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Report No: PAD00159

INTERNATIONAL DEVELOPMENT ASSOCIATION

PROJECT APPRAISAL DOCUMENT

ON A

PROPOSED CREDIT

IN THE AMOUNT OF SDR 228.2 MILLION  
(US\$300 MILLION EQUIVALENT)

AND A  
PROPOSED GRANT

IN THE AMOUNT OF SDR 38.1 MILLION  
(US\$50 MILLION EQUIVALENT)  
FROM THE WINDOW FOR HOST COMMUNITIES AND REFUGEES

TO THE

FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA

FOR A

DIGITAL ID FOR INCLUSION AND SERVICES PROJECT

November 20, 2023

Digital Development Global Practice  
Eastern and Southern Africa Region

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## CURRENCY EQUIVALENTS

(Exchange Rate Effective September 30, 2023)

Currency Unit = Ethiopian Birr (ETB)

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US\$1 = ETB 55.72

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US\$1 = SDR 0.76

FISCAL YEAR

July 8 - July 7

Regional Vice President: Victoria Kwakwa

Regional Director: Christine Zhenwei Qiang

Country Director: Ousmane Dione

Practice Manager: Maria Isabel A. S. Neto

Task Team Leaders: Luda Bujoreanu, Jonathan Marskell

## ABBREVIATIONS AND ACRONYMS

|       |  |
|-------|--|
| AML   | Anti-Money Laundering                              |
| API   | Application Programming Interface                  |
| AWPB  | Annual Work Plan and Budget                        |
| CBA   | Cost-Benefit Analysis                              |
| CGD   | Centre for Global Development                      |
| DA    | Designated Account                                 |
| DE4A  | Digital Economy for Africa                         |
| DFIL  | Disbursement and Financial Information Letter      |
| DPI   | Digital Public Infrastructure                      |
| e-KYC | Electronic Know Your Customer                      |
| ESF   | Environmental and Social Framework                 |
| ESMF  | Environmental and Social Management Framework      |
| ESS   | Environmental and Social Standards                 |
| FCV   | Fragility, Conflict, and Violence                  |
| FM    | Financial Management                               |
| FMM   | Financial Management Manual                        |
| GDP   | Gross Domestic Product                             |
| GoE   | Government of Ethiopia                             |
| GRF   | Global Refugee Forum                               |
| GRM   | Grievance Redress Mechanism                        |
| GRS   | Grievance Redress Service                          |
| ICS   | Immigration and Citizenship Service                |
| ICT   | Information and Communication Technology           |
| ID4D  | Identification for Development                     |
| IDP   | Internally Displaced Person                        |
| IFMIS | Integrated Financial Management Information System |
| IFR   | Interim Financial Report                           |
| IMF   | International Monetary Fund                        |
| IPF   | Investment Project Financing                       |
| IRR   | Internal Rate of Return                            |
| IT    | Information Technology                             |
| KYC   | Know-Your-Customer                                 |
| LMP   | Labor Management Procedures                        |
| M&E   | Monitoring and Evaluation                          |
| MFD   | Maximizing Finance for Development                 |
| MInT  | Ministry of Innovation and Technology              |
| MIS   | Management Information System                      |
| MoF   | Ministry of Finance                                |
| MoU   | Memorandum of Understanding                        |
| NBE   | National Bank of Ethiopia                          |
| NDC   | Nationally Determined Contribution                 |
| NIDP  | National ID Program                                |
| NPV   | Net Present Value                                  |
| PC    | Policy Commitment                                  |
| PDO   | Project Development Objective                      |

|        |   |
|--------|---|
| PMO    | Prime Minister's Office                         |
| PMU    | Project Management Unit                         |
| PP     | Procurement Plan                                |
| PPSD   | Project Procurement Strategy for Development    |
| PSC    | Project Steering Committee                      |
| PSNP   | Productive Safety Net Program                   |
| RRS    | Refugees and Returnees Service                  |
| SEA/SH | Sexual Exploitation and Abuse/Sexual Harassment |
| SEP    | Stakeholder Engagement Plan                     |
| SESRE  | Socioeconomic Survey of Refugees in Ethiopia    |
| SPD    | Standard Procurement Document                   |
| STEP   | Systematic Tracking of Exchanges in Procurement |
| TC     | Technical Committee                             |
| UNHCR  | United Nations High Commissioner for Refugees   |
| WHR    | Window for Host Communities and Refugees        |



**TABLE OF CONTENTS**

|  |           |
|--|-----------|
| <b>DATASHEET .....</b>   | <b>1</b>  |
| <b>I. STRATEGIC CONTEXT .....</b>                                  | <b>1</b>  |
| A. Country Context .....   | 1         |
| B. Sectoral and Institutional Context .....                        | 2         |
| C. Relevance to Higher Level Objectives .....                      | 7         |
| <b>II. PROJECT DESCRIPTION .....</b>                               | <b>8</b>  |
| A. Project Development Objective .....                             | 8         |
| B. Project Components .....  | 8         |
| C. Project Beneficiaries .....                                     | 15        |
| D. Results Chain.....  | 15        |
| E. Rationale for Bank Involvement and Role of Partners.....        | 15        |
| F. Lessons Learned and Reflected in the Project Design.....        | 16        |
| <b>III. IMPLEMENTATION ARRANGEMENTS .....</b>                      | <b>17</b> |
| A. Institutional and Implementation Arrangements.....              | 17        |
| B. Results Monitoring and Evaluation Arrangements .....            | 18        |
| C. Sustainability .....  | 18        |
| <b>IV. PROJECT APPRAISAL SUMMARY .....</b>                         | <b>19</b> |
| A. Technical, Economic and Financial Analysis .....                | 19        |
| B. Fiduciary .....   | 21        |
| C. Legal Operational Policies .....                                | 22        |
| D. Environmental and Social .....                                  | 22        |
| <b>V. GRIEVANCE REDRESS SERVICES.....</b>                          | <b>24</b> |
| <b>VI. KEY RISKS .....</b>   | <b>24</b> |
| <b>VII. RESULTS FRAMEWORK AND MONITORING .....</b>                 | <b>26</b> |
| <b>ANNEX 1: Implementation Arrangements and Support Plan .....</b> | <b>32</b> |
| <b>ANNEX 2: Risk Mitigation for Fayda Implementation .....</b>     | <b>36</b> |
| <b>ANNEX 3: Gender Analysis and Action Plan .....</b>              | <b>38</b> |



**DATASHEET**

**BASIC INFORMATION**

|                                      |  |   |  |
|--------------------------------------|--|---|--|
| Project Beneficiary(ies)<br>Ethiopia | Operation Name<br>Ethiopia Digital ID for Inclusion and Services Project |   |  |
| Operation ID<br>P179040              | Financing Instrument<br>Investment Project Financing (IPF)               | Environmental and Social Risk Classification<br>Substantial |  |

**Financing & Implementation Modalities**

|   |  |
|---|--|
| <input type="checkbox"/> Multiphase Programmatic Approach (MPA)     | <input type="checkbox"/> Contingent Emergency Response Component (CERC)  |
| <input 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 checked="" type="checkbox"/> Conflict                             |
| <input type="checkbox"/> Deferred Drawdown                          | <input type="checkbox"/> Responding to Natural or Man-made Disaster      |
| <input type="checkbox"/> Alternative Procurement Arrangements (APA) | <input type="checkbox"/> Hands-on Expanded Implementation Support (HEIS) |

|                                       |                                      |
|---------------------------------------|--------------------------------------|
| Expected Approval Date<br>14-Dec-2023 | Expected Closing Date<br>07-Jan-2029 |
| Bank/IFC Collaboration<br>No          |                                      |

**Proposed Development Objective(s)**

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

**Components**



| Component Name  | Cost (US\$)    |
|---|----------------|
| Building institutions and trust                           | 21,000,000.00  |
| Establishing scalable and secure Fayda ICT infrastructure | 68,000,000.00  |
| Inclusive ID issuance                                     | 214,000,000.00 |
| Improving service delivery                                | 35,000,000.00  |
| Project management and coordination                       | 12,000,000.00  |

**Organizations**

Borrower: Federal Democratic Republic of Ethiopia  
 Implementing Agency: Prime Minister's Office

**PROJECT FINANCING DATA (US\$, Millions)****Maximizing Finance for Development**

Is this an MFD-Enabling Project (MFD-EP)? Yes  
 Is this project Private Capital Enabling (PCE)? No

**SUMMARY**

|                             |               |
|-----------------------------|---------------|
| <b>Total Operation Cost</b> | <b>350.00</b> |
| <b>Total Financing</b>      | <b>350.00</b> |
| <b>of which IBRD/IDA</b>    | <b>350.00</b> |
| <b>Financing Gap</b>        | <b>0.00</b>   |

**DETAILS****World Bank Group Financing**

|   |        |
|---|--------|
| International Development Association (IDA) | 350.00 |
| IDA Credit                                  | 300.00 |
| IDA Grant                                   | 50.00  |

**IDA Resources (US\$, Millions)**



|  | Credit Amount | Grant Amount | SML Amount  | Guarantee Amount | Total Amount  |
|--|---------------|--------------|-------------|------------------|---------------|
| National Performance-Based Allocations (PBA)   | 300.00        | 0.00         | 0.00        | 0.00             | 300.00        |
| Window for Host Communities and Refugees (WHR) | 0.00          | 50.00        | 0.00        | 0.00             | 50.00         |
| <b>Total</b>                                   | <b>300.00</b> | <b>50.00</b> | <b>0.00</b> | <b>0.00</b>      | <b>350.00</b> |

**Expected Disbursements (US\$, Millions)**

| WB Fiscal Year | 2024  | 2025   | 2026   | 2027   | 2028   | 2029   | 2030   | 2031   | 2032   |
|----------------|-------|--------|--------|--------|--------|--------|--------|--------|--------|
| Annual         | 40.00 | 60.00  | 80.00  | 90.00  | 80.00  | 0.00   | 0.00   | 0.00   | 0.00   |
| Cumulative     | 40.00 | 100.00 | 180.00 | 270.00 | 350.00 | 350.00 | 350.00 | 350.00 | 350.00 |

**PRACTICE AREA(S)**

**Practice Area (Lead)**

Digital Development

**Contributing Practice Areas**

**CLIMATE**

**Climate Change and Disaster Screening**

Yes, it has been screened and the results are discussed in the Operation Document

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





| Risk Category   | Rating        |
|---|---------------|
| 1. Political and Governance                                     | ● Substantial |
| 2. Macroeconomic  | ● Substantial |
| 3. Sector Strategies and Policies                               | ● Moderate    |
| 4. Technical Design of Project or Program                       | ● Moderate    |
| 5. Institutional Capacity for Implementation and Sustainability | ● Substantial |
| 6. Fiduciary  | ● Substantial |
| 7. Environment and Social                                       | ● Substantial |
| 8. Stakeholders   | ● Moderate    |
| 9. Other  | ● Moderate    |
| 10. Overall   | ● Substantial |

**POLICY 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**

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

| E & S Standards  | Relevance |
|--|-----------|
| ESS 1: Assessment and Management of Environmental and Social Risks and Impacts | Relevant  |
| ESS 10: Stakeholder Engagement and Information Disclosure                      | Relevant  |
| ESS 2: Labor and Working Conditions  | Relevant  |
| ESS 3: Resource Efficiency and Pollution Prevention and Management             | Relevant  |
| ESS 4: Community Health and Safety   | Relevant  |



|  |                        |
|--|------------------------|
| ESS 5: Land Acquisition, Restrictions on Land Use and Involuntary Resettlement                       | Not Currently Relevant |
| ESS 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources              | Not Currently Relevant |
| ESS 7: Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities | Relevant               |
| ESS 8: Cultural Heritage   | Not Currently Relevant |
| ESS 9: 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**

**Legal Covenants**

**Sections and Description**

The Recipient shall establish, not later than sixty (60) days after the Effective Date, a Project Steering Committee (“PSC”) at the federal level, and thereafter maintain such PSC at all times during the implementation of the Project, with a composition, mandate, resources and functions satisfactory to the Association.

The Recipient shall establish, not later than sixty (60) days after the Effective Date, a Technical Committee at the federal level, and thereafter maintain such Technical Committee at all times during the implementation of the Project, with a composition, mandate, resources and functions satisfactory to the Association.

The Recipient shall, through the NIDP and not later than the Effective Date, prepare and thereafter adopt Interim Personal Data Protection Guidelines, in form and substance satisfactory to the Association.

The Recipient shall, through the NIDP and not later than thirty (30) days after the Effective Date, prepare and thereafter adopt a template of the Memorandum of Understanding, in form and substance satisfactory to the Association.

**Conditions**

| Type          | Citation | Description   | Financing Source      |
|---------------|----------|---|-----------------------|
| Effectiveness | 5.01.(a) | The Association is satisfied that the Recipient has an adequate Refugee Protection Framework.   | IBRD/IDA, Trust Funds |
| Effectiveness | 5.01.(b) | The Recipient has adopted the Project Operations Manual in accordance with the provisions of Section I.B.1 of Schedule 2 to this Agreement. | IBRD/IDA, Trust Funds |



|               |          |   |                       |
|---------------|----------|---|-----------------------|
| Effectiveness | 5.01 (c) | Recipient has, through MINT, pending the ratification of the Draft Personal Data Protection Proclamation by the House of People's Representatives, adopted Interim Personal Data Protection Guidelines for registration and data sharing activities under the Project, in form and substance satisfactory to the Association.   | IBRD/IDA, Trust Funds |
| Disbursement  | B.1.(b)  | No withdrawal shall be made unless and until the Recipient has, through its House of Representatives, ratified the Personal Data Protection Proclamation.   | IBRD/IDA              |
| Disbursement  | B.1.(c)  | No withdrawal shall be made unless and the Recipient has adopted and disclosed an environmental and social management framework including the following annexes: (i) a gender-based violence/sexual exploitation and abuse/sexual harassment action plan; (ii) e-waste management plan; and (iii) a security risk assessment and management plan, all in accordance with the provisions of the Environmental and Social Commitment Plan | IBRD/IDA              |



## I. STRATEGIC CONTEXT

### A. Country Context

- Ethiopia, the second most populous country in Sub-Saharan Africa, has an estimated population of 123 million, with 77 percent living in rural areas.** It has 98 ethnicities with roughly 93 languages spoken, as well as three major religious groups. There are 13 regions and two federal cities, under which there are more than 1,000 *woredas* (districts) and around 16,000 *kebeles* (wards). There are significant opportunities and challenges arising from a rapidly rising working-age population in Ethiopia and its landlocked and strategic location of being surrounded by six countries.
- Despite Ethiopia's success over the past decade with economic growth and reduction of extreme poverty from 55 percent in 2000 to 25 percent in 2020, the country continues to face major challenges,** including the impacts of the COVID-19 pandemic, natural disasters and climate-related events, internal conflicts, food insecurity, and high inflation. Real gross domestic product (GDP) growth is projected by the International Monetary Fund (IMF) to be 6.1 percent in 2023<sup>1</sup>, down from 9 percent in 2019. Poor and vulnerable households are facing losses in real income and challenges in food affordability. Despite this, the Government of Ethiopia (GoE) aims to continue to provide basic services to people and to continue supporting and protecting the most vulnerable populations.
- Ethiopia has frequently experienced extreme climate events like droughts and floods, rainfall variability and increasing temperature among others,<sup>2</sup> which have adversely impacted livelihoods.<sup>3</sup>** In 2022, almost 12 million people needed food assistance from five consecutive failed rainy seasons, and floods displaced more than half a million Ethiopians.<sup>4</sup> Communities, especially in climate hot spots of Afar, Somali, and Oromia regions, which are often hit by severe droughts and floods,<sup>5</sup> do not have access to digital connectivity and e-services, hampering the Government's response to climate-related and other emergencies.
- Ethiopia aims to reach lower-middle-income status by 2025 and to reduce poverty to 7 percent by 2030.** The latest 10-Year Development Plan aims to sustain growth while shifting toward a more private sector-driven economy. It also aims at fostering efficiency and competition in key growth-enabling sectors (for example, telecommunications), improving business climate, and addressing macroeconomic imbalances. The Government is also devoting a high share of its budget to pro-poor programs and investments, notably to the Productive Safety Net Program (PSNP) launched in 2005.
- Gender disparities in Ethiopia, including in access to economic opportunities for women, are profound.** The 2022 Global Gender Gap report ranked Ethiopia 74 out of 146 countries and 15 in Africa. The rank drops to 112 for economic participation and opportunities and to 133 for educational attainment.<sup>6</sup> The 2022 Global Findex Survey<sup>7</sup> found

<sup>1</sup> International Monetary Fund, 2023. Website, accessed November 14<sup>th</sup>: [imf.org/en/Countries/ETH#featured](https://imf.org/en/Countries/ETH#featured)

<sup>2</sup> Drought is the most destructive climate-related natural hazard. Through 2100, there is a likely 20 percent increase in extreme high rainfall events. Flash floods and seasonal river floods are becoming more frequent and widespread. World Bank, 2021, Ethiopia Climate Risk Profile.

<sup>3</sup> This is particularly due to dependence on key sectors that are highly affected by climate change such as agriculture, water, tourism, and forestry (World Food Programme. Ethiopia Annual Country Report 2022).

