



Project Information Document (PID)

Concept Stage | Date Prepared/Updated: 28-Apr-2023 | Report No: PIDC34522

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

Country Ethiopia	Project ID P179040	Parent Project ID (if any)	Project Name Ethiopia Digital ID for Inclusion and Services (P179040)
Region EASTERN AND SOUTHERN AFRICA	Estimated Appraisal Date Sep 11, 2023	Estimated Board Date Nov 29, 2023	Practice Area (Lead) Digital Development
Financing Instrument Investment Project Financing	Borrower(s) Federal Democratic Republic of Ethiopia	Implementing Agency Ministry of Finance and Economic Development, Prime Minister's Office	

Proposed Development Objective(s)

The Project Development Objective is to establish an inclusive foundational digital ID system to improve access to and delivery of benefits and services for all people in Ethiopia.

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

Total Project Cost	300.00
Total Financing	300.00
of which IBRD/IDA	300.00
Financing Gap	0.00

DETAILS**World Bank Group Financing**

International Development Association (IDA)	300.00
IDA Credit	300.00

Environmental and Social Risk Classification

Concept Review Decision



Substantial

Track II-The review did authorize the preparation to continue

Other Decision (as needed)

B. Introduction and Context

Country Context

- 1. Located in the Horn of Africa, Ethiopia is a populous and diverse country, with significant potential to reap the demographic dividend.** Ethiopia is the second most populous country in Sub-Saharan Africa with an estimated population of about 118 million (World Bank, 2021), out of which about 80 percent live in rural areas. It has 98 ethnicities with roughly 93 languages spoken, as well as three major religious groups (Ethiopian Orthodox, Islam, and Pentecostal) and several others. There are 13 regions and two federal cities, under which there are more than 1,000 *woredas* (districts) and around 16,000 *Kebeles* (wards). Ethiopia faces significant opportunities and challenges arising from a fast demographic transition, rapidly rising population of working-age, and its landlocked, however strategic location, surrounded by six countries.
- 2. Ethiopia has experienced strong and broad-based economic growth over the past two decades, with extreme poverty declining from 55 percent in 2000 to 25 percent in 2020, one of the most impressive poverty reduction results recorded internationally.** This economic success has occurred in a context of massive public infrastructure investment and modest structural economic transformation. Between 2004 and 2020, Ethiopia experienced a robust economic growth of 10 percent per annum, which was driven by large-scale public investment in infrastructure and energy. Ethiopia was able to achieve a substantial expansion of energy, road, railway, and telecom infrastructure, financed by domestic and external public borrowing. However, there has been relatively slow progress in the development of a vibrant private sector, especially in manufacturing and modern services sectors.
- 3. Despite Ethiopia's consistent economic success over the past decade (including as one of the world's fastest growing economies), it is now facing major challenges from today's multiple crises: the impact of the recent COVID-19 pandemic, natural disasters, internal conflicts, food insecurity, and high inflation.** Real gross domestic product (GDP) growth is projected by the IMF to be 5.3 percent in 2023, down from 9 percent in 2019. According to Ethiopia Statistic Service (ESS), the inflation annual rate rose to a decade high at 35.1 percent in 2021 mainly driven by high food prices. The most recent inflation rate (January 2023) is 33.9 percent. Worsening supply conditions in food markets due to the slowdown in production, disruptions in logistics and supply chains, and the persistent foreign exchange crunch have been the main factors for the increases in inflation. Poor and vulnerable households are facing important losses in real income, and challenges in food affordability, and their livelihoods are affected by the reduction in aggregate demand as they derive a large share of their income through self-employment. As a result of these factors and today's multiple crises, the risk of returning to poverty remains high, especially with today's multiple crises. The GoE is under a lot of pressure to continue to provide basic services to people and to continue supporting and protecting the most vulnerable populations.
- 4. Ethiopia aims to reach lower-middle-income status by 2025 and to reduce the poverty level to seven percent by 2029/30.** To this end, the GoE launched a new 10-Year Development Plan for 2020/21 to 2029/30, based on the 2019 Home-Grown Economic Reform Agenda. The plan aims to sustain the remarkable growth achieved under the Government's Growth and Transformation Plans (GTP I and GTP II) while facilitating the shift towards a more private-sector-driven economy. It also aims to foster efficiency and introduce competition in key growth-enabling sectors (such as innovation and technology, which includes telecommunications and the digital economy), improve the business climate, and address 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 Programme (PSNP) which was launched in 2005. PSNP



