



**FOR OFFICIAL USE ONLY**

Report No: PAD4830

INTERNATIONAL DEVELOPMENT ASSOCIATION

PROJECT APPRAISAL DOCUMENT

ON A

PROPOSED GRANT

IN THE AMOUNT OF SDR 133.9 MILLION  
(US\$180 MILLION EQUIVALENT,

OF WHICH US\$100 MILLION EQUIVALENT FROM THE HOST COMMUNITY-REFUGEE  
WINDOW)

TO THE

FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA

FOR THE

DEVELOPMENT RESPONSE TO DISPLACEMENT IMPACTS PROJECT  
IN THE HORN OF AFRICA PHASE II

May 26, 2022

Social Sustainability And Inclusion Global Practice  
Eastern and Southern Africa Region

This document has a restricted distribution and may be used by recipients only in the performance of their official duties. Its contents may not otherwise be disclosed without World Bank authorization.

**CURRENCY EQUIVALENTS**

(Exchange Rate Effective April 30, 2022)

**Currency Unit = Ethiopian Birr**

**51.86 Ethiopian Birr = US\$1**

**US\$1.34 = SDR 1**

**GOVERNMENT OF ETHIOPIA FISCAL YEAR**

**July 8 – June 7**

Regional Vice President: **Hafez M. H. Ghanem**

Country Director: **Boutheina Guermazi**

Regional Director: **Catherine Signe Tovey**

Practice Manager: **Helene Monika Carlsson Rex**

Task Team Leaders: **Matthew Stephens, Esayas Nigatu Gebremeskel**

## ABBREVIATIONS AND ACRONYMS

3R-4-CACE	Response-Recovery-Resilience for Conflict-Affected Communities in Ethiopia Project
BoA	Bureau of Agriculture
BoF	Bureau of Finance
AWPB	Annual Work Plan and Budget
CAC	Community Audit Committee
CBO	Community-Based Organization
CDD	Community-Driven Development
CERC	Contingent Emergency Response Component
CFT	Community Facilitation Team
CHS	Community Health and Safety
CIF	Community Investment Fund
CIG	Common Interest Group
COVID	Coronavirus Disease
CPC	Community Procurement Committee
CPF	Country Partnership Framework
CPMC	Community Project Management Committee
CRRF	Comprehensive Refugee Response Framework
DA	Designated Account
DRDIP	Development Response to Displacement Impacts Project
E&S	Environment and Social
EHS	Environmental Health and Safety
EIRR	Economic Internal Rate of Return
ERM	Emergency Response Manual
ESCP	Environmental and Social Commitment Plan
ESF	Environmental and Social Framework
ESMF	Environmental and Social Management Framework
ESRM	Environmental and Social Risk Management
ESRS	Environmental and Social Risk Summary
ESS	Environmental and Social Standards
ETB	Ethiopian Birr
EU	European Union
FA	Financing Agreement
FAO	Food and Agriculture Organization
FCV	Fragility, Conflict and Violence
FLID	Farmer-Led Irrigation Development
FM	Financial Management
FPCU	Federal Project Coordination Unit
FSC	Federal Steering Committee
FTC	Federal Technical Committee
FTC	Farmers Training Center
FY	Financial Year
GBV	Gender-based Violence
GCR	Global Compact on Refugees
GEMS	Geo-enabling initiative for Monitoring and Supervision

GoE	Government of Ethiopia
GP	Global Practice
GRF	Global Refugee Forum
GRM	Grievance Redress Mechanism
GRS	Grievance Redress Service
HoA	Horn of Africa
HoAI	Horn of Africa Initiative
HROC	High Risk of Ongoing Conflict
IBEX	Integrated Budget and Expenditure
IBM	Iterative Beneficiary Monitoring
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IDP	Internally Displaced Person
IFMIS	Integrated Financial Management Information System
IFR	Interim Financial Report
IGAD	Intergovernmental Authority on Development
IPF	Investment Project Financing
IPV	Intimate Partner Violence
IWUA	Irrigation Water Users Association
M&E	Monitoring and Evaluation
MoA	Ministry of Agriculture
MoF	Ministry of Finance
MOU	Memorandum of Understanding
NBE	National Bank of Ethiopia
NPV	Net Present Value
NRM	Natural Resource Management
NROC	Non-High Risk of Ongoing Conflict
OFAG	Office of the Federal Auditor General
OP	Operational Policy
PCU	Project Coordination Unit
PDO	Project Development Objective
PFM	Public Financial Management
PIM	Project Implementation Manual
PP	Procurement Plan
PPSD	Project Procurement Strategy for Development
PTC	Pastoralist Training Center
PWDs	Persons with Disabilities
RCC	Refugee Central Committee
RF	Resettlement Framework
RMEAL	Results Monitoring, Evaluation and Learning
RPCU	Regional Project Coordination Unit
RRS	Refugees and Returnees Service
RSW	IDA 18 Sub-window for Refugees and Host Communities
SA	Social Assessment
SACCO	Savings and Credit Cooperative
SEA/SH	Sexual Exploitation and Abuse/Sexual Harassment

SEP	Stakeholder Engagement Plan
SIF	Strategic Investment Fund
SOP	Series of Projects
SORT	Systematic Operations Risk-Rating Tool
SRAMP	Security Risk Assessment and Management Plan
SSI	Small-scale Irrigation
STEP	Systematic Tracking of Exchanges in Procurement
TPM	Third-Party Monitoring
TPMA	Third-Party Monitoring Agent
UNHCR	United Nations High Commissioner for Refugees
UNOPS	United Nations Office for Project Services
USD	United States Dollar
WBG	World Bank Group
WHR	IDA 19 Window for Host Communities and Refugees
WNCCA	Woreda Needs, Conflict and Capacity Assessment
WofED	Woreda Office of Finance and Economic Development
WPCU	Woreda Project Coordination Unit

**TABLE OF CONTENTS**

<b>DATASHEET .....</b>	<b>1</b>
<b>I. STRATEGIC CONTEXT .....</b>	<b>7</b>
A. Country Context.....	8
B. Sectoral and Institutional Context.....	10
C. Relevance to Higher Level Objectives.....	14
<b>II. PROJECT DESCRIPTION.....</b>	<b>15</b>
A. Project Development Objective .....	15
B. Project Components .....	16
C. Project Beneficiaries .....	33
D. Results Chain .....	33
E. Rationale for Bank Involvement and Role of Partners .....	34
F. Lessons Learned and Reflected in the Project Design .....	35
<b>III. IMPLEMENTATION ARRANGEMENTS .....</b>	<b>36</b>
A. Institutional and Implementation Arrangements .....	36
B. Results Monitoring and Evaluation Arrangements.....	37
C. Sustainability.....	38
<b>IV. PROJECT APPRAISAL SUMMARY .....</b>	<b>39</b>
A. Technical, Economic and Financial Analysis .....	39
B. Fiduciary.....	40
C. Legal Operational Policies.....	43
D. Environmental and Social .....	43
<b>V. GRIEVANCE REDRESS SERVICES .....</b>	<b>47</b>
<b>VI. KEY RISKS .....</b>	<b>47</b>
<b>VII. RESULTS FRAMEWORK AND MONITORING .....</b>	<b>50</b>
Annex 1 : Implementation Arrangements and Support Plan .....	70
Annex 2: Map .....	80

## DATASHEET

### BASIC INFORMATION

Country(ies)	Project Name	
Djibouti, Ethiopia, Kenya, Uganda	Development Response to Displacement Impacts Project in the Horn of Africa Phase II	
Project ID	Financing Instrument	Environmental and Social Risk Classification
P178047	Investment Project Financing	High

### Financing & Implementation Modalities

<input type="checkbox"/> Multiphase Programmatic Approach (MPA)	<input checked="" type="checkbox"/> Contingent Emergency Response Component (CERC)
<input checked="" type="checkbox"/> Series of Projects (SOP)	<input checked="" type="checkbox"/> Fragile State(s)
<input type="checkbox"/> Performance-Based Conditions (PBCs)	<input type="checkbox"/> Small State(s)
<input type="checkbox"/> Financial Intermediaries (FI)	<input type="checkbox"/> Fragile within a non-fragile Country
<input type="checkbox"/> Project-Based Guarantee	<input type="checkbox"/> Conflict
<input type="checkbox"/> Deferred Drawdown	<input type="checkbox"/> Responding to Natural or Man-made Disaster
<input type="checkbox"/> Alternate Procurement Arrangements (APA)	<input type="checkbox"/> Hands-on Enhanced Implementation Support (HEIS)

Expected Approval Date	Expected Closing Date
06-Jun-2022	31-Dec-2027

Bank/IFC Collaboration

No

### Proposed Development Objective(s)

To improve access to basic social and economic services, expand livelihood opportunities and enhance environmental management for host communities and refugees in the target areas.



## Components

Component Name	Cost (US\$, millions)
Social and Economic Services and Infrastructure	83.60
Sustainable Environmental Management	13.60
Livelihoods Program	64.80
Project Management, Monitoring and Evaluation and Learning	18.00
Contingent Emergency Response	0.00

## Organizations

Borrower: Federal Democratic Republic of Ethiopia  
 Implementing Agency: Ministry of Agriculture

## PROJECT FINANCING DATA (US\$, Millions)

### SUMMARY

Total Project Cost	180.00
Total Financing	180.00
of which IBRD/IDA	180.00
Financing Gap	0.00

### DETAILS

#### World Bank Group Financing

International Development Association (IDA)	180.00
IDA Grant	180.00

#### IDA Resources (in US\$, Millions)

	Credit Amount	Grant Amount	Guarantee Amount	Total Amount
Ethiopia	0.00	180.00	0.00	180.00



National PBA	0.00	34.07	0.00	34.07
Regional	0.00	45.93	0.00	45.93
Refugee	0.00	100.00	0.00	100.00
<b>Total</b>	<b>0.00</b>	<b>180.00</b>	<b>0.00</b>	<b>180.00</b>

#### Expected Disbursements (in US\$, Millions)

WB Fiscal Year	2022	2023	2024	2025	2026	2027	2028
Annual	0.00	18.00	40.00	65.00	41.00	16.00	0.00
Cumulative	0.00	18.00	58.00	123.00	164.00	180.00	180.00

#### INSTITUTIONAL DATA

##### Practice Area (Lead)

Social Sustainability and Inclusion

##### Contributing Practice Areas

Agriculture and Food, Environment, Natural Resources & the Blue Economy, Fragile, Conflict & Violence, Water

##### Climate Change and Disaster Screening

This operation has been screened for short and long-term climate change and disaster risks

#### SYSTEMATIC OPERATIONS RISK-RATING TOOL (SORT)

Risk Category	Rating
1. Political and Governance	● High
2. Macroeconomic	● High
3. Sector Strategies and Policies	● Moderate
4. Technical Design of Project or Program	● Substantial
5. Institutional Capacity for Implementation and Sustainability	● Substantial
6. Fiduciary	● Substantial
7. Environment and Social	● High
8. Stakeholders	● Moderate



9. Other	● Substantial
10. Overall	● High

## COMPLIANCE

### Policy

Does the project depart from the CPF in content or in other significant respects?

[ ] Yes    [✓] No

Does the project require any waivers of Bank policies?

[ ] Yes    [✓] No

### Environmental and Social Standards Relevance Given its Context at the Time of Appraisal

E & S Standards	Relevance
Assessment and Management of Environmental and Social Risks and Impacts	Relevant
Stakeholder Engagement and Information Disclosure	Relevant
Labor and Working Conditions	Relevant
Resource Efficiency and Pollution Prevention and Management	Relevant
Community Health and Safety	Relevant
Land Acquisition, Restrictions on Land Use and Involuntary Resettlement	Relevant
Biodiversity Conservation and Sustainable Management of Living Natural Resources	Relevant
Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities	Relevant
Cultural Heritage	Relevant
Financial Intermediaries	Not Currently Relevant

**NOTE:** For further information regarding the World Bank's due diligence assessment of the Project's potential environmental and social risks and impacts, please refer to the Project's Appraisal Environmental and Social Review Summary (ESRS).



## Legal Covenants

### Sections and Description

The Recipient shall no later than three (3) months after the Effective Date, appoint a Third-Party Monitoring Agent ("TPMA"), with terms of reference, mandates, staffing, and other resources satisfactory to the Association, to monitor the implementation and supervision of Project activities in high risk of conflict areas.

## Conditions

Type Effectiveness	Financing source IBRD/IDA	Description <p>The Recipient has adopted an updated Project Implementation Manual in accordance with the provisions of Section I.B.1 of Schedule 2 to the Financing Agreement.</p>
Type Effectiveness	Financing source IBRD/IDA	Description <p>The Recipient, through its Ministry of Agriculture, has contracted an implementing agency with terms of reference, mandate, staffing, and other resources satisfactory to the Association, to be responsible for implementing Project activities in high risk of ongoing conflict areas.</p>
Type Effectiveness	Financing source IBRD/IDA	Description <p>The Association is satisfied that the Recipient has an adequate refugee protection framework.</p>
Type Disbursement	Financing source IBRD/IDA	Description <p>No withdrawal shall be made for payments made prior to the Signature Date.</p>
Type Disbursement	Financing source IBRD/IDA	Description <p>No withdrawal shall be made for Emergency Expenditures under Category (2), unless and until all of the following conditions have been met in respect of said expenditures:</p> <ul style="list-style-type: none"><li>(i) (A) the Recipient has determined that an Eligible Crisis or Emergency has occurred, and has furnished to the Association a request to withdraw Financing amounts under Category (2); and (B) the Association has agreed with such determination, accepted said request and notified the Recipient thereof; and</li><li>(ii) the Recipient has adopted the CERC Manual and Emergency Action Plan, in form and substance acceptable to the Association.</li></ul>
Type Effectiveness	Financing source IBRD/IDA	Description <p>The Recipient has adopted and disclosed: (i) a resettlement</p>



framework; (ii) an environmental and social management framework; (iii) a social assessment; (iv) labor management procedures; (v) gender-based violence/sexual exploitation and abuse/sexual harassment action plan; and (vi) a security risk assessment and management plan, all in accordance with the provisions of the Environmental and Social Commitment Plan.



## I. STRATEGIC CONTEXT

- 1. Any engagement in Ethiopia at present must consider the fluid conflict-related developments in the country and the rapid pace at which these developments could lead to changes in the country's context.** The proposed Development Response to Displacement Impacts Project (DRDIP) in the Horn of Africa (HoA) Phase II (DRDIP II) was prepared with this understanding, with a flexible design that can be adapted to the country's evolving needs. DRDIP II includes several important new design features compared to the ongoing Phase I, as follows: (a) refugees are included as direct beneficiaries; (b) the geographic scope is expanded to cover all communities in the country that are affected by the refugee presence; (c) deeper support to help the government of Ethiopia implement its policies for refugee inclusion; (d) integration of refugee concerns into local development planning; and (e) enhanced focus on women's economic and social empowerment. Furthermore, the Government has agreed to third-party implementation and third-party monitoring in areas at high risk of ongoing conflict.
- 2. Global forced displacement presents significant humanitarian and development challenges.** Over 84 million people are now forcibly displaced because of conflict, persecution, and natural disasters. This includes 26.6 million refugees – the highest number ever recorded – and 51 million internally displaced persons (IDPs).<sup>1</sup> Forced displacement remains largely concentrated in low- and middle-income countries. The HoA and the Great Lakes Regions in Africa host 20 percent of the world's refugees and asylum-seekers (five million) and 25 percent of the IDPs (12.4 million).<sup>2</sup> This is an increase of two million refugees and 500,000 IDPs since DRDIP in the HoA (P152822) commenced in 2016. Displacement is protracted in the HoA and is driven by natural events and human actions, with climate change and environmental degradation acting as threat multipliers.
- 3. Displacement has emerged as a regional phenomenon in the HoA, with spillover effects in neighboring countries, posing major challenges for poverty reduction, stability and community resilience.** Despite its rich endowment in human, social and natural capital, the HoA is affected by a complex history of marginalization, pockets of poverty and insecurity and increasing environmental degradation. Conflict remains endemic, compounded by demographic shifts because of population growth and movement of people; imbalanced service provision; increasing competition for scarce natural resources; and harsh climatic conditions, including frequent droughts and floods.
- 4. In line with the growing importance of regional integration goals to combat fragility, five countries (Djibouti, Eritrea, Ethiopia, Kenya and Somalia) launched the Horn of Africa Initiative (HoAI) in 2019 to forge closer economic ties in the sub-region. Subsequently, Sudan also joined the HoAI.** Highlighting the importance of regional cooperation in resilience building, the initiative includes four pillars: (i) Regional Infrastructure Networks; (ii) Trade and Economic Integration; (iii) Resilience; and (iv) Human Capital. Developed with support from the African Development Bank, the European Union (EU) and the World Bank, the HoAI agreed on priority projects and programs for the region requiring financing of up to US\$15 billion. Responding in part to requests at the October 2021 HoAI Ministerial meeting to increase support for resilience considering the heightened fragility risks faced by the region that spill over national boundaries, this project supports the Resilience Pillar.
- 5. The proposed project is the second phase of an ongoing operation benefiting Ethiopia and is part of a series of ongoing regional projects—also covering Djibouti, Kenya and Uganda.** Designed as a series of projects (SOP), DRDIP addresses the regional spillover effects of conflict and forced displacement. DRDIP supports a development response

<sup>1</sup> <https://www.unhcr.org/en-us/mid-year-trends.html>.

<sup>2</sup> <https://data2.unhcr.org/en/situations/rbehagl>



that helps refugee-hosting countries to overcome the negative impacts of forced displacement, while maximizing the positive opportunities it can also present, thus creating a refugee space contributing to a regional “public good”. The first phase of DRDIP commenced in 2016, supporting Djibouti, Ethiopia and Uganda, with Kenya joining in 2017. Both projects include grants to the Inter-governmental Authority on Development (IGAD) for regional coordination and learning. DRDIP II follows the World Bank’s people-centric approach for the HoA. The project will support approximately 2.5 million people, of whom 1.76 million are host community members and 740,000 are refugees. The SOP allows for other countries in the HoA to opt into the program at a later date, or for second phases and Additional Financing for existing DRDIP countries, as in the case of this operation.

#### A. Country Context

6. **With a population of over 115 million people (2020), Ethiopia is the second most populous nation in Africa after Nigeria, and one of the most diverse.** Ethiopia's location in the center of the HoA and close to the Middle East gives it high strategic importance. It is physically connected to six other countries, namely Eritrea, Kenya, Somalia, South Sudan, Sudan and – essential in terms of global trade – to Djibouti and its deep-sea port. Ethiopia hosts about 86 ethnic groups and 90 spoken languages and is also religiously and geographically diverse.<sup>3</sup>
7. **Consistent economic growth and poverty reduction have underpinned significant development progress in Ethiopia over the last two decades.** Driven by average Gross Domestic Product (GDP) growth of more than ten percent annually over the last 15 years, Gross National Income per capita increased from US\$140 in 2004 to an estimated US\$890 by 2020. Poverty reduced from 38.4 percent in 2004 to 23.5 percent in 2016. This sustained growth has, however, exacerbated inequality, with the Gini coefficient increasing from 29.8 in 2004 to 35 in 2015. The rise in inequality is largely due to increasing urban-rural disparity, with 88 percent of the country's poor living in rural areas.<sup>4</sup>
8. **Ethiopia's development gains are being challenged by a combination of the global pandemic, natural disasters and violent conflict.** The Coronavirus Disease 2019 (COVID-19) has had severe impacts on the country's economy.<sup>5</sup> Growth slowed to 6.3 percent in 2020/21 and is expected to decline to 3.3 percent in 2021/22. World Bank projections estimate that the pandemic has caused a significant increase in the poverty headcount – particularly in urban areas – and has also exacerbated inequality.<sup>6</sup>
9. **Flooding and a locust infestation over the past two years have seriously affected food security and livelihoods and highlighted the risks of climate change.** The number of people requiring food assistance has increased to as many as 13.2 million.<sup>7</sup> Ethiopia is one of the most vulnerable countries to climate variability and climate change due to its high dependence on rain-fed agriculture and natural resources. The country's relatively low adaptive capacity to deal with current and expected changes amplifies resource scarcity and the risk of instability.
10. **Climate change is expected to cause severe damage to infrastructure, increase the risk of water scarcity and increase crop land exposure to drought.** This will increase demand for water, raising the potential for conflict and

<sup>3</sup> According to Ethiopia's 2007 Census.

<sup>4</sup> World Bank Poverty and Equity Brief for Ethiopia, October 2021.

<sup>5</sup> As of May 11, 2022, Ethiopia had registered 470,760 COVID cases and 7,510 fatalities: <https://covid19.who.int/region/afro/country/et>

<sup>6</sup> World Bank analysis suggests that the poverty headcount in the 23.5<sup>th</sup> percentile (the national poverty rate) increased by 11.2 percent and for the bottom 40<sup>th</sup> percentile by 7.7 percent between 2018/19 and October 2020. Inequality is estimated to have increased, with the Gini coefficient rising to 42 in October/November 2020. See Christina Wieser et al (2021) “Poverty projections and profiling based on Ethiopia's High Frequency Phone Surveys of households using a SWIFT-COVID-19 package” World Bank: Washington DC.

<sup>7</sup> 2021 Humanitarian Response Plan. <https://www.wfp.org/countries/ethiopia>



forced displacement.<sup>8</sup> Higher temperatures, which will cause increased aridity, may also lead to livestock stress and reduced crop yields. This is likely to result in significant economic losses, damage to agricultural lands and infrastructure, as well as human casualties.<sup>9</sup> Investments will be needed in climate-resilient infrastructure such as transport networks and public institutions for basic services.

**11. The war in Ukraine is exacerbating economic and food security challenges.** Russia and Ukraine account for close to 30 percent of the global wheat market. As a result of anticipated shortages due to the war, the Food and Agriculture Organization (FAO) global Food Price Index reached an historical high in March 2022. While the index dropped slightly in April 2022, it remains 30 percent higher than one year previously.<sup>10</sup> In Ethiopia the latest official data shows that the price of food has increased by 43 percent over the past year.<sup>11</sup> Across the HoA, the impact of the price increases and food shortages will be felt acutely by the poor, particularly refugees, who are highly dependent on dwindling humanitarian aid for livelihood and food security.<sup>12</sup>

**12. The last five years have seen an increase in violent conflict which has carried a major human and economic cost to Ethiopia.** The most significant recent manifestation of conflict is the Northern Ethiopian Crisis, which began in Tigray in November 2020 and has since spilled over to the adjoining regions of Amhara and Afar. The current wave of conflict has been triggered by a complex web of drivers and grievances, including political rivalries, contestation over natural resources, and perceptions of regional and historical inequalities. These triggers have been aggravated by unfulfilled employment expectations among youth, shrinking availability of land, and the impacts of climate change.<sup>13</sup> Some of these conflicts have long histories (for instance, between different ethnic groups over control of local resources such as water or pasture) and have re-emerged during the recent political transition. Political competition and rivalry between elites has intensified over this period – locally, and at the national and regional levels. These tensions have manifested across both rural and urban areas and have largely been organized along ethnic lines. Conflict is affecting various parts of the country, complicating access to several refugee-hosting areas, raising risks for both humanitarian and development programming and affecting social cohesion in different regions. It has also forced refugees to move to new areas, creating a new set of humanitarian and development needs for displaced populations.

**13. The conflict has triggered a humanitarian crisis, particularly in northern Ethiopia.** The United Nations estimates that 5.2 million people in the north, or more than 75 percent of the region's population, need humanitarian assistance.<sup>14</sup> There are now more than four million IDPs in the country, 50 percent of whom have been displaced in the past six months alone. Overall, half are female and 18 percent are children.<sup>15</sup> Approximately 60,000 Ethiopians

<sup>8</sup> Africa Center for Strategic Studies (2021) "Climate Change Amplifies Instability in Africa", April 21, 2021. See also German Federal Ministry for Economic Cooperation and Development "Climate Risk Profile: Ethiopia".

<sup>9</sup> Average temperatures in Ethiopia have increased by an average of 1°C since 1960s, increasing evapotranspiration and reducing soil moisture. The incidence of drought has increased and the rains in central and northern areas occurring in February to May have become less predictable. Projections of future change indicate increased temperatures, and as much as a 20 percent decline in spring and summer rainfall in southern and central regions and an increase in southwest and southeast areas. Projected warming trends for the entire country are expected to exacerbate observed declines in rainfall, leading to increased water stress.

<sup>10</sup> <https://www.fao.org/worldfoodsituation/foodpricesindex/en/>

<sup>11</sup> <https://www.statsethiopia.gov.et/wp-content/uploads/2022/04/7.CPI-Mar-2022-HB.pdf>

<sup>12</sup> United Nations Conference on Trade and Development (2022) The Impact on Trade and Development of the War in Ukraine.