<sup>4</sup> Ethiopia Country Climate Development Report, 2023, draft, World Bank.

<sup>5</sup> World Bank, 2021, Ethiopia Climate Risk Profile.

<sup>6</sup> World Economic Forum. 2022. Global Gender Gap Report, published July 2022. URL: [https://www3.weforum.org/docs/WEF\\_GGGR\\_2022.pdf](https://www3.weforum.org/docs/WEF_GGGR_2022.pdf).

<sup>7</sup> World Bank. 2022. The Global Findex Database 2021: Financial Inclusion, Digital Payments, and Resilience in the age of COVID-19. <https://www.worldbank.org/en/publication/globalindex#sec1>.



that only 39 percent of women had a financial account, compared to 55 percent of men, with the gap growing continuously since 2014 when the rates were 21 percent and 23 percent, respectively.

6. **Ethiopia hosts many forcibly displaced persons, including refugees and asylum seekers.** Ethiopia is the third largest refugee-hosting country in Africa, with nearly 1 million refugees.<sup>8</sup> The World Bank, following consultation with the United Nations High Commissioner for Refugees (UNHCR), confirmed that the protection framework for refugees is adequate. Most refugees live in 24 camps across five regional states (Gambella, Somali, Benishangul-Gumuz, Afar, and Amhara). About 53 percent of refugees and asylum seekers are female, and 56 percent are children; together, women and children constitute some 80 percent of the refugee population. The unexpected arrival of additional thousands of refugees from Somali and Sudan starting in February/April 2023 have exacerbated socioeconomic challenges that had already become significant, with the UNHCR making supplementary appeals of US\$41.7 million and US\$19.3 million, respectively, to cover the needs of these refugees and host communities. Most refugee populations and host communities are in fragile border areas with limited services and economic potential. These communities remain vulnerable to conflict and climate-related crises, with acute needs and limited opportunities for self-reliance.

7. **As of June 2023, nearly 3.4 million internally displaced persons (IDPs) were displaced across 2,750 accessible sites in Ethiopia, excluding Tigray region,**<sup>9</sup> largely resulting from the ongoing conflict in northern Ethiopia and localized conflicts and tensions in different parts of the country<sup>10</sup>. Stateless persons and persons at risk of statelessness, especially long-term refugees, also face challenges in exercising their rights and accessing services because of problems with obtaining adequate proof of identity. By implementing an accessible identification system, these challenges can be addressed by promoting inclusivity, economic empowerment, and integration for stateless populations.

8. **The internal conflicts have limited economic growth and reduced access to basic services and infrastructure.** In Tigray, efforts began after the peace deal to restore basic services and rebuild infrastructure. Improving access to services and economic opportunities, including those facilitated by the Federal Government, can help ensure that peace can be maintained. Despite progress in northern Ethiopia following the cessation of hostilities agreement signed in November 2022, internal conflicts continue to be a concern in other regions such as Amhara, Gambela, and Oromia.

## B. Sectoral and Institutional Context

9. **Foundational ID systems<sup>11</sup> are broadly recognized as key enablers for inclusive digitalization and development.** For people, the ability to establish and verify their identity is often a prerequisite for access to services and economic opportunities, such as social protection, healthcare, education, financial services, and employment. Proof of legal identity is also the basis for exercising rights, such as property ownership, and nationality. For governments and businesses, ID systems can serve as a platform for more effective and efficient service delivery by enabling the unique identification and verification of persons. Importantly, ID systems can promote greater inclusion by de-risking and reducing the costs of

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<sup>8</sup> UNHCR's Ethiopia Update on the Total Number of Refugees and Asylum Seekers as of August 31, 2023.

<sup>9</sup> In Tigray, new internal displacement data has been reported, including 1,021,798 IDPs (250,468 households) in 643 sites across six zones (excluding 20 *woredas*/districts hard to reach due to security or environmental factors).

<sup>10</sup> IOM. 2023. Ethiopia National Displacement Report 16 - Site Assessment Round 33 and Village Assessment Survey Round 16: Nov 2022 - Jun 2023. <https://reliefweb.int/report/ethiopia/ethiopia-national-displacement-report-16-site-assessment-round-33-and-village-assessment-survey-round-16-november-2022-june-2023>.

<sup>11</sup> Foundational ID systems are primarily created to provide credentials to the general population as proof of identity for a wide variety of public and private sector transactions. Common types of foundational ID systems include civil registries, national ID systems, and population registers.



service delivery. It is for these reasons that, “by 2030, provide legal identity for all, including birth registration,” was included as target 16.9 in the Sustainable Development Goals.

10. **Well-designed and universally accessible foundational ID systems can promote reconciliation and a sense of national unity and identity.** Qualitative research by the World Bank’s Identification for Development (ID4D) initiative in Côte d'Ivoire, Rwanda, the Philippines, and Timor-Leste, which has engaged vulnerable citizens and residents, has shown that one of the key benefits of ID systems is the sense of belonging that is attached to having an ID issued by the State that has their identity displayed on it. There is the notable case of Peru, which the Centre for Global Development (CGD) described as, “...a remarkable example of a country that established civil identification as a national priority in response to the need to re-integrate the state after a serious insurgency.”<sup>12</sup> ID agents in the field are often one of, if not the most, visible representation of the State in many communities, and identification can be the only universally-used service in a country. ID systems can help establish the presence of the State and show its value in the minds of the population.

11. **Foundational ID systems is one of the three main building blocks of digital public infrastructure (DPI).**<sup>13</sup> As more transactions move online and the importance of the digital economy and digital government rapidly grows, there is also a need for digital ID systems to equip people with the ability to securely prove their identity online, without requiring physical presence and allow transactions to be done completely online. Traditional credentials, such as the paper Kebele ID currently in use in Ethiopia and birth certificates, cannot support such remote transactions.

12. **Ethiopia is one of the few countries in the world that does not have a national-scale foundational ID system with digital capabilities.** Despite enacting the Registration of Vital Events and National Identity Card Proclamation in 2012, the national identity card that it provided for has never been implemented. A paper-based ID issued by *kebeles* (and known as the Kebele ID) is the most common proof of identity in Ethiopia, even though its primary purpose is proof of address and residence. A Kebele ID is often required to access public and private services, obtain other IDs such as driver’s licenses and passports, and formal procedures like proving land ownership.<sup>14</sup> The features of the Kebele ID vary by *kebele*, but they generally display handwritten demographic information and address and include a stapled photo.

13. **According to the 2017 ID4D-Findex Survey, 36 percent of the population aged 18 and older lack a Kebele ID, with a significant gender gap of 46 percent of women lacking one compared to 25 percent of men, creating barriers for a large portion of people to access services and economic opportunities.** Kebele ID coverage reaches 70 percent for adults older than 25 and 80 percent for the highest income quintile. Obtaining a Kebele ID often requires residing in a location for a minimum period (for example, six months), which leads to exclusion of internal migrants and refugees. Being tied to residence also means that a Kebele ID cannot serve as a continuous identification throughout the life of an individual, as one may move. Most Kebele IDs display holder’s ethnicity, which is a potential source of discrimination. The lack of uniformity among the forms of Kebele ID cards and the ease of forgery add substantial identity risks for service providers. Records are often paper ledgers vulnerable to damage, tampering, unauthorized use, identity theft, and loss due to fires or natural disasters like floods.

14. **The current ID landscape in Ethiopia has four main weaknesses.** First, inefficiency: the absence of identity verification capabilities for online and even for in-person service delivery adds transaction costs through manual

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<sup>12</sup> CGD. 2017. “Identification as a National Priority: The Unique Case of Peru - Working Paper 454.” <https://www.cgdev.org/publication/identification-national-priority-unique-case-peru>.

<sup>13</sup> DPI refers to a set of foundational systems and their organizational frameworks (for example, laws and institutions) that enable core functions in today's digital age, including the ability to verify identities, to send and receive money, and to exchange data.

<sup>14</sup> World Bank. 2022. *Voluntary Migration in Ethiopia: In Search for Work and Better Opportunities*.



processes. Second, exclusion: gaps in Kebele ID coverage among adults and low birth registration coverage (around 20 percent in 2022<sup>15</sup>). Third, fraud-related risks: inability to reliably verify an individual's unique identity, particularly for use cases that require higher levels of assurance, such as cash transfers and obtaining credit. Finally, lack of interoperability: the lack of common standards for identity information and population-scale unique identification makes it difficult for public and private sector service providers to share and reuse data to improve outcomes for people.

15. **Exclusion from access to IDs and services particularly affects IDPs and women who live in rural areas and migrate for marriage and domestic labor jobs, as well as refugees.** Kebele IDs are commonly associated with the 'head of household' (a traditionally male role) and are mainly required for opening a financial account or getting formal employment outside the home (both of which men are more likely to do). Consequently, women are less likely to pursue getting a Kebele ID. Indeed, early results from qualitative research by ID4D reveal that although there are no legal obstacles for women to access Kebele IDs, there are symbolic and practical barriers. Moreover, not having an ID can also lead to harassment and arrest by police officers as a migrant may be considered as an illegal resident. During displacement, IDPs may seek refuge elsewhere in the country and face challenges to renew their Kebele ID. The low birth registration rate in the country (20 percent) further enhances the risk of de facto statelessness for children.

16. **Though Ethiopia has an inclusive policy environment for refugees, they face similar challenges with regard to documentation in Ethiopia, which hampers their access to services and economic opportunities.** The Government has affirmed its commitment to supporting long-term inclusion through its 2019 Refugee Proclamation, a 10-year National Comprehensive Refugee Response Strategy, an Out of Camp Policy, 2019 Global Refugee Forum (GRF) pledges,<sup>16</sup> and an April 2023 Strategy Note provided to the World Bank. Through these, refugees have the right to work, access national services, and register vital events, including births and marriages, directly with national authorities. However, implementation of these policies faces challenges. During the conflict in northern Ethiopia, refugee registration was paused but now has been largely resumed. One of the main challenges is that special identification issued to refugees by the Refugees and Returnees Service (RRS) and UNHCR are not widely recognized by service providers such as banks and mobile network operators, hindering their integration and access to services. The GoE's decision to provide the same kind of identification to refugees (Fayda)<sup>17</sup> as it will to nationals, is a significant step for inclusion and long-term solutions.

17. **The GoE has sought to resume previously paused registration of refugees with support from UNHCR and has collaborated across government to include refugees at the outset within Fayda.** In line with Government policy commitments (PCs), RRS, the National ID Program (NIDP), and UNHCR signed a Data Sharing Agreement in October 2023 to "help refugees easily access basic services such as health insurance, education, banking, and driving, among other things." NIDP concretized its commitment to include refugees in their Fayda IDs target for which the Data Sharing Agreement is a key prerequisite, and RRS participated in the preparation of this project. Concurrently, RRS and UNHCR have signed a Registration Multi-Year Joint Strategy for Refugees in Ethiopia to further facilitate the registration of refugees in the country. Political instability in the region, which remains unpredictable because of national and neighboring countries' political instability, conflict, and humanitarian crisis, risks future refugee inflows into Ethiopian territory, and these agreements will strengthen Ethiopia's ability to prepare for these.

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<sup>15</sup> World Bank. *ET - Health SDG Program for Results (P123531) Implementation Completion Report (ICR) Review*.

<https://documents1.worldbank.org/curated/en/099041923195522835/pdf/P1235310c601d00940959307b7687b4eccf.pdf>.

<sup>16</sup> The GoE (RRS) is now fine-tuning its draft pledges for the upcoming second GRF to be held in December 2023. It is expected that refugee inclusion in the Fayda Digital ID system will contribute toward filling identification-related gaps in the pledge implementation process.

<sup>17</sup> Fayda is the official brand name of the Ethiopian digital identification initiative.





18. **According to the latest data available from UNICEF, only 3 percent of children under 5 years of age have their birth registered.**<sup>18</sup> Through the World Bank-funded Health SDG Program (P123531), the percentage of births occurring in a given year that were registered attained 20.9 percent in 2022.<sup>19</sup> In 2016, kebeles introduced paper-based and manual recording of births, deaths, marriages, and divorces. In May 2021, the Immigration, Nationality and Vital Events Agency—now known as Immigration and Citizenship Services (ICS)—unveiled a Civil Registration and Vital Statistics Improvement Plan for 2022–2026.<sup>20</sup> Digitalization is a major component, supported by the World Bank’s Program for Results (Hybrid) for Strengthening Primary Health Care Services (P175167) project.

19. **In line with the Digital Ethiopia 2025 Strategy,**<sup>21</sup> **the GoE began an initiative in 2019 to establish a foundational ID system as a complement—not a replacement—to the existing Kebele IDs.** The intention of the new ID system is to provide a trusted source of identity, including for online transactions, while Kebele IDs will continue to provide proof of address and residence. In the same year, the GoE developed the Principles and Governance Structure of the National Identity Program, which emphasized inclusion for all residents (including refugees) of Ethiopia and alignment with the Principles on Identification for Sustainable Development.<sup>22</sup> Responsibility was transferred from the Ministry of Innovation and Technology (MIiT) to the Ministry of Peace in 2020 and subsequently to the Prime Minister's Office (PMO) in 2021, where it became NIDP. The NIDP will be transferred to a permanent ID Institution once the latter is established.

20. **During March–June 2022, NIDP carried out a registration pilot, enrolling 124,233 people using open-source software that was integrated in-house.** The pilot registrations focused on workers at Addis Bole Lemi and Hawassa Industry Parks, higher education students, customers of several participating banks, and PSNP beneficiaries in five *woredas* located across two regions (Oromia and Sidama). Following an evaluation by NIDP, it was decided to proceed with the open-source software approach. By November 2023, the registration pilot had reached over 3 million individuals who had voluntarily registered in the system. NIDP is also close to signing a tripartite memorandum of understanding (MoU) with RRS and UNHCR to be able to share data for the issuance of a Fayda ID to refugees and asylum seekers.

21. **Following extensive stakeholder engagement and preparatory work, the Digital ID Proclamation was promulgated in March 2023 to create legal grounds for the foundational ID system, now known as Fayda, meaning value in several local languages, and an ID Institution to implement it.** Fayda is envisioned to provide a unique ID to all nationals and residents from birth. It is designed to encompass these key elements: being nationwide in scope; being accessible to Ethiopian nationals and residents; providing a unique and random number (with the possibility to tokenize it for enhanced data protection); leveraging digital technologies; and maintaining the security of personal data. The ID system collects minimal data, including only four mandatory fields (full name, gender, date of Birth, and current address), while excluding sensitive information like ethnicity and religion. It also incorporates three biometric modalities (face, fingerprint, and irises) for enhanced security, with exceptions to handling procedures in case of disability. While the ID Proclamation is largely aligned with international good practices, there are some areas that need clarity and elaboration, such as the institutional and governance arrangements for the ID Institution and its relationship with a future Data Protection

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<sup>18</sup> UNICEF. 2019. Fact Sheet Birth Registration. Ethiopia, Child Protection

<https://www.unicef.org/ethiopia/media/1651/file/Birth%20registration%20factsheet%20.pdf>

<sup>19</sup> Health SDG Program for Results, 2023

<https://documents1.worldbank.org/curated/en/099041923195522835/pdf/P1235310c601d00940959307b7687b4eccf.pdf>

<sup>20</sup> Immigration, Nationality and Vital Events Agency, Civil Registration and Vital Statistics Systems Improvement Strategy and Costed Action Plan of Ethiopia: 2021/22–2022/26, April 2021.

<sup>21</sup> For more information about *Digital Ethiopia 2025*, see [https://www.lawethiopia.com/images/Policy\\_documents/Digital-Ethiopia-2025-Strategy-english.pdf](https://www.lawethiopia.com/images/Policy_documents/Digital-Ethiopia-2025-Strategy-english.pdf)

<sup>22</sup> For more on the principles, see <http://idprinciples.org>





Proclamation, among others. The Data Protection Proclamation approved by the Council of Ministers in October 2023 and expected to be ratified by Parliament in 2024, is critical for further mitigating personal data protection risks.

22. **NIDP has identified high-impact use cases for Fayda, especially links with and between financial inclusion and social protection, to improve lives and livelihoods.** It has been engaging and establishing partnerships with various government agencies and businesses to understand their requirements and problems, as well as to engage with other countries to learn lessons and good practices. To this end, NIDP has signed several MoUs with banks, Ethio Telecom, and Safaricom and has engaged with the Ministry of Agriculture, Ministry of Education, and Ministry of Health, to collaborate on awareness raising and pilots. In the area of financial inclusion, the National Bank of Ethiopia (NBE) released a new directive in 2021 to strengthen know-your-customer (KYC) requirements across the financial sector to discern individual customer uniqueness for all transaction types.<sup>23</sup> This new requirement is overwhelming for both the banks and the people, both with and without a Kebele ID. Fayda, by providing a digitally verifiable ID, is envisioned to provide enough assurance to waive these controls, hence reducing costs, time, and risks associated with account opening and credit applications. This is particularly important as social assistance programs like the PSNP (which can be gateways for financial inclusion) are currently being digitalized with the transition to digital payments and a new management information system (MIS) to replace the current manual processes used to target and enroll beneficiaries. Fayda can also improve the integrity and transparency of this rather complex and currently paper-based safety nets delivery chain. There is also interest from the GoE to use Fayda to support microfinance for farmers and for providing ID to students ages 16 and older. This is being done to certify diplomas, community health insurance, public and private pensions, use of mobile money and microloans, and SIM card registration.

