



Project Information Document (PID)

Concept Stage | Date Prepared/Updated: 08-Nov-2021 | Report No: PIDC32871

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

Country Ethiopia	Project ID P178047	Parent Project ID (if any)	Project Name Ethiopia Development Response to Displacement Impacts Project Phase II (P178047)
Region AFRICA EAST	Estimated Appraisal Date Feb 07, 2022	Estimated Board Date Mar 31, 2022	Practice Area (Lead) Social Sustainability and Inclusion
Financing Instrument Investment Project Financing	Borrower(s) Ministry of Finance	Implementing Agency Ministry of Agriculture	

Proposed Development Objective(s)

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

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

Total Project Cost	130.00
Total Financing	130.00
of which IBRD/IDA	130.00
Financing Gap	0.00

DETAILS**World Bank Group Financing**

International Development Association (IDA)	130.00
IDA Credit	80.00
IDA Grant	50.00



Environmental and Social Risk Classification

High

Concept Review Decision

Track II-The review did authorize the preparation to continue



Other Decision (as needed)

B. Introduction and Context

Country Context

Consistent economic growth and poverty reduction have underpinned significant development progress in Ethiopia over the last two decades. Driven by average 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.¹

Ethiopia's development gains are being challenged by a combination of the global pandemic, natural disasters and violent conflict. COVID-19 has had severe impacts on the country's economy. Growth slowed to 6.1 percent in 2019/20 and an estimated 2.3 percent in the 2020/21 financial year. 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.²

Flooding and a major locust infestation over the past two years have severely affected food security and livelihoods. The number of people requiring food assistance has increased to as many as 13.2 million according to the 2021 Humanitarian Response Plan.³ The floods are indicative of a high level of climate change vulnerability, which is expected to increase the risk and intensity of flooding and the likelihood of water scarcity for certain areas of the country. This will increase demand for water, raising the potential for conflict. 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.

An ongoing national political transition has opened space politically, but also seen a re-emergence of various underlying conflict drivers, and the emergence of some new ones. After assuming power in 2018, the government successfully achieved reconciliation with Eritrea, political prisoners were released and pardoned, some armed groups and opposition members were welcomed back, and the government apologized for past human rights violations. At the same time, however, the last five years have seen an increase in violent conflict.

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 regional states of Amhara and Afar. The current wave of conflict has been led by a complex web of drivers and grievances, including political rivalries, contestation over localized resources, and perceptions of regional and historical inequalities. These have been exacerbated by unfulfilled employment expectations among youth, shrinking availability of land, and the impacts of climate change. 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

¹ World Bank Poverty and Equity Brief for Ethiopia, October 2021.

² World Bank analysis suggests that the poverty headcount in the 23.5th percentile (the national poverty rate) increased by 11.2 percent and for the bottom 40th 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, Shinya Takamatsu, Nobuo Yoshida, Kexin Zhang, and Danielle Aron (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. As of November 5, 2021, 366,424 COVID-19 cases and 6,509 fatalities had been registered in Ethiopia:

<https://covid19.who.int/region/afro/country/et>

³ See <https://www.wfp.org/countries/ethiopia>



has intensified over this period – locally, and at the national and regional levels. These tensions have manifested across both rural and urban areas but have largely been organized along ethnic lines. The scale of the security challenge was highlighted by the declaration by the government of a nationwide State of Emergency on November 2 that is expected to stay in place for six months.

The conflict has triggered a humanitarian crisis. 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.⁴ There are now more than four million internally displaced persons in the country.⁵ Furthermore, approximately 60,000 Ethiopians are estimated to have fled as refugees to Sudan.⁶

Sectoral and Institutional Context

Ethiopia is the third-largest refugee hosting country in Africa and the ninth largest worldwide. The country is currently hosting over 800,000 refugees, with the number increasing over the last five years.⁷ Most refugees originate from South Sudan, Somalia and Eritrea. The majority face protracted displacement and reside in camps, which are generally located in the periphery of the country.⁸

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. Agricultural production is mainly subsistence and productivity is characterized by smallholder, rain-fed practices. Poverty rates in most of the refugee-hosting regions are higher than the national average. Refugees in Ethiopia are poorer on average than hosts, live in inferior housing and have less access to electricity and job opportunities.⁹ A survey of refugees and host community members conducted in 2017 also demonstrated that, while refugees enjoy comparable or even superior access to basic services such as health, education and water, they lack livelihood opportunities and are highly dependent on humanitarian aid. The lack of refugee self-reliance is more acute for female-headed households.¹⁰

Refugee-hosting regions in Ethiopia vary widely in terms of socio-economic characteristics. Most refugees in Ethiopia settle in areas that border their country of origin and reside in camps. 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. And finally, the majority of the Sudanese refugees reside in Benishangul-Gumuz region. Each of these groups are integrated to different degrees 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.