<sup>13</sup> 'Across Africa, the effects of climate change are shaping conflict patterns, in particular the pattern of violence arising from forced migration into contested space...': <https://aoav.org.uk/2021/how-is-climate-change-driving-conflict-in-africa/>

<sup>14</sup> OCHA <https://reports.unocha.org/en/country/ethiopia>

<sup>15</sup> IOM. 2021. Ethiopia National Displacement Report 10 (August-September 2021), published 13 December 2021:

<https://dtm.iom.int/ethiopia>



are estimated to have fled as refugees to Sudan.<sup>16</sup> The conflict has caused destruction of public facilities, straining access to basic services such as health, education and water in conflict-affected areas. The impacts of climate change may trigger and/or compound conflict and displacement, worsening living conditions or hampering return for those already displaced.<sup>17</sup> Security conditions have stabilized somewhat in recent months, highlighted by a cessation of hostilities agreed by the Government of Ethiopia and the Tigray regional government in late March 2022. The Federal Government has also established a National Dialogue Commission with the objective to facilitate the resolution of differences over fundamental national issues. This development was followed by the release of prominent detained opposition figures, including leaders of the Tigray People's Liberation Front. These measures have potential to contribute to a peaceful resolution of the conflict in Northern Ethiopia. Nonetheless, the situation remains very fragile. Furthermore, parts of Western Oromia and Benishangul-Gumuz have also been affected by conflict involving non-state armed groups and government forces.

**14. While the conflict and humanitarian crisis have affected all Ethiopians, women and men have been impacted differently.** Women have less access to secure livelihoods and are less likely to be paid for their work than men. A 2021 study found that by age 22, about 97 percent of men compared to 81 percent of women were active in the labor market.<sup>18</sup> In the agricultural sector, over half of women workers are unpaid, and in manufacturing this is 58 percent, compared to 40 percent of male workers.<sup>19</sup> Because women are less likely to own land, cultivate fewer crops and have less access to credit and extension services, women's agricultural productivity is 36 percent less per hectare than their male counterparts.<sup>20</sup> The impacts of climate change and the conflict place even greater pressure on women's already volatile livelihoods.

**15. Prevailing gender-based violence (GBV) risks are elevated due to the conflict.** According to the most recent Demographic and Health Survey (2016) for Ethiopia, 26 percent of women aged 15-49 have experienced physical or sexual violence.<sup>21</sup> The conflict exposes women to a range of GBV.<sup>22</sup> Although the government and humanitarian partners have increased support for GBV services, including 34 One-Stop Centers, accessibility remains limited.

## B. Sectoral and Institutional Context

**16. Ethiopia is the third-largest refugee hosting country in Africa and the ninth largest worldwide.** The country currently hosts over 850,000 refugees, with the number increasing over the last three years.<sup>23</sup> Most refugees originate from South Sudan, Somalia and Eritrea (Figure 1). Most refugees in Ethiopia face protracted displacement due to regional instability and reside in camps, which are generally located in the periphery of the country (Figure 2).<sup>24</sup>

<sup>16</sup> <https://www.unhcr.org/neu/50129-ethiopians-fleeing-to-sudan-receive-danish-support.html>

<sup>17</sup> UNHCR. 2021. URL: <https://www.unhcr.org/climate-change-and-disasters.html>.

<sup>18</sup> Admasu, Y., Crivello, G., & Porter, C. (2021). "Young women's transitions from education to the labour market in Ethiopia." WIDER Working Paper No. 2021/96.

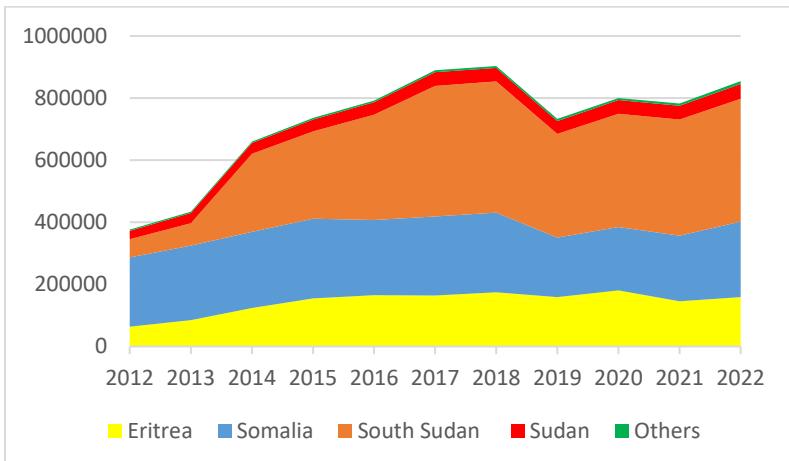
<sup>19</sup> UN Entity for Gender Equality and Empowerment of Women. 2014. "Preliminary Gender Profile of Ethiopia." Addis Ababa: UN Women  
<sup>20</sup> World Bank 2019. *Ethiopia Gender Assessment*. Washington DC: World Bank.

<sup>21</sup> URL: <https://dhsprogram.com/pubs/pdf/FR328/FR328.pdf>.

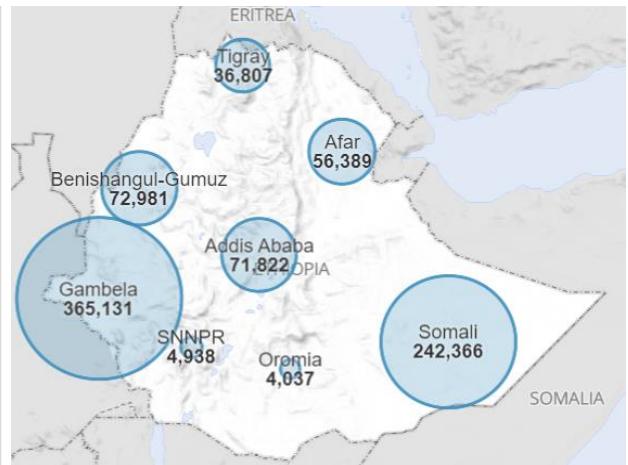
<sup>22</sup> Ethiopian Human Rights Commission and Office of the UN High Commission for Human Rights. 2021. Report of the EHRC/OHCHR Joint Investigation into Alleged Violations of International Human Rights, Humanitarian and Refugee Law Committed by all Parties.

<sup>23</sup> As of April 30, 2022, the precise number is 854,471. See <https://data2.unhcr.org/en/situations/rbehagl>

<sup>24</sup> Until recently there were 26 camps, but two were damaged during the fighting in Tigray and were closed. A new site is under construction in Amhara to accommodate 25,000 refugees to be relocated from the two existing camps in Tigray (Mai-Ayni & Adi-Harush).

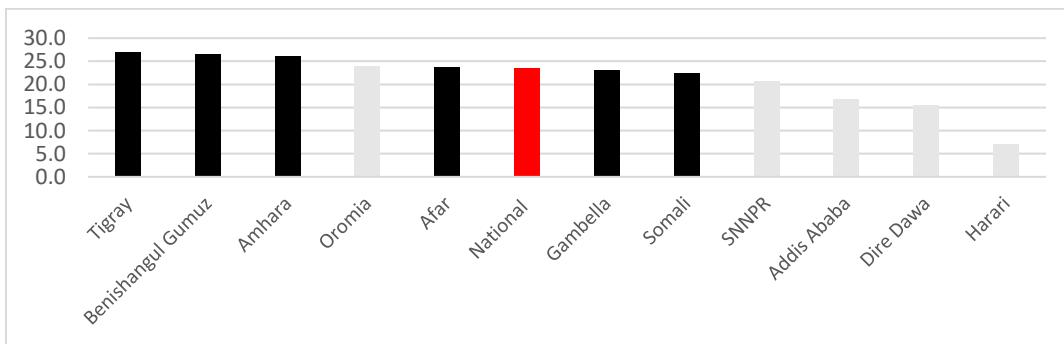
**Figure 1: Number and origin of refugees in Ethiopia 2012-2022**

Source: United Nations High Commissioner for Refugees (UNHCR) (April 30, 2022)

**Figure 2: Location of refugees in Ethiopia**

Source: UNHCR (April 30, 2022)

**17. Most refugee-hosting areas in Ethiopia are characterized by scarce livelihood options and low access to public services.** Agriculture is the mainstay of the local economy, but agricultural production is mainly subsistence and characterized by smallholder, rain-fed practices that generate low incomes. In a context of high rural poverty, poor connectivity and vulnerability to climate and other shocks, most of the refugee-hosting regions have a higher poverty incidence than the national average (Figure 3). A 2020 World Bank assessment observed that in some refugee-hosting areas, basic services were ‘poor to non-existent’.<sup>25</sup> And while the presence of refugees is attracting assistance to help address the service deficit, tensions remain over perceived inequity, with some hosts complaining that refugees receive both more and better-quality services. Furthermore, conflict in different parts of the country has seen a huge increase in the number of IDPs. In some areas public buildings such as schools and markets have been used to house IDPs, resulting in the degradation of these facilities. In some school buildings, for instance, benches and tables have been used for cooking fuel, rendering the schools nonfunctional. Analyses of the impact of climate change in Ethiopia also highlight severe risk of damage to public infrastructure, water shortage, negative impacts on crop land exposure to drought and increased conflict, in turn driving further instability and forced displacement.

**Figure 3: Poverty rates by region in Ethiopia (regions hosting refugee camps and sites are shaded dark)**

Source: 2020 World Bank Ethiopia Poverty Assessment

<sup>25</sup> World Bank (2020) Impact of Refugees on Hosting Communities in Ethiopia. Washington DC: World Bank Group.



**18. While refugees enjoy equal or even superior access to basic services such as health, education and water compared to hosts, they lack livelihood opportunities and are highly dependent on dwindling humanitarian aid.** A survey of refugees and host community members conducted in 2017 showed that refugees in Ethiopia are poorer on average than hosts, live in inferior housing and have less access to electricity and job opportunities.<sup>26</sup> The low level of refugee self-reliance is more acute for female-headed households with 13 percent of female-headed households having access to income sources other than aid, compared to 26 percent of households headed by men.<sup>27</sup> For urban refugees, livelihood opportunities are limited by regulatory barriers, levies imposed on informal businesses and the absence of start-up capital, especially with the negative impact of COVID-19 on the inflow of remittances.

**19. Refugee-hosting regions in Ethiopia vary widely in terms of socio-economic characteristics.** Most refugees in Ethiopia reside in camps in areas that border their country of origin. Nearly all the South Sudanese refugees have settled in Gambella and the Somali refugees in Somali region. Around half of the Eritrean refugees have settled in Tigray or Afar, though many have moved since the conflict erupted in the north. Most of the Sudanese refugees reside in Benishangul-Gumuz region. Each of these groups is integrated to a different degree within the Ethiopian economy and with host communities. Furthermore, there is great variety between these regions in terms of levels of economic development, socio-cultural characteristics, and sources of livelihood. The extent of variation calls for a flexible response to development needs that can be tailored to the different contexts.

**20. COVID-19 has exacerbated development challenges in refugee-hosting communities.** World Bank analyses suggest that COVID-19 has increased poverty headcounts across the country. While urban centers have been most affected, rural areas have also experienced increased poverty rates due to the pandemic.<sup>28</sup> A March 2021 joint World Bank-United Nations High Commissioner for Refugees (UNHCR) phone survey demonstrated that refugees are not immune to the broader economic impacts of COVID-19. The pandemic has caused a major drop in income among the refugee population, with employment rates declining from 28 to 10 percent.<sup>29</sup>

**21. Women who have been forcibly displaced have a higher probability of experiencing GBV.<sup>30</sup>** Separation from families, disconnection from social networks and insecure resettlement living situations increase vulnerability. The risk of intimate-partner violence (IPV) is higher for displaced women compared to women who have not been displaced.<sup>31</sup> These factors often influence help-seeking behavior at the same time that conflict dynamics limit availability of life-saving, quality services for health and psychosocial support.

**22. The impact of the refugee presence has been mixed and varies widely across the different hosting regions.** Analytical work conducted in Ethiopia over the last decade – including an Impact Evaluation of DRDIP I – demonstrates that the refugee presence has had both positive and negative effects on host communities. Positive impacts include: (a) the presence of refugees is associated with an increase in livelihood diversification and livestock sales for host communities. However, these benefits were not evident in the crop-producing Tigray region; and (b) the presence of refugees is associated with an improvement in access to services, especially education and health, as development

<sup>26</sup> World Bank (2018) Informing Durable Solutions by Micro-data: A Skills Survey for Refugees in Ethiopia. Washington DC: World Bank.

<sup>27</sup> Admasu, Y. (2021) "Forced Displacement, Gender, and Livelihoods: Refugees in Ethiopia." Policy Research Working Paper No. 9862. World Bank, Washington, DC.

<sup>28</sup> World Bank Poverty and Equity Brief for Ethiopia, October 2021.

<sup>29</sup> World Bank-UNHCR Joint Data Center Report No. 2 March 2021. "Monitoring COVID-19 Impacts on Refugees in Ethiopia."

<sup>30</sup> Arango, D., J. Kelly, J. Klugman and E. Ortiz (2021) *Forced Displacement and Violence Against Women*. Washington DC: World Bank.

<sup>31</sup> In Ethiopia, IPV affects about 27 percent of displaced women compared to 26 percent of non-displaced women: Arango et al 2021.



resources are attracted to hosting areas.<sup>32</sup> Negative impacts have included increased pressure on the local environment, as refugees cut down trees and grass for cooking, heating fuel, shelter and fencing. Degradation of natural resources, in turn, is exacerbated by the impacts of climate change. Social relations between refugees and host communities in Ethiopia are generally positive, however, this varies by region.<sup>33</sup>

**23. The military conflict that erupted in Tigray in November 2020 has placed a significant strain on Eritrean refugees hosted in the region.** Two refugee camps in the northern part of Tigray, Shimelba and Hitsats, have been damaged and permanently closed.<sup>34</sup> While many refugees fled to the two remaining camps in the region (Mai-Ayni and Adi-Harush) and to other parts of the country, some remained unaccounted for. The conflict has also reportedly aggravated tensions between Eritrean refugees and local residents.<sup>35</sup>

**24. While the operating context on the ground has become more complex, there has been a positive evolution in the international and domestic policy framework for refugee inclusion since DRDIP was launched in 2016.** Ethiopia has long been a generous host to refugees and its policy response to forced displacement has been progressive. Since making nine pledges at the 2016 New York Leaders' Summit on the Global Refugee Crisis, the government issued a new Refugee Proclamation in 2019 and has embarked on the drafting of a ten-year National Comprehensive Refugee Response Strategy.<sup>36</sup> In addition to being one of the first countries to sign up for the roll out of the Comprehensive Refugee Response Framework (CRRF), Ethiopia is a signatory to the 2018 Global Compact on Refugees (GCR). At the inaugural Global Refugee Forum (GRF) in Geneva in 2019, the government made the following four GCR-related pledges: (a) provide equitable, quality, and accredited skills training to 20,000 hosts and refugees; (b) create up to 90,000 socio-economic opportunities through agricultural and livestock value chains for refugees and hosts; (c) provide market-based and sustainable household and facility-based energy solutions for three million people through clean, renewable energy sources; and (d) strengthen the Government of Ethiopia's asylum system and social protection capacity. The pledges recognize the importance of equitable access to services and economic opportunities for refugees and host community members to the achievement of durable solutions.

**25. Ethiopia continues to be eligible for the IDA 19 Window for Host Communities and Refugees (WHR).** Ethiopia meets the WHR eligibility criteria: (a) hosts at least 25,000 refugees; (b) the World Bank, following consultation with UNHCR, confirms that the protection framework for refugees continues to be adequate; (c) eligibility for IDA financing; and (d) government has prepared a Strategy Note on how it will continue to promote the social and economic inclusion of refugees. The objectives of the government's July 2020 Strategy Note are consistent with the proposed project, including: (a) ensure refugees and host communities have access to and benefit from diverse economic and livelihood opportunities for self-reliance and socio-economic integration; (b) strengthen the capacity of service delivery systems

<sup>32</sup> Walelign, Solomon Zena; Wang Sonne, Soazic Elise and Seshan, Ganesh Kumar (2022) Livelihood Impacts of Refugees on Host Communities: Evidence from Ethiopia. Washington, D.C.: World Bank Group.

<sup>33</sup> World Bank (2020) Impact of Refugees on Hosting Communities in Ethiopia. Washington DC: World Bank Group.

<sup>34</sup> <https://www.unhcr.org/news/briefing/2021/3/605da0564/unhcr-reaches-destroyed-camps-northern-tigray.html>.

<sup>35</sup> <https://news.un.org/en/story/2022/02/1112232>

<sup>36</sup> The pledges are: 1. Expansion of the "Out-of-Camp" policy to benefit 10 percent of the current total refugee population; 2. Provision of work permits to refugees and to those with permanent residence ID, within the bounds of domestic law; 3. Provision of work permits to refugees in the areas permitted for foreign workers, by giving priority to qualified refugees; 4. Allowing for local integration for those protracted refugees who have lived for 20 years or more in Ethiopia; 5. Increase of enrolment in primary, secondary and tertiary education to all qualified refugees without discrimination and within the available resources; 6. Enhance the provision of basic and essential social services; 7. Provision of other benefits such as issuance of birth certificates to refugee children born in Ethiopia, possibility of opening bank accounts and obtaining driving licenses; 8. Making available irrigable land to allow 100,000 people (amongst them refugees and local communities) to engage in crop production; and 9. Building industrial parks where a percentage of jobs will be committed to refugees.



for refugees and host communities and prepare refugees for durable solutions by building their human capital; and (c) enhance capacity to manage sustainable responses to the needs of refugees and host communities. The government strategy and the proposed project are also consistent with the three objectives of the IDA19 WHR to: (a) mitigate the shocks caused by inflows of refugees; (b) create social and economic development opportunities for refugees and host communities; and (c) facilitate sustainable solutions to protracted refugee situations.

**26. Notwithstanding the ongoing adequacy of the protection framework, UNHCR has identified several protection issues for the refugee population.** These include: (a) the humanitarian situation in Tigray; (b) refugees from the camps that were closed in Tigray are facing challenges integrating in their new camps due to insecurity and a lack of basic services; (c) deterioration in relations between refugees and hosts in Tigray; (d) lack of capacity of local governments that are hosting refugees for the first time; and (e) gender-based violence.

### C. Relevance to Higher Level Objectives

**27. The proposed project is consistent with the World Bank Group Country Partnership Framework (CPF) for Ethiopia FY2018-2022 discussed by the Board on June 27, 2017 (Report No. 119576-ET).** One of the objectives under CPF Focus Area 2 on building resilience and inclusiveness is ‘increased access to services and job opportunities for refugees and host communities.’ The project will support achievement of this objective by improving access to services such as health, education and water and through support for agricultural and non-agricultural livelihood. This aims to address the negative impacts of the refugee presence while maximizing the opportunities it offers to build local economies through an area-based development approach.

**28. DRDIP II is consistent with the Regional Integration and Cooperation Assistance Strategy Update for FY21-23.<sup>37</sup>** Project activities are consistent with Pillar 4 of the strategy – Reinforcing Resilience – as they help build resilience of refugees and host communities and support social cohesion between them.

**29. By addressing the spillovers of fragility, conflict and violence (FCV), the project is aligned with the World Bank’s FCV Strategy 2020-2025.<sup>38</sup>** The project’s support for building human and social capital and meeting the basic needs of displaced communities and their hosts is consistent with Pillar 4 of the strategy, “Mitigating the spillovers of FCV” to support countries and the most vulnerable and marginalized communities that are impacted by cross-border crises, such as forced displacement or shocks resulting from famines, pandemics, and climate and environmental challenges.

**30. As a flagship operation to address the impacts of forced displacement through development-oriented interventions, DRDIP II supports the goals of Ethiopia’s Ten-Years Perspective Development Plan (2021-2030).<sup>39</sup>** The proposed project’s support for inclusive, demand-driven development through strong community institutions is consistent with the Plan’s strategic pillars, particularly on ensuring equitable economic growth, building a climate-resilient green economy and supporting democratic and inclusive institutions. The strong focus of the project on gender equity and women’s leadership and voice in shaping development planning at the community level is aligned with the Plan’s objective to ensure equitable participation of women and children in society and the economy.

<sup>37</sup> World Bank Group, Supporting Africa’s Recovery and Transformation: Regional Integration and Cooperation Assistance Strategy - Update for the Period FY21–FY23 (Washington, DC: World Bank Group, 2020).

<sup>38</sup> World Bank Group (2020) Strategy for Fragility, Conflict, and Violence 2020–2025. Washington, D.C.: World Bank Group.

<sup>39</sup> Federal Democratic Republic of Ethiopia Planning and Development Commission (now the Ministry of Planning and Development). 2020. Ten Years Development Plan: A Pathway to Prosperity, 2021-2030. Addis Ababa, Ethiopia.



**31. Project activities further the objectives of the WBG Gender Strategy FY16-23.<sup>40</sup>** The project is aligned with Pillar 2 on removing constraints to more and better jobs by addressing barriers to women's livelihood (component 3). It also supports Pillar 4 – enhancing women's voice and agency and engaging men and boys – by strengthening women's leadership and participation in community decision-making bodies (component 1). The project also integrates actions to prevent and respond to high rates of GBV, especially within the context of the conflict, by addressing risk factors such as lack of safety when fetching fuel and connecting with referral services for GBV survivors supported by other World Bank-financed operations. These include the Response-Recovery-Resilience for Conflict-Affected Communities in Ethiopia Project (3R-4-CACE) (P177233), which will expand access to One-Stop Centers and improve survivor-centered services at health and mobile clinics;<sup>41</sup> and the Strengthening Primary Health Care Services Program for Results operation (P175167), which will expand access to GBV services within the context of maternal health.

**32. By boosting support for adaptation through resilience-building in conflict-affected communities, the proposed project is aligned with the WBG Climate Change Action Plan.<sup>42</sup>** The project's focus on social resilience is also consistent with the the WBG Action Plan on Adaptation and Resilience. The project is expected to generate climate Co-Benefits since it will: (a) significantly invest in building, upgrading or rehabilitating community infrastructure in a way that emits less carbon and is more resilient to the impacts of climate change; and (b) provide significant support to natural resource management (NRM) and renewable energy sources.

## II. PROJECT DESCRIPTION

### A. Project Development Objective

#### PDO Statement

To improve access to basic social and economic services, expand livelihood opportunities and enhance environmental management for host communities and refugees in the target areas.<sup>43</sup>

#### PDO Level Indicators

The following key indicators will be used to track progress toward the PDO.

1. Number of beneficiaries with access to social and economic services and infrastructure (disaggregated by refugee/host community status, service type and gender).
2. Percentage of livelihood beneficiaries whose income increases by 25 percent or more (disaggregated by refugee/host community status and gender).
3. Land area under sustainable landscape management practices (Ha).

<sup>40</sup> World Bank Group (2015) Gender Strategy (FY16-23): Gender equality, poverty reduction and inclusive growth. Washington, D.C.: World Bank Group.

<sup>41</sup> One-stop centers are established at targeted hospitals to provide free medical, legal and psychosocial services to survivors of GBV.

<sup>42</sup> <https://documents1.worldbank.org/curated/en/519821547481031999/The-World-Bank-Groups-Action-Plan-on-Climate-Change-Adaptation-and-Resilience-Managing-Risks-for-a-More-Resilient-Future.pdf>

<sup>43</sup> Basic social services are defined as health, education, water and sanitation.



## B. Project Components

**33. Building on DRDIP Phase I.** Phase I of DRDIP is a regional operation that is part of a SOP that commenced in 2016, covering Djibouti, Ethiopia and Uganda. Kenya was added in 2017 through P161067. In Ethiopia the project will close on December 31, 2022. Over a period of close to six years of implementation, DRDIP has pioneered the long-term, government-led development response to forced displacement in the HoA and demonstrated the feasibility of development approaches to address the negative impacts of large refugee inflows while maximizing the positive.

**34. DRDIP I in Ethiopia has met or exceeded most targets even before the project has closed.** Key project outputs include: (a) 136,000 people provided with access to clean water; (b) 368,000 people provided with improved access to health facilities; (c) 285,000 people have gained access to better education facilities; (d) 150,000 people provided with livelihood support, of whom 132,000 report an increase in income; and (e) sustainable land management practices applied to 36,000 hectares of land. Government assessments suggest that tree planting activities under the environmental management component have had a 77 percent survival rate, despite the arid conditions and drought.

**35. A before-after/treatment-control impact evaluation for Phase I demonstrates that the project has achieved important outcomes:**

(a) better access to health (human/veterinary) and education facilities; (b) positive effects on livelihood diversity and livestock sales; and (c) improved attitudes towards refugees by host communities. These results were achieved through a community-driven development (CDD) approach that has built community and local government capacity for development planning, decision-making and implementation, including through the formation of over 1,100 community institutions.