23. **Fayda could also play an important role in realizing peace dividends in Ethiopia.** First, at the social level, Fayda will enable all citizens and residents to exercise their rights related to having proof of their legal identity, and it will be the first universally accessible ID system that only focuses on individual identity, without collecting information on ethnicity nor religion. Furthermore, as a national system (compared to a collection of *kebele* systems), it can create a sense of belonging and will have a consistent look and feel, providing equal access to services for all registered persons. Second, the Fayda ID system can foster inclusion and shared prosperity by improving access to services and economic opportunities. As a digital system, Fayda will enable the Government, businesses, and civil society to harness digital technologies to make products and services more inclusive and human centered.

24. **The World Bank, through ID4D, has been providing technical assistance to the GoE on ID issues since 2016, and modest financing for upstream activities through Digital Foundations Project (P171034) since 2021.** An ID4D Diagnostic was completed in 2017<sup>24</sup> and updated in 2019. In 2020, a legal assessment was carried out, which contributed to the Principles and Governance Structure of the National Identity Program published by the GoE. The ID4D technical assistance also contributed to the development of the Digital ID Proclamation, now adopted. In 2021, ID4D worked with NIDP to do a costing for a Fayda rollout, which came up with (a) registering adults ages 18 and older only (US\$283 million or US\$3.8 per registrant), (b) registering adults and children ages 14 and older only (US\$308 million or US\$3.5 per registrant), and (c) registering adults and children ages 5 and older only (US\$334 million or US\$2.8 per registrant). The World Bank has also worked with NIDP to map use cases for Fayda, including identifying complementary World Bank engagements. During 2022 pilots, ID4D conducted an exit survey and focus group discussions among PSNP beneficiaries who registered for Fayda to get insights on any shortcomings of registration processes to fine-tune registration during scale-up. A conflict analysis and end-user survey have contributed to the design and risk mitigation measures for this project.

<sup>23</sup> NBE. 2021. *Requirements for Undertaking Account Based Transactions and Ensuring of Regulatory Limits Directive No. FIS/04/2021*.

<sup>24</sup> World Bank. 2016. *ID4D Country Diagnostic: Ethiopia*. <https://id4d.worldbank.org/country-action/id4d-diagnostics>.



### C. Relevance to Higher Level Objectives

25. **The project contributes to all three Focus Areas of the Ethiopia Country Partnership Framework (FY18-FY22, Report 119576-ET).** Fayda will improve access to and efficiency of economic and financial services (Objective 1.1), social protection (Objective 2.1), health care and continuous care (Objective 2.2), education for all (Objective 2.4), management of job employment programs (Objective 2.6), and child protection (Objective 2.5). Furthermore, the project will build capacity and increase transparency for the delivery of public services (Objective 3.1).

26. **The project is aligned with the World Bank’s Evolution and new mission to end extreme poverty on a livable planet.** The project will support Ethiopia to better harness digital technologies, including through public and private sector solutions, to enhance access to services and economic opportunities, while strengthening capabilities to manage risks related to exclusion and digital security. With respect to the Evolution, the project’s design and implementation is and will continue to draw on the World Bank’s knowledge and research. Digital public infrastructure, including digital ID and data sharing platforms that are supported by this project, are one of three elements of the Global Challenge Program on Accelerating Digitalization.

27. **The project is contributing to four other World Bank important strategies and initiatives:**

- a. **Gender Strategy.** The project will close gender gap in ID coverage in Ethiopia that exists today (21 percent for Kebele IDs) and will ensure that Fayda’s systems and processes are gender sensitive, thereby improving their access to services and economic opportunities. Furthermore, the project will contribute to improving human endowments, removing constraints to more and better jobs for women, and removing barriers to women’s ownership and control over assets (Annex 3).
- b. **IDA-20 policy commitments (PCs).** This includes closing gaps in digital technology for women (Gender PC5), expanding adaptive social protection (Human Capital PC4), expanding access to services for persons with disabilities (Human Capital PC6), and enabling digital government services (Governance PC3).
- c. **Mobilizing finance for development (MFD).**<sup>25</sup> By removing binding constraints (such as the current inability to effectively verify the identities of people) the project is supporting sustainable private sector solutions. This will be achieved by leveraging the competitive advantage of the private sector to provide Fayda registration activities in hard-to-reach areas through the super-agent model and enabling private sector service providers to verify identities, which in turn would incentivize the expansion of private sector-led service offerings and corresponding investments.
- d. **Fragility, Conflict, and Violence (FCV).** By ensuring that Fayda is accessible for refugees, host communities, and IDPs, the project will be contributing to fulfilling the principle of inclusion and mitigating the spillovers of FCV, as well as helping Ethiopia to transition out of fragility. Impactful results are expected especially to those who do not have access to pre-Fayda forms of identification that are required for access to services and economic opportunities.

28. **In terms of Paris alignment, the project is aligned with Ethiopia’s 2021 Updated Nationally Determined Contribution (NDC),<sup>26</sup> which outlines the need to build a climate-resilient green economy as one of its strategic pillars.**

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<sup>25</sup> The MFD objective is to mobilize private finance enabled by upstream reforms and public funding, where necessary, to address market failures and other constraints to private investments.

<sup>26</sup> Federal Democratic Republic of Ethiopia. Updated Nationally Determined Contribution, July 2021.

[https://unfccc.int/sites/default/files/NDC/2022-06/Ethiopia%27s%20updated%20NDC%20JULY%202021%20Submission\\_.pdf](https://unfccc.int/sites/default/files/NDC/2022-06/Ethiopia%27s%20updated%20NDC%20JULY%202021%20Submission_.pdf)



This necessitates climate-proofing digital investments but also leveraging digital technologies, such as digital ID, to strengthen the resilience of vulnerable communities. Digital ID facilitates resiliency-enhancing schemes, such as safety nets programs that cushion vulnerable individuals against impacts of climate change induced food insecurity. The project is aligned with Ethiopia’s Long-term Low Emissions and Climate Resilient Development Strategy (2020–2050) and the National Adaptation Plan (2019) that recognize the role of data management for climate action.

29. **The project supports Ethiopia’s implementation of key African digital transformation initiatives.** The project supports operationalization of the World Bank’s Digital Economy for Africa (DE4A) strategy in Ethiopia and the African Union’s Digital Transformation Strategy for Africa and Digital ID Interoperability Framework for Africa.

## II. PROJECT DESCRIPTION

### A. Project Development Objective

#### PDO Statement

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

#### PDO Level Indicators

31. The achievement of the PDO will be measured by the following results indicators:

- (a) Number of people in Ethiopia who have received a Fayda ID
  - (i) Percentage of whom are women and girls.
  - (ii) Number of whom are refugees.
  - (iii) Number of whom are individuals living in refugee host communities.
  - (iv) Number of whom registered in remote and hard to reach areas.
- (b) Number of successful digital ID authentications by Fayda ID holders to access public and private sector services.
  - (i) Number of which are in areas hosting refugees.

### B. Project Components

32. **The project design provides comprehensive support for Fayda implementation<sup>27</sup> in accordance with international good practices for inclusion and accessibility, nondiscrimination, personal data protection and privacy, digital security, accountability, and good governance.** Fayda will comply with the 10 Principles on Identification for Sustainable Development enshrined in the Ethiopian Digital ID Proclamation.<sup>28</sup> This alignment (elaborated in Annex 2) will maximize the socioeconomic benefits and development impacts that stem from trusted and inclusive ID systems, while also mitigating risks related to exclusion, discrimination, personal data protection, and technology lock-in.

<sup>27</sup> To refer to the implementing entity in this section, the term “NIDP” is used synonymously with “ID Institution” (once the latter is established).

<sup>28</sup> The full text of the Parliament-endorsed proclamation can be found on <https://id.et/law>



**Table 1. Overview of Components, Subcomponents, and Budget Allocation**

| Component/Subcomponent   | IDA Credit (US\$, millions) | WHR Grant (US\$, millions) | Total (US\$, millions) |
|--|-----------------------------|----------------------------|------------------------|
| <b>1. Building institutions and trust</b>  | 16                          | 5                          | 21                     |
| 1.1. Supporting stakeholder engagement and communications  | 9                           | 5                          | 14                     |
| 1.2. Establishing and operationalizing the Digital ID Institution  | 4                           | —                          | 4                      |
| 1.3. Establishing and operationalizing the Data Protection Commission of Ethiopia  | 3                           | —                          | 3                      |
| <b>2. Establishing scalable and secure Fayda ICT infrastructure</b>  | 60                          | 8                          | 68                     |
| 2.1. Supporting the design, development and maintenance of Fayda software  | 40                          | 4                          | 44                     |
| 2.2. Supporting development of data infrastructure   | 15                          | 3                          | 18                     |
| 2.3. Strengthening digital security  | 5                           | 1                          | 6                      |
| <b>3. Inclusive ID issuance</b>  | 194                         | 20                         | 214                    |
| 3.1. Supporting mass registration and issuance of physical and digital IDs to Ethiopian residents                                  | 190                         | —                          | 190                    |
| 3.2. Supporting mass registration and issuance of physical and digital IDs to Ethiopian residents in host communities and refugees | —                           | 20                         | 20                     |
| 3.3. Supporting integration of Fayda and digital civil registration systems  | 4                           | —                          | 4                      |
| <b>4. Improving service delivery</b>   | 20                          | 15                         | 35                     |
| 4.1. Supporting integration of Fayda   | 12                          | 15                         | 27                     |
| 4.2. Developing an Ethiopia digital stack  | 8                           | —                          | 8                      |
| <b>5. Project management</b>   | 10                          | 2                          | 12                     |
| <b>Total</b>   | <b>300</b>                  | <b>50</b>                  | <b>350</b>             |

Note: WHR = Window for Host Communities and Refugees.

**Component 1 - Building institutions and trust (US\$21 million equivalent – US\$16 million IDA, US\$5 million WHR)**

33. This component will invest in the ‘analogue’ foundations, including stakeholder engagement, legal frameworks, and the institutions that are key for the successful implementation of Fayda and use cases.

34. **Subcomponent 1.1 – Supporting stakeholder engagement and communications (US\$9 million IDA, US\$5 million WHR).** The subcomponent will support a two-way engagement with the population (especially vulnerable groups), regional governments and *kebeles*, service-providing agencies, civil society, academia, the private sector, and other stakeholders to inform the implementation of all aspects of Fayda, notably to implement corrective measures if needed to ensure that Fayda remains inclusive for all and to raise awareness about Fayda and its use, promote registration and usage, and address misinformation. A special focus will be on including and addressing host communities and refugees with adapted communication strategies, including in their own languages, and using culturally sensitive methods. The activities will consider regional contextualities, languages and cultural norms, and the need for information, education, and communication to be accessible (for example, for persons with disabilities and those with lower literacy). Funds will be used for provision of goods, consulting services, non-consulting services, training, and operating costs for (a) carrying out information, education, and communication activities and engagement with various stakeholders to raise awareness about Fayda and its use, to promote registration and usage, and to address misinformation; (b) scaling up grievance redress mechanisms (GRMs) through in-person and online help desks, and Fayda mobile app; and (c) developing information systems and processes including, digital and physical media production, workshops, events, and advertising.



35. **Subcomponent 1.2 – Establishing and operationalizing the ID Institution (US\$4 million IDA).** This will support the establishment of the ID Institution, as provided for in the Digital ID Proclamation, and its presence in all regions and two chartered cities to coordinate registration and ID issuance operations, use case development, communications, stakeholder engagement, and grievance redress. The local presence of the ID Institution may be co-located with Fayda centers and regional offices of ICS and/or other federal authorities. Additionally, through the WHR fund, interoperability between existing refugee registration (RRS and UNHCR) will be worked on to make refugee registration as efficient as possible in the already existing registration environment (triangle data sharing agreement RRS/UNHCR/NIDP).

36. **Subcomponent 1.3 – Establishing and operationalizing the Data Protection Commission of Ethiopia (US\$3 million IDA).** Subject to the passage of the Personal Data Protection Proclamation, this will support the establishment of the federal data protection Commission and its local presence.

**Component 2 - Establishing scalable and secure Fayda ICT infrastructure (US\$68 million equivalent - US\$60 million IDA, US\$8 million WHR)**

37. This component will invest in developing Fayda’s software and hardware with a view to ensuing high performance and scalability, system integrity and security, interoperability, and vendor and technology neutrality.

38. **Subcomponent 2.1 - Supporting the design, development and maintenance of appropriate software for Fayda (US\$40 million IDA, US\$4 million WHR).** This subcomponent will support NIDP in developing, maintaining, and enhancing open-source software for Fayda and NIDP’s back-office operations, including upgrading and scaling up Fayda systems developed as part of the pilots to date and developing a mobile ID application that will include a consented data-sharing function and a digital wallet to store, present, and share data and verifiable credentials<sup>29</sup> as well as integration and interoperability with other sectoral systems, notably RRS and UNHCR systems for refugees specifically. Funds will be used for supporting: (i) the design, development, and maintenance of appropriate software for Fayda and back-end operations, including upgrading and scaling up existing Fayda systems; (ii) developing a mobile ID application incorporating a consented data-sharing function and a digital wallet; (iii) supporting system integration and interoperability with other sectoral systems; (iv) procuring software, licenses, and subscriptions for automated biometric identification systems; (v) software development kits for registration and authentication processes; (vi) ID card personalization and lifecycle management; (vii) the short message service; (viii) public key infrastructure for encrypting and digitally-signing data; and (ix) back-office systems such as enterprise resource planning tools, business intelligence and data analysis tools for monitoring and evaluation (M&E), and x) various collaboration tools.

39. **Subcomponent 2.2 – Supporting development of data infrastructure (US\$15 million IDA, US\$3 million WHR).** Funds will be used for the development of data infrastructure such as ID data storage and computing capabilities for Fayda through server equipment expected to be co-located in the existing data centers, as well as business continuity through disaster recovery and backup systems, procurement of data center software, minor renovations to existing data center facilities, cloud computing subscriptions, and related licenses. The primary data center to house Fayda server equipment is expected to be in the national data center being financed by the Digital Foundations Project (P171034). The secondary data center(s) will be at existing co-location facilities to be identified by NIDP. The purchase of the energy-efficient server equipment for the existing data centers will be in accordance with internationally recognized best practices on energy

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<sup>29</sup> For instance, by using the World Wide Web Consortium’s (W3C) Verifiable Credentials standard.



efficiency.<sup>30</sup> The project will undertake a climate risk assessment to assess risks (typically floods).<sup>31</sup> This will inform the location of IT equipment and other relevant mitigation measures. The project will also embed automated backup and disaster recovery system to avoid data loss in the event of climate calamities.

40. **Subcomponent 2.3 - Strengthening digital security (US\$5 million IDA, US\$1 million WHR).** This subcomponent will support NIDP to strengthen its operational, technological, and policy capabilities for information and cybersecurity aspects of Fayda, which is particularly important due to the vulnerability of refugees and host communities. NIDP will collaborate with MInT and other parties on various cybersecurity aspects that are being funded from the Digital Foundations Project (P171034) and the new regional operation Eastern Africa Regional Digital Integration Project SOP-II (P180931). Funds will be used for strengthening digital security including operational, technological, and policy capabilities for information and cybersecurity aspects of Fayda as well as the development of strategies and standard operating procedures; procurement of appropriate equipment and subscriptions for network and security operations centers; capacity building; third-party security and software code audits and associated services; and subscriptions and tools for monitoring, preventing, and responding to cyber threats.

### Component 3 - Inclusive ID issuance (US\$214 million equivalent - US\$194 million IDA, US\$20 million WHR)

41. **This component will finance the voluntary registration and issuance of physical and digital IDs to at least 90 million<sup>32</sup> Ethiopian nationals and nonnationals** (for example, refugees, other migrants, and stateless persons) in line with the strategies described in **Error! Reference source not found.** and good practices elaborated in Annex 2. The targeted registered population of 90 million is in addition to registrations that are being financed by the Government or the registration partners such as banks, estimated to reach at least 5 million people before effectiveness. The planned ID registration processes have been enhanced by pilots and proofs of concept, including for refugees, and are expected to be easy and accessible, notably to persons with disabilities and other marginalized/vulnerable groups, with information available in a variety of formats and from a range of trusted sources. To avoid exclusion, registrants will be able to present over 30 official documents, including a Kebele ID or birth certificate. Any persons without these could have their claimed identity vouched for by a trusted 'introducer' who is already registered in Fayda, such as a husband introducing his wife or a village chief introducing an elderly person.

#### Box 1. Fayda Registration and Credential Strategies

To have accessible and scalable reach, there will be four channels for registration and ID issuance (Figure 1). Two of these channels (registration partners and super agents) will be outsourced for a fixed fee between US\$0.60 and US\$3.80 per registration (subject to inflation), depending on the location.<sup>33</sup> NIDP will supervise the implementation of these two outsourced channels through audits, spot checks, and other methods. The four channels are as follows:

- (a) **Registration partners.** These are government agencies and state-owned enterprises selected by NIDP based on client profile, geographic coverage, and technical and fiduciary capacity. The intention is to provide convenient registration and to leverage existing client relationships with partners, such as beneficiaries of social safety net programs and license applicants. NIDP will provide registration kits, software, and training, notably to ensure compliance with nondiscrimination principles and special measures for individuals with disabilities or vulnerability. The partners will provide facilities, staffing, and

<sup>30</sup> For example the EU Code of Conduct on Data Centre Energy Efficiency or International Telecommunication Union recommendations on green data centers.

