



# Project Information Document (PID)

Appraisal Stage | Date Prepared/Updated: 21-Apr-2022 | Report No: PIDA33234



**BASIC INFORMATION**

**A. Basic Project Data**

Country Eastern Africa	Project ID P178047	Project Name Development Response to Displacement Impacts Project in the Horn of Africa Phase II	Parent Project ID (if any)
Region AFRICA EAST	Estimated Appraisal Date 27-Apr-2022	Estimated Board Date 01-Jun-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 livelihood opportunities and enhance environmental management for host communities and refugees in the target areas.

Components

- Social and Economic Services & Infrastructure
- Sustainable Environmental Management
- Livelihoods Program
- Project Management, M&E and Learning
- Contingent Emergency Response Component (CERC)

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

**SUMMARY**

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

**DETAILS**

**World Bank Group Financing**



International Development Association (IDA)	180.00
IDA Grant	180.00

Environmental and Social Risk Classification

High

Decision

The review did authorize the team to appraise and negotiate

**A. Introduction and Context**

Regional Context

- 1. Global forced displacement is one of the defining humanitarian and development challenges of this generation.** 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).
- 2. Forced displacement remains largely concentrated in low and middle income countries.** The Horn of Africa (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). This is an increase of two million refugees and 500,000 IDPs since the Development Response to Displacement Impacts Project (DRDIP) in the HoA 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 and stability.** 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, and the complex cultural, social and political nature of the conflicts is 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 (WB), the HoAI agreed on priority projects and programs for the region requiring financing of up to US\$15 billion. This project supports the Resilience Pillar, responding in part to requests at the October 2021 HoAI Ministerial meeting for further emphasis to be placed on the Resilience Pillar, considering the heightened fragility risks faced by the region.



5. **The proposed operation is being prepared as part of a second phase of DRDIP, which was designed as a series of projects (SOP).** DRDIP addresses the regional spillover effect of conflict and forced displacement, through a development response that supports 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 (P152822) commenced in 2016, supporting Djibouti, Ethiopia and Uganda, with Kenya joining in 2017 through P161067.<sup>1</sup> Both projects include grants to the Inter-governmental Authority on Development for regional coordination and learning. The SOP allows for other countries in the HoA to opt into the program at a later date, according to their needs and specific requirements or for second phases and Additional Financing for existing DRDIP countries (as in the case of this operation).

### Country Context

6. **With a population of over 115 million people (2020), Ethiopia is the second most populous nation in Africa 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 Djibouti, Eritrea, Somalia, Kenya, South Sudan, and Sudan. Ethiopia hosts about 86 ethnic groups and 90 spoken languages and is also religiously and geographically diverse.

7. **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.

8. **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 2020/21. 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.

9. **Flooding and a major locust infestation over the past two years have severely 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 according to the 2021 Humanitarian Response Plan. Price increases triggered by the war in Ukraine are exacerbating food insecurity.

10. **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 which has carried a major human and economic cost to the country.

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<sup>1</sup> The project is also entitled the Development Response to Displacement Impacts Project in the Horn of Africa.



**11. 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. Conflict is affecting various parts of the country, complicating access to a number of 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.

**12. 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. There are now more than four million internally displaced persons (IDPs) in the country. Approximately 60,000 Ethiopians are estimated to have fled as refugees to Sudan. The conflict has caused destruction of public facilities, placing a strain on access to basic services such as health, education and water in conflict-affected areas. While security conditions have stabilized somewhat in recent months, the situation in the north remains fragile. Furthermore, parts of Western Oromia and Benishangul-Gumuz have also been affected by conflict involving non-state armed groups and government forces.

#### Sectoral and Institutional Context

**13. Ethiopia is the third-largest refugee hosting country in Africa and the ninth largest worldwide.** The country is currently hosting over 830,000 refugees, with the number increasing over the last three years. 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.

**14. Most refugee-hosting areas in Ethiopia are characterized by scarce livelihood options and low access to public services.** In a context of high rural poverty and vulnerability to climate and other shocks and stressors, most of the refugee-hosting regions have a higher poverty incidence 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. While refugees enjoy comparable or even superior access to basic services, they lack livelihood opportunities and are highly dependent on humanitarian aid. The low level of refugee self-reliance is more acute for female-headed households.

**15. 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, the rural areas have also experienced increased poverty rates due to the pandemic.

**16. 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 Phase I – demonstrates that the refugee presence has had both positive and negative effects on host communities. Positive impacts include: (a) increase in livelihood diversification and livestock sales for host communities; and (b) improvement in access to services, especially education and health, as development resources are attracted to hosting areas. Negative impacts include increased pressure on the local environment, as refugees cut down trees and grass for cooking, heating, shelter and fencing. Social relations between refugees and host communities in Ethiopia are generally positive, however, this varies by region.



17. **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 Phase I of the project was launched in 2016.** Ethiopia has long been a generous host to refugees and its policy response to forced displacement has been progressive. The government issued a new Refugee Proclamation in 2019 and has embarked on the drafting of a ten-year National Comprehensive Refugee Response Strategy. Ethiopia is also a signatory to the 2018 Global Compact on Refugees.