**36. The Phase II design builds on the opportunities presented by the government's progressive approach to refugee inclusion.** DRDIP II includes several important new design features: (a) refugees are included as direct beneficiaries. This will strengthen opportunities for durable solutions and help the government to meet commitments made at the 2016 Leaders' Summit and the 2019 GRF; (b) the geographic scope is expanded to cover all communities affected by the refugee presence, including in and around camps and sites established since DRDIP I began; (c) deeper support for the

### Box 1: Major design differences between DRDIP Phase I & II

The Development Response to Displacement Impacts Project in the Horn of Africa (HoA) commenced in 2016, covering Djibouti, Ethiopia and Uganda. A sister project in Kenya (P161067) was added to the regional operation in 2017. DRDIP primarily supports communities hosting refugees through a combination of financing for basic services, natural resource management and livelihood. A grant to the Intergovernmental Authority on Development (IGAD) supports regional coordination and learning across the four DRDIP countries, as well as technical support to the Government of Somalia. Since the project began it has assisted over five million people across the HoA, while at the same time pioneering the long-term development response to forced displacement in the region.

In Ethiopia, Phase I will close in December 2022. Phase II will retain many of the key design features, including the basic component structure and the CDD approach. However, drawing on lessons learned and adapting to the evolving context, Phase II will include some important new design features, including:

- support for 740,000 refugees as direct beneficiaries;
- expanded geographic scope to cover all communities impacted by the refugee presence;
- enhanced focus on women's social and economic empowerment with increased support for female entrepreneurs, a new sub-component to promote women's leadership in community institutions and activities for GBV prevention;
- new sub-component on social cohesion and inclusion;
- more support to help the government to implement policy commitments on refugee inclusion;
- refined livelihood approach to be more market-driven; and
- expanded use of remote monitoring tools.



government's refugee inclusion policy is provided through whole-of-government policy dialogue for the peak government agency on refugee affairs, Refugees and Returnees Services (RRS); (d) development planning integrates refugee concerns. DRDIP II will support coordinated planning and engagement at the humanitarian-development nexus between the woreda (district) administrations and actors working on the refugee response (led by RRS and UNHCR). Incorporating refugees in the kebele (ward), woreda and regional development plans will make a tangible contribution to the transformation of the current humanitarian-focused refugee response model into a more sustainable and long-term development approach, as envisaged by the GCR; (e) enhanced focus on women's economic and social empowerment. To address gender gaps on livelihood, women's voice, and agency and GBV, Phase II has increased targets for female beneficiaries of livelihood support (farm, non-farm, and irrigation) and added a new sub-component on women's voice and leadership to assess barriers to female participation in and leadership of community development institutions and provide tailored training and mentoring for women to take a leading role in shaping the development agenda in their communities. The sub-component will also support GBV prevention, including the appointment of 120 GBV focal persons and a broad-based awareness campaign working with local officials, non-governmental organizations and schools; and (f) social cohesion and inclusion. The project will include a sub-component on social cohesion and inclusion to strengthen collaboration between refugees and host communities and underpin better social relations.

**37. DRDIP II will support the operationalization of the GCR and implementation of the government's refugee inclusion policies.** The GCR provides a blueprint to transform the refugee response model from the traditional camp-based humanitarian approach to a comprehensive, government-led area-based approach that eases pressure on host communities and enhances refugee self-reliance. The government's roadmap to implement its nine pledges, the adoption of a progressive refugee law and the GRF pledges demonstrate its commitment to transform the way the refugee response is carried out. DRDIP II will support implementation of the Government of Ethiopia's (GoE's) policies and pledges by promoting a whole-of government approach to improve social services, expand livelihood opportunities, and enhance environmental management for refugees and host communities in the target areas.

**38. Geographic coverage.** DRDIP II will operate in the six main refugee-hosting regions (Afar, Amhara, Benishangul-Gumuz, Gambella, Somali and Tigray), covering 30 *woredas* and 330 *kebeles*. Expanding the scope of Phase I, the Phase II operation will include one new region (Amhara), 14 new *woredas/city* administrations and 213 new *kebeles*, including those adjacent to the four new refugee camps that have opened since Phase I commenced.<sup>44</sup> In Amhara, the project will support refugees and host communities in and around the new refugee site (Alemwach) that is being established in Dabat *woreda*.<sup>45</sup> Once fully operational, the new site will have the capacity to house approximately 25,000 refugees.

**39. Combined with Phase I, DRDIP II will ensure that all *kebeles* within a 20-kilometer radius of the refugee camps and sites will be covered by the project, in line with the government's original plan.** The exception is for the new refugee site in Amhara, where all *kebeles* within a 35-kilometer radius will be covered. This decision follows a January 2022 government assessment, which identified major impacts from the conflict, including extensive destruction of public facilities. The scale of the damage has raised concerns over the potential for tensions with refugees, justifying an additional investment of funds to support inclusion and stability in Amhara. In the DRDIP I areas to be covered during Phase II, activities will be implemented under all sub-components, except for the community investment fund

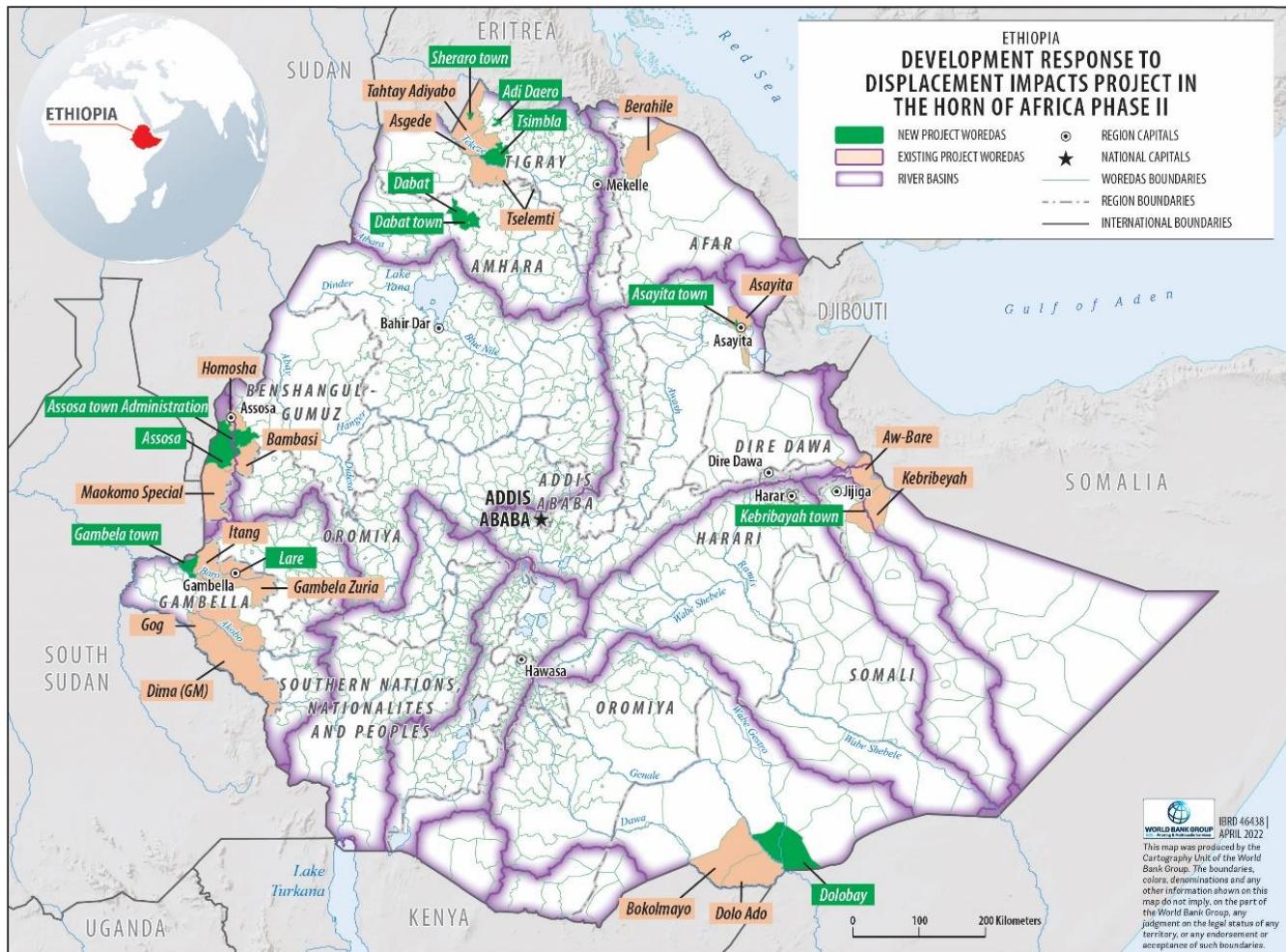
<sup>44</sup> Gure-Shombolla camp in Mao-Komo *woreda*, Benishangul Region; Pugnido 2 Camp in Gog *woreda*, Gambella Region; and Nguenziel and Akula Refugee Camps in Itang special *woreda*, Gambella Region.

<sup>45</sup> RRS and UNHCR have emphasized that Alemwach is not a refugee camp, but a site where refugees will live in a manner designed to integrate them into local society from the outset. Accordingly the term "site" is used rather than "camp".



(CIF) under component 1, as these *kebeles* have already received CIF infrastructure investments during Phase I. The other project areas will receive support from all sub-components under the project's three technical components. Figure 4 and Table 1 below show the existing and new *woredas* that will be covered under Phase II.

**Figure 4: Project target areas**



**40. Implementation in areas at High Risk of Ongoing Conflict (HROC).** Project *woredas* will be categorized as HROC or non-high risk of ongoing conflict (NROC) on the basis of a rapid Woreda Needs, Conflict and Capacity Assessment (WNCCA) to be conducted by a third-party.<sup>46</sup> DRDIP II will use the WNCCA to be funded by the Response-Recovery-Resilience for Conflict-Affected Communities in Ethiopia (3R-4-CACE) project (P177233). For DRDIP target *woredas* that are not included in the scope of the 3R-4-CACE WNCCA, a separate assessment will be undertaken using the same Terms of Reference where this is considered necessary. The categorization will trigger differentiated implementation arrangements, with project activities in NROC *woredas* using government systems and institutions as per arrangements

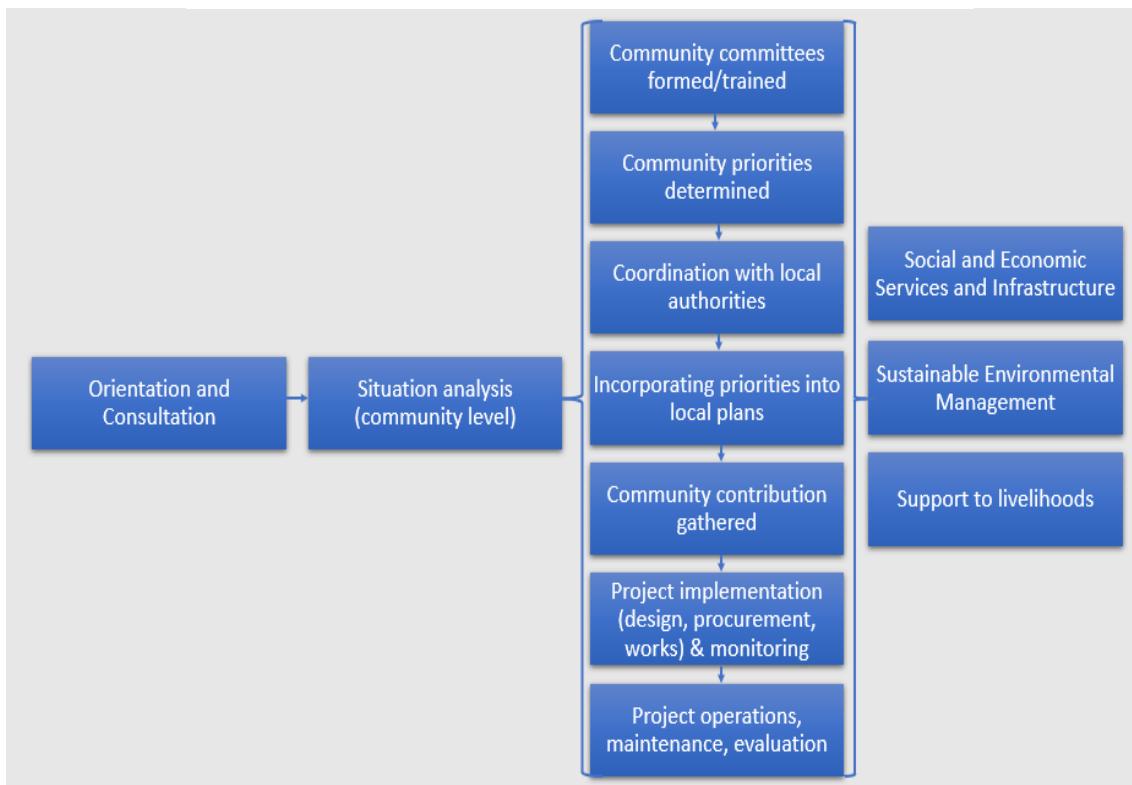
<sup>46</sup> All the Tigray Region *woredas* are currently categorized as HROC. The categorization of *woredas* outside of Tigray will follow from the WNCCA, which will assess risk of violence and strained relations between local government and different local communities or between local and Federal Government. Where no WNCCA is possible, a *woreda* will automatically be categorized as HROC. Recategorization is possible following an update of the assessment.



for DRDIP Phase I. Activities in HROC *woredas* will be implemented by a third-party implementation entity. This will allow the project to meet urgent needs in the conflict-affected locations. For more details on implementation arrangements, see Section III and Annex 1.

**41. Implementation using the CDD approach.** The project will continue to be implemented using the CDD approach, which is a proven mechanism for delivering cost-efficient, high quality, community-based infrastructure for better service delivery and livelihood activities in remote, conflict-affected areas in Ethiopia and globally.<sup>47</sup> CDD gives communities control over development resources and decision-making. In Ethiopia, DRDIP follows a three-step process of: (a) community orientation and sensitization, during which communities are oriented on the project objectives, activities, and implementation approaches; (b) participatory assessment: under this step the community is facilitated to undertake a situation analysis to assess the existing development situation and identify needs and priority investments; and (c) action planning. The assessment will be captured in a community action plan covering all three components that will be harmonized with *kebele* and *woreda* plans and humanitarian response plans in refugee settings (Figure 5). The project will then help the community to form a series of committees to implement their subprojects. To manage fiduciary risk, for component one infrastructure subprojects, communities will participate in procurement processes under the supervision and management of the Woreda Office of Finance and Economic Development (WoFED), which will also manage the funds and pay contractors on behalf of the communities. In HROC *woredas*, a third-party implementation entity will facilitate the CDD process with target communities taking the role and responsibilities of the local government in NROC *woredas*.

Figure 5: DRDIP CDD Approach



<sup>47</sup> Wong, S. (2012) "What have been the impacts of World Bank CDD programs?" Washington DC: World Bank.



**42. Harnessing synergies.** The design draws on World Bank experience in the agriculture and rural development sector in Ethiopia, including the Second Agricultural Growth Project (P148591), the Lowlands Livelihoods Resilience Project (164336), the Regional Pastoral Livelihoods Resilience Project (P150006), the Livestock and Fisheries Sector Development Project (P159382) and the Rural Productive Safety Net Project (P163438). The project benefits from lessons from other WHR-financed projects in Ethiopia, including the Urban Productive Safety Net and Jobs Project (P169943) and the Economic Opportunities Program (P163829). It will be coordinated with the General Education Quality Improvement Program for Equity (P163050), which includes support for refugee education; and the HoA Groundwater for Resilience Project (P174867), which will finance groundwater exploration and exploitation and small-scale irrigation (SSI). DRDIP II will be closely aligned with the 3R-4-CACE project, as described in detail in Box 2.

#### Box 2: Coordination between DRDIP II and the 3R-4-CACE Project

The US\$300 million Response-Recovery-Resilience for Conflict-Affected Communities in Ethiopia Project (3R-4-CACE) (P177233) was approved by the World Bank Board on April 12, 2022. The project will rebuild and improve access to basic services and community infrastructure and improve access to response services for GBV survivors in conflict-affected communities, with a strong focus on support for IDPs.

Given their mutual focus on basic service provision, forced displacement and social cohesion, close collaboration will be forged between 3R-4-CACE and DRDIP II as follows:

- Institutional: joint regional steering and technical committee meetings; use of the same third-party implementing entity in HROC areas;
- Planning: 3R-4-CACE to use the participatory planning tools developed by DRDIP to identify community needs. In overlapping woredas, alignment of project planning processes with the Woreda Development Plan to ensure coordination through woreda structures;
- Classification of HROC woredas: in overlapping regions (Afar, Amhara, Benishangul-Gumuz and Tigray), DRDIP will use the assessment to be conducted by 3R-4-CACE to identify HROC woredas;
- Social cohesion: in overlapping locations, IDPs will join the DRDIP coordination platforms between host communities and refugees to discuss issues of common interest, resolve conflict, etc.;
- GBV response: DRDIP beneficiaries will be referred to government and private GBV service providers financed by 3R-4-CACE; and
- Monitoring: use same third-party monitoring agent in Tigray; DRDIP and 3R-4-CACE task teams to join each other's Implementation Support Missions.



Table 1: Project target areas and beneficiaries

Region	DRDIP I target areas covered under DRDIP II			New DRDIP II Target Areas and Beneficiaries				Total DRDIP II Target Areas				
	Woredas	Kebeles	Beneficiaries	New kebeles from existing DRDIP I woredas	New woreda/city administration	New kebele in new woreda/city administration	Beneficiaries	Woreda/city administration	Kebele	Beneficiaries		
										Host community	Refugee	Total
Afar	2	11	64,804	11	1	5	79,737	3	27	144,541	55,655	200,196
Amhara	-	-	-	-	2	35	197,949	2	35	197,949	25,000	222,949
Benishangul-Gumuz	3	32	81,001	17	4	28	192,676	7	77	273,677	71,213	344,890
Gambella	4	29	55,959	25	2	12	126,126	6	66	182,085	349,015	531,100
Somali	4	27	161,535	32	2	15	425,004	6	74	586,539	216,711	803,250
Tigray	3	18	140,041	18	3	15	234,682	6	51	374,723	27,844	402,567
<b>Total</b>	<b>16</b>	<b>117</b>	<b>503,340</b>	<b>103</b>	<b>14</b>	<b>110</b>	<b>1,256,174</b>	<b>30</b>	<b>330</b>	<b>1,759,514</b>	<b>745,438</b>	<b>2,504,952</b>



**43. The project's component structure mirrors Phase I, while adding new sub-components on women's leadership and social cohesion and inclusion and a Contingent Emergency Response Component (CERC).** The cost estimate is US\$180 million, of which US\$100 million is from the IDA19 WHR, US\$46 million from the regional integration IDA allocation and US\$34 million is from national IDA. Financing will be on full grant terms

**Table 2: Proposed allocation by component**

Component	Proposed Allocation	
	US\$	Percentage
<b>1: Social and economic services and infrastructure</b>	<b>83,600,000</b>	<b>46.4</b>
<i>Sub-component 1(a): Community Investment Fund and Strategic Investment Fund</i>	79,600,000	44.2
<i>Sub-component 1(b): Capacity Support for Local Planning and Decentralized Service Delivery</i>	2,000,000	1.1
<i>Sub-component 1(c): Women's Leadership and Voice</i>	1,000,000	0.55
<i>Sub-component 1(d): Social Cohesion and Inclusion</i>	1,000,000	0.55
<b>2: Sustainable environmental management</b>	<b>13,600,000</b>	<b>7.6</b>
<i>Sub-component 2(a): Integrated Natural Resource Management</i>	8,900,000	5.0
<i>Sub-component 2(b): Alternative Energy Sources</i>	4,700,000	2.6
<b>3: Livelihoods program</b>	<b>64,800,000</b>	<b>36.0</b>
<i>Sub-component 3(a): Traditional Livelihoods</i>	13,422,485	7.5
<i>Sub-component 3(b): Non-traditional Livelihoods</i>	10,870,000	6.0
<i>Sub-component 3(c): Small-Scale, Micro and Household Irrigation Schemes</i>	40,507,515	22.5
<b>4: Project Management, M&amp;E and Learning</b>	<b>18,000,000</b>	<b>10</b>
<b>5: CERC</b>	<b>0</b>	<b>0</b>
<b>TOTAL</b>	<b>180,000,000</b>	<b>100%</b>

**Component 1: Social and economic services and infrastructure (US\$83.6 million equivalent)**

**44. This component will finance interventions to improve access to basic social services and economic infrastructure, while building institutional capacities for local development planning and implementation.** Support will also be provided to enhance social cohesion and inclusion between refugees and host communities and women's leadership and voice in decisions over how development resources are allocated at the community level. The component will address service delivery gaps in the target areas, which have been exacerbated by the refugee presence and impacts of the conflict, focusing on basic services such as education, health, water and sanitation.

**45. Investments under this component will strengthen climate resilience to respond to the impacts of climate change on infrastructure.** Ethiopia's high vulnerability to climate change is acutely felt in the DRDIP II project areas, many of which are arid, drought-prone and subject to climatic extremes. Infrastructure subprojects such as schools, health facilities, markets, feeder roads, etc., will be built to climate-resilient standards. All infrastructure investments will contribute to reducing greenhouse gases through measures such as solar lighting and rainwater harvesting. Selected infrastructure will adopt disaster- and climate-resilient approaches, including risk assessments, to identify safe locations and elevated building structure options to reduce flood and other disaster risks. The funding ceiling for component 1 subprojects has been increased from Phase I to Phase II to ensure sufficient budget to build to climate-resilient standards, which will be incorporated into the Project Implementation Manual (PIM) prior to effectiveness.

**46. The design of subprojects – including decisions on where they will be located – will be informed by safety audits and consultations with vulnerable groups, including women and persons with disabilities (PWDs), to enhance accessibility.** These audits will involve a range of key stakeholders who can identify areas where women and other



vulnerable groups feel safe, or not, which will feed into design considerations for improved lighting, location of infrastructure and services in safe spaces, and other considerations, in line with global and national good practice.<sup>48</sup> These activities can be expected to contribute to greater use of services and infrastructure, as well as mitigation of specific risks, including GBV.

*Sub-component 1(a): Community Investment Fund (CIF) and Strategic Investment Fund (SIF) (US\$79.6 million equivalent)*

47. This sub-component will support infrastructure for social services (schools, water, sanitation, human and animal health facilities, etc.) and economic infrastructure (feeder roads, market centers, storage facilities, etc.).<sup>49</sup> Up to 602 subprojects (544 CIF and 58 SIF) will be completed across the six project regions, benefiting 2.5 million people (1.76 million host community/740,000 refugees), at least 50 percent of whom will be women.

**48. Community Investment Fund (CIF) (US\$68.0 million equivalent).** Each of the 213 Phase II target *kebeles* and 25 refugee camps/sites will receive two funding cycles of up to US\$125,000 for CIF subprojects. This is an increase of US\$25,000 over the ceiling for DRDIP-I to accommodate cost increases and to ensure that designs are climate-resilient. *Kebeles* within an eight-kilometer radius of the 68 refugee camps or sites will receive a third CIF round, for which subprojects can be located either in or outside the camp/site, based on a joint refugee-host community planning process. Communities will complement the project funding with a 7.5 percent contribution (2.5 percent cash and 5 percent in-kind). Refugees and people living in HROC *woredas* will be exempted from the cash contribution requirement.

**49. Strategic Investment Fund (SIF) (US\$11.6 million equivalent).** With a ceiling of US\$200,000 (an increase of US\$50,000 over DRDIP-I), SIF subprojects operate beyond the needs of individual *kebeles* and, hence, will target the common and strategic needs of an entire *woreda* or a cluster of *kebeles* within a given *woreda*. Each of the 30 target *woredas* will receive up to two SIF rounds, for a total of 58 subprojects. Unlike the CIF, community contributions for the SIF are not mandatory.

**50. Subproject types.** As a community-driven activity, subprojects will be chosen from an open menu with a negative list.<sup>50</sup> Communities for the CIF and *woredas* for the SIF will be free to select their own subprojects in line with the project development objective. Communities and *woreda* administrations will be trained on climate risk-screening so their subproject choices are informed by and can contribute to climate resilience.

**51. Infrastructure investments in refugee camps and sites.** The GCR calls for host countries to support ‘efficient mechanisms to pursue alternatives to camps’, reflecting the reality that the camp-based model for refugee management is not consistent with a long-term development approach to forced displacement. However, research in Ethiopia also demonstrates that, while refugees enjoy better access to basic services than host communities, they face difficulties accessing sustainable livelihood opportunities. Accordingly, in the interests of refugee self-reliance and durable solutions, DRDIP II will support CIF subprojects in refugee camps/sites. However, this will be limited to

<sup>48</sup> For example, <https://gbvguidelines.org/wp/wp-content/uploads/2019/12/Safety-Audit-Report-GBV-AOR-Helpdesk-FINAL-20092019.pdf> and <https://gbvguidelines.org/en/>

<sup>49</sup> The 711 subprojects of Component 1 completed under Phase I so far include 222 schools, 215 water systems, 120 roads, 97 health centers and 48 animal health posts. A similar combination of subproject choices is likely in Phase II.