aims to reduce food insecurity and vulnerability for the poorest by providing economic opportunities and building resilience to crises through cash transfers, public works programs, and nutritional feeding programmes that can greatly benefit from improved identity verification mechanisms.

5. **Gender disparities in Ethiopia, including in terms of access to economic opportunities for women, are profound.** Significant and deeply engrained disparities continue to remain, and a combination of cultural norms and socioeconomic inequality greatly increases the risks faced by women in terms of their well-being. 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.¹ The 2017 Global Findex Survey² found that only 29 percent of women had a financial account, compared to 41 percent of men, with the gap growing significantly from 2014 when the rates were 21 percent and 23 percent respectively. Addressing gender inequalities in terms of access to education and decision-making, services, economic opportunities, employment, land, and productive resources are crucial ingredients for continuous economic growth in Ethiopia.

6. **Another challenge is a large number of forcibly displaced persons in Ethiopia.** The International Organization for Migration (IOM)'s most recent estimate (September 2022) is that there are 2.73 million internally displaced persons (IDPs), predominately in Somali (910,000) and Oromia (806,000).³ Two-thirds have been displaced because of conflict, and one-fifth because of drought. This is a significant decrease from September 2021, when there were an estimated 4.23 million IDPs. There are 884,000 refugees and asylum seekers in Ethiopia according to the UN Refugee Agency (UNHCR), mostly coming from South Sudan (411,000), Somalia (252,000), and Eritrea (163,000).⁴ UNHCR, in collaboration with the GoE's Refugee and Returnees Service (RRS) carries out biometric registration of refugees and asylum seekers. However, the identification issued to refugees after registration is not sufficiently recognized by service providers, such as municipal services, banks, and mobile network operators, posing challenges to their integration and livelihoods. If requested, the GoE's Refugee and Returnees Service (RRS) can issue individual letters addressed to service providers, which is an inefficient and exclusionary approach.

7. **The ongoing conflicts in the country have limited economic growth and reduced access to basic services and infrastructure – but the November 2022 peace agreement to end hostilities between the GoE and Tigrayan People's Liberation Front creates room for optimism.** In Tigray, efforts are now focused on restoring basic services and rebuilding infrastructure. It will also be important to also (re-)build trust in the federal government to ensure that the peace can be retained and that social and economic development in Tigray and Ethiopia more broadly can be bolstered. Despite the positive progress in Tigray, internal conflicts continue in Oromia and Benishangul-Gumuz.

Sectoral and Institutional Context

8. **Foundational identification (ID) systems⁵ are broadly recognized as key enabler for inclusion and development.** For people, the ability to establish and verify their legal identity is increasingly a prerequisite for access to public and private sector services, such as social protection, healthcare, education, financial services, and employment. Proof of legal identity is also the basis for exercising rights, including those related to access to services and property ownership. For governments and businesses, foundational ID systems can serve as a platform for more effective, efficient, and responsive

¹ World Economic Forum. 2022. Global Gender Gap Report, published July 2022. URL: https://www3.weforum.org/docs/WEF_GGGR_2022.pdf

² The 2022 Global Findex Survey results for Ethiopia are expected by April 2023.