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.¹¹ A March 2021 joint World Bank-UNHCR

⁴ See OCHA <https://reports.unocha.org/en/country/ethiopia>

⁵ See IOM <https://dtm.iom.int/ethiopia>

⁶ See <https://www.unhcr.org/neu/50129-ethiopians-fleeing-to-sudan-receive-danish-support.html>

⁷ As of October 31, 2021, the precise number is 808,530. See <https://data2.unhcr.org/en/situations/rbehag/>

⁸ Until recently there were 26 camps, but two were destroyed during the fighting in Tigray and have been closed. A new site is under construction in Amhara to accommodate up to 25,000 refugees to be relocated from the two existing camps in Tigray (Mai-Ayni & Adi-Harush).

⁹ World Bank (2020) *Impact of Refugees on Hosting Communities in Ethiopia*. Washington DC: World Bank Group.

¹⁰ See World Bank (2018) *Informing Durable Solutions by Micro-data: A Skills Survey for Refugees in Ethiopia*. World Bank: Washington DC.

¹¹ See above, n. 2.



phone survey demonstrated that refugees are not immune to the broader economic impacts of COVID-19. The pandemic had caused a major drop in income among the refugee population, with employment rates declining from 28 to 10 percent.¹²

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 has demonstrated that the refugee presence has had both positive and negative effects on the communities that host them. 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.¹³ Negative impacts have included increased pressure on the local environment, as refugees cut down trees and grass for cooking and heating fuel, shelter and fencing. Social relations between refugees and host communities in Ethiopia are generally positive, however, this varies by region. Somali refugees report having the best relationship with local residents, while South Sudanese are least likely to report positive relationships with hosts.¹⁴

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 have been destroyed and permanently closed.¹⁵ While a significant number of refugees fled to the two remaining southern camps in the region and to other parts of the country, many remained unaccounted for. The conflict has also reportedly aggravated tensions between Eritrean refugees and local residents.

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 Migration, the government issued a new Refugee Proclamation in 2019 and has embarked on the drafting of a ten-year National Comprehensive Refugee Response Strategy (NCRRS). Ethiopia is also a signatory to the 2018 Global Compact on Refugees (GCR) and at the inaugural Global Refugee Forum in 2019, Ethiopia made the following four 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.

Ethiopia continues to be eligible for the IDA 19 Window for Host Communities and Refugees (WHR). Ethiopia meets the eligibility criteria to access the WHR: (a) hosts at least 25,000 refugees; (b) adherence to an adequate protection framework (confirmed most recently in UNHCR's June 2021 Refugee Protection Assessment); (c) eligibility for IDA financing; and (iv) government has prepared a Strategy Note on how it will continue to promote the social and economic inclusion of refugees. The government's July 2020 Strategy Note reiterated commitments made to support inclusion through a long-term, development approach. Both the government approach and the proposed project are consistent with the three objectives of the IDA19 WHR to: (a) mitigate the shocks caused by inflows of refugees; (b) create social

¹² World Bank-UNHCR Joint Data Center Report No. 2 March 2021. "Monitoring COVID-19 Impacts on Refugees in Ethiopia." Accessible at <https://www.worldbank.org/en/country/ethiopia/brief/phone-survey-data-monitoring-covid-19-impact-on-firms-and-households-in-ethiopia>

¹³ Solomon Zena Walelign (2021 draft) "Livelihood impacts of refugees on the host communities: evidence from Ethiopia."

¹⁴ See n.9 above.

¹⁵ See <https://www.unhcr.org/news/briefing/2021/3/605da0564/unhcr-reaches-destroyed-camps-northern-tigray.html>.



and economic development opportunities for refugee and host communities; and (c) facilitate sustainable solutions to protracted refugee situations.

Notwithstanding the ongoing adequacy of the protection framework, UNHCR has identified a number of protection issues for the refugee population. These include: (a) the dire 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 hosting refugees for the first time; and (e) gender-based violence.

Relationship to CPF

The proposed project is aligned with the World Bank Group (WBG)'s Country Partnership Framework (CPF) for Ethiopia FY 2018-2022.¹⁶ 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 directly 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 will seek to address the negative impacts of the refugee presence while building on the opportunities it presents to build local economies through an area-based development approach.

C. Proposed Development Objective(s)

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

Key Results (From PCN)

1. Number of beneficiaries with access to social and economic services and infrastructure (disaggregated by refugee/host community member, service type and gender).
2. Reduction in a composite measure of social and economic deprivation (measure to be defined during appraisal) (disaggregated by refugee/host community member and gender).
3. Land area where sustainable land management practices have been adopted as a result of the project (Ha.).