<sup>50</sup> A negative list of subprojects that may not be funded under the project is detailed in the PIM and includes activities that would be socially or environmentally harmful, such as the purchase of weapons, pesticides, etc. It also includes subprojects that are not consistent with the PDO, including places of worship and study tours.



economic infrastructure. Subprojects to be implemented in camps/sites will also need to comply with criteria to be defined in the PIM, including: (a) they are planned jointly by the host and refugee communities; (b) they benefit both refugees and host community members; and (c) a robust operations and maintenance plan is in place to ensure their sustainability.

**52. Involvement of refugees in the planning process.** Refugees will be included in project planning processes in target *woredas* and *kebeles* to ensure that their concerns and interests will be accommodated. Building on the existing structures in the refugee camps and sites, representatives from Refugee Central Committees (RCCs) will participate in community meetings to provide input into the participatory assessments and to be involved in decision-making on CIF and SIF subprojects. The third cycle of CIF funding for the 68 *kebeles* within an eight-kilometer radius of the refugee camps/sites will ensure joint planning, decision-making, implementation and monitoring by both refugees and their hosts, which is also expected to contribute to social cohesion. Capacity-building for refugee institutions under sub-component 1(b) will include the establishment of appropriate committees for the three components to enable needs identification and prioritization. The composition of existing refugee committees will be adjusted where necessary to ensure gender balance and youth representation.

*Sub-component 1(b): Capacity-building for Local Planning and Decentralized Service Delivery (US\$2 million equivalent)*

**53. This sub-component will build community and local government capacity for planning and service delivery.** At the community/*kebele* level, this will include support for different committees responsible for subproject identification, implementation and accountability, including *Kebele* Development Committees, Community Project Management Committees, Social Audit Committees, Community Procurement Committees, Community Facilitation Teams and Grievance Redress Committees. Capacity-building support will also be extended to refugee camp/site institutions. At the *woreda* level, capacity support includes training for local authorities and sector institutions (including RRS staff) on decentralized development planning and implementation, strengthening for the *woreda* technical and appraisal committees and provision of field materials. For existing *woredas* from Phase I, limited capacity support will be needed, freeing up resources for institutions in the new target areas. Capacity-building activities for local officials and community institutions will include training on climate risk mapping and analysis to inform climate-sensitive planning and subproject selection.

*Sub-component 1(c): Women's Leadership and Voice (US\$1 million equivalent)*

**54. This sub-component will strengthen women's leadership and participation in the community institutions responsible for project planning and implementation, while also supporting GBV prevention.** During Phase I, women comprised 34 percent of the membership of the community committees established for project implementation. Women's representation in leadership positions was not tracked. Under Phase II, the project will increase the target for women's participation as members to 40 percent and establish a target of 30 percent for leadership roles. To help ensure that women's participation and leadership will be constructive and meaningful in shaping decisions how development resources are allocated in the target areas, the sub-component will support the following activities: (a) consultations at the *kebele*, *woreda* and refugee camp/site levels to understand barriers to women's participation and leadership; (b) tailored, women-only training program for 12,000 female members and leaders (including refugees) to equip them to play shape decisions made by the various community committees; and (c) outreach and communications targeted to women and men to help address social norms and barriers to women's voice and agency. These activities will underpin an increased emphasis on gender equity and women's empowerment across the project, as described in Table 3. More information on how the project will address gender gaps is included in paragraph 85.

**Table 3: Selected activities and targets in DRDIP II to promote gender equity and address gender gaps**

Activities/targets	Phase I	Phase II
Female membership on community committees	34%	40%
Female representation in leadership positions on community committees	Not tracked	30%
Capacity-building for female committee members	Part of general capacity-building	Tailored leadership program for 12,000 women
Female beneficiaries of livelihood activities	42%	45%
Female beneficiaries of non-traditional livelihood activities	64%	70%
Female beneficiaries of traditional livelihood activities	37%	40%
GBV focal persons trained	0	120
Independent project gender audit	N/A	Conduct at mid-term
Thematic studies and project learning forums on gender issues	N/A	Annual

**55. Recognizing that GBV hinders women's engagement in development processes, the sub-component will also support capacity-building to prevent GBV/sexual exploitation and abuse/sexual harassment (SEA/SH).** Activities will include the following: (a) appointment and training of 120 GBV focal persons in the target *woredas*; (b) training and awareness-raising on GBV for DRDIP staff and government officials and contractors involved in implementation; (c) consultations and awareness-raising campaign for GBV prevention in project *kebeles*, working with local officials, non-governmental organizations (NGOs) and schools. Activities will be closely coordinated with the 3R-4-CACE project.

**56. Activities will be overseen by a dedicated gender specialist in the Federal Project Coordination Unit (FPCU) and assessed at mid-term through an independent gender audit.** The gender audit will be conducted by a firm to assess compliance with gender-related targets and the effectiveness of project activities to strengthen women's leadership and address gender gaps.

*Sub-component 1(d): Social cohesion and inclusion (US\$1 million equivalent)*

**57. Phase I of DRDIP strengthens social cohesion by directly addressing sources of tension between refugees and host communities.** The joint World Bank-UNHCR report, Forced Displacement and Mixed Migration in the Horn of Africa (HoA), which underpinned the design of the DRDIP regional operation, identified three major sources of tension: (a) concerns over the impact of the refugee presence on basic services; (b) environmental degradation caused by the establishment of refugee camps; and (c) jealousy towards refugees over access to humanitarian assistance.<sup>51</sup> By targeting social services and environmental management in host communities, Phase I has helped to address host community concerns, improving attitudes towards refugees. The DRDIP I impact evaluation showed that households in intervention areas were: (a) more likely to perceive that refugees bring benefits to the community and the local economy and improvements in educational and health facilities and services; and (b) less likely to believe that refugees are being supported by NGOs and the government at the expense of host communities.

**58. DRDIP II will continue the approach pursued under Phase I, while giving more prominence to cohesion and inclusion through a new sub-component.** The introduction of the new sub-component recognizes that with the project now directly supporting refugees, greater efforts will be required to promote constructive partnerships between refugees and host communities and to manage perceptions of inequity that can arise in contexts of forced displacement. The most recent UNHCR protection assessment (March 2022) also noted heightened tensions between

<sup>51</sup> World Bank & UNHCR (2015) Forced displacement and mixed migration in the Horn of Africa. Washington, D.C.: World Bank Group.



refugees and hosts in Tigray. Refugees in the new site in Amhara will also likely face the commonly experienced challenges associated with local integration in the initial phase of displacement.

**59. The sub-component will finance activities including:** (a) organizing refugee-host community coordination platforms in the six target regions; (b) capacity-building on conflict management for local leaders (refugees, host communities and local authorities); and (c) support for psychosocial programs, including individual, family and group-based interventions. Implementation will be supported by the respective *woreda* and regional sectoral Bureaus and offices, working with RRS and UNHCR. Specialized technical agencies will be contracted to provide technical support if necessary. In HROC locations, the third-party implementing entity will lead implementation of these activities.

#### **Component 2: Sustainable Environmental Management (US\$13.6 million equivalent)**

**60. Much of the DRDIP target area is characterized by erratic rainfall and environmental fragility, exacerbated by climate change and the impact of the refugee presence.** A 2020 World Bank assessment highlighted that environmental degradation associated with the presence of refugees is raised by host communities as a major problem.<sup>52</sup> The majority of camps are not connected to the national electricity grid, so refugees collect wood for light, cooking, heat and construction, causing deforestation. Refugees report feeling compelled to gather firewood despite the risk of violence. In Somali Region, host communities also raised concerns over solid waste management, calling for rehabilitation of the local environment. Component 2 will address this issue through two sub-components which will support NRM and alternative energy sources.

##### *Sub-component 2(a): Integrated natural resource management (US\$8.9 million equivalent)*

**61. This sub-component will enhance the productivity and climate-resilience of environmental and natural resources and arrest the degradation of fragile ecosystems in forest, range and agricultural lands.** It will support implementation of sustainable land management practices on 40,000 hectares of land through biological and physical activities within and around refugee camps and sites.

**62. Activities will comprise a set of environmental protection measures required to rehabilitate degraded lands.** Subprojects will be identified through a community-based needs assessment, undertaken in line with the Ministry of Agriculture's Community Based Participatory Watershed Development Guidelines and informed by technical support from relevant government agencies at the *woreda* level. Subprojects will address the main causes of degradation, including overgrazing, runoff and gully formation and expansion. Based on Phase I experience, subprojects are likely to include support for solid waste management, the construction of soil bunds, stone bunds, artificial waterways, cut-off drains, check dams (gully rehabilitation), bench and hillside terraces, trenches, area closures, planting of multipurpose trees, reforestation and afforestation and groundwater recharge interventions.

##### *Sub-component 2(b): Promote Efficient and Alternative Energy Sources (US\$4.7 million equivalent)*

**63. This sub-component will improve access to renewable energy for households and public institutions.** The project will provide 13,650 households and local institutions (30 percent refugees and institutions in refugee camps/sites) with energy-efficient and environmentally friendly energy sources as follows: (a) clean cooking stoves; (b) solar systems for homes and public facilities (e.g., schools, health centers, Farmer Training Centers); and (c) biogas plants. This will contribute to the Government of Ethiopia's GRF commitments and Climate Resilient Green Economy Strategy.

<sup>52</sup> World Bank (2020) Impact of Refugees on Hosting Communities in Ethiopia. Washington DC: World Bank Group.



**64. The project approach also seeks to generate demand for community members to adopt the promoted technologies with their own funds.** Once the alternative energy sources technologies are installed and operational, the project will arrange field days to demonstrate their use and benefits to generate demand from refugees and hosts, contributing to the establishment of sustainable markets for renewable energy. The project will target 27,300 households and institutions to adopt the technologies.

**65. The approach to alternative energy will shift from a mass demonstration and pure demand-based approach to a hybrid between community demand and market-driven approaches.** Drawing on the findings of a recent IGAD study, Phase II activities will include: (a) outreach to private sector suppliers to connect them to last-mile clients; and (b) establishing and/or strengthening small and microenterprises around energy supply in the refugee-hosting areas.<sup>53</sup>

**66. This subcomponent incorporates design elements aimed at reducing GBV risks and decreasing inter-community tensions.** Dependence on scarce firewood for fuel is a source of tension between refugees and host communities – providing alternative energy options can lessen this. It also reduces the time women spend fetching wood, where they can be at threat of assault. The subcomponent will also finance lighting of public spaces and streets in refugee camps and surrounding communities, improving personal security.

**67. Other expected impacts of the component include:** (a) support to livelihoods by providing energy and lighting for households and enterprises to operate for longer hours; and (b) improved quality of public services by providing energy for schools, health facilities, farmer/pastoralist training centers, etc. in and outside refugee camps and sites.

### **Component 3: Sustainable Livelihood Program (US\$64.8 million equivalent)**

**68. Creating livelihood and economic opportunities for refugees and host communities is central to self-reliance and durable solutions.** Refugees with income-generating opportunities are better positioned to integrate with local society and better prepared for a successful return to their country of origin or third-country resettlement. They will also be better equipped to contribute to economic development in the host areas which, in turn, can improve social cohesion with local residents. However, the project target areas are mostly in remote locations characterized by low productivity agriculture with poor market infrastructure, limited access to finance and weak business skills.<sup>54</sup> Challenges are more acute for refugees, who lack access to land, face social impediments to self-reliance, are more aid-dependent and less likely than host community members to be employed.

**69. Like DRDIP I, Phase II will support a combination of traditional (on- and off-farm) livelihood and non-traditional/non-farm livelihood activities for targeted host communities and refugees.** Activities are expected to support 188,000 beneficiaries (70 percent host community/30 percent refugees). This will contribute to the government's GRF pledge to create socio-economic opportunities through agricultural and livestock value chains for refugees and hosts. Underpinning the livelihood activities will be a major investment in small-scale irrigation to enhance agricultural production and productivity and support more efficient water use.

**70. Phase II activities will be market-oriented along key value chains.** The main intervention areas include agriculture (crop, livestock, and fisheries) and non-farm activities (petty trade, textiles, pottery, carpentry, grain milling, etc.). The

<sup>53</sup> Intergovernmental Authority on Development (2021) Draft studies on "Cleaner Cooking for Refugee Hosting Communities in East Africa" and "Solar Home Systems for Refugee Hosting Communities in East Africa". The DRDIP Phase I mid-term review also recommended to 'focus on creating more demand for the technologies and ensure sustainable supply of the products in the local markets, including the small and medium manufacturing enterprises that could also create jobs for youth.'

<sup>54</sup> World Bank (2022 draft) Study on non-farm livelihood in refugee-hosting areas in Ethiopia.



Phase II design will be enhanced in line with recommendations from 2021 assessments on the farm and non-farm livelihood activities as follows: (a) strengthen market linkages through enhanced private sector engagement. This will include regular private sector dialogues in project *woredas* to strengthen the link between project activities and market demand; (b) improve linkages with financial institutions to address access to finance shortages; (c) enhance technical assistance available to beneficiaries for business skills; and (d) improve integration with the other DRDIP components, particularly by leveraging economic infrastructure investments (markets, roads, storage, irrigation, etc.). Value chain studies in the target regions will be used to guide profitable investment decisions. Existing assessments were gathered during project preparation. The project will commission additional assessments where necessary.

*Sub-component 3(a): Traditional (on-farm and off-farm) livelihoods (US\$13.4 million equivalent)*

**71. Sub-component activities on traditional livelihood will:** (a) strengthen public agricultural/ livestock extension services through rehabilitation, upgrading and construction of Pastoralist Training Centers/Farmer Training Centers (PTCs/FTCs); (b) promote good practices and technologies, including climate-smart agriculture, for crop and livestock production and productivity through the PTCs/FTCs; (c) horticulture development; (d) improved seed systems, including drought and flood-resistant varieties; and (e) capacity-building support for Community-Based Organizations (CBOs) working on traditional livelihood systems. In addition to generating income, these activities are expected to contribute to food security and nutrition by supporting food production.

**72. Based on recommendations from an FAO assessment of sub-component activities, the following improvements will be made to the design of the traditional livelihood activities.<sup>55</sup>** (a) PTC/FTC training modules will be updated to be consistent with the 2017 Ministry of Agriculture (MoA) Extension Strategy; (b) refugees will be provided access to PTC/FTC training and extension services; and (c) support will be extended to joint refugee-host community cooperatives.

*Sub-component 3(b): Non-traditional (non-farm) livelihoods and business development (US\$10.87 million equivalent)*

**73. The project will support business skills development and access to finance to improve livelihood and self-reliance, with a strong focus on female entrepreneurs and refugees.** Although women make up more than 40 percent of the agricultural labor force, they have less access to land and other factors of production than men. Women also access formal credit less than men since they are also less likely to own physical assets that can serve as collateral.<sup>56</sup> This leads to fewer opportunities for women in the farm sector. Phase I has already prioritized women entrepreneurs, with 42 percent of all livelihood beneficiaries being female, rising to 64 percent for non-traditional activities, Phase II will increase this to 45 and 70 percent respectively.

**74. CBO capacity-building and matching business grants.** The sub-component will support new and existing groups – farmer/ pastoral organizations, cooperatives, Savings and Credit Cooperatives (SACCOs) and Common Interest Groups (CIGs) – with capacity-building on savings, financial literacy, business planning and bookkeeping. The CBOs will be encouraged to practice regular meetings, savings, inter-loaning and timely repayment. The project will support human resource capacity (experience and knowledge sharing visits, identification and compilation of best practices and consultation workshops) and physical capacity development (office materials, furniture, etc.). Training will be based on modules prepared during Phase I, which cover business theory and practice, plus existing government manuals on

<sup>55</sup> Barbara Verardo, Pamela Pozarny, and Bisrat K. Woldegebreal (2021) "Rapid Assessment of the Traditional Livelihoods workstream of the Ethiopia Development Response to Displacement Impacts Project (DRDIP)."

<sup>56</sup> World Bank Gender Innovation Policy Initiative for Ethiopia. Ethiopia Gender Diagnostic: Priorities for Promoting Equity. 2019



value chain development and marketing. Upon fulfilling the necessary requirements, including saving mobilization from members and preparation of a viable business plan, the project will provide a matching grant for each eligible group (amount defined in PIM, currently up to US\$6,000) to pursue activities aligned with local market demand and livelihood potential.

**75. Group selection.** Community-led participatory criteria will be used for group selection. Priority will be given to women, youth and other vulnerable groups, including GBV survivors. This sub-component is highly relevant for refugee beneficiaries, most of whom lack access to land for agriculture.

*Sub-component 3(c): Small Scale, Micro and Household Irrigation Schemes (US\$40.51 million equivalent)*

**76. Responding to the high levels of demand and vulnerability to drought, exacerbated by the impacts of climate change, the bulk of component three funding will be allocated to small-scale irrigation (SSI) schemes.** The investment in irrigation is expected to enhance agricultural productivity and water use efficiency. Experience has shown that smallholder farmers initiate irrigation most easily where water is accessible, and the topography allows for simple, low-cost technologies to be used. In such areas, the project will support farmer led irrigation development (FLID) or expansion of irrigation through public interventions to make simple, low-cost micro-scale irrigation technology (MSIT) accessible and affordable. FLID typically involves micro- or household irrigation schemes with less than 10 hectares of land. Proposed interventions include: (a) identification of simple and low-cost irrigation technologies or best practices that meet smallholder needs, including those that increase water availability or improve the efficient use of water; (b) promoting and demonstrating the identified technologies; and (c) construction/upgrading of irrigation schemes, which could include a limited number of small dams. SSI investments will support resilience and the adaptive capacity of beneficiaries vulnerable to water resource constraints due to climate change.

**77. The sub-component will support 5,000 hectares of land, while building the capacity of Irrigation Water User Associations (IWUAs) to maintain investments.** Of the target area, SSI schemes will be rehabilitated/upgraded for 1000 hectares, while 4,000 hectares will be covered by new schemes. The project will facilitate the formation, registration and capacity of IWUAs, which will be responsible for the day-to-day management of the schemes.

**78. SSI subprojects will be selected by the regional government based on technical, social, environmental and financial feasibility criteria, coupled with community consultations.** Subproject identification follows a four-step process, consistent with national guidelines: (i) project initiation; (ii) site identification and prioritization; (iii) feasibility study; and (iv) detailed design, construction and construction supervision. In deciding on subprojects to be financed, considerations of technical, economic, social and environmental feasibility are combined with inputs from consultations on community attitudes towards the irrigation development, readiness and willingness of the people to form an IWUA, etc. After finalizing the selection and prioritization process, the study team presents findings and recommendations to grassroots beneficiaries for endorsement. Following these processes, depending on the complexity of the scheme, the *woreda* or the regional bureaus leads the procurement of expertise to carry out the feasibility study, detailed design, and construction supervision and procurement of contractors for construction.

**79. Implementation of irrigation activities has been slow under Phase I, so technical assistance will be augmented.** Additional technical expertise on SSI will be employed by the PCU to enhance speed and quality. The MoA's 2017 National Guidelines for SSI Development will be used to guide the preparation and implementation of all SSI schemes. While the Ministry of Agriculture is mandated to lead implementation of SSI schemes, sub-component activities will be implemented in cooperation with the Ministry of Irrigation and Lowlands and with relevant regional level



government structures for technical input. A technical review of a sample of DRDIP I SSI subprojects was completed during preparation of Phase II. Critical lessons from the review will be applied during implementation of DRDIP II.<sup>57</sup>

#### **Component 4: Project Management, Monitoring and Evaluation and Learning (US\$18 million equivalent)**

**80. Project Management.** The project will maintain a functional PCU at the federal, regional and *woreda* levels. Structures already in place for Phase I will be retained for Phase II. New PCU offices will be established in Amhara region and the new *woredas*. The component will also support the preparation and implementation of a project communications strategy to raise awareness of the benefits of refugee inclusion.

**81. Results Monitoring, Evaluation and Learning (RMEAL).** Improvements have been made to the monitoring and evaluation (M&E) system for Phase II as follows (more details in Section III.B below):

- a. *The results framework* has been updated, adding new indicators on social cohesion, women's leadership in community institutions, environmental management, climate benefits, citizen engagement and livelihood.
- b. *Monitoring.* Given the likelihood that COVID-19 and conflict will continue to restrict field monitoring for the foreseeable future, remote monitoring tools will complement regular World Bank supervision when and where security and health conditions allow. The project will scale-up the use of the Geo-Enabling initiative for Monitoring and Supervision (GEMS) to track subproject locations and progress. Iterative Beneficiary Monitoring (IBM) will be introduced to gather regular feedback from a large sample of beneficiaries through phone-based surveys. A third-party monitoring (TPM) agency will be recruited for HROC areas.
- c. *Evaluation.* (a) project baseline status to be documented through the end-of-project evaluation for Phase I *woredas* and a baseline study for the new *woredas*; (b) mid-term review; and (c) end of project review. A quasi-experimental evaluation design will be utilized for before-after/treatment-control comparison.

**82. Learning activities will be expanded under Phase II.** Reflecting the progress made over the last five years in the policy environment for refugee inclusion, this component will include technical support on development responses to forced displacement for RRS, the agency in charge of managing and coordinating refugee responses. Activities are defined in a capacity-building plan prepared jointly by the World Bank and RRS, with support from the MoA. The project will support RRS to organize a series of high-level, whole-of-government national policy dialogue sessions on development responses to forced displacement and implementation of the government's GCR commitments. This activity recognizes that implementing the progressive policies requires broad-based awareness and buy-in from multiple government agencies. DRDIP support is intended to galvanize political commitment and reinforce policy commitments by bringing together stakeholders to share experience and prepare implementation plans on refugee inclusion and strengthening the humanitarian-development nexus. Learning activities will complement capacity-building support for all the DRDIP countries being provided by IGAD under both the current DRDIP operations (P152822 and P161067).

#### **Component 5: Contingent Emergency Response (US\$0)**

**83. With the introduction of the Contingent Emergency Response Component (CERC), DRDIP II is set to respond to eligible crises in the project areas.** In the event of an eligible natural hazard or emergency crisis as defined in OP 8.00 (which may only be declared by the Federal government), funds may be reallocated from other components. This

<sup>57</sup> Key lessons include: (a) irrigation development should follow an integrated approach; (b) importance of adherence to the national guidelines to improve quality; (c) increase resources for the pre-implementation phase; and (d) strengthen capacity building at all levels.



component, if activated, would finance rapid response measures and early recovery activities to address disaster, emergency and/or catastrophic events. The emergency response activities will be implemented as per a simplified procedure set out in a special project Contingent Emergency Response (CER) Manual, to be prepared by the FPCU no later than six months after the effective date. A CERC Environmental and Social Management Framework (ESMF) will be prepared when the component is activated, depending on the nature of activities to be financed. Applicable national and World Bank emergency response procedures for procurement and disbursement would apply. The acceptance by the World Bank of the CER Manual would be a condition of disbursement under this component. WHR funds reallocated to the CERC will only be used to benefit refugees and host communities. Regional integration window funds may not be utilized for the CERC.

### Cross-cutting issues

#### Operational linkages between components

**84. Assessments of Phase I concluded that the project was often missing opportunities to maximize synergies between different component subprojects.** For instance, a water subproject under component 1 could be combined with investments in small-scale irrigation and agricultural productivity under component 3 to generate income along local value chains. To ensure this potential is leveraged during Phase II, two actions will be taken. First, a rapid assessment of the livelihood potential of existing community infrastructure subprojects will be conducted. Second, Phase II will ensure that livelihood potential along local value chains is considered in the decision-making process for selecting activities under components 1 and 2 and that component 3 activities will directly consider how to maximize the potential of infrastructure investments. To strengthen synergies between components under DRDIP II, the SSI interventions will be moved to component 3 on livelihoods.

#### Gender

**85. Despite impressive economic progress over the last 15 years, important gender gaps remain in Ethiopia.** A 2019 World Bank diagnostic highlighted that illiteracy remains 56 percent for women against 35 percent for men.<sup>58</sup> Women are 17 percent less likely to be in the labor force and are paid less for the work they do.

**86. Women from refugee and host communities face additional challenges to secure sustainable livelihoods.** A 2017 survey of over 5000 refugees and host community members showed that women-headed households are poorer, more aid dependent, have less access to basic services such as electricity and suffer from higher feelings of insecurity.<sup>59</sup> The study on DRDIP I's non-farm livelihoods concluded that activities generated positive impacts on women's empowerment, noting that, 'economically active women are considered as models for other women in the community. Supporting women's employment contributes to changing attitudes towards women at the household and community levels.' Phase II will build on these successes while increasing women's leadership in project planning and participation in the livelihood activities.