<sup>31</sup> Flash floods and seasonal river floods are becoming more frequent and widespread and are projected to increase alongside extreme rainfall events. World Bank, 2021, Ethiopia Climate Risk Profile.

<sup>32</sup> This is in addition to the estimated 5 million persons registered by NIDP at the time of project approval.

<sup>33</sup> Fees were calculated based on cost models by NIDP as part of project preparation, in line with the costs observed in other developing countries.

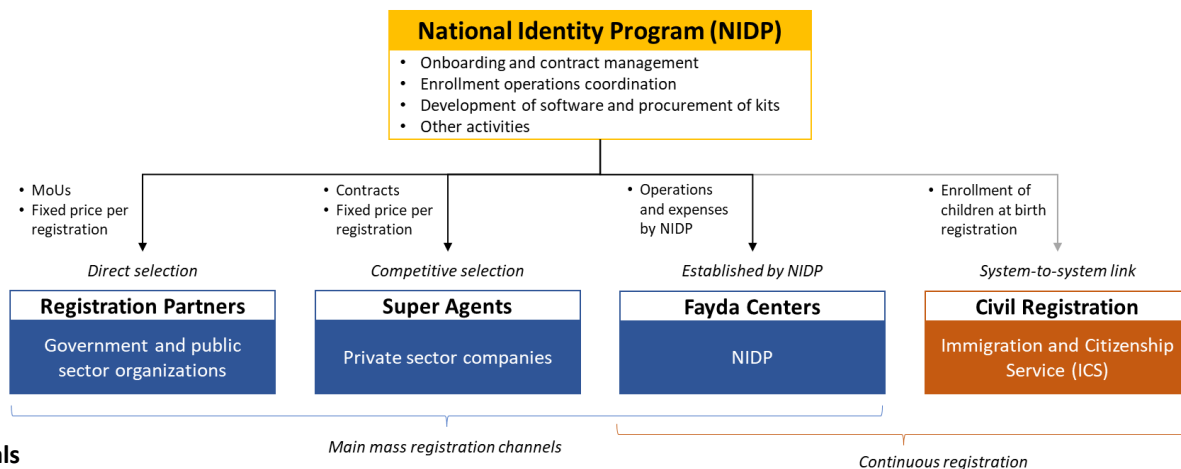




consumables and have the possibility of procuring kits (for example, banks). The fund flows will be elaborated in the Project Operations Manual.

- (b) **Super agents.** These are private companies procured through a competitive process. They will cover all geographies, including urban centers, nonurban, remote, and special zones/use cases benefiting from the private sector’s ability to scale operations. NIDP will provide registration kits, software, and training to ensure inclusion and nondiscrimination. The agents will provide facilities, staffing, and consumables and may use their own hardware that meet standards set by NIDP.
- (c) **Fayda Centers.** These are permanent, temporary, and mobile centers to be established and operated by NIDP, typically at regional and zonal levels, to offer registration, data update, and grievance services. For the initial mass registration, the focus will be on temporary and mobile centers for populations, such as those living in remote areas and persons with disabilities, who are unlikely to be covered by registration partners and super agents. Permanent centers will be gradually established, including through co-location with offices of ICS and other government agencies, to take over steady state responsibilities.
- (d) **Civil registration.** This channel involves Fayda registration at the time of birth registration for children below an age to be agreed by NIDP and ICS, facilitated by system-to-system integration.

Figure 1. Fayda Registration and ID Issuance Channels



Credentials

The IDs issued by Fayda will use credentials that will use open technologies (for example, open standard QR codes) for security and verification (including with offline capabilities) and will not display data that could cause risk of discrimination. NIDP will also consider using global and regional standards for cross-border interoperability of the credentials. The two types of credentials are as follows:

- (a) **Physical credentials.** Low-cost plastic or paper ID cards with basic physical security features will be issued for free in the first instance with the possibility of charging nominal fees for replacements and for these fees to be waived for vulnerable populations. These credentials will be distributed through the registration channels and partnerships with EthioPost, regional governments, and *kebeles*.
- (b) **Digital credentials.** A Fayda smartphone application will be developed along with the issuance of digital credentials that can be stored in other applications and emerging standardized digital wallets. These credentials will be free for all to use.

42. Kebele ID paper-based records are stored locally across the country, with no aggregated backups in a centralized repository. This makes them vulnerable to damage or loss during climate disasters or conflict.<sup>34</sup> Recent floods in Somali,

<sup>34</sup> Lucas, Kitzmüller. 2020. Let’s Get Digital? Policy Options for Ethiopia’s ID System. <https://lucaskitzmueller.medium.com/lets-get-digital-policy-options-for-ethiopia-s-id-system-ef2b02468942>



Oromia, and Afar have flooded fields, schools, and public institutions.<sup>35</sup> The roll out of Fayda and the planned interoperability with civil registration will improve the Government's ability to offer digital services that require proof of vital events, such as for emergency cash transfers following climate shocks (floods and drought)<sup>36</sup>. The provision of unique identifier will assist the layering of services and support packages (cash plus) on climate change vulnerable households by various partners which will better facilitate building the resilience of households from the impact of climate change.

43. **Subcomponent 3.1 – Supporting mass registration and issuance of physical IDs to Ethiopian residents (US\$190 million IDA).** This subcomponent will support a mass registration through registration partners, super agents, and Fayda centers to produce and distribute IDs to up to 90 million nationals and nonnationals, including disadvantaged groups, such as women, girls, and persons with disabilities (except for refugees and host communities, which are funded by Subcomponent 3.2). It will also support the transition to a steady state through the establishment of permanent Fayda centers. In line with the project's commitment for inclusion, the registration strategies and processes will be designed to be universally accessible. The planned Fayda registration processes have been enhanced by pilots and are expected to be easy and accessible for Ethiopians and residents, with information available in a variety of formats and from a range of trusted sources. To avoid exclusion, the registrants will have the option to present many possible official documents, including a Kebele ID or birth certificate. Any persons without either of these or other identity documents, in the last resort, would have their claimed identity vouched for by a trusted 'introducer.' Funds will be used to support mass registration and issuance of physical and digital IDs to Ethiopian residents (excluding refugees and host communities) through registration partners, super agents, and Fayda centers as well as the establishment of permanent Fayda centers and registration partners. The project will promote the use of renewable energy by procuring solar-powered registration kits for the mass registration (90 million people).<sup>37</sup>

44. **Subcomponent 3.2 – Supporting mass registration and issuance of physical IDs to Ethiopian residents in host communities and refugees (US\$20 million WHR).** This subcomponent will support NIDP, in collaboration with UNHCR and RRS, to prioritize registration and ID issuance, through registration partner and Fayda center channels, to host communities and refugees in regions where large populations of refugees exist, namely Gambella, Somali, Benishangul-Gumuz, Afar, Tigray,<sup>38</sup> and Amhara, as well as urban refugees in Addis Ababa. This is estimated to cover up to 1.7 million persons in host communities and up to 924,000 refugees.<sup>39</sup> NIDP will work closely with RRS and UNHCR to utilize existing and upcoming initiatives for issuing and renewing refugee ID cards. This involves reusing biographic and biometric data collected by RRS through the UNHCR ProGres system for Fayda registration. NIDP will also develop registration strategies for individuals who require to be 'introduced' by a witness in the absence of supporting documentation (for example, due to delay in issuance of refugee cards). Fayda will not substitute existing documents issued to refugees (refugee ID card, proof of registration, and so on) but will be used as a complementary form of identification.

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<sup>35</sup> Floodlist 2023. Ethiopia-Flooding Continues in Several Regions, Displacing Thousands and Threatening Food Security. <https://floodlist.com/africa/ethiopia-floods-may-2023>

<sup>36</sup> Governments must respond quickly to climate or other shocks and provide emergency assistance. When Pakistan was hit by floods in 2010, it used the foundational ID to facilitate emergency cash grants: beneficiaries used their cards to make a quick application at centers across the country, and their address was validated (to check whether they lived in the affected areas). Over 2.7 million people applied, but 1.1 million were deemed ineligible, saving up to US\$248 million. Having such reliable systems enables a country to respond at speed and with transparency.

<sup>37</sup> The process will require thousands of registration kits.

<sup>38</sup> Numbers of refugees in Tigray require confirmation as RRS is currently in the process of re-engaging in the region following the recent conflict.

<sup>39</sup> The target for refugees tackles almost the whole population of registered refugees in Ethiopia as of October 2023. However, this number might change due to continuing inflows and outflows of refugees. The same is valid for the target seizure of the host community, which is until now an estimate provided by UNHCR, for *woredas* with a great number of host communities. It should be noted that the per-person cost of registering refugees is expected to be nearly three times that of host communities, which has been considered in the costing and allocations of WHR.





45. **Subcomponent 3.3 – Supporting integration of Fayda and digital civil registration (US\$4 million IDA).** This subcomponent will be carried out in coordination with the Ethiopia Program for Results (Hybrid) for Strengthening Primary Health Care Services Project (P181399), which is supporting ICS to digitalize its civil registration system. The project’s funds will be used for supporting the integration of Fayda and digital civil registration systems at federal and regional levels, including Fayda registration for children whose births have been registered by ICS, Fayda-based identity verification of parents and other notifiers of vital events, and notification of registered marriages and deaths to Fayda, all through the provision of goods, consulting services, non-consulting services, training, and operating costs for the purpose. The integration of Fayda to the civil registration system managed by ICS provides for long-run operational sustainability, ensuring a continuous data collection mechanism from birth. Furthermore, significant efforts are being made under Component 1 to enable the legal and institutional reforms necessary for long-term institutional legitimacy.

**Component 4 – Improving service delivery (US\$35 million equivalent - US\$20 million IDA, US\$15 million WHR)**

46. This component will support carrying out the following program of activities designed to increase usage of Fayda and to transform service delivery by integrating authentication and e-KYC into priority sectors, as well as developing an Ethiopia Digital Stack of platforms and APIs to support public and private sector service providers build better systems.

47. **Subcomponent 4.1 – Supporting the integration of Fayda (US\$12 million IDA, US\$15 million WHR).** This subcomponent will fund the integration of Fayda authentication and e-KYC, and the data exchange platform supported under Subcomponent 4.2 into priority services in the public and private sectors, which will be determined by the Project Steering Committee (PSC) based on the variables of population reach, impact, and feasibility. The initial priority sectors have been defined as social protection (registration and identity verification of safety nets beneficiaries, financial inclusion (opening of a bank account and e-KYC), education (student ID), and health (links with civil registration, health records, and insurance). The ability to verify the identity of beneficiaries combined with financial inclusion schemes are core enablers for public cash transfers responding to climate and other shocks.

48. **Subcomponent 4.2 -Developing an Ethiopia Digital Stack (US\$8 million IDA).** This subcomponent will support NIDP, in collaboration with other government agencies (such as NBE, EthioSwitch, and MInT) and private sector, to develop a whole-of-government data exchange platform and a set of open APIs. This will make sharing of data across the Government and with the private sector more secure and seamless, while ensuring consent of the data subject facilitated by Fayda authentication. Funds will be used for developing an Ethiopia Digital Stack including a whole-of-government data exchange platform and a set of open APIs, and development tools to facilitate the integration of Fayda payment systems, and other DPI to enable better service design and delivery and to unlock innovation across the public and private sectors.

**Component 5 - Project management (US\$12 million equivalent - US\$10 million IDA, US\$2 million WHR)**

49. **This component will facilitate effective implementation of the project by supporting the establishment and functioning of the Project Management Unit (PMU)** to undertake financial management (FM), procurement, risk management, ESF management, and reporting responsibilities, as well as act as the secretariat for the PSC and augment technical expertise in more complex activities. Funds will be used to support the establishment and operationalization of the project management office for the implementation, coordination, supervision, and overall management of the project (including procurement, FM, environmental and social standards management, M&E, carrying out of external audits, communication and reporting of project activities and results, and grievance redress), all through the provision of goods, non-consulting services, consulting services, training, and operating costs for the purpose.



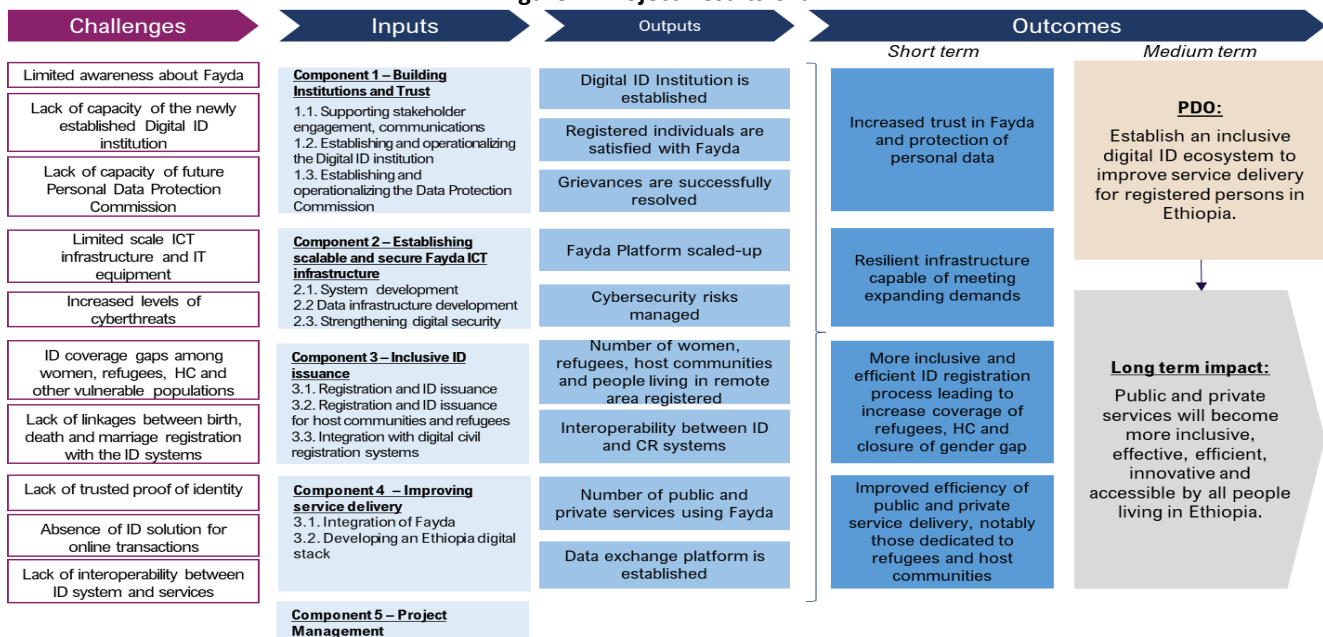
### C. Project Beneficiaries

50. **All Ethiopian nationals and residents, including refugees, are expected to benefit from the project.** The project will enhance capacity of the public and private sectors to plan, delivery, and monitor services, indirectly benefiting the whole population, such as because of more efficient and transparent public spending. The project will directly benefit at least 90 million people who will obtain secure identification, making it easier for them to prove their identity for various purposes, including exercising their rights and accessing services. These benefits will be especially accrued by the estimated 36 percent of Ethiopia’s adult population who lack a Kebele ID, as well as women who disproportionately lack a Kebele ID, and persons with disabilities. Both populations will benefit from greater agency through enhanced financial inclusion and other economic opportunities. Refugees, asylum seekers, and stateless persons will also benefit from having access to widely accepted form of identification. This includes the target of the entire refugee and host community population of around 1.7 million. Many interventions are planned in those areas where refugee and host community populations are large (Gambela and Somali), comprising over 50 percent of Ethiopia’s total refugee population.

51. **The other beneficiaries are public and private service providers.** Fayda and the Ethiopia Digital Stack will enable public and private sector service providers to reduce the costs and risks of delivering services. More innovative products and services will be built by leveraging new functionalities that would allow a shift to online channels instead of depending on brick-and-mortar service delivery channels. The GoE will benefit from reduced fraud and leakages, including in social protection and subsidy programs, through the ability, for the first time, to uniquely identify and securely verify individuals.

### D. Results Chain

Figure 2. Project Results Chain



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

52. **The World Bank brings deep knowledge and international experience related to the development of inclusive and trusted identification and civil registration systems and harnessing these for development.** Through the ID4D



initiative, the World Bank has provided technical assistance to dozens of client countries and has studied systems in many more with international good practices. As of September 2023, the World Bank is funding or preparing to fund identification and civil registration system development in more than 45 countries. As a result, it has an excellent understanding of international good practices, standards, and emerging technologies. Complementing this, the World Bank also has a thorough understanding of Ethiopia's identification and civil registration ecosystem and the opportunities and challenges that the project will address, based on ID4D's partnership with the GoE that began in 2016, as well as the Program for Results (Hybrid) for Strengthening Primary Health Care Services (P175167) project. As part of the ID4D technical assistance to NIDP, the World Bank has worked closely with the Bill & Melinda Gates Foundation, the United Nations Economic Commission for Africa, and the Tony Blair Institute for Global Change, which have been providing complementary technical assistance to NIDP, as well as the United Nations Children's Fund, which is supporting ICS to improve birth registration. The World Bank also collaborated with the *Agence Française de Développement* (French Development Agency) and the United States Agency for International Development (USAID), which supported the inception of Fayda. The World Bank's broader engagement in Ethiopia will enable a strong link between this project and those implemented in other sectors, such as social protection, financial services, health care, agriculture, disaster risk management, gender, education, digital government, data governance, and digital economy.