### C. Proposed Development Objective(s)

Development Objective(s) (From PAD)

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

The following key indicators will be used to track progress toward the PDO. All data will be disaggregated by gender and status as refugee or host community member.

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% or more (disaggregated by refugee/host community status and gender).
3. Land area under sustainable landscape management practices (Ha).

### D. Project Description

18. **The Development Response to Displacement Impacts Project in the Horn of Africa Phase II (DRDIP II) will build on the operational approach and successes of Phase I.** Phase I, which commenced in 2016, pioneered the long-term, government-led development response to forced displacement in Ethiopia. The project has enhanced access to services, helped to address environmental impacts of the refugee presence and developed a model for livelihood in refugee-hosting areas. Phase II will draw on lessons learned from Phase I, adding several new design features, including: (a) refugees as direct beneficiaries; (b) expanded geographic coverage; (c) deeper policy support for refugee inclusion; (d) enhanced development planning that integrates refugee concerns; and (e) new sub-components to strengthen social cohesion and inclusion and women's leadership and participation.

19. **Project beneficiaries.** The project will benefit 2.4 million people (host community 1.7 million/refugees 0.7 million) in six refugee-hosting regions (Afar, Amhara, Benishangul-Gumuz, Gambella, Somali and Tigray) of whom 50 percent will be female. The project comprises five components, as summarized below.

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

20. **This component will finance investments 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 through two new sub-components to enhance social cohesion and inclusion between refugees and the communities that host them and to strengthen women's leadership and participation in development planning and decision-making at the community level.



21. **The component seeks to address service delivery gaps in the target areas, which are in remote locations among the poorest in the country.** It will also address the strain that the refugee presence can place on basic services such as education, health and water supply and sanitation. Over 600 subprojects (construction or upgrading of schools, health centers, veterinary clinics, water systems, feeder roads, etc.) will be completed in the six project regions, including in refugee camps and sites.

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

22. **Component two seeks to address environmental fragility in the target through activities to support natural resource management (NRM) and alternative energy.** Subprojects are identified through a community-based needs assessment and will comprise a combination of: (a) activities to support water and soil conservation; and (b) alternative, renewable energy sources for households and public institutions (clean cooking stoves, solar energy and biogas).

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

23. **DRDIP will support a combination of traditional livelihood and non-traditional/non-farm livelihood activities for host communities and refugees, together with a major investment in small-scale irrigation.** Component activities are expected to support 188,000 beneficiaries (70 percent host community/30 percent refugees). Traditional livelihood activities will include: (a) agricultural extension services; (b) crop and livestock production and productivity good practices and technologies; (c) horticulture development; and (d) improved seed systems. Non-traditional livelihood activities will support business skills development and access to rural finance. Small-scale irrigation will be supported to cover 5,000 hectares, of which 1,000 will be rehabilitation/upgrading of existing schemes and 4,000 will be new schemes.

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

24. **This component will support a project coordination unit at the federal, regional and woreda (district) levels.** It will also support monitoring and evaluation to track outputs and outcomes and generate learning on development responses to forced displacement. In project areas classified as at High Risk of Ongoing Conflict, including Tigray, implementation will be led by a third-party implementing entity from the United Nations.

**Component Five: Contingent Emergency Response Component (CERC) (US\$0 million)**

25. **With the introduction of this component, DRDIP II is set to respond to eligible crises in the project areas.** In the event of an eligible natural hazard or emergency crisis, funds may be reallocated from other components to finance rapid response measures and early recovery activities to address disaster, emergency and/or catastrophic events.

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



## Summary of Assessment of Environmental and Social Risks and Impacts

### **Environmental Risks**

Some of the activities to be supported through the project, such as integrated natural resource management and alternative energy sources, can have positive environmental impacts. However, various environmental, health, and safety (EHS) risks and impacts may result from project activities, such as the construction or rehabilitation of basic social services infrastructure; construction or upgrading and operation of small-scale, micro and household irrigation schemes; and provision of alternative energy sources (solar systems and clean cooking stoves).

Potential EHS risks that may result from Component 1 and 2 activities such as feeder roads, school classrooms, market centers, storage facilities, animal healthcare facilities, the construction of soil bunds, stone bunds, artificial waterways, cut-off drains, check dams (gully rehabilitation), bench terraces, hillside terraces, trenches, area closures, planting of multipurpose trees, and groundwater recharge interventions include soil erosion from materials sourcing areas and site preparation activities; fugitive dust and other emissions (e.g., from vehicles); sedimentation and deposition of fine materials (sand, silt and clay) in downstream water courses during construction; soil and water pollution due to construction wastes; land clearing and removal of vegetation, dust and noise; inappropriate use and disposal of animal health chemicals, and health and safety risks to construction workers, including noise and physical hazards.

During the operation phase, small-scale feeder roads could have traffic accident risks, although very few cars are expected in these remote locations. The operation of animal health facilities could also generate different hazardous wastes that need to be managed properly. The operation of market centers could also lead to non-hazardous pollutants that need to be managed in compliance with the applicable environmental and social standard.