**87. Women still lack representation in local decision-making bodies compared to men.** Phase I of DRDIP showed that, despite efforts to encourage women's participation in local decision-making bodies, they tended to be less active and represented than men. Phase II incorporates specific targets to ensure women's participation and leadership in local bodies to shape decisions on how development resources are allocated.

<sup>58</sup> World Bank (2019) Ethiopia Gender Diagnostic Report: Priorities for Promoting Equity. Washington DC: World Bank.

<sup>59</sup> World Bank (2018) Informing Durable Solutions by Micro-data: A Skills Survey for Refugees in Ethiopia. Washington DC: World Bank.



**88. High rates of GBV nationally are likely to be worse in the project areas, as survivors from host and refugee communities often face challenges in accessing care.** The 2016 Ethiopia Demographic and Health Survey (DHS) indicates that 26 percent of all women aged 15 to 49 reported having experienced physical or sexual violence in their lifetime, with 23 percent reporting physical violence and 10 percent experiencing sexual violence.<sup>60</sup> Experience of IPV is particularly pronounced. More than one-third of women (34 percent) have experienced some form of spousal violence – physical, sexual, or emotional. The survey found that acceptability of use of violence at home was high, with 63 percent of women and 28 percent of men believing that wife beating was justified for at least one specified reason. The DHS also showed that help-seeking behavior of GBV survivors was limited – only 23 percent of women who experienced GBV sought help, while 66 percent of women neither sought help nor told anyone about their experience. DRDIP offers additional resources to prevent and respond to GBV, which is among the major protection risks preventing women from actively engaging in development processes and pursuing livelihood opportunities.

**89. Table 4 below summarizes the key gender gaps to be addressed by the project, and how progress toward closing the gaps will be measured.** While specific components will incorporate actions on women's leadership and economic empowerment, prevention and response to GBV will be integrated throughout different project components. Indicators in the table below are captured either in the results framework or in the M&E manual.

**Table 4: Summary of Gender Gaps, Actions and Indicators**

Gender Gaps	Gender-targeted Actions	Indicators
<b>Gender-based disparities in access to secure, sustainable livelihoods</b>	<p><i>Under Component 3(b)</i></p> <ul style="list-style-type: none"> <li>Prioritize women beneficiaries for livelihoods support.</li> <li>Infrastructure support reduces time spent accessing services, freeing up women to pursue livelihood.</li> <li>Access to renewable energy reduces time spent fetching firewood, freeing up time to pursue livelihood.</li> </ul>	<ul style="list-style-type: none"> <li>70% target for women beneficiaries for non-traditional livelihood support (up from 64% in Phase I).</li> </ul>
<b>Low representation and influence of women on local decision-making bodies</b>	<p><i>Under subcomponent 1(c): new activities in Phase II</i></p> <ul style="list-style-type: none"> <li>Training program for 12,000 women to support female leadership in project community committees.</li> <li>Community outreach to promote women's voice and leadership in decision-making at the community level.</li> </ul>	<ul style="list-style-type: none"> <li>40% target for women's representation in community committees (up from 37% in Phase I).</li> <li>30% target for women's leadership in local committees (new in Phase II).</li> <li>12,000 women to be trained in female-only leadership program.</li> </ul>
<b>High incidence of GBV and lack of access to quality services to respond to the needs of GBV survivors</b>	<p><i>Under Component 1: new activities in Phase II</i></p> <ul style="list-style-type: none"> <li>Appoint and train 120 GBV focal persons</li> <li>GBV training for project staff, officials, and contractors</li> <li>GBV awareness-raising and prevention campaigns, working with NGOs, officials and schools</li> <li>Connect project implementing agencies with referral pathways for survivor-centered services</li> <li>Safety audits/consultations with women to inform design and placement of infrastructure</li> </ul> <p><i>Under subcomponent 2(b)</i></p> <ul style="list-style-type: none"> <li>Focus on renewable energy sources to decrease dependence on firewood</li> </ul>	<ul style="list-style-type: none"> <li>Community planning committees and project implementers connected with referral pathways for GBV survivors via other WB operations</li> <li>Design of supportive infrastructure informed by consultations with women or women's groups</li> <li>Number of women with access to renewable energy sources</li> </ul>

<sup>60</sup> Central Statistical Agency (CSA) [Ethiopia] and ICF. 2016. Ethiopia Demographic and Health Survey 2016: Key Indicators Report. Addis Ababa, Ethiopia, and Rockville, Maryland, USA. CSA and ICF.



### Citizen Engagement

**90. Consistent with the Government's Ten-Years Development Plan goal to promote participation of citizens in development and decision-making, the project will be grounded on strong citizen engagement.** DRDIP equips communities to assess their own development problems, identify solutions and implement their own subprojects through the CDD approach. The project will also support community institutions, with facilitation to ensure meaningful engagement of marginalized groups in planning and decision-making, with a focus on women and refugees. M&E will emphasize participatory monitoring, including community cross visits and Iterative Beneficiary Monitoring (IBM). The results framework includes two citizen engagement indicators: (a) percentage of beneficiaries who feel project investments reflect their needs (target 75 percent); and (b) grievances registered related to project implementation that are resolved (target 90 percent).

### **C. Project Beneficiaries**

**91. Project beneficiaries.** The project will benefit approximately 2.5 million people (1.76 million host community members/0.74 million refugees), of whom at least 50 percent will be female. All sub-components under the three technical components will be implemented in all the newly targeted 213 *kebeles* and 14 *woredas*, benefiting 1.26 million host community members. In selected DRDIP I areas (16 *woredas* and 117 *kebeles*), 500,000 host community members will receive support under the Strategic Investment Fund under component one and all sub-component activities for components 2 and 3. Across the different project target areas, approximately 740,000 refugees (covering all refugees living in camps and sites) will benefit from all three components, adding up to 2.5 million beneficiaries.

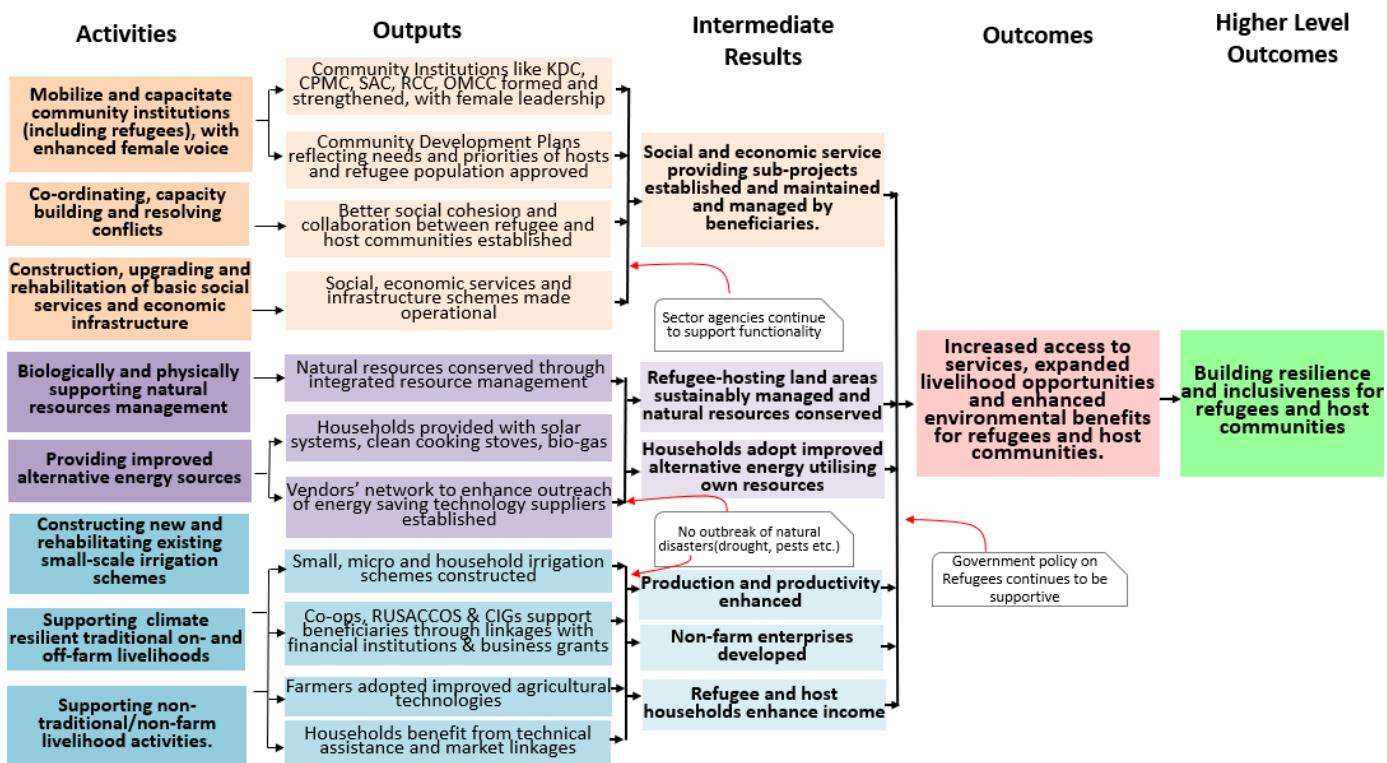
**92. The project's institutional beneficiaries include agencies at the national, regional and *woreda* levels and community organizations involved in project implementation.** The MoA and RRS will be the main government institutional beneficiaries, together with sub-national officials. At the community level, the various committees set up under component one, watershed management committees under component two and irrigation water user associations, cooperatives and enterprises under component three will benefit from capacity-building and financing.

### **D. Results Chain**

**93. Theory of Change.** The project design has been synthesized into a theory of change, which was developed with government counterparts and other stakeholders in participatory workshops during project preparation. The theory of change that underpins the project design is that the project development objective will be met through a combination of activities to address negative impacts of the refugee presence on host communities, while maximizing the opportunities it can also provide to support local economic development and self-reliance. This is expected, in turn, to support more cohesive relationships between refugees and host communities and to facilitate durable solutions. Interventions to respond to the negative impacts of the refugee presence comprise: (a) upgrading and construction of public infrastructure for better services and to address the strain refugee inflows can place on service provision; and (b) activities to mitigate environmental degradation. To leverage the opportunities presented by refugee inflows, livelihood activities seek to support income-generation for host communities and refugees to become self-reliant and reduce dependence on humanitarian aid. For sustainability, the project builds capacities for local planning and decision-making and helps government to implement its policy commitments on refugee inclusion. Combined, these activities are expected to build long-term resilience and inclusiveness for refugees and their hosts.



Figure 6: DRDIP II Theory of Change



## E. Rationale for Bank Involvement and Role of Partners

94. **The World Bank's approach of working through government systems is essential to help Ethiopia continue its shift from parallel humanitarian systems to nationally led, long-term development responses to refugee situations.** Through the IDA18 Sub-window for Refugees and Host Communities (RSW), the IDA19 WHR and earlier operations (notably DRDIP), the World Bank has a solid foundation of experience on development approaches to forced displacement to bring to bear in support of the Government of Ethiopia. The World Bank is also active in several sectors relevant to refugee inclusion, such as health, education, agriculture, water supply, energy, irrigation and road transport. Coordination with relevant World Bank-financed projects will enhance implementation of DRDIP II.

95. **Ethiopia will continue to benefit from knowledge exchange with other DRDIP countries through capacity-building activities under a grant to IGAD.** IGAD's Regional Secretariat on Forced Displacement and Mixed Migration continues to support Djibouti, Ethiopia, Kenya, Uganda and Somalia through grants under the regional DRDIP operation (P152822) and the Kenya DRDIP project (P161067). The World Bank's role in facilitating policy dialogue in collaboration with IGAD provides value-addition to the operational support.

96. **Role of Partners.** Project preparation involved collaboration with UNHCR and RRS to understand the policy and operational context to design appropriate responses for host community-refugee inclusion. Consultations were also held with development partners active on forced displacement and NGOs operating in the project target areas, particularly on livelihood and social cohesion. The PCU will join regular coordination meetings with humanitarian partners at all levels to ensure project resources are coordinated with and complement humanitarian assistance.



## F. Lessons Learned and Reflected in the Project Design

**97. Multi-sectoral, area-based projects implemented at the local level require clear coordination and communication processes.** In area-based projects such as DRDIP, project management can be complicated, as multiple government agencies are involved at the national and sub-national levels. Under DRDIP Ethiopia Phase I the implementation arrangements worked well, with most project targets already met or exceeded while the project is still ongoing. Building on this success, DRDIP II will maintain the following features: (a) inter-agency steering and technical committees comprising key agencies on local development, agriculture, social services, livelihood, energy, the environment and forced displacement; (b) inception workshops involving all key agencies; and (c) quarterly coordination meetings with the participating regions and *woredas*.

**98. Parallel service delivery in refugee-hosting areas is unsustainable and costly.** Humanitarian responses to forced displacement often lead to parallel service delivery, with limited links into mainstream government services. This can lead to duplicate socio-economic investments and low-quality service provision. The project presents a development response through collaboration with RRS and UNHCR, which will contribute to bridging this gap. It also seeks to incorporate refugee concerns into government development planning to promote integrated service delivery.

**99. Development responses to forced displacement should be government-led and embedded within broader institutional systems of governance and financing.** Outside of HROC locations, the project will be fully implemented by government agencies and funds will flow through government systems. Mechanisms will be established for inter-agency coordination and cooperation between national and sub-national agencies. Subprojects will be identified by communities in collaboration with local authorities and harmonized with local development plans.

**100. Importance of localized value chain analyses to guide livelihood investments.** The Uganda DRDIP project utilized gender- and refugee-sensitive value chain assessments and profitability analyses to increase the impact of livelihoods activities and inform strategic infrastructure investment decisions. This approach will be followed for DRDIP II in Ethiopia.

**101. Meeting the service and livelihood needs of host communities improves attitudes towards refugees, building social cohesion.** A cohesive society is one that is resilient and able to withstand divisions caused by conflict and violence; that has equitable and inclusive access to services; and one in which all people can have a meaningful voice in society to shape their own future. The DRDIP-I impact evaluation showed that addressing the needs of host communities through a participatory development approach and supporting joint planning and coordination forums between hosts and refugees improved attitudes towards refugees. With increasing tensions in some of the project areas, DRDIP II will build on this lesson by continuing the Phase I approach but augmenting it with additional training on conflict management and enhanced support for GBV prevention as a major refugee protection concern.

**102. Reinforcing existing committees within refugee camps simplifies and streamlines refugee inclusion.** Refugee camps and settlements are usually well organized, with representative and sectoral committees covering different aspects of life, such as livelihood and conflict management. Experience from refugee-host community projects demonstrates the value of working with these existing bodies to promote inclusion into project implementation arrangements, rather than creating new institutions. Through collaboration with RRS and UNHCR, DRDIP II will work with and strengthen these existing structures to represent refugee interests in the project, though some new committees will be created for project implementation purposes where there is a need (e.g., for technical issues such as procurement and community audit).



103. **Investment projects in conflict-affected areas should identify and address fragility factors, include adaptive design and implementation mechanisms and mitigate exposure risks.** A 2021 World Bank Independent Evaluation Group report on engagement in situations of conflict highlights the fundamental principle that projects need to identify and address conflict drivers and be flexible and adaptive.<sup>61</sup> While the CDD approach employed by DRDIP does not necessarily reduce violent conflict, it is a flexible mechanism with a proven track record globally of delivering cost-efficient infrastructure for basic service delivery in conflict-affected situations.<sup>62</sup> The project approach seeks to directly target identified sources of tension between refugees and host communities to enhance social cohesion and prevent conflict through a new sub-component.

### III. IMPLEMENTATION ARRANGEMENTS

#### A. Institutional and Implementation Arrangements

104. **In NROC locations, DRDIP II will follow the same implementation and institutional arrangements as DRDIP I, with adjustments to reflect the inclusion of refugees as direct beneficiaries.** The project will continue to follow the decentralized planning and implementation approach through government systems used under Phase I, except in HROC areas, where different arrangements will be put in place (see paragraph 112 below). Because DRDIP I will run until December 2022, the existing project personnel will implement both phases in parallel for a short period before shifting full-time to Phase II from January 2023. While new staff will need to be recruited for the new target areas, maintaining the existing PCU personnel for Phase II will allow the project to avoid start-up delays. More details on implementation and institutional arrangements are provided in Annex 1.

##### National Level

105. **Project Steering and Technical Committees.** Chaired by a state minister from the MoA, the Federal Steering Committee (FSC) will meet biannually. It will provide policy guidance, ensure interventions meet national standards and approve annual reports and the Annual Work Plan and Budget (AWPB). As in Phase I, the FSC will comprise decision-makers from line ministries involved in implementation. RRS will continue to serve on the FSC to coordinate the planning and implementation of activities for refugees. MoA and RRS will sign an MoU outlining their respective roles and responsibilities. UNHCR will retain its observer status. The Federal Technical Committee (FTC) will provide technical guidance to the FSC and will comprise technical experts from FSC member institutions (including UNHCR), together with the FPCU. The National Project Coordinator will chair the FTC, which will meet quarterly.

106. **PCU.** Under the supervision of the MoA, project implementation and coordination will remain in the hands of the FPCU. The FPCU will prepare project reports and AWPBs for the review of the FTC and approval of the FSC and World Bank. It will ensure compliance with World Bank technical, fiduciary and environmental and social standards. Collaborating with RRS and UNHCR, the PCU will also ensure that in the refugee setting DRDIP II will work with humanitarian and development coordination structures at all levels.

##### Regional and woreda levels

107. **Sub-national level steering and technical committees.** Each region and woreda will have multi-agency

<sup>61</sup> World Bank (2021) World Bank Engagement in Situations of Conflict: An Evaluation of FY10-20 Experience. November 3, 2021.

<sup>62</sup> Wong, S. (2012) "What have been the impacts of World Bank CDD programs?" Washington DC: World Bank.



steering and technical committees comprising relevant local officials. Regional committees will meet quarterly and the *woreda* committees monthly. RRS will be included to ensure refugee interests are represented.

108. **PCU offices.** The PCU will operate offices in each region and *woreda*. In addition to supporting lower level activities, the *woreda* PCU will select and implement SIF subprojects under sub-component 1(a).

#### Kebele/community level

109. **Grassroots community institutions will be actively involved in planning, implementation and monitoring project activities, in line with the CDD approach.** The project will establish and strengthen community institutions including a Community Project Management Committee (CPMC), Community Procurement Committee (CPC), Community Audit Committee (CAC) and a Community Facilitation Team (CFT). Communities will participate in procurement, but to minimize fiduciary risks, the procurement process will be led by the WoFED and all procurement and financial records will be retained at the *woreda* level. WoFED will also be responsible for payment of contractors for infrastructure subprojects.

110. **Kebele Development Committees (KDCs), the development arm of the government's lowest-level administration structure, will provide general implementation oversight.** The KDCs will also coordinate implementation with the *woreda* PCU and the *woreda* sector offices.

#### Refugee camps and sites

111. **A combination of existing and new committees will represent refugee interests in the project.** Existing institutions to be supported will include the Refugee Central Committees (RCCs) and Refugee Camp Development Committees, which will ensure the flow of information to the refugee population. They will also oversee the preparation of a participatory assessment, a camp development plan and priority subproject proposals under all three technical components. New institutions to be established for technical project implementation will mirror those in the host communities. RRS will oversee implementation in the camps together with the FPCU, including coordination with ongoing projects implemented by the government and non-governmental organizations.

#### Implementation in HROC Areas

112. **The GoE will contract a third-party implementation entity for project activities in HROC *woredas*.** This could include the United Nations Office for Project Services (UNOPS). The entity will be contracted by and report to the FPCU. The Direct Payment method will be used for services rendered by the third-party entity, following procedures outlined in the PIM. The third-party implementing agency will operate in line with the same implementation manual as the PCUs in other regions and *woredas*. It will also coordinate with local authorities in the same manner as Regional Project Coordination Units (RPCUs). For any contracts with UN agencies, the Recipient will use the standard contracts agreed between the respective UN agencies and the World Bank.

### **B. Results Monitoring and Evaluation Arrangements**

113. **Results Monitoring, Evaluation and Learning (RMEAL) System.** The FPCU will have primary responsibility for M&E through a National Project M&E Specialist and an M&E specialist in each region.



114. **Progress monitoring.** The main tool for monitoring progress will be recording information/data from various levels (*kebele*, *woreda*, Region and Federal) relating to implementation progress through the existing robust project M&E system. The M&E manual will be updated with new reporting templates. The PCU will submit quarterly reports and an Annual Report to the Steering Committee and the World Bank.

115. **Remote monitoring approaches.** COVID-19 and/or insecurity are likely to continue to limit the scope of field monitoring. To address this gap, the project will utilize remote monitoring approaches, including a scale-up of the application of GEMS. IBM will also be introduced for Phase II to gather feedback through phone-based surveys of a large sample of beneficiaries on implementation bottlenecks to allow for real-time course correction.

116. **Community participatory monitoring.** Participatory monitoring at the *kebele* level will include community-friendly tools to enhance the transparency of community level institutions. The main tools to be used are display boards, benefit tracking matrices, social audit committees and monthly community meetings.

117. **Evaluation of outcomes and impacts.** Progress towards achievement of PDO will be evaluated through a baseline study and mid-term and end-of-project reviews. A quasi-experimental impact evaluation will be undertaken for before-after/treatment-control comparative analysis.

118. **Thematic learning and feedback mechanism.** The project will conduct regular internal learning and monitoring forums at the *woreda*, regional and federal levels to identify and resolve implementation bottlenecks. At the regional and federal levels, the forums will focus on specific themes, such as the CIF, livelihoods, community institution building, etc. In addition, the project will carry out thematic studies on gender aspects, livelihood aspects and social cohesion, including the documentation of case studies. These studies will document good practices, synthesize lessons learned and identify opportunities for scaling up and/or refining implementation modalities.

#### Monitoring and Evaluation in HROC locations

119. **M&E will be supplemented by TPM in HROC areas where access is limited for government.** Before activities commence in HROC areas, a qualified TPM Agent (TPMA) will be contracted, based on Terms of Reference (ToRs) to be agreed with the World Bank. The TPMA will be recruited by the World Bank depending on the availability of Trust Fund resources. If the World Bank is unable to secure Trust Funds for this purpose, the government will recruit the TPM agent from project resources. The TPMA will validate compliance with the PIM, as well as World Bank environmental and social (E&S) and fiduciary standards.

### C. Sustainability

120. Project sustainability can be looked at from the perspective of institutions, policies, investments (in infrastructure, NRM and livelihood) and social capital.

121. **Institutional sustainability.** Project staff will gain skills in project management, oversight and coordination. RRS will be supported to lead a whole-of-government policy dialogue on development responses to forced displacement. Community capacity for assessing development needs, planning, budgeting and implementation will be enhanced, particularly for women through a tailored leadership program. Component three activities will support the formation and capacity of IWUAs to manage and maintain SSI schemes. Livelihood activities will strengthen associations, cooperatives and enterprises through access to finance and technical assistance.



122. **Policy sustainability.** The project will contribute to implementation of the government's policies on the social and economic inclusion of refugees, which will have broader impacts beyond the lifespan of the project.

123. **Sustainability of infrastructure.** As a pre-condition for approval of infrastructure subproject proposals, relevant sectoral agencies and/or *woredas* will be required to commit budget for operations and maintenance (O&M) through a written Memorandum of Understanding (MoU). Each subproject will require an O&M plan. Functionality assessments and technical audits will be undertaken to verify the sustainability of infrastructure after completion.

124. **Economic sustainability.** Investments under component three will be screened for return on investment and cash flow projections, market potentials, and management of recurrent risks. Once the financing has been provided to a community business, the project will provide technical support in the crucial first 12 months.

125. **Social sustainability.** The project's inclusive planning process is expected to build trust between different groups in society, including those traditionally marginalized from decision-making. Global experience also suggests it has the potential to enhance state-society relations. The project approach under Phase I improved host community attitudes towards refugees and Phase II will build on this with additional support for social cohesion and inclusion.