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

53. The project draws on and contextualizes lessons from the World Bank's global experience related to identification and civil registration systems, including the following:

- **Having a strong legal and regulatory framework as an enabler for success.** The identification systems must be underpinned by legitimate, comprehensive, and enforceable laws and regulations that promote inclusion and trust, including ensuring data protection and privacy, accountability, and transparency in how data are managed and reducing risks of abuse such as unauthorized surveillance in violation of due process.
- **Ensuring universal accessibility of registration.** A key lesson from Fayda pilots conducted by the Government in 2022-2023 and international experiences is to accept a wide range of documents as supporting evidence while encouraging (but not requiring) the presentation of a Kebele ID or birth certificate. Even persons without any documentation will be able to register for Fayda through a qualified 'introducer'.
- **To build trust and mitigate the risk of misuse, it is important to also strengthen cybersecurity and protect people's privacy through system design.** Some good practices include ensuring software and firewalls are patched and up to date, monitoring network activity and cyber threats, ensuring strong identity and access control for internal systems (including multifactor authentication), and educating staff on how they can prevent phishing and ransomware attacks. Data protection measures include limiting the collection and exposure of data—particularly sensitive personal data—and ensuring that authentication discloses only the minimum data necessary to ensure appropriate levels of identity assurance and providing people with choice, oversight, and consent over how their data are shared.
- **A standards-based, technology, and vendor-neutral approach promotes financial and operational sustainability.** Vendor and technology lock-in reduce the sustainability of identification system investments and create high costs that are often passed on to users. To mitigate these risks, the project will minimize dependency on a single vendor and technology while ensuring extensible system design (for example, open and modular architecture and open standards and open-source software, where appropriate).



- **The design of ID systems should be driven by user needs and use cases.** The design of systems should be done collaboratively with people and institutional users to be responsive to their needs. Fayda benefits from broad and deep engagement with these stakeholders to understand what services they need and how.
- **Ensure refugees and their host communities are given specific consideration.** Refugees often face a differential experience regarding issuance of documentation other than refugee IDs, sometimes perceiving that such identification threatens their status or entitlements as refugees. This was experienced to some level on the issuance of work permits for refugees under the World Bank-supported Ethiopia Economic Opportunities Program (P163829). Social cohesion and/or tensions within host communities must also be considered. As such, and as evidenced by other refugee inclusion operations, communications, GRM, and transparent and equitable targeting must be tailored for these specific circumstances, in coordination with stakeholders on the ground with experience with these unique communities.
- **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. Refugee Central Committees and Refugee Camp Development Committees are common important interlocutors. Experience from refugee host community projects demonstrate 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, the Digital ID project will work with and strengthen these existing structures to represent refugee interests in the project, though some new committees can be considered where there might be a need.

### III. IMPLEMENTATION ARRANGEMENTS

#### A. Institutional and Implementation Arrangements

54. **Until the ID Institution is established as the permanent home for Fayda, the PMO (specifically, NIDP) will be the implementation agency and will host the PMU.** The FM and procurement assessment of the PMO has been carried out by the World Bank, with results shared and action items discussed and agreed. The PMU will be staffed with core positions, such as project coordinator, procurement specialist, FM specialist, and environmental and social specialists as well as M&E experts. These positions will be funded by the Digital Foundations Project (P171034), until effectiveness.

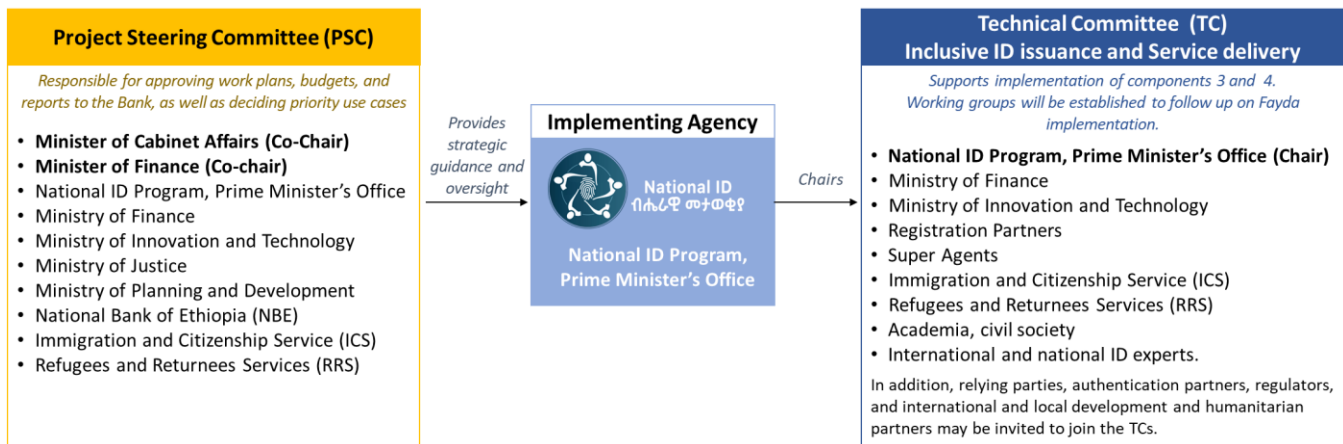
55. **The GoE is still evaluating options for the permanent home of Fayda.** It is expected that the ID Institution will be set up within two years from effectiveness date. Options being considered include (a) establishing a new GoE agency, (b) integrating Fayda as a function of an existing GoE agency, and (c) integrating different aspects of Fayda as a regulatory entity into an existing GoE agency and a business wing of a state-owned enterprise. Considerations include public trust, local presence, business model, and financial and operational sustainability. Under Subcomponent 1.1, the project will support NIDP to conduct the necessary studies and consultations to inform the GoE decision, as well as develop the foundational aspects of the ID Institution. Once the ID Institution is established, the project may need to be restructured.

56. **Strategic guidance and oversight will be provided by a Project Steering Committee (PSC).** The PSC will be co-chaired by the Minister of Finance and Minister of Cabinet Affairs and will comprise representatives from the Ministry of Finance (MoF), MInT, Ministry of Justice, Ministry of Planning and Development, NBE, RRS, and ICS. It will be established not later than 60 days after effectiveness and will serve concurrent to project implementation, meeting as often as required but at least once a quarter. The PSC will be responsible for approving work plans, budgets, and reports to the World Bank, as well as deciding on priority use cases under Subcomponent 4.1.



57. A multi-stakeholder technical committee (TC) will be established to support the implementation of Components 3 and 4. The TC will be chaired by NIDP which will comprise the representatives from registration partners and super agents, as well as from the MoF, MInT, ICS, RRS, academia and civil society, and international and national ID experts. The TC will form working groups that will undertake technical oversight of the key performance indicators (KPIs) of the ID Program, that is, the progress of Fayda registration and inclusive ID issuance and improving service delivery in the form of use cases. International and local development and humanitarian partners can also be invited to join these TCs. The TCs will meet as often as required but at least once a quarter.

Figure 3. Implementation Arrangements



### B. Results Monitoring and Evaluation Arrangements

58. The PMU housed at NIDP will be responsible for monitoring project implementation, tracking budget utilization, tracking results (against the Results Framework), and identifying and mitigating challenges. This includes organizing regular consultations and disclosing relevant project information to stakeholders, as part of the project's ESF commitment. The project, particularly through Component 5, will support NIDP to carry out surveys (for example, satisfaction surveys among people and relying parties) and develop M&E systems (for example, real-time registration updates dashboards). The PMU will compile regular progress reports, as well as formal project annual and midterm reports.

### C. Sustainability

59. The project incorporates various measures to ensure institutional, operational, and financial sustainability. It will invest in developing internal capacity of NIDP as the implementing agency, as well as development of the regulatory framework under the Digital ID Proclamation and other policies, guidelines, and standard operating procedures. There is a clear commitment for a timeline for the program office to mature into a permanent and autonomous ID institution, and the project will invest in building its capacity and sustainability. The technology deployed by the project will also adopt good practices to avoid technology and vendor lock-in and to promote extensibility and adaptability of systems.

60. Financial sustainability will be assured by ensuring constant improvements to the business model (for example, fees and public-private partnerships) for Fayda authentication and e-KYC services that balances the need to earn some revenue to sustain operations and the need to ensure that set fees identity verification do not create a barrier for





adoption. For example, authentication and e-KYC will be free for public and social impact services. Likewise, the project will continue to document generated savings and other benefits of adopting Fayda that will strengthen the case for the GoE to invest in continuous operating expenses.

#### IV. PROJECT APPRAISAL SUMMARY

##### A. Technical, Economic and Financial Analysis

61. **The project is expected to contribute to sustainable economic growth, through long-term cost savings, efficiency, and productivity gains, fueled by greater digital adoption by residents and businesses.**<sup>40</sup> Digital ID holds the promise of enabling economic value creation by fostering increased inclusion, increasing formalization, and promoting digitalization of services. The project activities will ease access to identification for millions of Ethiopians and residents, including women, people with disabilities, refugees, and IDPs. The ability to prove one's identity is often a prerequisite for accessing many public and private sector services. By addressing the gap of 36 percent in ID ownership (the population lacking a current version of paper based Kebele ID, according to the 2018 ID4D-Findex Survey), the project will contribute to removing some of the most basic barriers that people face.

62. **The public sector is expected to benefit from cost savings, on the back of the productivity gains.** Use of digital technologies is expected to reduce transaction costs by lowering the time spent on manual processing, allowing civil servants to focus on higher-value tasks. Numerous examples of savings from a reduction in errors, fraud, and corruption<sup>41</sup> are also expected to apply. A *'build once, reuse always'* approach will reduce the incremental costs of offering each new service, through capital investments in shared Digital Public Infrastructure such as Digital ID.

63. **The project is expected to make service delivery more efficient for government agencies and businesses, including by accelerating financial inclusion, universal health insurance coverage, and will reduce identity-related fraud and leakages in public programs.** Current identity verification processes are relatively inefficient and insecure. A sample study on the digital delivery of financial entitlements as part of the PSNP found that fraud is more frequent with manual cash payments (0.23 percent) than electronic transfers (0.15 percent).<sup>42</sup> Through the introduction of automated verification mechanisms—including biometric, demographic, and SMS one-time password verification—service providers will be able to streamline the identity verification processes. In India, for example, biometric-based e-KYC contributed to increasing financial inclusion from 35 percent in 2011 to 80 percent in 2017<sup>43</sup> and reduced customer onboarding costs for firms from US\$23 per customer to as low as US\$0.15.<sup>44</sup> This and other examples are relevant to Ethiopia, given that current validation exercises focus on using demographic rather than biometric verification and are thus prone to imposters using real information (for example, that of deceased persons).<sup>45</sup>

64. **The economic and financial analysis' model to appraise the project is based on the economic impact of Fayda, following a twofold approach: savings from digitization of service delivery and revenue streams from transaction fees and add-on services made possible by Fayda.** To estimate the savings that arise from transitioning from paper-based to digital-enabled service delivery, the model first estimated the savings from using Fayda versus the current Kebele IDs, for

<sup>40</sup> World Bank. 2016. *World Development Report: Digital Dividends*.

<sup>41</sup> World Bank. 2018. *Public Sector Savings and Revenue from Identification Systems: Opportunities and Constraints*.

<sup>42</sup> World Bank. 2017. *Advancing Electronic Food Security Payments in Ethiopia*.

<sup>43</sup> World Bank. 2018. *Findex Survey*.

<sup>44</sup> World Bank. 2018. *Private Sector Economic Impacts from Identification Systems*.

<sup>45</sup> World Bank. 2018. *Public Sector Savings and Revenue from Identification Systems: Opportunities and Constraints*.



all residents, including refugees. These savings range from the reduction in administrative, transaction, and liability costs of holding personal data, to the elimination of redundancy in identification systems and gaining efficiencies.<sup>46</sup> The model also estimated the savings for residents and businesses, in terms of productivity, transportation time, and savings in fuel and reduction of CO<sub>2</sub> emission due to services being digitized and thus made accessible remotely.<sup>47</sup> In addition to Fayda versus Kebele ID savings, the model also estimate the economic impact in sector-specific use cases (that is, financial services, social protection, health care, education, and taxation) by boosting access to finance; by providing unique identification, proof of life, or identity verification in pension plans; or by reducing ghost workers in education and health sectors, among others. A study on savings for financial institutions observed that the cost went from US\$4.25 per client for in-person service to US\$0.10 for online service delivery.<sup>48</sup> Regarding revenues, the economic analysis model estimated revenue streams from charging fees both to individuals and third parties for identity-related services.<sup>49</sup> In addition, given Ethiopia's exchange rate distortions, the model included alternate exchange rates for sensitivity analysis.<sup>50</sup> These calculations were made based on an estimated 90%-10% distribution for USD and BIRR project spending respectively. The Bank and IMF continue to work closely in collaboration with the authorities on addressing Ethiopia's exchange rate and other market distortions in an orderly and sequenced way to minimize social and poverty effects.

65. **The economic and financial analysis performed for this project followed a standard Cost-Benefit Analysis (CBA) approach and revealed a positive net present value (NPV) of US\$ 210.10 million and an internal rate of return (IRR) of 19 percent in the lower bound sensitivity analysis, and an NPV of US\$ 194.81 million and an IRR of 18% in the higher bound.** The twofold approach (that is, savings from digitization of service delivery and improved government efficiencies for all residents, including refugees, and revenue streams from e-KYC and authentication) relied on the available secondary data from other countries and reasonable assumptions, as well as additional evidence sourced from the business cases developed by NIDP. The financial model was used to run a cash flow and financial analysis for three different scenarios (optimistic, neutral, and pessimistic), plus an additional sensitivity analysis was performed based on alternate exchange rates for lower and higher bound NPV. As a result, the overall lower bound NPV for the project in the optimistic scenario was estimated at US\$386.42 million and is expected to demonstrate an IRR of 27 percent over 10 years. In the neutral scenario, the NPV is expected to be US\$210.06 million, and the IRR is expected to be 19 percent. In the pessimistic scenario, the NPV is expected to be US\$27.17 million, and the IRR is expected to be 9 percent. The analysis for the higher bound NPV in the optimistic scenario is estimated at US\$371.13 million and is expected to demonstrate an IRR of 26 percent over 10 years. In the neutral scenario, the NPV is expected to be US\$194.81 million, and the IRR is expected to be 18 percent. In the pessimistic scenario, the NPV is expected to be US\$11.88 million, and the IRR is expected to be 8 percent.<sup>51</sup>

66. **The project is aligned with the goals of the Paris Agreement on both mitigation and adaptation.**

- **Assessment and reduction of mitigation risks.** The project will not finance any physical digital connectivity or large ICT infrastructure, except the purchase of energy-efficient server equipment for the existing data centers, in accordance with internationally recognized best practices on energy efficiency. These measures together ensure that the carbon lock-in and the transition risks associated with the project are low.

<sup>46</sup> Government of Moldova. 2017. "Feasibility Study on Enhancing Citizens Access to Administrative Services at Local Level."

<sup>47</sup> Digital ID in India helped reduce the average firm onboarding cost from US\$23 to US\$0.15.

<sup>48</sup> "Mobile Banking Adoption: Where Is the Revenue for Financial Institutions?" Fiserv White Paper, 2016.

<sup>49</sup> The Government of Rwanda charges US\$0.72 for a basic virtual ID, while the Government of Peru charges US\$10 for a basic ID and US\$14 for an electronic ID.

<sup>50</sup> Exchange rates used in the sensitivity analysis are 80 ETB/USD as the lower bound, and 110 ETB/USD as the higher bound.

<sup>51</sup> The discount rate used for the calculations is 7 percent, which is the current (November 2023) savings deposit rate in Ethiopia.



- **Assessment and reduction of adaptation risks.** The main climate risks are likely to be floods and intense rainfall which could potentially affect servers and registration activities. A climate risk assessment will be done to select the most appropriate locations of IT equipment to prevent data loss in the face of extreme weather events. These adaptation measures will reduce risks from climate hazards to an acceptable level.

67. **The project will contribute to gender equality and particularly women’s economic empowerment.** There is a gender coverage gap for the existing Kebele ID of 21 percent, one of the largest gender gaps for identification systems worldwide.<sup>52</sup> Women leaving their communities following their marriage and those who migrate for domestic labor jobs are particularly at risk of exclusion from the Kebele ID system as the requirements to apply for one in their new *kebele* are usually cumbersome. Beyond systemic barriers, there is a lack of demand which exasperates the gap. Recent ID4D research on women’s ID ownership in Ethiopia found that women do not see the Kebele ID as salient to their daily lives and therefore do not pursue applying for one even if it is accessible.<sup>53</sup> By streamlining and, in some cases, automating the updating of information, the project will be making it easier for women to assert their associated rights and entitlements. The new Fayda system can also embed use cases and value propositions that are tailored to women, to increase demand for identification. Furthermore, a digital identification system will create more opportunities for Ethiopia’s many women-owned small and medium enterprises to do business online, and more generally access employment, and enroll in male-dominated education sectors such as science, technology, engineering, and mathematics education.

