

Luxembourg, 19 June 2025

Public

Environmental and Social Data Sheet

Overview	
Project Name:	Rural Finance and Development Ethiopia
Project Number:	2019-0606
Country:	Ethiopia
Project Description:	The operation consists of an EUR 110 million Investment Loan to the Federal Democratic Republic of Ethiopia, to be on-lent by the Development Bank of Ethiopia (DBE) to final beneficiaries via Rural Finance Institutions (RFIs). It will be financed in parallel with IFAD's third Rural Financial Intermediation Programme (RUFIP) III.
EIA required:	No
Project included in Carbon Footprint Exercise ¹ :	No

Environmental and Social Assessment

Environmental Assessment

This operation co-finances the RUFIP III programme, which has the objective to support 6.5 million households by providing financing to smallholder farmers across Ethiopia through Rural Financial Institutions (RFIs), such as Microfinance Institutions (MFIs) and Rural Savings and Credit Cooperatives (RUSACCOs). RUFIP III incorporates an Environmental and Social Management Framework² (ESMF) to ensure that its activities are conducted in an environmentally and socially (E&S) responsible manner in alignment with international best practices and IFAD's Social, Environmental and Climate Assessment Procedures (SECAP)³, which are materially aligned with the requirements of EIB Environmental and Social Standards. The ESMF outlines processes for early screening and assessment of E&S risks, mitigation strategies, stakeholder roles, and training for effective safeguard implementation. It also defines the exclusion list, eligibility and monitoring processes, public disclosure, grievance mechanisms (GM), and provides checklists for RFIs, including screening, appraisal, and reporting templates.

DBE has conducted some initial Trainings of Trainers (TOTs) for the RFIs on the ESMF and IFAD's SECAP. However, these have not been fully adopted by the participating RFIs. The EIB TA package will provide tailored support for the RFIs to fully develop and implement an Environmental and Social Management System (ESMS) in alignment with the Program's ESMF. Going forward, DBE will conduct an ESMS 'readiness' assessment that will become a mandatory requirement for RFIs to access RUFIP's Line of Credit. This will be stated in the RUFIP III revised Project Implementation Manual (PIM). The TA may identify additional selection criteria or obligations for the RFIs in addition to the ESMS, in order to fulfill EIB's E&S requirements.

The expected small size of sub-projects financed by the RFIs reduces the significance of potential environmental and social risks and impacts. However, there are some activities funded by RFIs, that cumulatively may have adverse effects on water pollution, soil erosion or contamination, deforestation, etc.

¹ Only projects that meet the scope of the Carbon Footprint Exercise, as defined in the EIB Carbon Footprint Methodologies, are included, provided estimated emissions exceed the methodology thresholds: 20 000 tonnes CO₂e/year absolute (gross) or 20 000 tonnes CO₂e/year relative (net) – both increases and savings.

² For detailed information on the ESMF, see RUFIP III project design [report](#).

³ 2017 SECAP available [here](#).

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The required ESMS will be thus commensurate with the level of risks of the underlying sub-projects. The ESMS will allow the RFIs to identify and assess the potential E&S risks and impacts, classifying sub-projects into three risk categories that will determine the level of E&S assessment and management required to obtain RUFIP's support. Highest risk projects that require an Environmental and Social Impact Assessment (ESIA) will be excluded from receiving EIB's financing. In addition, non-financial support such as e.g. capacity building to improve agricultural practices, including climate resilience, natural resources management, soil and water conservation measures will be provided by the EIB's envisaged Technical Assistance (TA) to mitigate potential environmental risks associated with the agricultural activities and enhance the capacities of final beneficiaries.

Since RUFIP's project inception, DBE has in place an operational project coordination and management unit (PCMU), which includes environmental and social experts. The PCMU will recruit additional E&S experts, to reinforce project coordination capacities. The implementation support TA will reinforce the capacity of the Promoter and participating RFIs to comply with EIB's E&S Standards and reporting requirements.

Social Assessment, where applicable

RUFIP III is expected to have positive socioeconomic impacts in rural communities by improving their access to financial services, which in turn may enable increases in income for local communities and create indirect employment opportunities through the provision of required services to the entrepreneurs.