## IV. PROJECT APPRAISAL SUMMARY

### A. Technical, Economic and Financial Analysis

#### Economic and Financial Analysis

126. **The economic and financial analysis suggests that the project is economically viable, with an expected overall economic internal rate of return of 75.1 percent.<sup>63</sup>** Each of the project's proposed initiatives is economically viable at a discount rate of 12 percent, in accordance with the World Bank guidelines on social discount rate, over an expected 20-year period, which is assumed for each of the initiatives' estimated life span.<sup>64</sup>

**Table 5: Cost-benefit analysis of selected development sub-projects (figures in US\$)**

	Education	Health Care Center	Animal Health Post	Water Supply	Road Rehab	Irrigation System	Cook stoves	Solar Energy	Agr Cap Invest	Non-Agr Cap Inv	Livelihood Support	Access to Finance
Inv.	\$25,412	\$183,362	\$20,000	\$25,810	\$79,350	\$11,828	\$714,286	\$573,286	\$200,000	\$150,000	\$600,000	\$600
NPV *	\$127,748	\$913,423	\$105,166	\$31,719	\$211,213	\$8,650	\$3,687,614	\$3,231,143	\$561,073	\$547,847	\$717,783	\$1,103
EIRR **	81.15%	80.54%	84.24%	32.13%	54.03%	23.27%	82.96%	89.29%	51.46%	62.78%	29.16%	41.48%

\*NPV with 12 percent social discount rate over a 20-year period. \*\*Ethiopia's Cost of Capital 7percent (World Bank).

Source: Team calculations based on empirical data

127. **This conclusion can be considered conservative, as each of the subprojects presents larger economic returns in terms of indirect social benefits, which are not currently readily quantifiable.** Furthermore, each of the

<sup>63</sup> The weighted average EIRR refers to 12 subprojects on a 20-year period. The cost of capital in Ethiopia is estimated at 7 percent as per World Bank data and a 10-year-period average 2.10 percent US\$ inflation rate has been used in the analysis (World Development Indicators).

<sup>64</sup> Discounting Costs and Benefits in Economic Analysis of World Bank Projects, February 2016.



proposed initiatives – the construction/rehabilitation of schools, health care centers, animal health posts, water supply, rehabilitation of feeder roads, irrigation systems, energy-efficient cook stoves, solar energy systems, agricultural and non-agricultural livelihoods investments and access to finance initiatives – present a robust net present value (NPV) and economic internal rate of return (EIRR), which confirms their economic viability under any possible scenario, including with 20 percent higher costs and/or 20 percent lower benefits.

## Technical

128. **Quality control.** All subprojects will be subject to technical scrutiny to ensure they meet quality standards. When relevant, infrastructure subprojects will follow government-approved blueprints (e.g., school classrooms, health centers). Quality control will include financial, technical and environmental feasibility screening. Competitive selection of technical specialists for the PCUs and of qualified and competent contractors will contribute to quality assurance. World Bank implementation support will support quality control through scrutiny of procurement processes and on-site inspection of works to identify and remedy deficiencies. Similar technical scrutiny will be applied to NRM and livelihoods activities, which will be overseen by the appropriate technical agencies of government (or third-party implementing entity in HROC areas), augmented by World Bank technical support.

129. **Strengthening government systems for participatory planning and budgeting.** DRDIP II will support participatory, community-based planning that includes vulnerable and marginalized groups, including the forcibly displaced. All community action plans will be aligned with *kebele* and *woreda* development plans, strengthening local government planning process.

## B. Fiduciary

### (i) Financial Management (FM)

130. **An FM assessment was conducted by the World Bank** following IPF directives and FM guidelines to determine whether the proposed FM arrangements: (a) are capable of correctly and completely recognizing and recording all project transactions and balances; (b) would facilitate the preparation of regular, accurate, reliable and timely financial statements; (c) would safeguard project assets; and (d) would be subject to acceptable auditing arrangements. The assessment built on the World Bank's knowledge of country FM systems and requirements and the performance of the implementing entities in other World Bank-financed operations.

131. **FM arrangements for DRDIP II will be based on the existing project systems and arrangements.** The FPCU will retain overall fiduciary responsibility for implementation of the project, in coordination with the Regions and *woredas*. The project will prepare a consolidated AWPB and obtain a no-objection from the World Bank. Project funds flow follows the government's "channel 2" mechanism, whereby funds will be transferred to the MoA through a Designated Account (DA) to be opened at National Bank of Ethiopia (NBE). The project will also maintain separate local currency bank accounts at all levels. For third party implementation entities, the World Bank will make direct payments. All disbursement methods are available to the Project. For the Advance to DA and Reimbursement methods, the project will use report-based disbursements, with submission of quarterly Interim Financial Reports (IFRs) within 45 days of the quarter end and including forecasts for advances/replenishment of the DA. The project accounts will be audited on an annual basis by an independent external auditor acceptable to the World Bank. Audit reports will be submitted to the World Bank within six months of the fiscal year end.



132. **The main FM risks identified are:** (a) lack of experience managing World Bank-financed operations in the new *woredas/town* administrations; (b) planning/budgeting delays; (c) low utilization/absorption capacity; (d) staff capacity gaps; (e) limited internal audit oversight; (f) weak internal controls over receivables/advances monitoring, payments, and asset management; (g) low quality financial reporting; and (h) inadequate management follow-up of audit recommendations. The fact that the Project will operate in parallel with DRDIP I for several months poses the risk of double-dipping, whereby expenditures may be co-mingled.

133. **The risk mitigating measures** include updating the existing FM manual to strengthen planning and internal control processes, including engagement of third parties; assignment of finance officers at all levels; availing budget for internal audit review; capacity building through training and agreeing clear IFR templates for lower-level reporting; and clear delineation of fund flows, accounting and reporting during the overlap period between Phases I and II. A third-party implementation entity, contracted by the MoA, will be used to implement project activities areas classified as HROC. The standard form of agreement will be signed with the third party, which will include FM arrangements and could be supplemented with additional requirements as needed. Supervision will utilize TPM to ensure oversight in HROC areas where access is limited for government and the World Bank and will make use of GEMS and remote monitoring tools. The overall residual FM risk is Substantial.

134. **UNOPS is expected to be contracted by the Government, through the PCU in the MoA, for Third-Party Implementation.** The standard output agreement will be used. The agreement includes arrangements for annual work plan and budget approvals, financial reporting requirements, payment processes, accounting requirements, fraud and corruption prevention, and audit arrangements. Based on discussions to be conducted between the government, UNOPS and the Bank and, considering the design of the operation, the country context as it relates to the UN agencies arrangements in the field, and any relevant additional information, the standard agreement might be updated to include additional measures such as reconsidering the frequency of reporting and internal audit by UNOPS. The contract will be reviewed by the Bank and will provide no objection before signing. In addition, an FM assessment of the government's capacity to supervise the activities to be carried out by the UN agency on their behalf will be conducted during implementation to determine the risk and assurance provided by the proposed FM arrangements. The results of the assessment will feed into action plans for mitigating risks during regular implementation support missions. Progress on the agreed fiduciary management arrangements will be monitored during implementation by a third-party monitoring agent. With these arrangements included in the agreements and the use of a TPMA, the fiduciary arrangements will provide reasonable assurance on the use of resources by UNOPS.

135. **In response to allegations of misconduct surrounding UNOPS' nascent Sustainable Infrastructure Initiative (S3i), the World Bank's Operational Policy and Country Services Vice Presidency held corporate-level consultations with senior UNOPS staff.** The consultations reconfirmed that the oversight and internal control system that governs UNOPS' regular operational service line, under which all World Bank projects are implemented, are separate from the S3i governance system. The UNOPS governance and internal system of controls for their regular operational service programming is based on the core principle that makes up UNOPS' Governance Risk and Compliance framework. The UNOPS Delegation of Authority and Accountability Framework over financial matters covers headquarters, regional offices, country offices, and individual projects. The UNOPS internal control framework consists of the following five components: (i) Control Environment; (ii) Risk Assessment; (iii) Control Activities; (iv) Information and Communications; and (v) Monitoring, which are embedded in UNOPS' policies and procedures. A second line of control function is provided at the regional and corporate levels. Finally, third-line internal control mechanisms are covered by internal and external audits, as well as investigations. UNOPS audits are publicly available. The World Bank regularly reviews these audit reports and makes the reviews available to World Bank management for decision support services related to implementation of projects working with UNOPS.



136. The assessment concludes that the project's FM arrangements meet the World Bank's minimum requirements under the World Bank Policy and Directive on Investment Project Financing (IPF) and FM Manual. An action plan has been developed and agreed to mitigate the risks identified.

## (ii) Procurement

137. **Applicable procurement regulations.** Procurement under the project will be carried out in accordance with the World Bank's Procurement Regulations for IPF Borrowers; Procurement in Investment Project Financing for Goods, Works, Non-Consulting, and Consulting Services, dated July 1, 2016, and updated November 2020. Furthermore, the World Bank's Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants, revised as of July 1, 2016; and the provisions stipulated in the General Conditions of the Legal Agreement shall apply.

138. **Project Procurement Strategy for Development (PPSD), Procurement Plan (PP) and Systematic Tracking of Exchanges in Procurement (STEP).** The Recipient has prepared the PPSD and PP for the first 18 months of project implementation. The PPSD identifies the fit-for-purpose procurement approach through an analysis of the market, procurement risks and capacity and recommends suitable procurement arrangements. The PPSD will be updated as required. The Recipient will use the World Bank's online tool (STEP) for procurement planning, processing, monitoring, contract management, reporting and record keeping. The PP will be updated by the Recipient (subject to World Bank no-objection) as required.

139. **Major procurement activities** include: (a) *goods* (vehicles, motorcycles, office equipment and furniture, clean cooking stoves, solar lights and panels, seeds, fertilizer, nursery items, animal health laboratory equipment, soil laboratory equipment, improved livestock breeds, beehives, fishing equipment, aerial photos, satellite imagery and maps, etc.); (b) *works* (construction and/or maintenance of small-scale irrigation schemes, construction or rehabilitation of FTCs or PTCs, schools and health posts, rural roads, community level water supply and sanitation services, etc.); (c) *non-consulting services* such as a third-party implementing entity and monitoring agency, transportation services, storage, and material distribution; and (d) *Consultancy services* (needs assessments, baseline survey, feasibility studies, audits, trainings, etc.) and employment of individual consultants.

140. There are allegations of forced labor risks associated with polysilicon suppliers for solar panels. The Recipient will require bidders to provide two declarations: a Forced Labor Performance Declaration (which covers past performance), and a Forced Labor Declaration (which covers future commitments to prevent, monitor and report on any forced labor, cascading the requirements to their own sub-contractors and suppliers). In addition, the Recipient will include enhanced language on forced labor in the procurement contracts.

141. **Procurement implementation arrangements.** Procurement arrangements will largely follow existing structures. Procurement is conducted at four levels: federal, regional, *woreda* and procurement with community participation. The FPCU is responsible for procurement planning, monitoring and supervision. It will review and approve procurement plans (PPs) from each region and *woreda* offline. Following FPCU clearance, the RPCUs will submit the consolidated regional and *woreda* PPs to the World Bank for no-objection. The FPCU will procure strategic level goods and services and provide technical backstopping for sub-national personnel, particularly for high-value and complex contracts. The RPCU will manage procurement in their regions and support *woreda*-level procurement. At the *woreda* level, the WoFED will lead procurement of small-value goods, works and non-consulting services and provide hands-on support to communities. The communities will also be involved in the needs identification,



procurement planning, processing and contract management under the overall procurement responsibility of WoFED. Procurement in Tigray region and other HROC areas will be implemented by the Third-Party Implementing entity.

142. **The project includes various activities implemented through community participation.** Communities, including refugees, will be involved in the identification of needs, procurement planning, processing and follow up and monitoring the implementation of contracts. A step-by-step procedure on community participation procurement shall be prepared and distributed to the communities, which will describe the role and responsibility of the hosting communities, refugees, WoFED and other actors. WoFED will lead and oversee procurement planning, processing, contract management and record keeping. The *woreda* project procurement officer and technical team will provide handholding support to the host communities and refugees on procurement planning, processing and contract management. All procurement records will be kept at the WoFED.

143. **Procurement Risks and Mitigation Measures.** The World Bank conducted a procurement capacity and risk assessment for the federal, regional and *woreda* levels, except in Tigray due to insecurity. The assessment rates the procurement risk as **Substantial**. While the FPCU and Phase I RPCUs have experienced, dedicated procurement officers, there were delays in works contracts. Staff in new project locations lack experience on World Bank-financed projects and CDD. Dedicated procurement officers with the appropriate skills and qualifications will need to be recruited. All implementing agencies also lack knowledge and experience on the World Bank Procurement Framework and will require training.

## C. Legal Operational Policies

	Triggered?
Projects on International Waterways OP 7.50	Yes
Projects in Disputed Areas OP 7.60	No

### Projects on International Waters OP 7.50

144. The project triggers OP 7.50 (Projects on International Waterways) due to small-scale water investments across the country, which may impact water resources of water basins shared by Djibouti, Egypt, Eritrea, Ethiopia, Kenya, Somalia, South Sudan, and Sudan, and which are international waterways according to the Policy. Accordingly, these riparian countries were notified on March 21, 2022. One response was received, from the Government of Egypt, which did not object to the project but raised concerns over the cumulative impacts of various water supply projects financed by the World Bank and other development partners. Egypt also requested the World Bank to share relevant environmental and social instruments once they are completed. Following the notification process and the World Bank team's determination that the proposed investments will not cause appreciable harm to the interests of riparians and will not be adversely affected by the other riparians' possible water use, the World Bank Regional Vice President authorized appraisal of the project on May 5, 2022.

## D. Environmental and Social

### Environmental Risk Management

145. **The environmental risk rating is substantial.** While several project activities will have positive



environmental impacts, such as subprojects on integrated NRM (soil and water conservation) and the provision of alternative energy sources (solar systems, clean cooking stoves and biogas), there are also various associated environmental, health, and safety (EHS) risks and impacts.

146. **The key potential EHS risks and impacts include:** (a) potential misuse and mismanagement of animal health chemicals and pesticides; (b) water pollution; (c) worker and community health and safety (CHS) risks during construction and operation of infrastructure; (d) soil erosion; (e) small-scale land clearance and degradation; (f) solar energy systems can have adverse EHS risks due to limited knowledge of disposal and recycling of e-waste; and (g) poor management of construction waste. However, the activities are small-scale, CDD types of activities, which typically do not generate large-scale environmental risks.

### Social Risk Management

147. **The social risk for the proposed project is rated high.** DRDIP II will deliver social benefits by improving access to services, renewable energy, livelihood opportunities and building capacity of host communities and refugees. However, the rating is high due to contextual factors of insecurity and the potential for tension between refugees and host communities, coupled with the likelihood of limited implementation capacity and enforcement of project Environmental and Social Risk Management (ESRM) standards at the local level.

148. **Several adverse social risks are associated with project activities.** Major risks include: (a) involuntary resettlement, land acquisition and restriction of access to natural resources, including risks of forced eviction, exclusion from resettlement entitlements, loss of income/livelihoods and limited awareness of rights of voluntary land donors; (b) lack of compliance with national laws on labor and working conditions and related standards; (c) limited attention to CHS and occupational health and safety issues; (d) moderate influx of labor and related potential risks of SEA/SH and spread of communicable diseases, including Human Immunodeficiency Virus/ Acquired Immunodeficiency Syndrome (HIV/AIDS) and COVID-19; (e) lack of adequate consultation of affected persons, particularly due to COVID-19; (f) lack of access to a functioning Grievance Redress Mechanism (GRM); and (g) social exclusion and discrimination against historically underserved communities, pastoralist communities and other vulnerable groups including women, youth and PWDs.

149. **The SEA/SH risk level is rated as substantial.** This is due to the fact that the project will be implemented in refugee-hosting areas in humanitarian settings that are mostly in rural and remote areas with limited support services and a high prevalence of poverty. Contextual risks related to the prevalence of harmful traditional practices such as female genital mutilation, early marriage, etc., as well as the current security situation in some project areas exacerbate the risks of SEA/SH. The project will support awareness-raising, capacity-building for prevention and referral to response services to mitigate the GBV risk.

### Risk Mitigation Measures

150. **Various environmental and social risk management assessments and instruments have been prepared to identify and manage the risks.** The MoA has updated the Environmental and Social Management Framework (ESMF), Resettlement Framework (RF) and Social Assessment (SA) which were prepared under the safeguards policies for Phase I to serve as the basis for identifying and managing risks for Phase II. The documents were revised to comply with the Environmental and Social Standards (ESSs), including biodiversity, community health and safety, pollution prevention and management, GBV risk management, etc. The updated ESMF (disclosed March 19, 2022 on the World



Bank and MoA websites) contains screening mechanisms, E&S implementation arrangements, an indicative list of E&S risks and mitigation measures, an exclusion list, references to Good International Industry Practice, including EHS Guidelines, chance find procedures, etc.

151. **As infrastructure development sites are yet to be determined, the Resettlement Framework (RF) has been updated in line with the requirements of ESS5 and applicable national legislation.** The RF provides resettlement principles and procedures, including eligibility criteria for resettlement entitlements and organizational arrangements. It also includes the establishment of a project-level GRM to be used during the preparation of site-specific instruments such as resettlement plans and livelihood restoration plans to address potential land acquisition issues. In addition, the RF establishes procedures to address any impacts due to restrictions/loss of access to natural resources due to project activities through a process framework (PF). The RF was disclosed on the World Bank and MoA websites on March 19, 2022.

152. **To address social risks and impacts related to social vulnerability, the existing Social Assessment (SA), including a Social Development Plan (SDP), was revised based on the requirements of ESS1 and ESS7.** The update was based on a thorough engagement process with project-affected people identified as historically underserved and other vulnerable groups. The SA was disclosed on March 19, 2022 on the World Bank and MoA websites.

153. **An Environmental and Social Commitment Plan (ESCP) has been prepared, outlining the MoA's commitment to:** (a) implement project activities in compliance with the World Bank's Environmental and Social Framework (ESF); (b) develop ESRM implementation arrangements, including deployment of qualified staff at different levels of implementation; and (c) monitor and report on the implementation of ESRM tools and plans. The ESCP was disclosed on the World Bank and MoA websites on May 9, 2022.

154. **The MoA has also prepared a Stakeholder Engagement Plan (SEP).** Disclosed on the World Bank and MoA websites on April 28, 2022, the SEP demonstrates early engagement of stakeholders during project preparation, including inputs on subproject type, site selection, eligibility criteria, participatory structure and preparation of ESRM instruments. The Plan will guide meaningful stakeholder engagement in the project areas proportionate to the nature and scale of potential risks and impacts.

155. **Environmental and Social Standard 2 (ESS2).** Where there is a significant risk of forced labor related to primary supply workers, the Recipient requires the primary supplier to identify those risks. If forced labor cases are identified, the Recipient will require the primary supplier to take appropriate steps to remedy them. Ultimately, where remedy is not possible, the Recipient will, within a reasonable period, shift the project's primary suppliers to suppliers that can demonstrate that they are meeting the relevant requirements of ESS2. Prior to beginning the procurement process, the Recipient will undertake a market analysis to identify the possible sellers of solar panels to the project. The bidding documents will emphasize forced labor risks in solar panels and components and will require that sellers of solar panels to the project will not engage or employ any forced labor among their work force. Bidders will be required to provide two declarations: a Forced Labor Performance Declaration (which covers past performance), and a Forced Labor Declaration (which covers future commitments to prevent, monitor and report on any forced labor, cascading the requirements to their own sub-contractors and suppliers). In addition, enhanced language on forced labor will be included in the procurement contracts. The World Bank will prior review procurements of solar panels and components to ensure that enhanced provisions are used by the Recipient.



## Security management

156. **The PCU has prepared a Security Risk Assessment and Management Plan (SRAMP) to identify security risks and mitigation measures.** These documents are required pursuant to the World Bank ESF, specifically ESS1 (Assessment and Management of Environmental and Social Risks and Impacts), ESS2 (Labor and Working Conditions) and ESS4 (Community Health and Safety), focusing on the use of public/private security personnel and the associated risks to the community. The SRAMP was disclosed on the World Bank and MoA websites on April 11, 2022.

157. **The key potential security risks identified were armed robbery, theft of construction materials, insecure road transportation (including restriction of access to project areas), GBV and SEA/SH, inter-ethnic conflict and inter-community violence.** The main mitigation measures detailed in the SRAMP are continuous awareness creation and training for project staff on security risks and gender-related issues, such as GBV and SEA/SH. This training will include the participation of government security forces. Any public security officials associated with the project will be trained on rules surrounding the use of force, in line with the UN Code of Conduct for Law Enforcement Officials, and UN Basic Principles on the Use of Force and Firearms by Law Enforcement Officials. Public security officials at the federal and regional levels will be responsible for gathering, analyzing and sharing security-related information with project staff, to enable them to make informed decisions on project-related activity. The project will leverage joint refugee and host community committees, which have significant experience managing security risks in refugee-hosting areas. Lastly, physical security measures at project sites will be assessed and improved, where required.

158. **While responsibility for and oversight of security sits with the Project Coordinator, the SRAMP proposes security focal points at the federal and regional level.** The focal points will liaise closely with regional and local government security bodies under the overall supervision and control of the government administration. These focal points should be fully versed in the World Bank ESF and guide the local security forces as to the accepted code of conduct and rules on use of force.

159. **In HROC woredas, third-party implementation entities will make use of either the structures of the UN Department of Safety and Security (for UN agencies) or the Saving Lives Together Framework.** The SRAMP will include a reporting protocol for significant incidents, based on which decisions will be taken on corrective actions, including exit from respective subprojects. Subprojects shall have an incident response and rapid demobilization plan included in the Environmental and Social Management Plans in HROC woredas.

## **Environmental and social compliance monitoring**

160. **Compliance with E&S standards will be monitored in different ways.** The project implementing entities will prepare quarterly and annual E&S monitoring reports, which will be shared with the World Bank. There will be independent annual E&S audits, starting in year two. The Regional/Woreda Environment Forest Climate Change Offices will review and endorse site-specific ESRM instruments and will also monitor compliance with the regulatory requirements. Despite improvements following the continuous trainings provided to project staff and stakeholders, there are regional disparities in the effective implementation and monitoring of ESRM. Technical gaps persist among some of the E&S focal persons operating in some woredas. As the implementing entity and the E&S staff do not have experience in the requirements of the ESF, appropriate trainings will be organized prior to implementation. The project also includes a robust grievance redress mechanism, building on the system in place for Phase I. The GRM supports existing structures in the local administration and includes multiple uptake channels. Timelines are set for resolution of grievances related to various aspects of project implementation from the kebele up to the federal levels.



## V. GRIEVANCE REDRESS SERVICES

161. Communities and individuals who believe that they are adversely affected by a World Bank (WB) supported project may submit complaints to existing project-level grievance redress mechanisms or the WB's Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed in order to address project-related concerns. Project affected communities and individuals may submit their complaint to the WB's independent Inspection Panel which determines whether harm occurred, or could occur, as a result of WB non-compliance with its policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to the World Bank's attention, and Bank Management has been given an opportunity to respond. For information on how to submit complaints to the World Bank's corporate Grievance Redress Service (GRS), please visit <http://www.worldbank.org/en/projects-operations/products-and-services/grievance-redress-service>. For information on how to submit complaints to the World Bank Inspection Panel, please visit [www.inspectionpanel.org](http://www.inspectionpanel.org).

## VI. KEY RISKS

162. **The overall risk rating is high.** As the second phase of a tried and tested approach, the main risks are not project-specific, but rather macro-level political, governance and economic factors, which in turn drive concerns over fiduciary management and compliance with environmental and social standards. Regional instability could also affect the project, including the risk of additional refugee inflows. A summary of the risks rated high or substantial and associated mitigation measures is provided below.

163. **Political and Governance – high.** Violent conflicts in different parts of the country, including but not limited to the military escalation in the north, have exacerbated security risks and increased instability. Security challenges and risks (which include access restrictions as well as the operation of non-state armed groups) could cause damage to infrastructure investments and trigger forced displacement (refugees and internal). This could lead to delays and increased costs, as well as risks to project personnel. It could also complicate consultations with and targeting of displaced beneficiaries. To mitigate these risks, the World Bank and the Government of Ethiopia have agreed that a third-party implementing entity will be contracted to lead implementation in HROC areas. Legal covenants have been added to the Financing Agreement (FA) to ensure there are no delays contracting the implementing entity. The TPM will also be contracted to provide sufficient oversight in HROC locations. The preparation of a Security Risk Assessment and Management Plan, which will be updated regularly as required, is intended to ensure that measures are in place to protect project staff and investments in insecure areas.

164. **Macroeconomic – high.** Ethiopia has enjoyed economic growth and reasonable macroeconomic stability for more than fifteen years. However, economic imbalances have widened, with merchandise exports as a percentage of GDP in decline since 2011, crowding out the private sector from credit. A growing parallel market premium on the exchange rate is signaling a scarcity of hard currency. Ongoing conflict is likely to affect agricultural production (and growth) and the fiscal position. Disruptions to supply chains and overall uncertainty seem to be contributing to a surge in inflation, and a temporary spike in the parallel market rate in early August 2021. The lapse of the Extended Credit Facility component of the International Monetary Fund program in September 2021 and delays in debt reprofiling arrangements under the G-20 Common Framework are exacerbating macroeconomic risks. In this setting, there is also the risk of a potential reversal in macroeconomic reforms. These risks will impact activities requiring the importation



of goods and services, but also where domestic supply chain disruptions increase investment costs. Focusing on small-scale investments and relying on local resources can partly address these risks.

