



Report No: RES00295

RESTRUCTURING PAPER
ON A
PROPOSED PROJECT RESTRUCTURING
OF

Ethiopia Digital ID for Inclusion and Services Project

APPROVED ON 13-Dec-2023

TO

Federal Democratic Republic of Ethiopia

Digital Development
Eastern And Southern Africa

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ABBREVIATIONS AND ACRONYMS

NIDP	National ID Program
PIU	Project Implementation Unit
PMO	Prime Minister's Office
GPN	General Procurement Notice
PAD	Project Appraisal Document
GRM	Grievance Redressal Mechanism
IFR	Interim Financial Report
ICS	Immigration and Citizenship Services
ESF	Environmental and Social Framework
ESMF	Environmental and Social Management Framework
MOU	Memorandum of Understanding



BASIC DATA

Product Information

Operation ID P179040	Operation Name Ethiopia Digital ID for Inclusion and Services Project
Product/Financing Instrument Investment Project Financing (IPF)	Geographical Identifier Ethiopia
Approval Date 13-Dec-2023	Current Closing Date 07-Jan-2029
Environmental and Social Risk Classification (ESRC) Substantial	

Organizations

Borrower Federal Democratic Republic of Ethiopia	Responsible Agency Prime Minister's Office
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OPERATION STATUS

Project Development Objective (DO)

Original Development Objective

The Project Development Objective is to establish an inclusive digital ID ecosystem and improve service delivery for registered persons in Ethiopia.

Disbursement Summary (in USD million)

Source of Funds	Net Commitment	Disbursed	Balance	% Disbursed
IBRD	--	--	--	0



IDA	350.00	10.29	339.71	2.94
Grants	--	--	--	0

Policy Waivers

Does this restructuring trigger the need for any policy waiver(s)?

No



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I. PROJECT STATUS AND RATIONALE FOR RESTRUCTURING

A. Project status

1. The Ethiopia Digital ID for Inclusion and Services Project, approved by the Board in December 2023, became effective on May 15, 2024, and implementation has had a good start. The Project Implementation Unit (PIU) housed within the National ID Program (NIDP) in the Prime Minister's Office (PMO), is currently staffed with a Project Manager, Social and Environmental specialists. The processes of hiring a Procurement Advisor, Procurement Specialist, Financial Management Specialist and accountant are all at advanced stages are expected to be completed by September 2024. The Project's designated account is set up, and the first withdrawal of US\$10.29 million was made at the end of June 2024. The General Procurement Notice (GPN) was published, and the initial procurement plan was given no objection. The latter includes three large contracts (for an Automated Biometric Information System (ABIS), a Systems Integrator, and Super Agents), for which the draft tender documents are at advanced stages and expected to be advertised by the end of September 2024. The fiduciary arrangements are in place, there are no overdue audits and the first quarterly IFR expected is expected to be submitted end of August 21, 2024. So far, the project has not experienced any issues related to ESF or GRM.
2. Subcomponent 3.1 of the Project supports mass registration and issuance of physical IDs to Ethiopian residents (US\$190 million IDA) and aims to provide Fayda registration to 90 million of nationals and non-nationals, including disadvantaged groups, such as women, girls, and persons with disabilities (except for refugees and host communities, which are funded by Subcomponent 3.2). The Project is well positioned to achieve this ambitious target through four registration channels as described in the Project Appraisal Document (PAD) and detailed in the approved Project Implementation Manual (PIM). The same channels are expected to be used to issue various ID credentials. The channels are: (i) Registration partners (government agencies and state-owned enterprises¹); (ii) Super agents (private companies procured through a competitive process); (iii) *Fayda* Centers (permanent, temporary, and mobile centers to be established and operated by NIDP); and (iv) Civil registration (registration of births by the Immigration and Citizenship Services, ICS). The registration partners and Super Agents will be paid for every successfully verified Fayda registration. The costs of *Fayda* Centers and civil registration will be the direct responsibility of NIDP and ICS, respectively.

B. Rationale for restructuring

3. A level II restructuring is needed to update the definition of the operating costs in the Financing Agreement (FA) to enable the Project to pay incremental operating costs of the registration partners in connection with the provision of Fayda registration and credential distribution services (under Subcomponent 3.1). It is expected that at least 20 million residents will be registered by the registration partners that are government agencies and state-owned enterprises listed in the Project Implementation Manual, at a pre-agreed registration rate which varies between \$1.5-\$2.0 for each successfully verified registration, with an overall estimated cost of about US\$ 30-40 million over the course of next few years. While this was always the intention and is already reflected in project documents, the definition of

¹ The list of eligible registration partners is being finalized and expects to include the following: Financial Institutions licensed by the National Bank of Ethiopia (NBE); Ministry of Revenues; Ministry of Health; Ministry of Education; Ministry of Urban Development and Infrastructure; Ministry of Agriculture; Ethiopian Disaster Risk Management Commission; Ministry of Transport and Logistics; Ministry of Peace, Ministry of Women and Social Affairs; Ministry of Labor and Skills; Document Registration and Authentication Service; Civil Service Commission; Immigration and Citizenship Service; Ethiopian Agricultural Transformation Institute; Ethio Post; Health Insurance Agency; Municipalities; Regional/City Administration Governments and Bureaus; and Ethio Telecom.



“operating cost” in the negotiated Financing agreement does not explicitly mention it and therefore the definition needs to be updated.