68. **The authentication component of a digital ID system can also increase the security of funds transfers for both in-person and remote environments, particularly as Ethiopian legislation enables and helps increase payment interoperability between financial service providers.** This is particularly important in the Ethiopian context where remittances were estimated in 2017 to represent over 5 percent of the country’s GDP and one-quarter of its foreign exchange earnings, which corresponds to a little over US\$4 billion.<sup>54</sup> International transfers often serve as a vital lifeline for households and are sometimes the only means of income for many individual recipients. Unfortunately, in some corridors, 78 percent of total remittances are still sent through informal channels, which can represent a risk for individuals and undermine the ability of public authorities to implement anti-money laundering and combating the financing of terrorism policies.

## B. Fiduciary

69. **An FM assessment was carried out at NIDP at the PMO** in accordance with the FM Manual (FMM) for World Bank Investment Project Financing Operations reissued on September 7, 2021, effective March 1, 2010. The project’s FM arrangements meet minimum requirements under the World Bank Policy and World Bank Directive on Investment Project Financing (IPF) and the FMM. The FM risk is ranked as substantial. Action plans were developed to mitigate identified risks. The PMO will coordinate and manage all FM aspects of the project through a PMU to be established under NIDP and staffed with core positions, including FM experts. The project FM largely follows the government procedures but will address the peculiarities of this project. The project budgeting will follow the government budget procedures and will be included and proclaimed as part of the PMO budget on an annual basis. In addition, NIDP will submit the project’s annual work plan and budget (AWPB) to the World Bank for ‘no objection’. The project will establish sets of accounts and maintain an adequate accounting system. The internal audit unit of the PMO will conduct an internal audit of the project. Quarterly unaudited interim financial reports (IFRs) will be submitted within 45 days of the end of the fiscal quarter end according to agreed IFR

<sup>52</sup> Metz and Clark. 2019. <https://documents.worldbank.org/en/publication/documents-reports/documentdetail/727021583506631652/global-id-coverage-barriers-and-use-by-the-numbers-an-in-depth-look-at-the-2017-id4d-findex-survey>

<sup>53</sup> Irish Aid. 2019. *Coverage of Older People in Ethiopia’s Social Protection System*. [https://socialprotection.org/sites/default/files/publications\\_files/Coverage%20of%20older%20people%20in%20Ethiopia%E2%80%99s%20social%20protection%20system.pdf](https://socialprotection.org/sites/default/files/publications_files/Coverage%20of%20older%20people%20in%20Ethiopia%E2%80%99s%20social%20protection%20system.pdf).

<sup>54</sup> IOM. 2017. *Scaling up Formal Remittances to Ethiopia*. [https://www.iom.int/sites/g/files/tmzbd486/files/press\\_release/file/iom-ethiopia-executive-summary-21.pdf](https://www.iom.int/sites/g/files/tmzbd486/files/press_release/file/iom-ethiopia-executive-summary-21.pdf)





formats. All disbursement methods are available to the project. Channel 2 fund flow mechanisms are to be used where funds from IDA will flow to accounts managed by the PMO. A Segregated Designated Account (DA) will be opened for the project at the NBE managed by the PMO. For advances to the DA and reimbursements, the project will use report-based disbursement, with submission of six months forecast as part of quarterly IFR. The PMO will be responsible for having project financial statements audited annually by an independent auditor acceptable to IDA and submit audit reports to the World Bank within six months of the fiscal year-end.

70. **Procurement will be carried out in accordance with the World Bank’s Procurement Regulations for IPF Borrowers, dated September 2023;** the 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 other provisions stipulated in the Financing Agreement. The procurement risk is ranked as Substantial. The PMO/NIDP will be responsible for procurement and will utilize the institutional structure of the PMO, including the Tender Endorsing Committee. NIDP has prepared a Project Procurement Strategy for Development (PPSD), which includes market conditions, risks, and corresponding approaches resulting in an 18-month Procurement Plan (PP). Systematic Tracking of Exchanges in Procurement (STEP) will be used to prepare, clear, and update PPs and to conduct all procurements. The ones not uploaded or agreed in STEP will not be eligible for project financing. Annex 1 details project procurement arrangements.

71. **The main risks identified** are (a) no institutional experience in managing World Bank-financed projects by PMO/NIDP; (b) unavailability of qualified procurement staff with experience in World Bank-financed projects and possible inability to retain qualified staff due to low salary levels imposed by the MoF; and (c) challenges in translating the project scope into specific procurable activities because of complexity and uniqueness of this project, particularly in Component 3. These risks will be mitigated by recruiting two dedicated procurement specialists with experience in World Bank procurement and agreeing with the World Bank on all aspects of the ID registration and credential distribution arrangements that are fit for purpose, including confirmation of the list of identified government-owned registration partners with adequate justification.

**C. Legal Operational Policies**

| Legal Operational Policies                  | Triggered? |
|---|------------|
| Projects on International Waterways OP 7.50 | No         |
| Projects in Disputed Area OP 7.60           | No         |

**D. Environmental and Social**

72. **The project is processed under the World Bank ESF, and the overall environmental and social risk is classified as Substantial.** Six of the ten Environmental and Social Standards (ESS) are relevant for this project: ESS1 - Assessment and Management of Environmental and Social Risks and Impacts; ESS10 - Stakeholder Engagement and Information Disclosure; ESS2 - Labor and Working Conditions; ESS3 - Resource Efficiency and Pollution Prevention and Management; ESS4 - Community Health and Safety; ESS7 - Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities. A combination of ESF instruments defines and addresses the needs of vulnerable populations who may potentially experience more barriers in obtaining legal identity documents, such as the poor, women, people who live in remote



areas, the elderly, people with disabilities, residents with nonpermanent domiciles or high mobility, IDPs, refugees, asylum seekers, or stateless population, and those who are living in orphanages and detention houses.

73. **Environmental risk is moderate.** According to ThinkHazard and the Climate and Disaster Risk Screening (CDRS) conducted for this operation, Ethiopia is at high climate and geophysical risk of floods (river flood, urban flood), landslide, volcano, extreme heat, and wildfire. The country is also exposed to medium risk of earthquakes and water scarcity and a low risk of cyclone. However, when considering the lifetime of the project's investments and with the risks from volcanoes and earthquakes averaging return periods of 35 years, the level of potential impact of these climate and geophysical risks to the project is Moderate. The overall environmental impact is anticipated to be minimal with no adverse risks. The project's main risks are from the increased use of various IT equipment, namely ID registration kits, laptops, ID card printers, and servers. The anticipated introduction of authentication capability, including through mobile phones, may eventually lead to increased mobile phone ownership by the population. Studies estimate that the lifespan for the IT equipment may range from 4 to 5 years. Therefore, the project may result in an increase of e-waste in the long run which could have various environmental health and safety risks and community health and safety concerns if not properly managed. An e-waste management plan will be prepared as part of the Environmental and Social Management Framework (ESMF), which includes recycling and up-cycling of the electronic components for reuse. Given the limited capacity in e-waste management and lack of ESF experience of the PMU and other implementing entities, the environmental risk of the project is rated as Moderate.

74. **The social risk is rated Substantial.** The project will be implemented nationwide including in the conflict-affected areas, which can result in risks to the safety of the project workers tasked with Fayda registration. Potential social risks are related to possible exclusion of marginalized groups, improper use or sharing of data, creation or reinforcement of social conflict or stakeholder perception. Given the sensitivity of identity politics, unless properly managed, it may create new or exacerbate existing historical tensions and conflicts of an ethnic or religious nature. However, since Fayda excludes the collection of information about ethnicity and religion, which could potentially be used to discriminate against an individual, this new Digital ID system is expected to positively contribute to reducing the potential risks of intensifying ethnic or religious conflicts. Other inherent risks may include the possible exclusion of vulnerable groups from services, including due to technology gaps among various layers of the population and possible biases. The issue of personal data protection has also become an important public concern in the face of high ethnic and religious-based conflicts around the world. The National ID Proclamation approved in March 2023 has specific guidance on protecting ID-related data. Ethiopia is also making progress towards putting in place an overall data protection legislation. In October 2023, the Council of Ministers approved a draft Personal Data Protection Proclamation, with ratification by the Parliament included as one of the disbursement conditions.

75. **The project may induce risks related to labor and working conditions, labor-induced issues, and community health and safety risks such as spread of communicable diseases and sexual exploitation and abuse/sexual harassment (SEA/SH) or other forms of gender-based violence.** Since infrastructure investments or civil works that require land acquisition are not envisaged, there are no risks around involuntary resettlement. Due to the national implementation, it is likely to affect areas where historically underserved communities reside. There will be a potential risk of social exclusion if the equitable distribution of project benefits is not applied among underserved communities in emerging regions. Accessible and inclusive access to services requires an identification system that can address the concerns of historically underserved and other vulnerable groups who are mostly at risk of being excluded and the most in need of the protection and benefits that identification can provide. There are potential risks that identification could be used as a tool for discrimination or to infringe on or deny individual or collective rights. Due to the digital divide, there may be potential social risks where some groups can be denied identification or associated services and rights because they lack internet



connectivity/devices and digital literacy/digital skills or due to technology bias. Making sure that Fayda registration and use are widely accessible and inclusive are the top priorities for the Government. The project design ensures that the entire population, including migrants, daily laborers, and the poor will have an opportunity to receive Fayda ID. The provision of accessible handling procedures and GRMs, Toll-free telephone hotline, SMS, online help desk portal ([www.id.et/help](http://www.id.et/help)) and self-service function on the Fayda ID app are already being piloted by NIDP. In addition, physical help desks will be established at Fayda registration sites to address and register complaints from walk-in residents through a grievance logbook and a suggestion box. The scale up of these online and offline mechanisms will be essential to avoid any exclusion, both in terms of Fayda registration and access to services that require proof of identification.

76. **The environmental and social risks and impacts are addressed in the ESMF, Stakeholder Engagement Plan (SEP), and Labor Management Procedures (LMP).** The ESMF outlines the guiding principles of environmental screening, assessment, review, management, and monitoring procedures for all envisaged activities. An e-waste management plan will be developed to reduce the digital sector’s carbon and environmental footprint through e-waste collection, dismantling, refurbishing, and recycling. The SEP and LMP have been developed and disclosed on NIDP’s website<sup>55</sup> and on the World Bank Project website on October 25, 2023, and November 16, 2023 respectively. A security risk assessment and management plan, and a SEA/SH risk assessment and management plan will be developed as part of the ESMF, finalization of which is a disbursement condition. The ESMF, once acceptable to the World Bank, will be shared with all stakeholders and disclosed nationally and on the World Bank’s external website.

## V. GRIEVANCE REDRESS SERVICES

77. Communities and individuals who believe that they are adversely affected by a project supported by the World Bank may submit complaints to existing project-level grievance mechanisms or the Bank’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 Bank’s independent Accountability Mechanism (AM). The AM houses the Inspection Panel, which determines whether harm occurred, or could occur, as a result of Bank non-compliance with its policies and procedures, and the Dispute Resolution Service, which provides communities and borrowers with the opportunity to address complaints through dispute resolution. Complaints may be submitted to the AM at any time after concerns have been brought directly to the attention of Bank Management and after Management has been given an opportunity to respond. For information on how to submit complaints to the Bank’s Grievance Redress Service (GRS), visit <http://www.worldbank.org/GRS>. For information on how to submit complaints to the Bank’s Accountability Mechanism, visit <https://accountability.worldbank.org>.

## VI. KEY RISKS

78. The overall risk rating for the project is Substantial.

79. **Political and governance risk is Substantial.** The ongoing civil conflicts in Ethiopia could create risks of low trust in Government’s good intentions to roll out Fayda and thus low adoption and possible opposition. Key design features for Fayda, including many codified into the Digital ID Proclamation, such as special provisions related to data protection for data collected at registration and its use, as well as data minimization principles, can mitigate these risks. Unlike existing Kebele IDs, Fayda will not collect information concerning ethnicity and religion. Furthermore, there are conditions on who

<sup>55</sup> <https://id.gov.et/policies>



can access the data and under what circumstances. However, the overall trust will be improved by having in place a Data Protection Proclamation, now presented to the Parliament following approval by Council of Ministers in October 2023. The institutional and governance arrangements for Fayda are still shaping up, with the ID Institution and Data Protection Commission yet to be set up. To further mitigate these risks, the project will invest heavily in communications, stakeholder engagement, and GRMs. Refugee inclusion can also be a political risk in some cases, and in Ethiopia, certain regions like Gambella or regions hosting Eritrean refugees in the north might be susceptible to political risks. The project will work closely with RRS and UNHCR to ensure localized understanding of refugee and host communities' relationships and accordingly modulate project implementation to account for the potential sensitivities.

80. **Macroeconomic risk is Substantial.** Ethiopia is severely affected by the recent jump in food, fertilizer, and fuel prices. As of end of 2023, the country faces a high risk of debt distress and has been unable to secure relief from creditors or agree on an IMF program. The country faces significant balance of payment issues and reserves currently cover less than one month of imports. Shortage of foreign currency and the existence of a parallel foreign exchange market are affecting a wide range of imports, which could affect specialized items not available locally, or take an unusually long time to be delivered. To mitigate these risks, the government is advancing the publication of major requests for proposal (RFPs) in anticipation of possible delivery delays, with plans in place to go for international open bids, lower ceilings for special commitments, use direct payment methods of disbursements, allow payments in foreign currency for local suppliers, and working with MoF and the National Bank of Ethiopia to allow for project items planned to be procured under National Competitive Bids to be given a priority designation so that the local suppliers are allowed to open Letters of Credit to enable the import of goods for the project.

81. **Institutional capacity for implementation and sustainability risk is Substantial.** ID4D has been providing ID-related technical assistance since 2016. As a result, there is an advanced capacity in the GoE, including at both leadership and technical levels, and knowledge of good practices for digital ID systems. However, the MoF has recently imposed a salary ceiling for individual consultants that is well below market rates which makes it difficult to hire highly skilled and motivated consultants. The project will attempt to mitigate this risk by leveraging firm contracts, where possible. The World Bank will continue its advocacy for a change in policy by the MoF. Furthermore, establishing proper coordination may be challenging; therefore, special attention will be paid to facilitate interlinks between government agencies.

82. **Fiduciary risk is Substantial.** On FM, neither the NIDP team nor the PMO has any experience in managing a World Bank-funded project. Internal audit capacity is also weak at most public bodies. Delays in the preparation of annual financial statements and internal control weaknesses are risks observed at the PMO. On procurement, capacity limitations and process delays are the main risks to effective implementation. To mitigate procurement risks, several bidding documents have already been prepared, representing a significant portion of the project budget.

83. **Environment and social risk is substantial.** This is due to potential for exclusion, possible personal data breaches and misuse of data. Exclusion risks are mitigated by Fayda being accessible to all nationals and residents and inclusive Fayda registration and authentication processes that have been informed by pilots, ID4D technical assistance, and risk assessments done during project preparation. Data protection risks will be addressed by: (i) data minimization; (ii) data protection provisions in the Digital ID Proclamation; (iii) an effectiveness condition for acceptable interim data protection guidelines; (iv) ratification of the Proclamation on Personal Data Protection as a disbursement condition for integration of Fayda into services; and (v) a legal remedy for suspension if the Data Protection Commission is not established within three years of effectiveness. Also, to ensure that social risks are properly addressed through project design and implementation, the ID4D supported the end user research to understand the potential negative social impacts of Fayda, notably on vulnerable groups, and agreed with the government on a series of mitigation measures detailed in Annex 2.