**165. Technical Design of Project – substantial.** This is the second phase of a project design that has been tried and tested in Ethiopia and the HoA. However, the risk rating remains substantial on account of the large number of sectors and subproject types, the volume of transactions at the community level in remote and difficult to access areas and the various layers of government involved in implementation, plus the addition of a third-party implementing entity in HROC locations. This represents a significant coordination, management and implementation challenge. This will be mitigated through the presence of an inter-agency governance structure, enhanced monitoring to cover the large project area and proven coordination structures from the federal, regional and *woreda* levels down to the *kebeles* and refugee camps/sites. RRS will also play an important role to ensure refugee inclusion. The design and implementation of SSI subprojects proved to be technically demanding under Phase I. Capacity in the PCU will be augmented under Phase II to address this challenge.

**166. Institutional Capacity for Implementation and Sustainability – substantial.** The PCU has proven its capacity by achieving most of the output targets under Phase I. Nonetheless, capacity gaps remain in procurement, FM and ESRM. Government officials and PCU personnel in Amhara region and new project *woredas* will require capacity-building to implement the operation in line with World Bank standards. Training and mentoring will be provided to all personnel to enhance understanding of the World Bank's procurement framework and the ESF, neither of which were applied during Phase I.

**167. Fiduciary – substantial.** Fiduciary risks emanate from capacity gaps and contextual factors. The FM assessment identified the following main risks: (a) delay in planning and low absorption capacity; (b) turnover and capacity limitations; (c) inadequate internal audit oversight and delayed management action on audit recommendations; (d) low-quality reporting; (e) inadequate financial reporting from livelihood CIGs; and (f) the risk of double-dipping while implementing in parallel with DRDIP Phase I. Conflict and the pandemic exacerbate the risks, posing challenges for supervision and accountability. Mitigating measures will include strengthening planning and internal control processes, including engagement of third parties; ensuring adequate staffing; availing budget for internal audit review; capacity-building and clear delineation of funds flow and reporting during the overlap period of the project phases. For procurement the main risks are: (a) staff in new project areas lack experience on World Bank-financed projects and CDD; (b) implementing agencies are unfamiliar with the World Bank's new Procurement Framework; and (c) procurement and contract management of some works contracts, particularly for SSI schemes, suffered delays during Phase I. To address these risks, all relevant personnel will be trained on procurement and contract management and provided hands-on mentoring during the implementation phase. Technical expertise in the PCU will be augmented for SSI subprojects. Fiduciary risks in HROC areas will be mitigated by the contracting of a third-party implementing entity.

**168. Environmental and social – high.** The project investments are mostly small in scale and Phase I experienced limited environmental and social impacts. However, the rating is high primarily due to contextual factors of insecurity and potential for tension between refugees and host communities in the project's remote, humanitarian settings. The main identified environmental risks are: (a) community health and safety risks during construction; (b) risk of water pollution from construction waste; and (c) potential misuse of animal health chemicals and pesticides. Social risks include: (a) involuntary resettlement for infrastructure subprojects; (b) lack of compliance with labor standards and the risks of GBV/SEA/SI and communicable disease associated with labor influx; (c) social exclusion and discrimination against marginalized groups; and (d) lack of a functioning, accessible grievance redress mechanism. To address these risks, the project has prepared E&S instruments with mitigating measures. E&S specialists at the federal and regional



levels will screen subprojects and ensure compliance with the ESRM standards. The World Bank will provide training for all the specialists and coordinators on the ESF and enhanced mentoring in the first year of implementation. The project also has an existing GRM that will be expanded to new project areas, including in the refugee camps and sites. Risks of tension between refugees and host communities will be mitigated through a standalone sub-component on social cohesion and by targeting investments that directly address sources of tension. Security risks and mitigating measures are identified in the project SRAMP.

169. **Other – substantial.** This risk relates to maintaining an adequate refugee protection framework, a condition of financing from the IDA 19 WHR. The policy framework for refugees is progressive in Ethiopia, which has signed on to the GCR, adopted a revised refugee law, and was among the first pilot countries for the CRRF. However, the protection environment has deteriorated since the outbreak of conflict in November 2020. Two camps have been damaged and closed in Tigray and the situation in the remaining two camps in the region remains precarious, with relations fraught between refugees and local residents. The local administration in the new refugee-hosting site in Amhara region lacks knowledge of protection, leaving refugees vulnerable. To mitigate this risk, UNHCR, the World Bank and other partners will help build the skills and knowledge required to manage refugee protection and long-term development responses to forced displacement. The refugee protection framework will be assessed on a bi-annual basis by UNHCR and the World Bank.

**VII. RESULTS FRAMEWORK AND MONITORING****Results Framework****COUNTRY:** Eastern and Southern Africa

Development Response to Displacement Impacts Project in the Horn of Africa Phase II

**Project Development Objectives(s)**

To improve access to basic social and economic services, expand livelihood opportunities and enhance environmental management for host communities and refugees in the target areas.

**Project Development Objective Indicators**

<b>Indicator Name</b>	<b>PBC</b>	<b>Baseline</b>	<b>Intermediate Targets</b>				<b>End Target</b>
			<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	
<b>Improve access to basic social services</b>							
Number of beneficiaries with access to social and economic services and infrastructure (Number)		0.00	457,940.00	1,102,178.00	2,204,358.00	2,504,952.00	2,504,952.00
Number of host community beneficiaries (Number)		0.00	457,940.00	771,525.00	1,543,051.00	1,759,514.00	1,759,514.00
Number of refugee beneficiaries (Number)		0.00	0.00	330,653.00	661,307.00	745,438.00	745,438.00
Percentage of beneficiaries who are female (Percentage)		0.00					50.00
<b>Expand economic livelihood opportunities</b>							



Indicator Name	PBC	Baseline	Intermediate Targets				End Target
			1	2	3	4	
Percentage of livelihood beneficiaries whose income increases by 25% or more (Percentage)		0.00	10.00	20.00	25.00	40.00	50.00
Percentage of female livelihood beneficiaries whose income increases by 25% or more (Percentage)		0.00					50.00
Percentage of male livelihood beneficiaries whose income increases by 25% or more (Percentage)		0.00					50.00
<b>Enhance environmental management</b>							
Land area under sustainable landscape management practices (CRI, Hectare(Ha))		0.00	2,000.00	8,000.00	22,000.00	36,000.00	40,000.00
Physical conservation measures (hectares) (Hectare(Ha))		0.00	1,400.00	5,600.00	15,400.00	25,200.00	28,000.00
Biological conservation measures (Hectare(Ha))		0.00	600.00	2,400.00	6,600.00	10,800.00	12,000.00



## Intermediate Results Indicators by Components

Indicator Name	PBC	Baseline	Intermediate Targets				End Target
			1	2	3	4	
<b>Component One: Social and economic services and infrastructure</b>							
Community Investment Fund subprojects completed and fully operational (Number)		0.00	103.00	238.00	476.00	544.00	544.00
Strategic Investment Fund subprojects completed and fully operational (Number)		0.00	16.00	29.00	58.00	58.00	58.00
Community level committees established, strengthened and operational (Number)		0.00	1,190.00	2,142.00	2,414.00	2,414.00	2,414.00
Percentage of community committee leadership positions held by women (Percentage)		0.00	20.00	20.00	30.00	30.00	30.00
<b>Component Two: Sustainable Environmental Management</b>							
Beneficiary households provided with access to improved alternative energy sources by the project (demonstration) (Number)		0.00	1,500.00	9,000.00	11,500.00	13,650.00	13,650.00
Host community beneficiaries (Percentage)		0.00					70.00
Refugee beneficiaries (Percentage)		0.00					30.00
Number of Households who adopt improved alternative energy sources with their own resources as a result of project demonstration effect (Number)		0.00	0.00	4,095.00	13,650.00	23,205.00	27,300.00



Indicator Name	PBC	Baseline	Intermediate Targets				End Target
			1	2	3	4	
<b>Component Three: Sustainable Livelihood Program</b>							
Community-based organizations supported through livelihood interventions that are operational one year after receiving funds (Number)		0.00	193.00	933.00	1,534.00	1,699.00	1,699.00
Number of beneficiaries supported by livelihood activities (Number)		0.00	21,900.00	48,365.00	84,815.00	134,755.00	187,905.00
Host community beneficiaries (Percentage)		0.00					70.00
Refugee beneficiaries (Percentage)		0.00					30.00
Female beneficiaries (Percentage)		0.00					45.00
Youth beneficiaries (15-29 years old) (Percentage)		0.00					20.00
Farmers adopting improved agricultural technologies following demonstration through farmer training centers/pastoralist training centers (Number)		0.00	2,000.00	12,000.00	20,000.00	34,200.00	34,200.00
Percentage of farmer beneficiaries who are female (Percentage)		0.00					40.00
Area provided with new/improved irrigation or drainage services (CRI,		0.00	400.00	2,100.00	3,500.00	5,000.00	5,000.00



Indicator Name	PBC	Baseline	Intermediate Targets				End Target
			1	2	3	4	
Hectare(Ha))							
Area provided with new irrigation or drainage services (CRI, Hectare(Ha))	0.00	300.00	2,000.00	3,500.00	4,000.00	4,000.00	
Area provided with improved irrigation or drainage services (CRI, Hectare(Ha))	0.00	100.00	300.00	700.00	1,000.00	1,000.00	
<b>Component Four: Project Management, Monitoring and Evaluation and Learning</b>							
Percentage of host and refugee community members who believe their relationship has improved as a result of the project activities (Percentage)	0.00	0.00	0.00	30.00	40.00	60.00	
Percentage of beneficiaries who feel project investments reflect their needs (Percentage)	0.00	0.00	0.00	50.00	50.00	75.00	
Grievances registered related to project implementation that are resolved (Percentage)	0.00						90.00
Number of policy dialogue forums on development responses to forced displacement supported by the project (Number)	0.00	1.00	2.00	3.00	4.00	5.00	



## Monitoring &amp; Evaluation Plan: PDO Indicators

Indicator Name	Definition/Description	Frequency	Datasource	Methodology for Data Collection	Responsibility for Data Collection
Number of beneficiaries with access to social and economic services and infrastructure	This indicator will count the number of beneficiaries who gain access to social and economic services through new/expanded/upgraded/rehabilitated infrastructure subprojects implemented under component 1. Data will be disaggregated by gender and refugee/host community member plus by service type (health, education, water, roads, etc.). Beneficiary numbers will be counted based on a standard approach for each subproject type as defined in the PIM.	Quarterly	Quarterly progress reports	Collected through subproject proposal templates.	PCU
Number of host community beneficiaries	This indicator counts host community beneficiaries, who will comprise 70% of the total number of people benefiting from access to social and economic services	Quarterly	Quarterly progress reports	Through the Project M&E system	PCU



	and infrastructure.				
Number of refugee beneficiaries	This comprises 30% of the total number of people benefiting from social and economic services and infrastructure under component one.	Quarterly	Quarter progress reports	Through project M&E system	PCUs
Percentage of beneficiaries who are female	The number of female beneficiaries who have access to social and economic services as a result of the project investments	Quarterly	Quarter progress reports	Through the project M&E system	PCUs
Percentage of livelihood beneficiaries whose income increases by 25% or more	The indicator measures the impact of the livelihood activities, including the traditional, non-traditional and irrigation schemes, based on support provided by the project. Household level income improvements relating to the refugee and host households will be measured in real terms compared to a control group. Of the livelihood beneficiaries, 70% will be host community members and 30% will be refugees.	Baseline, MTR, endline.	Survey report	Baseline, midline and endline surveys.	FPCU



	The target will be at least 50% of the beneficiaries whose household income increases by 25 percent or more as a result of the project support. The beneficiaries include those who participated in one or more of the three subcomponent activities.				
Percentage of female livelihood beneficiaries whose income increases by 25% or more	This indicator measures the number of female beneficiaries whose income increased by at least 25 percent as a result of the project supports	Baseline, MTR and End Term	Baseline, MTR and End of Project Surveys	Through independent consulting firms and the project M&E system	Contracted firms and the PCUs
Percentage of male livelihood beneficiaries whose income increases by 25% or more	This indicator measures male project beneficiaries whose income increased by at least 25 percent as a result of the project interventions	Baseline, MTR and End of project	Independent consulting firms and the project M&E system	baseline, MTR and end of project surveys and project M&E system	independent firms and PCUs
Land area under sustainable landscape management practices	The indicator measures, in hectares, the land area for which new and/or improved sustainable landscape management practices have been introduced. Land is the terrestrial biologically productive system	Quarterly	Quarterly progress reports,	Routine data collection/GEMS	PCUs



	comprising soil, vegetation, and the associated ecological and hydrological processes; Adoption refers to change of practice or change in the use of a technology promoted or introduced by the project; Sustainable landscape management (SLM) practices refers to a combination of at least two technologies and approaches to increase land quality and restore degraded lands for example, agronomic, vegetative, structural, and management measures that, applied as a combination, increase the connectivity between protected areas, forest land, rangeland, and agriculture land.				
Physical conservation measures (hectares)	Hectares of land covered under physical soil and water conservation measures such as hill side terraces (stone bunds and soil bunds), micro-basins,	Quarterly	Quarterly progress reports,	project M&E system	Project coordination Units



	cutoff drains, gully control check dams, etc.				
Biological conservation measures	Hectares of land covered under biological soil and water conservation measures, including tree plantation, area closure, soil and stone bund stabilizations through grass planting, area enclosed for regeneration, etc.	Quarterly	Quarterly progress reports	Project M&E system	FPCU

**Monitoring & Evaluation Plan: Intermediate Results Indicators**

Indicator Name	Definition/Description	Frequency	Datasource	Methodology for Data Collection	Responsibility for Data Collection
Community Investment Fund subprojects completed and fully operational	This indicator measures the number of community identified and implemented CIF funded subprojects completed and fully operational	Quarterly	Quarterly progress reports	Through project M&E system including GEMS	PCU
Strategic Investment Fund subprojects completed and fully operational	This indicator measures the number of strategic investment fund financed subprojects completed and fully operational under component one	Quarterly	Quarterly progress reports	Through the project M&E system, including GEMS	PCU



Community level committees established, strengthened and operational	This covers the four main committees established at the community level for each kebele and subproject, including for refugee camps, namely the CPMC, CFT, CAC, CPC and refugee central committees. To be fully operational the committees need to be regularly meeting, select office bearers, attend capacity-building events and perform their roles as per the PIM. The indicator is a measure of institutionalization of community participation in project activities.	Quarterly	Project progress reports/impl ementing agency reports	Through the project M&E system	PCU and implementing agencies.
Percentage of community committee leadership positions held by women	The indicator measures the percentage of women who hold leadership positions in the four main committees established at the community level for each kebele and subproject, including for refugee camps, namely the CPMC, CFT, CAC and CPC. Similar structures will be established in the refugee camps and sites.	Quarterly.	Quarterly progress reports	through the project M&E system	PCU and implementing agencies



Beneficiary households provided with access to improved alternative energy sources by the project (demonstration)	This indicator measures the number of households who benefit from improved and alternative energy sources technologies. Improved energy sources include energy efficient and clean cooking stoves while alternative sources include solar systems for households and public institutions and biogas.	Quarterly	Quarterly progress reports	Through the project M&E system including GEMS	PCU
Host community beneficiaries	This indicator measures the number of host communities who have access to improved and alternative energy sources through demonstrations by the project	Quarterly	Quarter progress reports	through the project M&E system	PCUs
Refugee beneficiaries	This indicator measures the number of refugee communities who have access to improved and alternative energy sources through demonstrations by the project	Quarterly	quarterly progress reports	through the project M&E system	PCUs
Number of Households who adopt improved alternative energy sources with their own resources as a result of project demonstration effect	This measures the number of households who use their own resources to purchase improved or alternative	Quarterly	Quarterly progress reports	Survey	PCU



	energy source technologies after seeing the facilities and equipment provided to host community members and refugees through DRDIP II.				
Community-based organizations supported through livelihood interventions that are operational one year after receiving funds	This indicator measures the number of CBOs supported through livelihood interventions that are operational one year after receiving funds. Community based organization under this indicator refers to organizations including groups formed by women, youth and other community groups. It includes primary cooperatives, Savings and Credit Cooperative (RUSACCOs, SACCOS/PASACCOs), multipurpose cooperatives and Common Interest Groups (CIGs).	Annual	Annual progress reports	Routine data collection	PCU
Number of beneficiaries supported by livelihood activities	This indicator measures the total number of beneficiaries accessing traditional , non-livelihood support and irrigation	Quarterly	Quarterly progress reports	Routine data collection	PCU



	<p>activities from the project under component three. It does not include beneficiaries of livelihood type assistance under component 2 from activities such as labor-intensive public works.</p> <p>The indicator refers to beneficiaries to whom the project has made resources available in order to support their efforts building their capacity to economically sustain themselves. Projects should maintain records of distributions to the same individuals/beneficiaries/community groups at different times throughout the support period. This will enable accurate annual and unique counts without duplication.</p> <p>Livelihood support activities include providing fund for groups, establishment of groups; strengthen income</p>				
--	---	--	--	--	--



	generating groups, providing capacity building, linkage to market, traditional livelihood, non-traditional livelihood activities, and irrigation schemes beneficiaries etc.  The target includes 118,000 traditional livelihood beneficiaries, 50,000 non-traditional and 20,000 for irrigation.				
Host community beneficiaries	Number of host communities targeted for livelihoods support under DRDIP II	Quarterly	Project M&E	Through the project M&E system	PCUs
Refugee beneficiaries	Number of refugee beneficiaries targeted for livelihoods interventions under DRDIP II	Quarterly	Project M&E		
Female beneficiaries	This measures the number of female project beneficiaries targeted under the traditional, nontraditional livelihood support and small-scale irrigation interventions. The breakdown is: non-	quarterly	Project M&E	Through the project M&E system including GEMS	PCUs



	traditional (70% female), traditional (35% female) and SSI (10% female).				
Youth beneficiaries (15-29 years old)	This indicator measures the number of youth beneficiaries ( 15-29 years old) supported under the livelihoods interventions	Quarterly	quarter progress report	Through the project M&E system	PCUs
Farmers adopting improved agricultural technologies following demonstration through farmer training centers/pastoralist training centers	This indicator measures the number of farmers who have adopted an improved agricultural technology promoted by the project. "Agriculture" or "Agricultural" includes: crops, livestock, capture fisheries, aquaculture, agroforestry, apiculture, timber and non-timber forest products. "Adoption" refers to a change of practice or change in use of a technology that was introduced or promoted by the project. "Technology" includes a change in practices compared to currently used practices or technologies (seed preparation, planting time,	Quarterly	Quarterly progress reports	Routine data collection	PCU



	feeding schedule, feeding ingredients, postharvest storage/ processing, etc.). If the project introduces or promotes a technology package in which the benefit depends on the application of the entire package (e.g., a combination of inputs such as a new variety and advice on agronomic practices such as soil preparation, changes in seeding time, fertilizer schedule, plant protection, etc.), this counts as one technology. "Farmers" are people engaged in farming of agricultural, including livestock products or members of an agriculture related business (disaggregated by men and women) targeted by the project. This includes agro-pastoralists and pastoralists.				
Percentage of farmer beneficiaries who are female	This indicator measures female beneficiaries adopting improved agricultural technologies and practices following	quarterly	quarter progress report	Through the project M&E system	PCU



	demonstrations by the project				
Area provided with new/improved irrigation or drainage services	This indicator measures the total area of land provided with irrigation and drainage services under the project, including in (i) the area provided with new irrigation and drainage services, and (ii) the area provided with improved irrigation and drainage services, expressed in hectare (ha).	Quarterly	Quarterly progress report	Routine data collection/GEMS	PCU
Area provided with new irrigation or drainage services	Measures in hectares the total area of land provided with new or improved irrigation or drainage services in operations supported by the World Bank.	Quarterly	Quarterly progress reports	Routine data collection/GEMS	PCU
Area provided with improved irrigation or drainage services	Measures in hectares the total area of land provided with new or improved irrigation or drainage services in operations supported by the World Bank.	Quarterly	Quarterly progress reports	Routine data collection/GEMS	PCU
Percentage of host and refugee community members who believe their relationship has improved as a result of	This indicator measures the percentage of project host and refugee beneficiaries	Baseline, mid-term and	HH survey report	HH survey	PCU, supported by external consulting firm



the project activities	who think/ feel that their relationship has been improved as a result of the project activities. The value of this indicator is measured/calculated by dividing the number of host and refugee beneficiaries that think their cohesion are increased/ improved to the total number of surveyed beneficiaries of the project multiplied by 100% separately by hosts and refugees. This enables to measure the extent to which both beneficiaries are thinking or believing social cohesion is improved because of the project intervention. Results will be disaggregated by gender and by refugee/host community member.	endline			
Percentage of beneficiaries who feel project investments reflect their needs	This indicator measures the percentage of project beneficiaries who feel that the different project investments are relevant to their priorities and reflect	Baseline, mid-term and endline	HH surveys	HH survey	FPCU, supported by external consulting firm



	their needs. This indicates how well the project is implementing CDD as genuinely community-driven.				
Grievances registered related to project implementation that are resolved	This indicator will measure the number of grievances resolved from the total grievances presented and documented at all level of GRM established by the project.	Quarterly	Quarterly progress reports/GRM records	Routine data collection	PCU
Number of policy dialogue forums on development responses to forced displacement supported by the project					



## Annex 1 : Implementation Arrangements and Support Plan

### Implementation Arrangements

**1. DRDIP II will follow similar implementation and institutional arrangements to DRDIP I, except in HROC areas, where different arrangements will be put in place.** In NROC locations, existing government structures and community institutions will be the primary implementing bodies. Strategic guidance and oversight will be provided by steering and technical committees at the federal, regional and *woreda* levels.

#### National level

**2. Oversight.** A FSC chaired by the appropriate state minister from the MoA will be established, comprising senior representatives from relevant line ministries, including: the Ministry of Planning and Development (MoPD), Ministry of Education (MoE), Ministry of Health (MoH), Ministry of Water and Energy (MoWE), Ministry of Irrigation and Lowlands, Ministry of Finance (MoF), Environmental Protection Agency (EPA), and the Federal Cooperative Agency (FCA). Refugees and Returnees Service (RRS) will maintain its membership of the FSC and UNHCR will continue in an observer capacity to ensure refugee issues are addressed. The committee will meet bi-annually and will provide strategic guidance and oversight on project management, coordination, and implementation, including approving the annual work plan and budget. The terms of reference for the FSC, including structure and membership, are in the PIM.

**3. Backstopping.** The Federal Technical Committee (FTC) provides technical guidance to FSC on prioritization of activities and review of proposed subprojects. It comprises the FPCU and technical experts from FSC members and observers. The FTC will be chaired by National Project Coordinator and meets quarterly.

**4. Implementation.** As the lead implementing agency, the MoA will retain the DRDIP I FPCU as the key implementing body. The revised structure and Terms of Reference for each position within the FPCU will be elaborated in the PIM. The FPCU will perform the following functions:

- (a) Coordinate implementation of project activities at the federal level;
- (b) Ensure compliance with fiduciary and E&S standards, including capacity support for implementing agencies at the federal, regional and *woreda* levels and the third-party entity in HROC areas;
- (c) Monitor overall performance, provide regular financial and progress reports to the MoA and the World Bank, and evaluate project impact and assessment of progress toward the PDO;
- (d) Liaise with other stakeholders and engage in public communications;
- (e) Strengthen capacity to implement and monitor project activities at all levels;
- (f) Mobilize external technical support as necessary; and
- (g) Collaborate with RRS/UNHCR to ensure interaction with refugee coordination mechanisms.

**5. RRS, in collaboration with the MoA, PCU and UNHCR, will coordinate the planning and implementation of activities involving refugees.** The MoA and RRS will sign an MoU outlining their respective roles and responsibilities.



6. Directorates in the MoA and other project implementing ministries and agencies, including RRS, will assist regional bureaus and *woreda* offices, as appropriate, to implement project activities. They will also engage in capacity support activities, including sensitization and awareness-raising about the project and about CDD principles, fiduciary standards, ESRM, monitoring and evaluation, gender issues and facilitation skills.

#### Regional level

7. **Oversight.** A Regional Steering Committee (RSC) will be established and – depending on the institutional structure of the target regions – will be chaired by the head of the Bureau of Agriculture, Bureau of Agriculture and Livestock, or Bureaus/Commissions of Pastoral Development. It will comprise relevant sector offices, including the Bureau of Finance (BoF). The RSC will provide strategic guidance and oversight on project management, coordination and implementation at the regional level, including approving the AWPB for the region. The terms of reference for the FSC, including structure and membership, are included in the PIM.