The construction or upgrading of small-scale, micro and household irrigation schemes under Component 3 can have potential adverse impacts during the construction and operation phases. The small irrigation schemes to be financed by the project will meet the Bank's requirements for small dams. Construction phase EHS risks of the SSI activities are similar to the risks identified under Component 1. During operation, SSI agriculture may lead to inappropriate use of water resources through over-use and agrochemical contamination, which could affect: (a) water quality in neighboring communities and downstream; and (b) water quantity availability for other water users. Furthermore, physical and chemical degradation of soils may result from unsuitable land management techniques. Agricultural activities can also have an impact on biodiversity and ecosystems because of water usage, pollution and introduction of invasive species potential increase in the application of pesticides. Other environmental risks associated with Component 2 relate to solar products, as the beneficiaries may have no/limited knowledge of disposal and recycling of e-waste.

There are also various environmental risks, though potentially smaller in scale, that may result from Component 3 livelihood activities besides the SSI schemes. The potential environment risks of these activities are like the EHS risks of SSI agriculture. 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 could 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. However, the activities to be financed by this project are small Community-Driven Development (CDD) types, so the risks are likely to be small in scope and scale.



## Social Risks

The project will bring about benefits to the community. However, it could require the acquisition of private land and its consequent risks and impacts. 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 encompass: (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, limited awareness of rights of voluntary land donors; (b) lack of compliance with national laws on labor and working conditions and related standards; (c) occupational health and safety; (d) moderate influx of labor and related potential risks of SEA/SH and the spread of communicable diseases (STDs), including HIV/AIDS and COVID-19; (e) lack of adequate consultation of Project Affected Persons, particularly due to COVID-19; (f) lack of access to functioning GRMs; (g) social exclusion and discrimination against historically underserved communities (HUCs) residing in refugee-hosting emerging regions, pastoralist communities, and other vulnerable groups including women, youth, and persons with disabilities; (h) social conflict between refugees and the host communities, particularly over resource utilization; (i) diverse nature of regions, socio-economic and cultural aspects, including gender aspects which requires a thorough SEA/SH risk assessment; and (j) limited attention for CHS, especially during community labor contribution and public works, etc.

In addition, there are 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 for sustainable livelihood and/or income generation activities (IGAs). The project will ensure all the contracts or suppliers of solar panels or solar panel components include obligations to prevent forced labor among the staff, employees, workers and any other person employed or engaged by the contractor or supplier.

The social risks related to these activities include: (a) risk of exclusion and discrimination against disadvantaged and vulnerable groups, including HUCs, during targeting; (b) elite capture of benefits; (c) risks of exacerbating or creating conflicts/disputes between and among community members; (d) lack of adequate consultation and participation; and (e) cultural incompatibility of benefits. Moreover, although the new sub-component on social cohesion will have positive outcomes for conflict prevention and addressing of gender-based violence (GBV) in refugee-hosting *woreda*, unless managed through communication and community outreach to create awareness and understand community concerns, it may end up in exacerbating existing conflicts, as well as worsening the prevalence of SEA/SH. Coupled with the contextual risks of political instability particularly in the North Ethiopia, the security risks could result in social crises.

Due to the above potential risks and limited implementation capacity, the social risk is rated substantial. The cumulative impacts of the subprojects could be considerable, which will be assessed while updating the ESMF. Instruments will be developed considering the level of impacts, the scope of the project components and the experience of the client in managing Phase I, including: (a) Resettlement Framework (RF) in accordance with the requirements of ESS5 and Ethiopian land expropriation proclamation and regulations, to guide the client in resettlement planning to mitigate and compensate impacts from any private/communal land acquisition; (b) Stakeholder Engagement Plan and 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 social tensions and violent conflict in the area, as well as between refugees and host communities; (e) gender dimensions including Gender-Based Violence/Sexual Exploitation and Abuse/Sexual Harassment Action Plan; and (f) Labor Management Procedures (LMP) to address unintended labor issues, including worker health and safety, child labor, and non-compliance with labor laws.



## E. Implementation

### Institutional and Implementation Arrangements

**The project will be implemented by the Ministry of Agriculture, which will establish a Project Coordination Unit (PCU) at the Federal, Regional and woreda (district) levels.** An inter-agency steering committee will provide strategic guidance and oversight at all levels. The steering committee will include the Government of Ethiopia's agency for refugee management, Refugees and Returnees Services (RRS) and the United Nations High Commissioner for Refugees (UNHCR) to ensure refugee interests are incorporated into the project and to coordinate with humanitarian assistance.

**In areas classified as at High Risk of Ongoing Conflict (HROC), the government will contract a third-party implementing agency to take responsibility for implementation.** The third party entity will report to the Federal PCU and coordinate with local authorities and communities on the ground. A third-party monitoring agency will also be contracted to monitor activities in HROC locations.

**As a community-driven activity, communities will play an active role in project implementation.** Working hand-in-hand with local governments, communities (including refugees) will participate in assessing development needs, preparing community action plans and identifying priority subproject investments. They will also support procurement, monitor implementation and support operations and maintenance for completed subprojects.

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**APPROVAL**

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