³ IOM. 2022. Ethiopia National Displacement Report 14 (August to September 2022), published December

2022. URL: <https://dtm.iom.int/reports/ethiopia-national-displacement-report-14-august-september-2022?close=true>

⁴ UNHCR. 2022. Operational Data Portal – Ethiopia, last updated on 31 January 2023. URL: <https://data.unhcr.org/en/country/eth>

⁵ Foundational identification systems are those primarily created to manage identity information for the general population and provide credentials that serve as proof of identity for a wide variety of public and private sector transactions and services. Common types of foundational ID systems include civil registries, national ID systems, and population registers.



service delivery by enabling the unique identification and verification of clients, which is required for any government-to-person service. Importantly, foundational ID systems can promote greater inclusion by de-risking and reducing the costs of service delivery (e.g., digitalized customer onboarding can make low-income individuals more attractive customers for financial service providers) and digitalization of services, which in-turn allows limited resources to be re-allocated to reaching typically underserved populations (e.g., people in rural areas, refugees and IDPs, people with disabilities). 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 (SDGs).

9. **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, Indonesia, Rwanda, the Philippines, and Timor-Leste, which has engaged vulnerable citizens and residents, has shown that one of the key benefits of ID systems are the sense of belonging that is attached to having such a national ID. 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.”⁶

10. **Foundational ID systems, as digital public infrastructure⁷, are also a critical platform for countries to transition to inclusive digital economies, societies, and governments.** 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 legal identity without requiring physical presence or face-to-face interaction. This will allow transactions to be done completely online, without the need to submit physical documents or go to a branch or office. Traditional credentials, such as the paper Kebele ID and birth certificates, are not intended for such remote transactions and are prone to fraud, misuse, and privacy breaches when used online. Such digital ID systems are necessary for establishing trust in online transactions, including reducing identity fraud and cyber risks.

11. **Ethiopia is one of the few countries in the world that does not have a functioning national-scale foundational ID system.** Despite enacting the *Registration of Vital Events and National Identity Card Proclamation* in 2012, the national identity card has never been implemented. A paper-based ID issued by Kebeles (and known as the Kebele ID) is the most common ID in Ethiopia, available to all individuals over 18 years old. It is currently used as proof of identity, but its primary purpose is as proof of address and residence. As a result, obtaining a Kebele ID often requires residing in a location for minimum period (e.g., six months), which leads to exclusion of internal migrants – especially significant given the growing rates of urbanization in the country. The features of the Kebele ID vary by Kebele, but the card generally captures an individual’s demographic information and address in handwriting and includes a stapled photo, often to be provided by individuals which can be costly and cumbersome for some segment of the population. Most Kebele IDs still contain the holder’s ethnicity, which is a potential source of discrimination. The lack of uniformity among the Kebele ID and the ease of forgery have been constraints for delivery of services. However, the community-based issuance has contributed to a good coverage rate in many parts of the country, including in rural communities and hard-to-reach areas. Recordkeeping is highly informal: information is documented in writing and stored at each local Kebele office in hard-copy paper ledgers and books which are vulnerable to damage, tampering, unauthorized use, and theft and loss due to accidental fires or natural disasters like floods. Considering the weak security of records stored in Kebele ledgers, identity fraud, including impersonation to carry out illegal activities and to take out loans, is relatively easy. Additionally, demographic information is often relayed and confirmed through verbal testimonies, which leave room for forgery, duplication, and fraud, which are important to address as the economy becomes more formal and continues to digitalize.

⁶ CGD. 2017. Identification as a National Priority: The Unique Case of Peru - Working Paper 454, published on 9 May 2017. URL: <https://www.cgdev.org/publication/identification-national-priority-unique-case-peru>

⁷ Digital Public Infrastructure refers to a set of foundational systems and their organizational frameworks (e.g., 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.



