Gizaw, Gelan City Administration -Labor and skills (office head)

##### **Somali Region**

- Hussen Gyidel Ahmed, Bureau Head, Somali Skills and Job Creation Bureau
- Beshir Abdi (M), Industry Development Directorate Director, Somali Region

- Bisher (M), Labor and skills Office head, Gode town
- Ahmed (M), Labor and skills Office expert, Kebridehar town
- Mohammed (M), Labor and skills Office expert, Degehabor town

### **Community**

#### **Adama town**

- Mohamed Yasin, Small Shop
- Aberash Sisay (F), Cultural Coffee, Informal Sector
- Kasim Hamza, Bakery
- Eden Tekelmarkos (F), Beauty Salon
- Bezuye Bedada (F), Adama, Oromia region
- Hana Alebachew (F), Traditional Coffee
- Haimanot Legese, Small hotel
- Misrak Abege (F), Small Shop
- Nano Ginka, Bakery
- Wagaye Yiheyese (F), Retailer
- Dinknesh Kasahun (F), Egg retailer
- Amare Zerfu, mobile floor wiper seller
- Saki Sanka, Bakery
- Medina Haji (F), small cooked food seller
- Yimegusale Anedbene (F), small shop
- Nuresha Shifa, small shop
- Asrat Bedea, Brick production and marketing
- Negasi Chemdi (F), Grocery
- Ermias Debrework, Small Shop, person with disability
- Seada Haile (F), Construction wood marketing
- Asefaw Abebe, Shoe shining
- Wosene Mekuria (F), retailing business
- Melaku Abebe, retailing business
- Destaye Fekadu, Private school and brick production

#### **Gode**

- Hassen Sulup, Computer service provider
- Deg Abdulahe, Drug Vendor
- Neguse Temesegen (F), Small Shop



- Muhumed Deg, Small Shop
- Esternline Mualine Deg (F), tea and coffee , informal
- Abdiwali Mohammed, Construction material
- Almaz Demeke (F), small restaurant
- Abdirasak Ugase, Furniture

#### **Injibara**

- Kemise Abune Adamu (F), small cafeteria
- Woynishet Mamo (F), mini clothes boutique
- Worknesh Mulu (F), Traditional coffee
- Emawaish Mulugeta (F), Small retail shop
- Mastawal Tsegaye (F), Small retailer shop
- Tsega Bitawelege (F), Traditional coffee
- Emawaish Mulugeta (F), Small retail shop
- Mastawal Tsegaye (F), Small retailer shop
- Tsega Bitawelege (F), Traditional coffee
- Getenesh Asmare (F), Small retailer shop
- Sisaynesh Mesfen (F), mini cloth boutique
- Woyneshet Mekonen (F), Dried traditional food
- Ethiopia Tesma (F), Small restaurant
- Requike Aynalem (F), Traditional coffee and food preparation
- Mekdes Asefa (F), Small restaurant
- Provided information about the project anonymously (3 men)

#### **Jimma**

- Habtamu Abafogi, Simbona Africa Healthcare, Founder and General manager (winner of COVID-19 Challenge Fund)

#### **Addis Ababa**

- Fami Naser Mohammed, MedhanET Electronic Prescription and Drug Search Engine (winner of COVID-19 Challenge Fund)