VII. RESULTS FRAMEWORK AND MONITORING

PDO Indicators by PDO Outcomes

| Baseline   | Period 1   | Period 2   | Period 3   | Period 4   | Closing Period |
|--|------------|------------|------------|------------|----------------|
| <b>An inclusive digital ID ecosystem is established</b>  |            |            |            |            |                |
| <b>Number of people in Ethiopia who have received a Fayda ID (Number)</b>  |            |            |            |            |                |
| Sep/2023   | Dec/2024   | Dec/2025   | Dec/2026   | Dec/2027   | Dec/2028       |
| 3,000,000  | 10,000,000 | 30,000,000 | 50,000,000 | 70,000,000 | 93,000,000.00  |
| ➤ Percentage of whom are women and girls (Number)  |            |            |            |            |                |
| Sep/2023   |            |            |            |            | Dec/2028       |
| 48   |            |            |            |            | 50             |
| ➤ Number of whom are individuals living in refugee host communities (Number)   |            |            |            |            |                |
| Nov/2023   | Dec/2024   | Dec/2025   | Dec/2026   | Dec/2027   | Dec/2028       |
| 0  | 100,000    | 500,000    | 7,000,000  | 1,000,000  | 1,700,000.00   |
| ➤ Number of whom are refugees (Number)   |            |            |            |            |                |
| Sep/2023   | Dec/2024   | Dec/2025   | Dec/2026   | Dec/2027   | Dec/2028       |
| 0  | 10,000     | 50,000     | 100,000    | 500,000    | 924,000        |
| ➤ Number of whom registered in remote and hard to reach areas (Number)   |            |            |            |            |                |
| Nov/2023   | Dec/2024   | Dec/2025   | Dec/2026   | Dec/2027   | Dec/2028       |
| 0  | 50,000     | 100,000    | 1,000,000  | 5,000,000  | 7,200,000      |
| <b>Service delivery for registered persons in Ethiopia is improved.</b>  |            |            |            |            |                |
| <b>Number of successful digital ID authentications by Fayda ID holders to access public and private sector services (Number)</b> |            |            |            |            |                |
| Nov/2023   | Dec/2024   | Dec/2025   | Dec/2026   | Dec/2027   | Dec/2028       |
| 0  | 0          | 1,000,000  | 10,000,000 | 50,000,000 | 100,000,000.00 |
| ➤ Number of which are in areas hosting refugees (Number)   |            |            |            |            |                |
| Nov/2023   | Dec/2024   | Dec/2025   | Dec/2026   | Dec/2027   | Dec/2028       |
| 0  | 0          | 10,000     | 100,000    | 500,000    | 1,000,000      |

Intermediate Indicators by Components



| Baseline  | Period 1 | Period 2 | Period 3 | Period 4 | Closing Period |
|---|----------|----------|----------|----------|----------------|
| <b>Building institutions and trust</b>  |          |          |          |          |                |
| <b>ID institution is established (Yes/No)</b>   |          |          |          |          |                |
| Nov/2023  |          |          |          |          | Dec/2025       |
| No  |          |          |          |          | Yes            |
| <b>Proportion of population satisfied with Fayda services (Percentage)</b>  |          |          |          |          |                |
| Nov/2023  |          |          |          |          | Dec/2028       |
| 50  |          |          |          |          | 90             |
| <b>Proportion of complaints resolved successfully (Percentage)</b>  |          |          |          |          |                |
| Nov/2023  |          |          |          |          | Dec/2028       |
| 0   |          |          |          |          | 90             |
| <b>Establishing scalable and secure Fayda ICT infrastructure</b>  |          |          |          |          |                |
| <b>Proportion of up-time (over a one-year period) for the registration module of the ID system (Percentage)</b>                           |          |          |          |          |                |
| Nov/2023  |          |          |          |          | Dec/2028       |
| 0   |          |          |          |          | 99.90          |
| <b>Number of penetration tests conducted to prevent cyber attacks and loss of data (Number)</b>   |          |          |          |          |                |
| Nov/2023  | Dec/2024 | Dec/2025 | Dec/2026 | Dec/2027 | Dec/2028       |
| 0   | 4        | 8        | 12       | 16       | 20             |
| <b>Inclusive ID issuance</b>  |          |          |          |          |                |
| <b>Percentage of population within 10km of a permanent, semi-permanent, or mobile registration site at least once a year (Percentage)</b> |          |          |          |          |                |
| Nov/2023  |          |          |          |          | Dec/2028       |
| 5.00  |          |          |          |          | 70.00          |
| <b>Improving service delivery</b>   |          |          |          |          |                |
| <b>Number of entities using Fayda services for improved delivery of benefits and services (Number)</b>                                    |          |          |          |          |                |
| Nov/2023  | Dec/2024 | Dec/2025 | Dec/2026 | Dec/2027 | Dec/2028       |
| 6   | 20       | 30       | 50       | 70       | 100            |
| <b>➤ Number of whom are public entities (Number)</b>  |          |          |          |          |                |
| Nov/2023  |          |          |          |          | Dec/2028       |
| 3   |          |          |          |          | 40             |
| <b>➤ Number of who are private entities (Number)</b>  |          |          |          |          |                |
| Nov/2023  |          |          |          |          | Dec/2028       |
| 3   |          |          |          |          | 60             |
| <b>Number of government agencies integrated with the data exchange platform (Number)</b>  |          |          |          |          |                |



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|  |  |  |  |  |          |
|--|--|--|--|--|----------|
| Nov/2023                                   |  |  |  |  | Dec/2028 |
| 0.00                                       |  |  |  |  | 10.00    |
| <b>Project management and coordination</b> |  |  |  |  |          |



**Monitoring & Evaluation Plan: PDO Indicators by PDO Outcomes**

| <b>An inclusive digital ID ecosystem is established</b>  |   |
|--|---|
| <b>Number of people in Ethiopia who have received a Fayda ID (Number)</b>  |   |
| Description  | A number of unique individuals registered in the Fayda system and who have been assigned a Fayda number   |
| Frequency  | Biannual  |
| Data source  | Fayda registration data   |
| Methodology for Data Collection  | Fayda data analytics platform   |
| Responsibility for Data Collection   | NIDP  |
| <b>Percentage of whom are women and girls (Number)</b>   |   |
| Description  | Percentage of women and girls among the total number of unique individuals registered in the Fayda system and who have been assigned a Fayda number   |
| Frequency  | Biannual  |
| Data source  | Fayda registration data   |
| Methodology for Data Collection  | Fayda data analytics platform   |
| Responsibility for Data Collection   | NIDP  |
| <b>Number of whom are individuals living in refugee host communities (Number)</b>  |   |
| Description  | Number of individuals who have been registered in areas tagged as a refugee host community  |
| Frequency  | Biannual  |
| Data source  | Fayda registration data   |
| Methodology for Data Collection  | Fayda data analytics platform   |
| Responsibility for Data Collection   | NIDP  |
| <b>Number of whom are refugees (Number)</b>  |   |
| Description  | Number of individuals registered in Fayda ID recognized as refugees by UNHCR/RRS  |
| Frequency  | Biannual  |
| Data source  | Fayda registration data and data from UNHCR   |
| Methodology for Data Collection  | API shared between Fayda data analytics platform and reporting from UNHCR/RRS   |
| Responsibility for Data Collection   | NIDP  |
| <b>Number of whom registered in remote and hard to reach areas (Number)</b>  |   |
| Description  | Number of people registered in areas classified by NIDP as "remote and difficult to reach" in their registration strategy. These areas are characterized by a combination of limited infrastructure, geographical location, population density, weather conditions, and restrictions due to conflicts or social conditions. |
| Frequency  | Bi-annual   |
| Data source  | Fayda registration data and reporting from registration partners  |
| Methodology for Data Collection  | Fayda data analytics platform   |
| Responsibility for Data Collection   | NIDP  |
| <b>Service delivery for registered persons in Ethiopia is improved.</b>  |   |
| <b>Number of successful digital ID authentications by Fayda ID holders to access public and private sector services (Number)</b> |   |
| Description  | Number of successful authentications by individuals using their Fayda ID to access either public or private services.   |
| Frequency  | Biannual  |
| Data source  | Fayda services usage data - number of authentication requests received by the system  |
| Methodology for Data Collection  | Fayda data analytics platform   |
| Responsibility for Data Collection   | NIDP  |





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

| <b>Building institutions and trust</b>   |   |
|--|---|
| <b>ID institution is established (Yes/No)</b>  |   |
| Description  | The regulation establishing an institution to implement the powers and responsibilities of the Digital Identification System stipulated in the Proclamation 1284/2023 is adopted.   |
| Frequency  | Annual  |
| Data source  | Federal Negarit Gazette   |
| Methodology for Data Collection  | Project progress report   |
| Responsibility for Data Collection   | NIDP  |
| <b>Proportion of population satisfied with Fayda services (Percentage) (Percentage)</b>  |   |
| Description  | The percentage of people who rated the different Fayda services they have received as 'satisfied and 'very satisfied' out of a sample of the population that has registered to Fayda in a given month or year   |
| Frequency  | Annual  |
| Data source  | Survey via Fayda GRM system   |
| Methodology for Data Collection  | Project progress report   |
| Responsibility for Data Collection   | NIDP  |
| <b>Proportion of complaints resolved successfully (Percentage)</b>   |   |
| Description  | The percentage of complaints submitted in the GRM that have been satisfactorily resolved out of the total complaints received   |
| Frequency  | Annual  |
| Data source  | Fayda GRM system  |
| Methodology for Data Collection  | Project progress report   |
| Responsibility for Data Collection   | NIDP  |
| <b>Establishing scalable and secure Fayda ICT infrastructure</b>   |   |
| <b>Proportion of up-time (over a one-year period) for the registration module of the ID system (Percentage) (Percentage)</b>               |   |
| Description  | The proportion of time that the Fayda registration module is available and working over a one-year period   |
| Frequency  | Annual  |
| Data source  | Fayda system KPI  |
| Methodology for Data Collection  | Fayda data analytics platform   |
| Responsibility for Data Collection   | NIDP  |
| <b>Number of penetration tests conducted to prevent cyber-attacks and loss of data (Number)</b>  |   |
| Description  | At least 4 penetration tests conducted each year during the 5-year project duration, intended to proactively identify and address gaps in security (cyber and physical) of personal data to prevent unauthorized access to or loss of data.   |
| Frequency  | Annual  |
| Data source  | Test reports by specialized firms   |
| Methodology for Data Collection  | Project progress report   |
| Responsibility for Data Collection   | NIDP  |
| <b>Inclusive and sustainable ID issuance</b>   |   |
| <b>Percentage of population within 10 km of a permanent, semi-permanent, or mobile registration site at least once a year (Percentage)</b> |   |
| Description  | The proportion of people who have access to a permanent, semipermanent, or mobile Fayda registration center at least once a year within less than 10 km from their residence. The indicator will be measured using population estimates per area using satellite data compared to the global positioning system coordinates of Fayda registration centers and mobile units. |
| Frequency  | Annual  |
| Data source  | Fayda registration centers global positioning system coordinate and data population from online   |



|  |   |
|--|---|
|  | open-source data set  |
| Methodology for Data Collection  | Heat map of all registration locations  |
| Responsibility for Data Collection   | NIDP  |
| <b>Improving service delivery</b>  |   |
| <b>Number of entities using Fayda services for improved delivery of benefits and services (Number)</b> |   |
| Description  | Number of entities that are using at least one of the several services offered by Fayda to verify the identity of their beneficiaries/clients, including but not only unique number seeding, yes/no authentications, and sharing of ID attributes |
| Frequency  | Biannual  |
| Data source  | Number of API connections to the Fayda Platform   |
| Methodology for Data Collection  | Fayda data analytics platform   |
| Responsibility for Data Collection   | NIDP  |
| <b>Number of whom are public entities (Number)</b>   |   |
| Description  | Number of public entities that are using Fayda services that are a state, regional, or local authority; a body governed by public law; or a private entity mandated to provide public services  |
| Frequency  | Biannual  |
| Data source  | Number of API connections to the Fayda Platform   |
| Methodology for Data Collection  | Fayda data analytics platform   |
| Responsibility for Data Collection   | NIDP  |
| <b>Number of who are private entities (Number)</b>   |   |
| Description  | Number of private entities using Fayda ID services  |
| Frequency  | Biannual  |
| Data source  | Number of API connections to the Fayda Platform   |
| Methodology for Data Collection  | Fayda data analytics platform   |
| Responsibility for Data Collection   | NIDP  |
| <b>Number of government agencies integrated with the data exchange platform (Number)</b>               |   |
| Description  | Number of government agencies integrated with the data exchange platform as either users or providers of data   |
| Frequency  | Biannual  |
| Data source  | Number of API connections to the data exchange platform   |
| Methodology for Data Collection  | Data exchange analytics platform  |
| Responsibility for Data Collection   | NIDP  |
| <b>Project management and coordination</b>   |   |



## ANNEX 1: Implementation Arrangements and Support Plan

### Implementation Arrangements

#### *Financial Management*

1. **An FM assessment** was carried out for the Digital ID for Inclusion and Services Project per the FMM for World Bank Investment Project Financing Operations reissued on September 7, 2021, effective March 1, 2010, and supporting guidance note as well as considering the requirements of World Bank Policy and World Bank Directive on IPF.
2. **Budget arrangement for the project.** The project will follow the Federal Government of Ethiopia's budgeting procedure and calendar. The PMU to be established under NIDP at the PMO will prepare a consolidated AWPB, based on the project's objectives and resources. The project budget preparation should be prudent, realistic, detailed, and implementable. The AWPB, prepared and approved by the PSC, will be submitted to the World Bank for no objection before May 31 of each year. The project's annual budget will be proclaimed under the PMO. The working budget will detail components, subcomponents, activities, and categories of expenditures. It will also have a quarterly breakdown to allow for proper budget monitoring. The PMU will ensure that robust budget monitoring and control mechanisms are in place. The budget monitoring system will be at the transaction, system, and reporting levels. The budget control in the Integrated Financial Management Information System (IFMIS) will be applied based on the Government budget code. The accounting system to be used would enable budget controls and monitoring, budget tracking, and periodic reporting. Expenditures will also be compared to the budgets regularly, explanations will be sought for significant variances, and remedial actions will be taken as appropriate. IFRs would include a variance report along with explanations of material variances. Management will take midway corrective measures based on the reports and explanations.
3. **Accounting and staffing arrangement for the project.** The GoE's accounting policies (modified cash basis) and procedures will apply to the project. Separate accounts for the project will be maintained at the PMO. NIDP will develop a project specific FMM, which follows the government procedures and addresses the peculiarities of the project. Preparation of the FMM will be completed within three months of effectiveness. The chart of accounts of the PMO will be updated to accommodate the project. The project is expected to use an accounting system that captures project records at the component, subcomponent, and activity levels. In addition, to comply with government reporting requirements, the project will have to maintain records through IFMIS. The PMO will coordinate and manage the FM aspects of the project through a PMU to be established. It is noted that recruitment for core positions, including FM experts, is currently under way, using the funds from the ID component of the Digital Foundation Project (P171034), until this project becomes effective. The recruited FM experts will work as a team and in close collaboration with the finance and procurement unit of the PMO. Accounting staff capacities will be reviewed and increased as appropriate during implementation.
4. **Internal control and internal audit arrangements.** All the applicable Government internal control policies and procedures will be applied for the project. In addition, the project's FMM will incorporate detailed control procedures specific to the project. The internal audit unit of the PMO will include the project in its annual work program, conduct audits, prepare reports, and share them with the World Bank. The management will take the necessary action on the internal audit findings and update the World Bank on the status of implementation of the findings as part of the quarterly IFRs. Copies of project documents (PAD, PIM, Financing Agreement, and FMM) will be provided to the internal auditors for reference. FM and related training will be provided to the internal auditors to enhance their capacity.
5. **Financial reporting arrangements.** Quarterly IFRs will be required for the project. The PMU will prepare the quarterly IFR and submit it to the World Bank within 45 days after the end of the quarter. The template of the IFR was



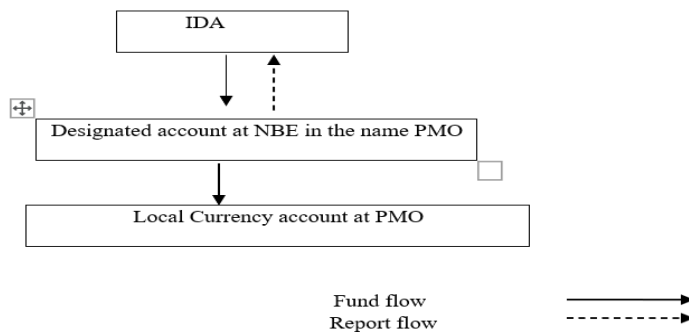
agreed and annexed to the Disbursement and Financial Information Letter (DFIL). The World Bank will provide the required support after effectiveness and during project implementation to ensure quality reporting. In addition, the project team will prepare the project’s annual accounts/financial statements within three months after the end of the accounting year per accounting standards acceptable to the World Bank and submit to the project’s external auditors.

6. **External audit arrangements.** The PMO will ensure that the project accounts are audited annually. Annual audited financial statements and audit reports (including management letters and audited financial statements, with audit opinion) of the project will be submitted to the World Bank within six months from the end of the fiscal year using auditors acceptable to the World Bank. The auditor will be appointed within three months of effectiveness. The annual financial statements will be prepared within three months of the end of the fiscal year per standards and provided to the auditors to enable them to carry out and complete their audit on time. The audit will be carried out per the International Standards of Auditing issued by the International Federation of Accountants. The auditor will also provide a Management Letter, which will, among others, outline deficiencies or weaknesses in systems and controls and recommendations for improvement and report on compliance with key financial covenants. By the World Bank’s policies, the World Bank requires that the borrower disclose the audited financial statements in a manner acceptable to the World Bank. After formally receiving these financial statements from the PMO, the World Bank will make them available to the public in accordance with the World Bank Policy on Access to Information.

*Disbursement Arrangements*

7. **Funds flow and disbursement arrangements.** The project will follow the Government’s channel two fund flow mechanisms, where IDA funds will be made available directly to NIDP at the PMO. Funds will not flow to other beneficiary institutions. The PMO will open a DA denominated in US dollars at the NBE. This account shall be opened by the credit and grant effectiveness date. The authorized ceiling of the DA would be two quarters forecasted cash requirement based on the approved AWPB. The PMO may also open an Ethiopian birr bank account for making payments in local currency to suppliers of goods and services. NIDP at the PMO will manage the US dollar and local currency bank accounts. Details of the DA once it is opened and the signatories appointed would be communicated to the World Bank. The fund flow arrangement for the project is summarized in Figure 1.1.