12. **According to the 2017 ID4D-Findex Survey, 36 percent of the population aged 18 and older lack a Kebele ID – with significant gender gap of 46 percent of women lacking one compared to 25 percent of men – which creates barriers for a large portion of people in Ethiopia to access services and economic opportunities.** The Kebele ID is required to access almost all public and private services, including safety nets payments, subsidized services like food- and employment-related benefits; obtaining functional forms of ID such as driver’s licenses and passports; and formal procedures like proving land ownership.⁸ Moreover, the Kebele ID is tied to specific geographic jurisdictions and, as a result, does not serve as a continuous form of identification throughout the life of the individual. Rather, individuals relocating away from their original Kebele outlined in their ID card to other sub-districts are forced to obtain a new card from a different jurisdiction and overcome hurdles like the minimum residence requirement period (six months); the requirement to obtain a release letter from their Kebele of origin; and the need to present a proof of residential address.⁹

13. **This 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 diaspora who are voluntarily returning to the country.** Identification is commonly associated with the ‘head of household’ (a traditionally male role) and is 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 is revealing that although there are no legal obstacles for women to access Kebele IDs, there are symbolic and practical barriers. Similarly, Kebele ID coverage increases to 70 percent for adults aged 25 and above, and 80 percent for the highest income quintile. 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.

14. **Civil registration in Ethiopia is also weak, with only 3 percent of children under 5 years of age having their birth registered as per most recent estimates.**¹⁰ In 2016, Kebeles introduced a paper-based and self-reported civil registration system that involves a manual recording of births, deaths, marriages, and divorces. In May 2021, the Immigration, Nationality and Vital Events Agency (INVEA) – now known as Immigration and Citizenship Services (ICS) – estimated the modernization costs of the system to be about US\$470 million for a five-year period (2022-2026).¹¹ Digitalization of civil registration is a major component, which will be partially funded by the World Bank Program for Results for Strengthening Primary Health Care Services Project (P175167), which was approved by the Board in December 2022 and became effective in March 2023.

15. **The current identification landscape in Ethiopia can be summarized to have four main weaknesses.** First, inefficiency: the absence of identity verification capabilities for online and even for in-person service delivery. Second, exclusion: gaps in coverage among adults, extremely low birth registration coverage, and providing no coverage of children aged 17 and younger, which in turn prevents seamless access to services in sectors such as health, education, and social protection that are key to human capital development. Third, fraud-related risks: challenges with reliably establishing and verifying unique identities for use in cases that require higher levels of identity assurance, such as cash transfers and obtaining credit. Finally, lack of interoperability: there is no population-scale unique identity and variations in the data collected and reported by Kebele, which results in a lack of interoperability and portability of information that complicates effective service delivery.

16. **The GoE began an initiative in 2019 to address these weaknesses and to establish a foundational ID system as a complement – not a replacement – to the existing Kebele IDs.** The intention of the new system was set as providing a trusted source of identity in the country, while Kebele IDs would continue to provide individuals with proof of address.

⁸ World Bank. 2022. Voluntary Migration in Ethiopia: In Search for Work and Better Opportunities.

⁹ Usually, the house owner must accompany the person applying for an ID and inform the Kebele administration that the person is either part of her/his family or is a tenant.

¹⁰ Central Statistical Agency [Ethiopia] and ICF. 2016. *Demographic and Health Survey 2016*. <https://dhsprogram.com/pubs/pdf/FR328/FR328.pdf>.

¹¹ INVEA, CRVS Systems Improvement Strategy and Costed Action Plan of Ethiopia: 2021/22 – 2022/26, April 2021



The leadership of MInT was instrumental in reframing the agenda from one about issuing cards (as in the 2012 Proclamation) to being intentional about introducing an ID for the purpose of service delivery and digital transformation, including as a key action in the *Digital Ethiopia 2025 Strategy*¹². The initiative considered whether to push forward with implementation under the existing Proclamation or to launch something new. Within the same year, MInT, with support from the Prime Minister’s Office (PMO), developed the *Principles and Governance Structure of the National Identity Program*, which set the stage to establish a new ID system to provide a unique and verifiable digital ID to all residents (including refugees) of Ethiopia and would be aligned with the international *Principles on Identification for Sustainable Development*¹³. The National ID program was transferred from MInT to the Ministry of Peace in 2020 and subsequently transferred to the Prime Minister’s Office (PMO) in 2021, where it became the National ID Program (NIDP).