MFIs adhere to the National Bank of Ethiopia (NBE)'s 2020 directive on ethical client treatment, covering disclosure, data protection, and complaints. Typically, MFIs constitute their own policies to comply with the NBE directives. RUSACCOs follow the Ethiopian Cooperative Commission (ECC)'s 2016 proclamation, emphasizing equality, transparency, and good governance. Cooperatives' membership should be open to all, without discrimination based on gender, social status, race, political ideology, disability, or religion.

RUFIP III program includes a component aimed at strengthening NBE and ECC's capacities to supervise and regulate MFIs and RUSACCOs for enhancing their operational sustainability and improving client protection practices. In addition, EIB's TA may support the RFIs improve their client protection procedures to align with international good practices. These practices will become part of the criteria considered by DBE in the selection process to provide a line of credit to RFIs.

Only a few RFIs have institutionalized grievances or complaints mechanism in place, as most are informal and addressed by concerned actors through multiple channels, e.g. suggestions box, logbooks, hotlines, phone messages, etc. However, IFAD has introduced a Grievance Redress Service (GRS) for RUFIP III requiring the RFIs to provide a grievance mechanism, process, or procedure to receive and facilitate resolution of stakeholders' concerns and grievances⁴. According to the GRS project-affected communities and individuals may submit complaints to the appropriate local grievance mechanism⁵, or the IFAD's corporate Grievance Redress Service (GRS)⁶.

Gender Equality

A gender assessment to inform the design of the investment and related technical assistance has been undertaken. Women make up more than 50% of Ethiopia's agricultural labor force but contribute less than 30% to agricultural productivity. This gap exists as women have unequal access to key agricultural inputs and finance. Closing the gender gap in agricultural productivity alone has the potential to lift 1 million people out of poverty in Ethiopia every year.

⁴ The ESMF provides guidance on a generic grievance redress mechanism for the RFIs.

⁵ This includes the RFIs' GM or local grievance hearing committees (GHC) consisting of representatives from the village or town, municipality, Woreda, or Kebele administration, the affected persons, among others.

⁶ Communities Complaints on Sexual Exploitation and Abuse can also be sent to IFAD.

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The EIB investment is expected to significantly contribute to gender equality by aiming to have 50% of the EIB loan dedicated to final female beneficiaries. Previous assessments of the RUFIP programme done by IFAD finds that women benefiting from the programme experience increased agricultural productivity and empowerment through higher incomes and participation in social and economic activities. The technical assistance support will further support the RFIs to better serve female customers.

Conclusions and Recommendations

Participating RFIs will be required to comply with the requirements of RUFIP's ESMF, which are materially aligned with the EIB Environmental and Social Standards for the type of sub-projects to be financed through RUFIP III.

For this purpose, the Promoter will be required to:

- Include qualitative indicators in the credit award process reflecting RFIs readiness to comply with the ESMF and EIB's E&S requirements. In particular, DBE will ensure that RFIs have the following elements in place, with the support of the TA when required:
 - An ESMS that integrates E&S and gender considerations into the credit decision making processes in compliance with: (i) national legislation; (ii) EIB E&S eligibility criteria (among others, excluding high-risk categories), EIB Sector Requirements and List of excluded activities; (iii) the applicable EIB E&S Standards; and (iv) client protection principles;
 - A complaints or grievances redress mechanism (external and internal), and
 - An adequate organisational structure (roles and responsibilities) for the implementation of the ESMS;
 - An action plan based on the gaps identified during the TA.
- Update the PIM, including Annexes to align with the revised ESMF to ensure compliance with EIB's E&S requirements such as EIB's eligibilities, criteria for loan agreements, monitoring and reporting requirements, gender inclusion, etc.
- Strengthen and maintain its PCMU to effectively manage the RUFIP III and ensure achievement of its objectives and results, including compliance with EIB E&S requirements and adequately report on gender equality objectives.
- Ensure that 50% of the final beneficiaries of the EIB loan will be women.

With the above-mentioned conditions to be included in financial contract, the operation is acceptable to the EIB in environmental and social terms.