8. **Backstopping.** A Regional Technical Committee (RTC) comprising relevant technical experts from regional implementing sector bureaus, RRS and other agencies will be established. The RTC will provide technical guidance to the RSC on prioritization of activities and review proposed subprojects and activities under each component. The RTC will be chaired by the Regional Project Coordinator and meet quarterly.

9. **Implementation.** The Bureau of Agriculture and Natural Resources and/or the Bureau/Commission of Pastoral Development will support project implementation through the existing Regional Project Coordination Unit (RPCU) housed in its jurisdiction. The structure of the unit and terms of reference for each position within it are included in the PIM. In HROC areas the third-party implementing agency will fulfil the role of the RPCU. The RPCU will perform the following functions:

- (a) Coordinate implementation of project activities at the regional level;
- (b) Ensure compliance with fiduciary and E&S standards, including capacity support for implementing agencies at the regional and *woreda* levels;
- (c) Monitor overall performance, providing regular financial and progress reports to the Bureau of Agriculture and Natural Resources and the FPCU;
- (d) Liaise with other stakeholders and engage in public communications at the regional level;
- (e) Strengthening capacity to implement and monitor project activities at regional and *woreda* levels;
- (f) Mobilize external technical support as necessary; and
- (g) Ensure the project's inclusion in field-based refugee coordination structures.

10. Sector bureaus and offices at the regional and zonal levels (as appropriate) will assist *woreda* and *kebele* level offices and institutions to implement project activities. They will provide support to *woredas* for all the activities carried out at this level, including sensitization and awareness raising on CDD principles; facilitation of community-level planning; establishment or strengthening of community institutions; procurement and financial management; social and environmental assessments; identification and development of livelihood opportunities; and design, construction and quality assurance of social and economic infrastructure.

11. Implementation of sub-component 1(c) on social cohesion and inclusion will also be supported technically by the respective *woreda* and regional sectoral Bureaus and offices, working in collaboration with RRS and UNHCR. Specialized technical agencies will be contracted to provide technical support where necessary.

Woreda level

12. **Oversight** will be provided by the *Woreda* Council, which will serve as the Woreda Steering Committee (WSC). The council, chaired by the *woreda* administrator or deputy comprises heads of various sector offices, including pastoral development and/or agriculture, water, education, health, rural roads, small and microenterprise agency, cooperative finance promotion, and representatives of NGOs and microfinance institutions active in the *woredas*. The council is responsible for all *woreda*-level project activities, including approval of the AWPB. The council will collaborate with RPCUs to deliver project activities.

13. **Backstopping.** Technical backstopping will be provided by the *Woreda*-level Technical Committee (WTC). The WTC will comprise technical staff from the sector offices responsible for project implementation. The WTC will facilitate local-level planning, supervise subproject implementation, support identification and development of livelihoods, and promote community-level learning. The ToRs for the WTC are in the PIM.

14. Each *woreda* will also establish a *Woreda* Project Appraisal Team, with membership from the various sectoral offices, including the Office of Finance. The team is separate from the WTC to ensure a measure of independence. The main responsibility of the team is to appraise CIF and SIF subproject proposals, particularly in terms of social and environmental issues, technical soundness, gender equity, consistency with the *Woreda* Development Plan, and any issues raised by Community Audit Committees. It will check readiness of community institutions to implement subprojects and, as the subprojects are implemented, it will confirm the achievement of milestones against disbursed funds.

15. **Implementation.** Depending on the specific regional and *woreda* level structures, the *Woreda* Offices of Pastoral Development or the *Woreda* Offices of Agriculture and Natural Resources will support project implementation through the existing Woreda Project Coordination Unit (WPCU). The team structure and Terms of Reference for each position are included in the PIM. The *woreda* PCU will perform the following functions:

- (a) Coordinate the implementation of project activities at the *woreda* level;
- (b) Monitor performance and provide regular financial and progress reports to the *Woreda* Offices of Agriculture and Natural Resources and RPCU; and
- (c) Liaise with other stakeholders – including relevant actors in refugee camps/sites – and engage in public communications at the *woreda* level.

16. Most project implementation is devolved to the community level, with beneficiary communities assuming the primary responsibility for executing most project activities. However, some activities will be implemented at the *woreda* level, including: (a) SIF subprojects; (b) capacity-support activities for sector offices; (c) support to advisory services, including strengthening FTCs and PTCs and animal health clinics; and (d) support for the promotion of savings and credit cooperatives and microenterprise development (if available). This support will be handled by relevant sector offices under the guidance of the *Woreda* Council.

17. Implementation of sub-component 1(c) on social cohesion and inclusion will be supported technically by the respective *woreda* and regional sectoral Bureaus and offices, working in collaboration with RRS and UNHCR. Specialized technical agencies will be contracted to provide technical support where necessary.



18. In HROC Woredas, project coordination at the regional and *woreda* levels will be the responsibility of a third-party implementation entity, to be contracted by the FPCU. The entity could be the UN Office for Project Services (UNOPS), which will establish offices at the regional and *woreda* levels, with the requisite technical expertise as per a Terms of Reference to be drafted by government and cleared by the World Bank. The third party implementing entity will be fully accountable to and report to the FPCU. Third-party implementation will provide the necessary expertise and services in HROC *woredas* where the government temporarily cannot fulfill its functions due to the conflict. It is expected that contracts will be issued on a rolling 12-month basis in the hope that conditions will improve and facilitate a return to NROC status and full government implementation.

#### Community level

19. In line with the CDD approach, project implementation is community-based. As such, communities will identify, prioritize, appraise and evaluate their own subprojects. In addition, they will participate in M&E and internal learning to build strong community institutions for DRDIP and future grassroots programming.

20. Successful implementation of DRDIP requires strong community institutions. The project will pay particular attention to strengthening existing community bodies, however, when necessary, it will support the establishment of new institutions. As such, a participatory assessment will be undertaken in each *kebele* to identify community institutions, leadership structures and groups representing specific interests (such as women, youth, the environment, etc.). The analysis will also include an assessment of the way community organizations and groups are organized, such as their representation, how they give voice to women and the poor, the level of transparency in their operations, internal relationships and potential for elite capture. Based on this assessment, the project will either work with and strengthen existing institutions or facilitate the establishment of new ones.

21. **Oversight.** One of the existing community institutions at the *kebele* level is the Kebele Development Committee (KDC), the developmental arm of the GoE's lowest-level administrative structure. It will provide general oversight and liaise with and coordinate support from the *woreda* PCU and the *woreda* sector offices or implementing agencies. The project will support existing KDCs, but some members of the community will be attached to the KDC for specific functions. For example, representatives from *sub-kebele* levels will join with the KDC to participate in oversight roles and responsibilities.

22. **Backstopping.** Technical backstopping will be provided to community institutions by experts of the various *woreda* sector offices; *woreda* technical committees as well as *Woreda* Project Appraisal Teams (WPAT). The support will include facilitating local-level planning, supervising subproject implementation and supporting communities to identify and develop sustainable livelihood opportunities, and promote community level learning. It will also include capacity support of community institutions for social accountability.

23. **Implementation.** Implementation of project activities at the community level will be supported by existing or newly established community institutions. While no CIF subprojects will be implemented in the DRDIP I *kebeles*, community institutions will be established to support the implementation of CIF subprojects in the newly targeted 213 *kebeles*, such as a Community Procurement Committee (CPC), a Community Project Management Committee (CPMC), a Community Audit Committee (CAC) and a Community Facilitation Team



(CFT). Communities will participate in procurement activities, however, funds will remain with the *woreda* administration (WoFED), including responsibility for overall procurement processing and record keeping and payment of contractors. The ToRs of the various community institutions are included in the PIM.

### Refugee Camp/Site

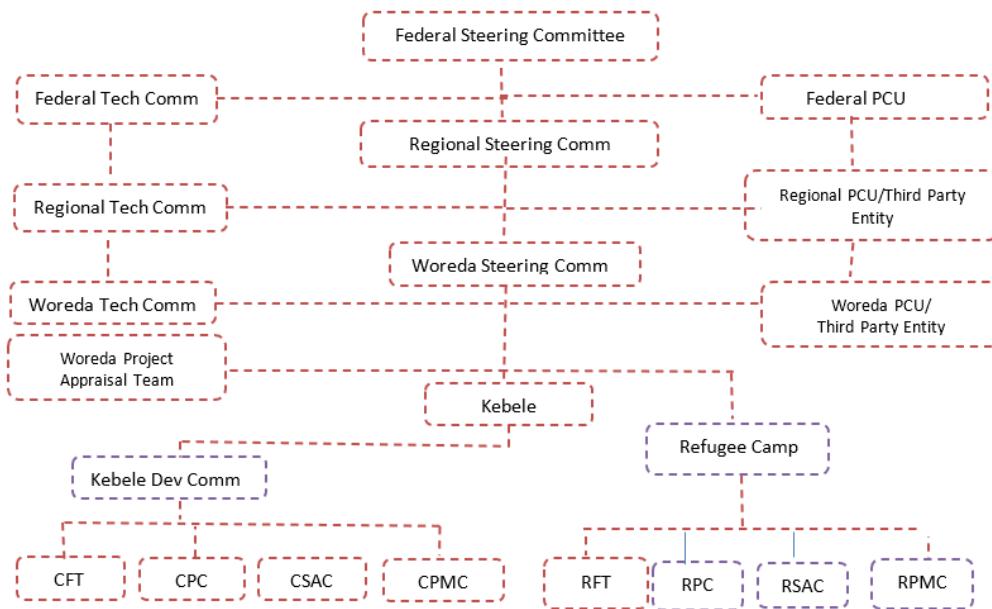
**24. Oversight.** Project oversight in refugee camps and sites is the responsibility of the PCU, working in collaboration with RRS. RRS will sign an MoU with the MoA to delineate respective roles and responsibilities, which will include ensuring access to the camps for FPCU, RPCU and WPCU personnel. RRS will also monitor DRDIP II activities in the field, including through regional/zonal refugee coordination offices.

**25. Backstopping.** As per the host community *kebeles*, the WPCU will have main responsibility for technical backstopping in the refugee camps/sites. This will include: (a) establishing the different committees required for implementation of DRDIP II subprojects; and (b) active engagement in the selection of refugee beneficiaries (including gender balance), based on targeting criteria and modalities.

**26. Implementation.** As in the host community sites, implementation in the camps and sites will be the responsibility of grassroots level committees, including a Refugee Camp Development Committee, Refugee Camp Facilitation Team, Refugee Camp Community Project Management Committee, Refugee Community Procurement Committee, Refugee Community Social Audit Committee and a Refugee Camp Watershed Management Committee (for activities under component 2). Details on the roles and responsibilities of the various committees will be detailed in an updated PIM prior to effectiveness.

**27. Organogram.** Figure 1.1 below depicts the implementation structure. For HROC areas, the structure will be the same, except that the RPCU and WPCU will be replaced by a third-party implementing agency.

**Figure 1.1: DRDIP II Implementation and Institutional Arrangements**





## Financial Management

**28. Overall fiduciary responsibility lies with the MoA, supported by regional bureaus and *woredas*.** A Financial Management assessment was undertaken during preparation, details of which are included in the Project FM Manual. The project will involve 30 *woredas/towns* in six regional states. Implementation in areas classified as HROC will be led by a third-party entity. The MoA will submit a consolidated AWPB covering all six regions each year by March 31. The PCU will include two financial management specialists (FMSs), two accountants and one cashier at the federal level; one FMS and one accountant at the regional level; and one accountant, one assistant accountant and one cashier at the *woreda/town* level. To address capacity gaps, all FM staff will be trained by the World Bank team prior to implementation commencing on the ground, with extra training for personnel in new project locations. The PCU will submit Interim Financial Reports (IFRs) within 45 days from the end of each quarter. Government internal controls will apply, and internal audit reviews will be conducted in line with government procedures. Due to internal audit capacity constraints, the project will provide resources to train internal auditors and for field travel as needed.

**29. In areas classified as HROC, implementation will be the responsibility of a third-party implementing entity.** The entity will implement the project in line with the PIM and report to the FPCU in the same manner as the other Regional PCUs.

**30. Subproject FM.** The project will finance subprojects such as livelihood grants to Common Interest Groups (CIGs). The project will have simplified FM and recording systems at the subproject implementation level. It will maintain relevant records and documents and prepare and furnish financial statements on the use of resources with a simplified financial reporting format. DRDIP Phase I had significant challenges documenting and reporting on such subproject activities where expenditures are incurred below *woreda* level. Phase II will strengthen internal controls over subproject financial management, including: (a) enhanced staffing capacity at *woredas* and higher levels for adequate supervision and support to the subprojects; (b) accounting the grants to CIGs as an advance upon payments or cash transfers and recognizing expenditure only upon submission of statement of use of grant funds for the approved business plan by CIGs. Capacity support and training will be provided to the CIGs on record-keeping and reporting on grant utilization as part of business management skills training.

## Disbursement

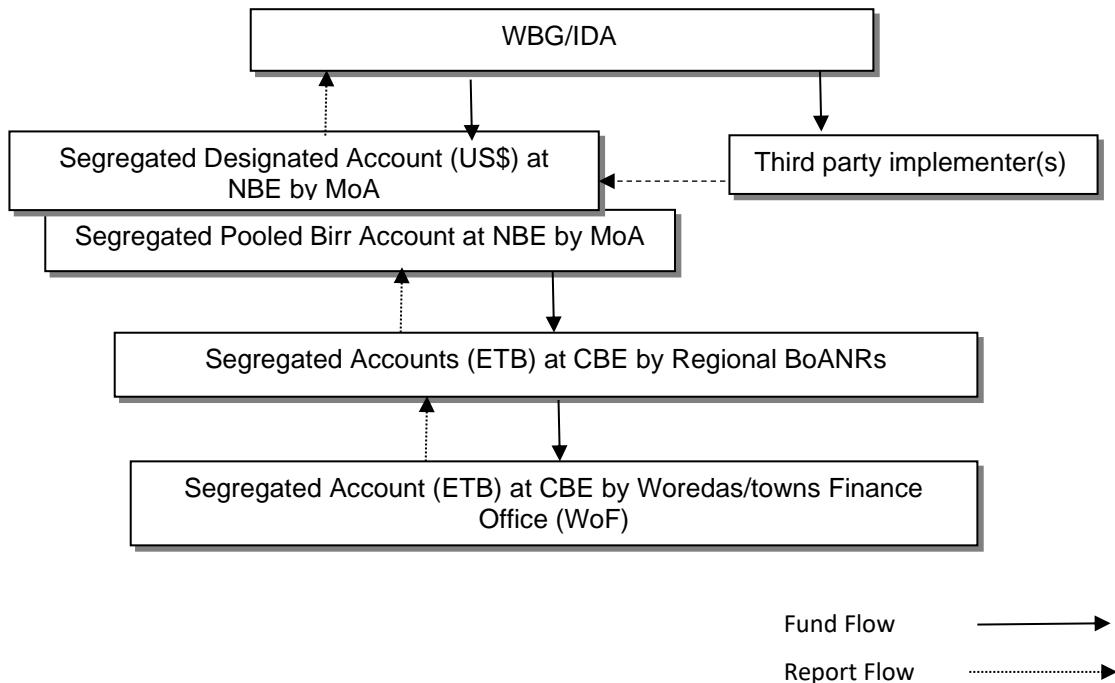
**31. The project will follow the government's "channel 2" fund flow mechanism.** Under this mechanism, funds flow to the MoA by deposit into a separate Designated Account (DA) to be opened at the National Bank of Ethiopia (NBE). The authorized ceiling of the DA will be two quarters of forecast expenditure, based on the approved AWPB. Funds from the US dollar DA will be transferred into a local currency (Birr) account to be held by the MoA. From the Birr account, the MoA will transfer the funds to separate local-currency bank accounts to be opened by participating regional BoANRs, and then to *woreda/town* project local currency accounts. The fund flow arrangements are summarized in Figure 1.2 below.

**32. Disbursement methods.** The project may follow one or a combination of the DA, Direct Payment, Reimbursement and Special Commitment disbursement methods. For Advance to the DA and subsequent replenishment as well as for the Reimbursement methods, the project will use the report-based disbursement



method. For third party implementers, the World Bank will make Direct Payments. The disbursements to third parties will be made based on the approval/request of the government as per the AWPB.

**Figure 1.2 DRDIP II Funds Flow and Reporting Diagram**



#### Procurement

**33. An assessment was undertaken by the World Bank team during project preparation to assess procurement capacity and identify mitigating measures to address risks.** The government has also prepared a PPSD (including an 18-month Procurement Plan) and will update the Procurement Manual prior to effectiveness. Details of the assessment, including major risks, implementation arrangements, procurement thresholds, procurable items and procurement methods are detailed in the PPSD and Procurement Manual. The procurement assessment was not undertaken in Tigray due to insecurity but will be conducted when conditions allow.

**34. Procurement arrangements will largely follow procedures used for DRDIP I.** Procurement is conducted at four levels: federal, regional, *woreda* and procurement with community participation. The FPCU housed in MoA is responsible for the overall procurement planning, monitoring and supervision and capacity building. It will review and approve procurement plans (PPs) from each region and *woreda* offline. The FPCU will procure strategic level goods and services and provide technical backstopping for sub-national personnel, particularly for high-value and complex contracts. The RPCU housed in each regional BoA will manage procurement in their regions and support *woreda*-level procurement. At the *woreda* level, the WoFED will lead procurement of small-value goods, works and non-consulting services and provide hands-on support to communities. Each implementing agency is responsible for keeping a complete set of procurement and contract management records. The communities will also be involved in the needs' identification,



procurement planning, processing, and contract management under the overall procurement responsibility of WoFED. The CDD procurement manual will layout the detail procurement procedures and requirements to guide procurement by communities. Procurement in HROC areas will be the responsibility of a Third-Party Implementing entity.

**35. Procurement Risks and Mitigation Measures.** While the FPCU and Phase I RPCUs have experienced, dedicated procurement officers, there were delays in works contracts. Staff in new project locations lack experience on World Bank-financed projects and CDD. Internal and external procurement control and oversight, complaint handling and overall procurement planning, processing, and contract management of the IAs need to be strengthened. To address these risks, dedicated procurement officers with the appropriate skills and qualifications will be recruited. All implementing agencies also lack knowledge and experience on the World Bank Procurement Framework and will be trained and mentored through implementation.

## Implementation Support Plan

### Strategy and Approach for Implementation Support

**36. The strategy for the Implementation Support Plan (ISP) has been devised to undertake the necessary mitigation measures to address the major risks identified in SORT that are within the control of the project,** namely: (a) technical design, specifically the high number of project sites and range of sectors covered by the project; (b) institutional capacities, both for the implementing agency PCU and RRS, which would be taking a more prominent role now that the project is directly supporting refugees; (c) fiduciary issues; (d) environmental and social risks; and (e) Ethiopia's capacity to maintain an adequate refugee protection framework (the "other" risk category in SORT). The project design cannot address all the risks, but measures are in place to mitigate most. The ISP is designed to review and ensure the mitigation measures are effective and to reinforce them where necessary. The ISP is also designed to enhance the capacity of implementing agencies in a range of technical areas.

**37. The ISP will be undertaken by the World Bank, based on three principles:** (a) frequent local level and field-based supervision of project activities, including consultations with beneficiaries, complemented by DC/Nairobi-based implementation support. This will be undertaken in areas where security conditions and health protocols permit; (b) technical capacity-building for all implementing agencies; and (c) maintain dialogue with the Government of Ethiopia on policy for refugee inclusion, in coordination with the World Bank's FCV unit and the Country Management Unit.

**38. While this is a second phase of a project with an established project implementation structure, DRDIP II will apply the World Bank's new Procurement Framework and the Environmental and Social Framework for the first time for the PCU.** The geographic coverage will include one new region and multiple new woredas. At least during the initial period of project implementation, a combination of COVID-19 and security restrictions could limit field travel to most project sites. A third-party implementing agency will be contracted to lead implementation in HROC areas. Accordingly, the ISP will initially focus on: (a) building knowledge and capacity on the procurement rules and procedures and the ESF throughout the PCU; (b) focused support for/oversight of the new region and new woredas; and (c) setting up remote monitoring tools, including a scale-up of GEMS (with support from IGAD) and the introduction of IBM and third-party monitoring.



**39. The World Bank will add technical experts to the task team on a range of issues.** A dedicated consultant will be appointed to support the quality and timeliness of small-scale irrigation subprojects. The World Bank team will also add specialists on livelihood to ensure activities are better connected to market demand and local value chains. An NRM expert will be engaged to advise on and monitor the technical feasibility of subprojects in this sub-component, which are implemented in arid areas subject to weather extremes. Finally, working with the FCV unit, the project will provide technical support to RRS on development approaches to forced displacement. This will include ongoing support through grants to IGAD.

40. UNHCR will play an important role in monitoring the ongoing adequacy of the refugee protection framework. UNHCR will prepare bi-annual protection updates, which will be utilized by the Bank for internal purposes. UNHCR will also be invited to join the regular implementation support missions to promote coordination and ensure complementarity of the project financing with humanitarian assistance.

#### Implementation Support Plan and Resource Requirements

41. The World Bank task team will be led by the DRDIP regional Task Team Leader (TTL) based in Nairobi and a co-TTL based in Addis Ababa, who will lead day-to-day oversight of the project and client engagement. The team will include country-based FM, procurement and ESS staff. Given the strong focus in Phase II on M&E, including remote tools, the team includes a dedicated M&E consultant based in-country. As a multi-sector operation, sector specialists will be engaged in key technical areas including irrigation, NRM and livelihood. A rural infrastructure engineer will be added to the team to ensure quality control of civil works.

42. The ISP will make use of the following tools: (a) implementation support missions twice a year, complemented by regular technical missions to the field where security and health conditions allow; (b) a mid-term review, which will be an opportunity to make adjustments to the project design if necessary; (c) regular fiduciary compliance reviews, including review of Interim Financial Reports and external audits, and an annual Post-Procurement Review (PPR); (d) technical audits of the quality of infrastructure; (e) impact assessment; and (f) implementation completion report, where an assessment of the project will be undertaken and lessons drawn to inform future or similar operations.

43. FM supervision missions will be an integral part of the project's implementation reviews to ensure the continuing adequacy of FM arrangements and to ensure that expenditures incurred under the project are eligible for World Bank funding. As the FM risk for the project is rated substantial, the project will be supervised twice per year. After each supervision mission, risks will be recalibrated accordingly. Supervision activities will include: (a) on-site visit to implementing entities to review controls and operation of the FM system, review IA function, selected transaction review and sample verification of existence and ownership of assets; (b) Reviews of IFRs and follow-up on actions needed; (c) Review of Audit Reports and Management Letters and follow up on action needed; and (d) use of remote monitoring tools (such as GEMS) and third-party monitoring for HROC areas, as needed. The TPM agent will require FM experts in the monitoring team to effectively review FM arrangements in HROC areas.

44. The World Bank will provide oversight of procurement through prior reviews based on thresholds identified in the PPSD and the procurement manual. Post-procurement reviews will also be undertaken



through STEP document reviews and participation of procurement specialists in bi-annual implementation support missions.

45. The table below presents the focus of the implementation support and the skills required.

**Table 1.1: Implementation support and skills required**

Time	Focus	Main Skills Needed	Resource Estimate (SW)	Partner Role
First twelve months	<ul style="list-style-type: none"> <li>• Build understanding of the governing procurement framework (rules and procedures) and ESF</li> <li>• Support capacities in new region and <i>woredas</i></li> <li>• Establish remote monitoring tools (GEMS, IBM, TPM)</li> <li>• Support baseline survey</li> </ul>	Task management/social dev (Nairobi-based)	4	UNHCR and partners to support monitoring of ongoing adequacy of the refugee protection framework
		Agriculture/rural dev/task management (CO-based)	8	
		Forced displacement	2	
		Rural livelihood (CO-based)	5	
		FM (CO-based)	3	
		Procurement (CO-based)	3	
		ESS (CO-based)	6	
		M&E (CO-based)	8	
		Rural infra engineer (CO-based)	4	
		NRM specialist (CO-based)	4	
12-48 months	<ul style="list-style-type: none"> <li>• Joint ISMs with government and UNHCR to monitor implementation performance</li> <li>• Review of annual work/financial plans</li> <li>• Review of quarterly/annual reports</li> <li>• Review of audits/IFRs</li> <li>• Review subproject selection processes</li> <li>• Process review on participatory development planning process</li> <li>• Support for policy dialogue on refugee inclusion</li> <li>• Undertake MTR</li> </ul>	Task management/social dev	8	As above
		Task management/agri/rural dev (CO-based)	6	
		Fragility and conflict/forced displacement	2	
		Rural livelihood	4	
		FM	3	
		Procurement	3	
		ESS	4	
		Rural infrastructure engineer	3	
		M&E	6	
		NRM	3	
		SSI specialist	6	
48-60 months	As above, plus: <ul style="list-style-type: none"> <li>• Impact assessment</li> <li>• Project completion</li> </ul>	As above	As above	As above



### Annex 2: Map