4. Reimbursing of incremental operating expenses to the registration partners is part of the intended design of the Project. The rationale for using the “operating cost” category for reimbursing registration partners, instead of as a non-consulting service through competitive process, is that these are government owned agencies that will be recouping for their own human resources, physical infrastructure used, and other operating costs, and not making a profit. There are two types of reimbursement fee, which has been calculated based on the estimated costs: (i) US\$2.00 per successful registration if the registration partner has independently purchased the registration kits (such as the case for EthioTelecom and Banks); and (ii) US\$1.50 per successful registration if NIDP has provided the registration kits. Treating these expenses as operating costs will optimize the efficiency of operation, increase registration speed and therefore overall project impact, including in the area of improved service delivery.
5. Registration partners are expected to cover a large proportion of the population and help with meeting Project Development Objective targets (on Number of people issued with a Digital ID). They are in a better position to capitalize on the existing physical presence throughout the country and personnel already in place, including in all regions. The registration partners channel is important for the implementation of the Project for two more reasons. Firstly, since these government agencies and state-owned enterprises will not have a commercial incentive (unlike the Super Agents channel, which are private companies), they are able to more easily focus on registering and issuing digital IDs to disadvantaged and hard-to-reach populations, especially in lower population density areas as in most cases government agencies already have some sort of presence and operations there. Moreover, the registration partners are much more likely to interact with these populations, for their own purposes, such as for delivery of social protection benefits, and could do Fayda registration at the same time, as has already been tested during Fayda registration pilots. Secondly, they will use equipment and software provided by NIDP, which can then be re-used for the ongoing registration and data updates after the initial registration drive, including at *Fayda* Centers, after the initial mass registration, which will further strengthen the sustainability of the Project.
6. Governance of the arrangements with registration partners is strong. NIDP has prepared a standard Memorandum of Understanding (MoU) between registration partners and NIDP. The MOU template is now cleared, having benefitted from multiple rounds of reviews and inputs by the Bank team to ensure that the registration partners uphold high standards of personal data protection, including compliance with the Personal Data Protection Proclamation. The MoUs also include provisions related to the World Bank’s Anti-Corruption Guidelines, standards concept form and the registration personnel will be a subject to non-disclosure agreement. No reimbursement will be done for any registrations that occurred before the MOU is signed, with two witnesses on both sides. The MoU are expected to be signed for a period of one year (renewable upon satisfactory performance), with termination clauses for non-performance, any material breach of the terms and conditions, including for non-compliance with any of the existing laws in Ethiopia including the Digital ID Proclamation and Personal Data Protection Proclamation.

II. DESCRIPTION OF PROPOSED CHANGES

To better align the Financing agreement with the intended Project’s intended design, a technical amendment will be made to the FA to add to the definition of “Operating costs”: (x) reimbursement of Registration Partners’ incremental costs incurred on account of registration, issuance and distribution of physical and digital IDs to Ethiopian residents”.

7. The new definition of “Operating costs” would therefore read as follows (with addition bold and underlined):



*“Operating Costs” means recurrent costs of the Project, including: (i) operation and maintenance of vehicle, repairs, fuel and spare parts; (ii) computer maintenance, including hardware, software; (iii) communication costs and shipment costs (whenever these costs are not included in the cost of goods); (iv) small office supplies; (v) rent and maintenance for office facilities; (vi) utilities and insurances; (vii) travel and per diem costs for technical staff carrying out supervisory and quality control activities; (viii) bank fees and miscellaneous; (ix) salaries of support staff for the Project, but excluding salaries of the Recipient’s civil servants **and (x) reimbursement of Registration Partners’ incremental costs incurred on account of registration, issuance and distribution of physical and digital IDs to Ethiopian residents.”***

8. The changes to the definition of the operating costs does not affect the Project’s scope, design, implementation arrangements, nor the risk assessments. This update will not affect financial or procurement arrangements for the project.

Summary of Performance of E&S Risk Compliance

9. The Project’s ESF compliance is satisfactory. The Environmental and Social Management Framework (ESMF) and other Environmental and Social Framework (ESF) documents have been cleared and disclosed. The PIU is now staffed with Environmental and Social specialist. No ESF-related issues have been observed and no grievances have been received.

Describe any E&S issues and impacts associated with the change in project design. Identify and describe any potential large scale, significant and/or irreversible impacts.

None

Describe any potential indirect and/or long-term impacts due to anticipated future activities in the project areas.

None

Describe any project alternatives (if relevant) considered to help avoid or minimize adverse impacts.

N/A

Describe measures taken by the borrower to address E&S policy issues. Provide an assessment of borrower capacity to plan and implement the measure described.

N/A

Identify key stakeholders and describe the mechanism for consultation and disclosure on E&S policies, with an emphasis of potentially affected people.

N/A

III. PROPOSED CHANGES



Operation Information	Proposed Changes	Operation Information	Proposed Changes
Development Objective	No	Loan Closing Date Extension	No
Summary Description (Operation Abstract)	No	Loan Cancellations	No
Legal Operational Policies	No	Reallocations	No
MFD/PCE	No	Financial Management	No
Results	No	Procurement	No
Risks	No	Institutional Arrangement	No
Legal Covenants	No	Implementation Schedule	No
Conditions	No		
Implementation Modalities	No		
Disbursements Estimates	No		
Disbursements Arrangements	No		
DDO	No		
Clients	No		
Appraisal Summary	No		
Components	No		

IV. DETAILED CHANGE(S)**COSTS & FINANCING****Private Capital Facilitation****Is this an MFD-Enabling Project (MFD-EP)?**

Yes

Last approved as part of PAD Data Sheet (Approval) on 13-Dec-2023

Is this project Private Capital Enabling (PCE)?

No

Last approved as part of PAD Data Sheet (Approval) on 13-Dec-2023

LOANS**ENVIRONMENTAL & SOCIAL****Environmental & Social Assessment**



According to the E/S Specialist are there changes proposed to the operation's design that would impact the Bank's E&S assessment?"

No