17. The Digital ID Proclamation establishing the Fayda ID system (“Fayda” meaning “value” in several local languages) and empowering the CoM to establish an “Identification Institution” was enacted by the House of People’s Representatives in March 2023, following two years of inclusive and extensive consultations with various stakeholders.

As per the Proclamation, Fayda is envisioned to provide a unique digital ID to all nationals and residents from birth. It will encompass the following key elements: national in scope; foundational; residence-based (i.e., accessible to anyone legally physically present in Ethiopia - and not just nationals); providing a unique and random number; leveraging digital technologies; and maintaining the security of personal data. The development of the draft Proclamation benefited from technical assistance from the World Bank and the United Nations Economic Commission for Africa (UNECA). 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 Identification Institution and its relationship with a future *Data Protection Proclamation*, among others. While the Digital ID Proclamation has good measures for personal data protection, a general Personal Data Protection law (for which the GoE has a draft with the Council of Ministers as of March 2023¹⁴) is critical for further mitigating personal data protection risks.

18. Until the “Identification Institution” is established as a permanent home for Fayda, NIDP will continue with responsibility for implementation.

The GoE is evaluating options for the permanent home for Fayda, such as a new government agency or a government majority-owned state-owned enterprise (SOE) that would allow the institution to be more financially sustainable and to attract better human resources, with the flexibility to pay higher wages. It is understood that, as a general position, the CoM is discouraging the establishment of new agencies. International experience shows that having a host institution without any association with immigration, nationality, and law enforcement is particularly important for promoting inclusion and public trust. Likewise, an agency with a service-oriented mindset or mandate will be key for ensuring the Fayda becomes a platform for service delivery rather than just a database.

19. Since 2021, the NIDP has focused on identifying high-impact use cases that could greatly benefit from leveraging Fayda, especially the linkages with and between financial inclusion and social protection.

The NIDP has been engaging communities and establishing partnerships with various government agencies and businesses to understand the requirements and to develop use cases, as well as to engage with other countries to learn lessons and good practices. In the area of financial inclusion, the National Bank of Ethiopia (NBE) in 2021 released a new directive to strengthen know-your-customer (KYC) requirements across the financial sector to discern individual customer uniqueness for all transaction types.¹⁵ This new requirement is overwhelming for both the banks and people both with and without a Kebele ID. Fayda,

¹² For more information about Digital Ethiopia 2025: A digital strategy for Ethiopia Inclusive Prosperity, see the Prime Minister’s Office website at <https://www.pmo.gov.et/media/other/b2329861-f9d7-4c4b-9f05-d5bc2c8b33b6.pdf>.

¹³ For more on the Principles, see <http://idprinciples.org>

¹⁴ One of the key points of contention on the draft is that the Ethiopian Communications Authority (ECA) will likely take on responsibility for supervision instead of the establishment of a dedicated data protection authority. ECA is severely under-resourced and understaffed, and although it can raise revenues from spectrum fees and the licensing of telecommunications operators, these revenues revert to the Treasury. ECA may need additional financial support and technical assistance to fulfil these new responsibilities relating to data protection.

¹⁵ NBE. 2021. Requirements for Undertaking Account Based Transactions and Ensuring of Regulatory Limits Directive No. FIS/04/2021



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 Information Management 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.¹⁶ However, owing to a lack of resources (on the side of NIDP and the service providers) these use cases have not yet been fully explored yet. Instead, the NIDP has had to focus on use cases where there are resources, such as taxation and identification of truck drivers crossing the border with Djibouti, which are not the highest impact use cases.