**Figure 1.1. Disbursement Arrangement**



8. **Disbursement methods.** The project may follow one or a combination of these disbursement methods: Advance to Designated Account, Direct Payment, Reimbursement, and Special Commitment. For Advance to the Designated Account and Reimbursement methods, the project will use IFRs as report-based disbursement method. Disbursement will be made quarterly to the DA to cover cash requirements for the next six months based on a six-monthly expenditure and cash requirement forecast (prepared based on the approved AWPB) which is expected to be reported as part of the



quarterly IFRs. Further details about disbursements to the project will be included in the DFIL. Initial advance will be made based on six months forecast prepared from the approved AWPB. Further replenishments will be made upon submission of the quarterly IFRs. The IFR will be used to document or settle past advances to the DA and request future resources using their respective cash forecast statement. The project's eligible expenditures are costs incurred for activities agreed upon and included in the Financing Agreement and as included in the approved AWPB.

9. The FM risks management plan will be included in the project's Implementation Manual.

#### *Procurement Management*

10. **Procurement rules and procedures** will be carried out in line with the World Bank's Procurement Regulations for IPF Borrowers, dated September 2023 (amended from time to time) (Procurement Regulations); the 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 any other provisions stipulated in the Financing Agreement. The World Bank's Standard Procurement Documents (SPDs) shall be used for all international and national competitive procurements.

11. **The Procurement Plan**, as agreed between the World Bank and the recipient, will specify the procurement methods and their applicable thresholds, as well as activities that will be subject to the World Bank review. The implementing agency will submit the PP through STEP, and it will be disclosed to the public once the PP is approved. The PP will be revised as needed to reflect the project implementation needs.

12. **The PPSD** include a description of market conditions, risks, and corresponding market approaches for identified procurable items resulting in the first 18 months PP. The project will include the procurement of an automated biometric identification system for biometrics duplication; ID registration kits; and use cases in support of financial inclusion, social protection, and education as well as the development of various options for online and offline authentication.

13. **Institutional arrangements.** The PMO/NIDP will be responsible for procurement implementation on behalf of the project beneficiary institutions. The decision-making process will utilize the internal institutional structure of the PMO, including the Tender Endorsing Committee. NIDP will recruit and assign two procurement specialists with experience in World Bank-financed projects and one contract management officer.

14. **Procurement risk assessment has been carried out by the World Bank** in accordance with the Procurement Risk Assessment and Management System. The procurement risk is high. The main risks are (a) overall fragile and conflict environment affecting stable functioning of government institutions; (b) no institutional experience in managing World Bank-financed projects, which may lead to slow procurement processing and decision-making with potential implementation delays; (c) unavailability of adequate number of procurement staff with experience in World Bank-financed projects and possible inability to retain such staff because of low levels of salaries imposed by the MoF; (d) limited technical capacity to lead, manage, prepare, and evaluate technical aspects of information systems-related procurement activities, including possible delays in the preparation of bid documents; (e) limitations in producing proper evaluation reports backed with due diligence; (f) the national Standard Bidding Documents (SBDs) not updated with requirements for social, environmental, health, safety, and sexual exploitation risks; (g) challenges in translating project scope into discreet procurable activities because of the complexity and uniqueness of the project; and (h) poor contract management systems with potential time and cost overruns and poor-quality deliverables.

15. **To mitigate the risks, the following are recommended:** (a) closely monitor planned procurements; (b) recruit two qualified procurement specialists at NIDP dedicated to this project; (c) recruit technical experts with experience in managing information system-related activities; (d) ensure goods delivery, inspection, and receipt documents are issued



on time and copies are uploaded in STEP at contract completion road map stage; (e) utilize Standard Evaluation Report Format for all evaluations; (f) ensure relevant staff undertake training on the World Bank's procurement procedures; (g) use the World Bank's SPDs for national market approach procurements as appropriate; (h) pre-agree with the World Bank on unique ID registration and distribution arrangements that are fit for purpose with adequate justification; and (i) establish a contract monitoring system, hire a qualified contract management officer, and deliver monitoring reports regularly.

16. **The overall procurement risk rating is High.** Once the procurement mitigation actions have been implemented, the residual risk will be Substantial.

17. **STEP will be used** to prepare, clear, track, and update PPs and conduct all procurement transactions. All prior- and post-review procurements will need to be uploaded to STEP. Those not uploaded in STEP will not be eligible for project financing. The STEP system will also be used for handling and closure of all procurement complaints. NIDP will assign specific staff as contract managers in STEP's Contracts Management Module. Regardless of value, all consultancies will be prior reviewed.

18. **National procurement arrangements.** The country's procurement procedures may be used for the domestic market. When the recipient uses its own national open competitive procurement procedures as outlined in the Public Procurement and Property Administration Proclamation No. 649/2009, such arrangements will be subject to the provisions of paragraph 5.4 of the Procurement Regulations. However, since the national SBDs are not yet modified to reflect social, environmental, health, safety, and sexual exploitation requirements, the project will use the World Bank's appropriate SPDs for national open market approach procurement activities.

19. **Implementation support and World Bank reviews.** The World Bank will review contracts based on the risk and complexity of activity, which will be indicated in the PP in STEP. The prior-review contracts will be updated in the PP as necessary during implementation, based on the procurement capacity assessment. The World Bank will carry out post reviews of procurement activities to determine whether they comply with the requirements of the Legal Agreement.

20. **Selection methods.** The project will utilize available selection methods and approaches in the World Bank Procurement Regulations. The selection methods and World Bank review thresholds have been determined in the PPSD and to be reflected in PPs in STEP. The thresholds will be determined based on activity risks and whether an activity will be prior reviewed or post reviewed will be reflected in STEP.



ANNEX 2: Risk Mitigation for Fayda Implementation

1. NIDP and the GoE have demonstrated a firm commitment to alignment with the Principles on Identification for Sustainable Development, including through comprehensive stakeholder engagement and a very high level of transparency. Table 2.1 describes the potential social risks arising from Fayda and how these risks have been or will be mitigated through the Fayda system and project design.

Table 2.1. Key Social Risks and Mitigation Measures

| Social Risks  | Mitigation Measures   |
|---|---|
| <p><b>Exclusion</b></p> <p>Situations where the design of an ID system makes it challenging for specific groups or individuals, especially those who are vulnerable or disadvantaged, to access or use the system effectively</p> | <p>Today, about 40 percent of Ethiopia's population lack proof of identity and almost 100 percent lack a form of identity that offers a digital trail that enables trusted transactions and services. Project interventions significantly reduce the risks of exclusion compared to the status quo by creating a more inclusive ID system (open to all residents) and catering to the most vulnerable, including women and refugees. Specific measures include the following:</p> <ul style="list-style-type: none"> <li>● Digital ID Proclamation (March 2023) makes Fayda a legal and acceptable form of digital ID to all residents of Ethiopia, and for any resident that wishes to have it, the legal responsibility of ensuring access to the ID falls on the ID institution implementing Fayda.</li> <li>● Large number of legal documents accepted (30+) and specific protocols are in place (that is, introduction mechanism) to enable the individuals to prove their identity at registration centers, even allowing undocumented people to register through an introducer system.</li> <li>● Tailored enrollment strategies are planned for harder-to-reach regions and populations, including mobile Fayda registration centers.</li> <li>● Refugees and asylum seekers can access Fayda the same as nationals, including the same introducer processes for undocumented persons. Considering that Fayda only issues identification and not refugee status determination (which is done separately by RRS), this will mean less bureaucratic processes.</li> <li>● The registration campaign will utilize locals to ensure adequate coverage of the language and to build trust with the local population.</li> <li>● Special protocols will be applicable for registration of people with disabilities (for example, biometric exemptions and accessibility of centers).</li> <li>● Participatory and human-centered design approaches will be used to inform the implementation and use of Fayda to access services.</li> <li>● Processes have been enhanced by lessons from numerous pilots, such as ensuring information availability (including in accessible formats, multiple languages, and disseminated by trusted sources), having physically accessible facilities, and having multiple registration and ID issuance channels.</li> <li>● The ID laws ensure sufficient check and balance with strong complaints and grievance redress mechanisms.</li> </ul> |
| <p><b>Personal data breaches and misuse</b></p> <p>ID systems involve the collection, storage, and processing of personal data. These data are vulnerable to theft, misuse, loss, or</p>  | <p>The current, paper based Kebele IDs or civil registrations in Ethiopia do not have adequate policies and controls on how personal data are collected, stored, and used. Kebele IDs also collect a significant amount of personal data, including ethnicity. However, the limited digitization and decentralized management of these data limit the scale of risk of breaches and misuse, but the manual nature means there are limited audit controls and logs, if any. On the other hand, Fayda collects less data than existing Kebele IDs and raises standards for governing how personal data are collected, stored, and processed, as well as information and cybersecurity. Specific measures include the following:</p>   |





| Social Risks  | Mitigation Measures   |
|---|---|
| <p>mismanagement, which can lead to negative consequences for individuals. The risks become even more significant when sensitive or personal data, such as biometrics, are collected.</p> | <ul style="list-style-type: none"> <li>● Minimal data collection with only five mandatory fields (full name, gender, date of birth, nationality, and current address), including no collection of racial or ethnic origins, genetic data, political opinion, physical or mental health condition, religion, and other sensitive data that could lead to discrimination, and three biometrics modalities (face, fingerprint, and irises).</li> <li>● Fayda incorporates several privacy-by-design measures, such as tokenization of the Fayda ID number, limitation of the sharing of personal data unless necessary (for example, implementation of yes/no replies rather than sharing of personal data unless required by court or law), and user empowerment tools (for example, consent and notification of data sharing) that would prevent unauthorized correlation of information between different data sets, covenant to the Financing Agreement that the GoE will abide by the Principles on Identification for Sustainable Development, including in subsequent detailing regulations (notably minimal data collection).</li> <li>● The Digital ID Proclamation includes specific measures for personal data protection, including details about an auditable consent mechanism when sharing data with any third party, processing, retention, and sanctions. Sharing personal data to any third parties against the provisions of the proclamation will lead to criminal liability.</li> <li>● The project will support the operationalization of the Personal Data Protection Proclamation once adopted.</li> <li>● The project will strengthen information and cybersecurity capacity with due emphasis given to both legal and technical safeguards.</li> </ul>   |
| <p><b>Low trust</b><br/>There is a risk of negative perception surrounding Fayda ID, which can be influenced by political economy factors such as current conflicts.</p>                  | <p>Although they are decentralized, there is limited transparency in how existing Kebele ID systems operate, including in terms of access to data. Fayda will operate in a much more transparent manner, including by using open-source software, which provides for more accountability on the technology, stakeholder engagement, and publication of documentation. These measures will go a long way toward reducing the risks of low trust.</p> <p>Specific measures include the following:</p> <ul style="list-style-type: none"> <li>● The Government will be asked to adopt the Data Protection Proclamation, in addition to the ID Proclamation.</li> <li>● NIDP has developed a comprehensive communication strategy based on the findings of the pilot evaluation, tailored to specific demographics.</li> <li>● NIDP is publishing all relevant documentation, regulations, directives, MoUs, and information about the systems developed on its website, which is constantly being updated at <a href="https://id.gov.et/">https://id.gov.et/</a>.</li> <li>● The website contains frequently asked questions that address the risks related to some misconceptions.</li> <li>● NIDP organized a series of stakeholder consultations with civil society organizations, human and digital rights groups, and legislative and executive wings of the Government among others during 2021–23. The program will be able to further expand these activities once the project is operational, notably further engaging with communities and local leaders.</li> <li>● Based on the registrant’s request, all logs and audit trails of the user’s personal data and their authentication history can be accessed and/or deleted. There are also facilities for the user to lock their personal data so that it cannot be used for authentication.</li> </ul> |





ANNEX 3: Gender Analysis and Action Plan

**Problem statement.** In Ethiopia, there is a notable gender gap in the existing ID system (Kebele ID) coverage. According to the ID4D-Findex Survey (2017), 36 percent of the population ages 18 and older lack a Kebele ID, with significant gender gap of 46 percent of women lacking one, compared to 25 percent of men.

| ANALYSIS:<br>Gender gaps identified  | ACTIONS:<br>Proposed actions Taken to address gaps   | INDICATORS:<br>How bridging the gap will be measured   |
|--|--|--|
| <p><b>Women have less knowledge about benefits of having an ID.</b> Country-specific research, including a Social Risk Analysis and a Gender Gap in ID Study, outline low literacy, a general lack of awareness on the day-to-day use of ID, perceived irrelevance of formal identification, and limited knowledge of individual rights as key factors contributing to lower Kebele ID enrolment by women. Based on the most recent data from 2017, the adult (age 15 and above) literacy rate for men is 59 percent, compared to 44 percent for women (World Bank 2022), which can make it harder for women to navigate the ID registration process.</p>  | <p><b>Subcomponent 1.1</b></p> <ul style="list-style-type: none"> <li>The project will support implementation of a communications strategy encompassing an intersectional segmentation approach that directly addresses factors impeding low uptake to ID and includes tailored approaches for women and girls (such as having female registration agents) in both urban and rural areas and across socioeconomic segments. The communication campaign will also be tailored to men who can support women’s ID enrolment, such as head of households, spouses, and family members.</li> <li>The reach-out efforts will also include community sessions or tap into existing women's groups to more directly increase awareness among women.</li> </ul>   | <p>Number of people in Ethiopia who have received a Fayda ID, a percentage of whom are women and girls</p>   |
| <p><b>ID registration processes lack equity.</b> For adults willing to enroll for an ID, barriers to access disproportionately affect women. Long lines and waiting times for enrollment, for example, can add a burden to women who are pregnant and/or must be always with their young children. Far distances for registration can also present tangible barriers for female enrolment, particularly for women who must attend to domestic duties or revenue-generating responsibilities and forgo income to register for an ID. In addition, women from low-income households in urban and especially in rural areas often lack mobile devices, including lower-end feature phones, highlighting potential challenges with participating in ID registration that is linked to mobile devices (such as text notifications). In 2021, internet use by women as a total of the female population stood at 14 percent, compared to 20 percent for men (ITU 2021), surfacing gender gaps in online participation, therefore showing the</p> | <p><b>Subcomponents 3.1 and 3.2</b></p> <ul style="list-style-type: none"> <li>The project will also strive to ensure an inclusive ID enrolment by leveraging the omni-channel registration strategy which includes registration options that would enable registration in locations that are convenient and safe for women.</li> <li>The project will procure mobile registration kits that enable registration close to home. These will be brought to places where women usually congregate to ensure convenient registration for women, including the elderly, ill, or those caring for young children.</li> <li>The project will support initiatives to enhance both effectiveness and efficiency. This includes efficiencies in registration that reduce wait times, including upgrades to biometric equipment that lower the attempts required for capture, the availability of female enrolment officers and private spaces for women wearing religious coverings (e.g., niqab), and availability of registration centers within a 6 km radius.</li> </ul> | <p>Percentage of population within 6 km of a permanent, semi-permanent, or mobile registration site at least once a year</p> <p>Number of people registered in remote and hard to reach areas)</p> |



|   |   |  |
|---|---|--|
| <p>lack of a need to prove identity for e-services for example.</p>   |   |  |
| <p><b>A sizeable female refugee population is particularly at risk of lacking an ID and being denied access to essential services as a consequence.</b> Ethiopia hosts over 823,000 refugees and asylum seekers, mostly from South Sudan, Somalia, and Eritrea, 47 percent of whom are women and 59 percent of whom are children (UNHCR 2022). Women and girls without official documentation face challenges with accessing food rations, education, and legal services, the latter of which increases their vulnerability to gender-based violence.</p> | <p><b>Subcomponents 3.1 and 3.2</b></p> <ul style="list-style-type: none"> <li>● In collaboration with stakeholders such as the RRS and UNHCR, the project will advance inclusive ID issuance and distribution to provide a unique and verifiable digital identification to all residents, including refugees. The project will also deepen an analysis of the case of vulnerable women in Ethiopia, including female refugees and IDPs.</li> </ul>   | <p>Number of people in Ethiopia who have received a Fayda ID, a percentage of whom are women and girls</p> <p>Number of people in Ethiopia who have received a Fayda ID, number of whom are refugees or individuals living in refugee host communities</p> |
| <p><b>Lack of sex-disaggregated ID data.</b> The current Kebele ID system does not produce any aggregated data about ID ownership, and sex-disaggregated data are not collected. The lack of data, and especially of sex-disaggregated data, inhibits the GoE’s ability to design evidence-based and gender-responsive ID policy and programming. It also limits policy makers’ ability to track progress over time.</p>  | <p><b>Component 5</b></p> <p>Ensure the collection of sex-disaggregated data on ID enrolment and use, including through;</p> <ul style="list-style-type: none"> <li>● Training on M&amp;E with a gender lens, including for the M&amp;E officer housed within the Digital ID Institution to enable the collection of data concerning the enrolment and usage of ID by women and girls and</li> <li>● Collection of gender-disaggregated data as part of the project-level M&amp;E.</li> </ul> | <p>The proportion of population satisfied with Fayda services</p>  |