D. Concept Description

The project will build on DRDIP Phase I by continuing to address the negative impacts of the refugee presence and build on the positive. The preliminary cost estimate is US\$130 million, of which US\$50 million will come from the IDA19 Window for Host Communities and Refugees (WHR). The project will comprise five components, as described below:

Component One: Social and economic services and infrastructure (US\$41.6 million). Phase II will continue to improve community access to basic social services and economic infrastructure. The interventions under this component will include support for basic social services (schools, health centers, animal health facilities, etc.) and economic infrastructure (water supply, feeder roads, market centers, storage facilities, etc.). In line with the CDD approach, communities will continue to identify, implement and monitor their own subprojects, including taking responsibility for procurement and financial management. The component will also support capacity-building at the community level for planning and subproject implementation. Finally, a new sub-component on social cohesion and inclusion will be introduced.

¹⁶ World Bank (2017) *Country Partnership Framework for the Federal Democratic Republic of Ethiopia 2018-2022*. Report No. 119576-ET.



Component Two: Sustainable Environmental Management (US\$53.8 million). Component two activities will continue to ensure that environmental and natural resources are carefully and sustainably managed to support current and future needs and livelihoods. Activities to be supported will include: (a) integrated natural resource management (e.g., soil and water conversation); (b) construction or upgrading of small-scale, micro and household irrigation schemes; and (c) provision of alternative energy sources (solar systems, clean cooking stoves and biogas).

Component Three: Sustainable Livelihood Program (US\$26.2 million). Phase II will continue to support a combination of traditional/agricultural livelihood and non-traditional/non-farm livelihood activities for refugees and host community members. Traditional/Agricultural livelihood activities are expected to include support to: (a) extension service delivery through existing or new Farmers’ Training Centers/Pastoral Training Centers; (b) crop production; (c) horticultural nurseries; (d) community-based seed production; and (e) livestock production. Non-traditional/non-farm livelihood activities will continue to comprise income-generating activities (IGAs) and job creation for refugees and host communities to build self-reliance.

Component Four: Project Management, Monitoring and Evaluation and Learning (US\$13 million). This component will ensure effective project management, monitoring and evaluation and learning.

Component Five: Contingent Emergency Response Component (CERC) (US\$0 million). Under the CERC, in the event of an eligible crisis or emergency, funds may be reallocated from other components of the project. This component, if activated, would finance rapid response measures and early recovery activities to address disaster, emergency and/or catastrophic events at the community level.

Beneficiaries

Under Phase II, refugees will benefit directly from project interventions. The project is expected to benefit over one million people in an additional 12 *woredas* (districts) and 213 *kebeles* (wards) beyond the Phase I target areas.

Environmental and Social Standards

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

Summary of Screening of Environmental and Social Risks and Impacts

Environmental Risk and Impacts

Some of the activities to be supported by the project such as integrated natural resource management (e.g., soil and water conversation) and provision of alternative energy sources (solar systems, clean cooking stoves and biogas) can have positive environmental impacts. However, there are also various environmental, health, and safety (EHS) risks and impacts that may result from the activities to be financed by project, such as construction or rehabilitation of basic social infrastructure (education, human and animal health facilities); economic infrastructure (water supply, feeder roads, market centers and



storage facilities); construction or upgrading of small-scale, micro and household irrigation schemes; and provision of alternative energy sources (solar systems and clean cooking stoves). Accordingly the environmental risk is rated **substantial**.

Potential EHS risks that may result from Component 1 activities include soil erosion from material sourcing areas and site preparation activities; fugitive dust and other emissions (e.g., from vehicles); deposition of fine materials (sand, silts, clays) in downstream water courses during construction; soil and water pollution due to construction waste; land clearing and removal of vegetation; dust and noise; inappropriate use and disposal of animal health chemicals, and health and safety risks to the construction workers including noise and physical hazards.

Similarly, some of the investments under Component 2, such as construction or upgrading of small-scale, micro and household irrigation schemes can have potential adverse impacts during the construction and operation phases. Construction phase EHS risks of the small irrigation activities are similar to the risks identified with respect to Component 1 infrastructure subprojects. During the operation phase, small-scale irrigated agriculture may lead to inappropriate use of water resources through over-use and agrochemical contamination, which could affect water quantity and quality in neighboring communities and downstream; physical and chemical degradation of soil may result from unsuitable land management techniques; agricultural activities can have an impact on biodiversity and ecosystems because of water usage, pollution and introduction of invasive species; and may also lead to an increase in the application of pesticides. The small irrigation schemes to be financed by the project will meet the Bank's requirements for small dams. The other environmental risk associated with Component 2 is solar products, as the beneficiaries may have no or limited knowledge of disposal and recycling of e-wastes.

There are also various environmental risks, though in small scale, that may result from Component 3 (livelihood program) such as crop production, horticultural nurseries, community-based seed production, and livestock production. The potential environment risks of these agricultural activities are similar to the EHS risks of small-scale irrigated agriculture described under Component 2. Solid waste that may be generated from livestock production includes waste feed and animal waste. Livestock with access to rivers, and other natural water sources may cause environmental damage by contaminating the water with animal waste, destroying riparian habitat, and eroding the stream banks. In addition, overgrazing may contribute to soil losses because of erosion, and a reduction in soil productivity caused by alteration of the vegetation composition and associated organisms in rangelands.

Social Risks and Impacts

At this stage, the social risk for the proposed project is rated as **high**. Although the project will bring about benefits to the community as has been done in Phase I, it could require the acquisition of private land and its consequent risks and impacts. This includes involuntary resettlement, land acquisition and restriction of access and use of natural resources. Impacts may be temporary or permanent but will be limited in scale and scope given the predicted size of investment for public institutions.

The potential social risks and impacts associated with sub-project activities under component one such as construction of community-based infrastructure through the CDD approach; under component two such as watershed management (WSM) activities, construction and upgrading of small-scale, micro and household irrigation schemes as well as under component three of non/traditional livelihood activities encompass: (a) involuntary resettlement, land acquisition and restriction of access and use of natural resources including but not limited to risks of forced eviction, exclusion from resettlement entitlements, loss of income/livelihoods, limited awareness of rights of voluntary land donors, poor documentation for voluntary land donation; (b) lack of compliance with national laws on labor and working conditions and related standards, especially in relation to supervision of contractor violations of labor laws, worker grievances, and occupational health and



safety, particularly engagement of volunteer community labor, though moderate influx of labor and related potential risks of Sexual Exploitation and Abuse/Sexual Harassment (SEA/SH), spread of sexually transmitted and communicable diseases (STDs), including HIV/AIDS and COVID-19 risks into targeted areas; (c) lack of adequate consultation of affected persons particularly due to COVID-19, (d) insufficient access to functioning grievance redress mechanisms, (e) social exclusion and discrimination against historically underserved community members residing in refugee-hosting emerging regions and pastoralist communities, and other vulnerable groups including women, youth, persons with disabilities, and other groups potentially marginalized from project benefits and participation, (f) social conflict between refugees and the host communities, particularly in relation to resource utilization, (g) diverse nature of regions, socio-economic and socio-cultural aspects including gender aspects are quite different which requires cautious SEA/SH risk assessment, (h) limited attention to community health and safety, especially during community labor contribution and public works, etc.

In addition, there could be potential social risks associated with subprojects under component two such as provision of access to alternative energy sources (solar systems, clean cooking stoves and biogas); as well as activities under component three, including extension service delivery, formation of community-based institutions (primary cooperatives, Rural Savings and Credit Cooperatives, and Common Interest Groups) for sustainable livelihood and/or income generation activities (IGAs). The social risks related to these activities include exclusion and discrimination towards vulnerable groups including the historically underserved communities, during targeting of beneficiaries for alternative energy sources, accessing credits, service delivery, formation of cooperatives of various purposes, elite capture, etc.; risks of exacerbating or creating conflicts/disputes between and among community members; lack of adequate consultation and participation, cultural incompatibility of benefits, etc.

Moreover, although the newly proposed sub-component under component one on social cohesion will have positive outcomes for conflict prevention and addressing gender-based violence (GBV) in refugee hosting *woredas*, unless managed through systematic communication and community outreach to create awareness and understand community concerns, it may end up exacerbating existing or creating new conflicts. There is also a risk that it could worsen the prevalence of SEA/SH in the project areas. Coupled with the contextual risks of political instability (induced by potential civil unrest) particularly in Tigray, Amhara, Benishangul-Gumuz and Afar regions, the security risks could result in social crises.

The cumulative impacts of the project could be considerable, which will be assessed while updating the Environmental and Social Management Framework (ESMF). In addition, instruments will be developed considering the level of impacts, the scope of the proposed project components and the experience of the client in managing the existing project, including (a) Resettlement Framework (RF) in accordance with the requirements of ESS5 and Ethiopian land expropriation proclamation and regulations, to provide procedures and guide the client in the resettlement planning to mitigate and compensate impacts from any activities that would involve potential private/communal land acquisitions; (b) stakeholder engagement plan and functioning grievance redress mechanism accessible for all affected communities; (c) social development plan informed by the enhanced social assessment for people meeting the requirements of ESS7 (Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities) especially in Afar, Somali, Gambella, and Benishangul-Gumuz; (d) security management plan based on conflict analysis of the project to assess the overall social tensions and violent conflicts in the area, including between the refugees and the host communities, (e) gender dimensions including GBV/SEA/SH Action Plan; and (f) Labor Management Procedures to address unintended labor issues, including regarding worker health and safety, child labor, and non-compliance with labor laws.



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APPROVAL

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Approved By

Country Director:	Ousmane Dione	29-Nov-2021
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