20. Additional use cases that can benefit the most from Fayda will be explored during Project preparation. For instance, there is interest from the GoE to use Fayda to support micro-finance for farmers, providing ID to students aged 16 and older to certify diplomas, social health insurance, public and private pensions, use of mobile money and micro-loans, and in the context of SIM cards registration. To this end, the NIDP has signed several Memorandums of Understanding (MoU) 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. Conversations are ongoing about the role of these organizations either in registering the individuals to Fayda, and or using Fayda to transform the delivery of their services to ensure immediate positive impacts for the beneficiaries. The PMO is close to signing a tripartite MoU with RRS and UNHCR to be able to share data for the issuance of a Fayda ID to refugees and asylum seekers.

21. The Fayda ID system could also play a very important role in realizing peace dividends in Ethiopia. Firstly, 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. Furthermore, as a *national* system (compared to a collection of kebele systems), it can create a sense of belonging among holders and will have a consistent look and feel providing equal access to services for all citizens and residents. Secondly, the Fayda ID system can facilitate more inclusive economic growth by improving the accessibility of basic 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.

22. During March-June 2022, NIDP carried out a registration pilot, enrolling 124,233 people using open-source software that was integrated in-house.¹⁷ 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 as the kernel of the Fayda scale-up. By March 2023, more than 1.4 million individuals had been registered in the system, including around 800,000 students that have been registered by the education sector. The Prime Minister has set a target of three million registrations by June 2023, and more than six million people by the end of 2023, which comes with risks given that the GoE does not have an adequate budget to responsibly scale up its registration operations and corresponding ICT infrastructure. Given limited financial and human resources, the NIDP is currently prioritizing the work with Ministries and agencies that have the financial and technical capacity to integrate with Fayda.

¹⁶ A World Bank Group (2017) assessment of PSNP financial delivery channels found that instances of ghost beneficiaries and system leakages were less frequent with electronic payments. Most respondents also perceived electronic payments more secure due to a more careful verification of IDs. Generally, beneficiaries receiving digital payments saved three hours when compared to the manual system and were also less likely to incur transportation costs, both of which reinforce the opportunity for remote authentication under a digital ID; See: World Bank. 2017. *Advancing electronic food security payments in Ethiopia: Assessment of financial capability and satisfaction with e-payments of PSNP clients*.

¹⁷ The software kernel for Fayda is the Modular Open-Source Identity Platform (MOSIP). MOSIP is a digital public good being used by Morocco, the Philippines, and Togo, as well as being explored by other countries such as Guinea, Sri Lanka, and Timor-Leste. It is housed in the International Institute for Information Technology Bangalore (IIIT-B) and funded by the Bill & Melinda Gates Foundation, Norway Development Cooperation (NORAD), Omidyar Network, and Tata Trusts. The World Bank, through ID4D, is also on the international advisory group of MOSIP.



23. **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 the Digital Foundations Project since 2021.** An ID4D Diagnostic was completed in 2017¹⁸ (and updated for internal purposes in 2019). During 2019-2020, a legal assessment was carried out, which also contributed to the *Principles and Governance Structure of the National Identity Program* published by the GoE. In 2021, ID4D worked with NIDP to do a detailed costing for a six-year rollout, which came up with three scenarios: (i) registering adults aged 18 and older only (US\$283 million or US\$3.8 per registrant); (ii) registering adults and children aged 14 and older only (US\$308 million or US\$3.5 per registrant); and (iii) registering adults and children aged 5 and older only (US\$334 million or US\$2.8 per registrant). ID4D also collaborated with GPs across the Bank to map out use cases for Fayda, including identifying complementary Bank engagements and compiling this into a report for the NIDP. During the 2022 pilots, ID4D conducted an exit survey and focus group discussions (FGDs) among PSNP beneficiaries who registered to gather insights on the registration process and to identify recommendations for the registration scale up. A social risk analysis and a conflict analysis are planned for completion by mid-2023, and these will feed into the preparation of this Project. The Digital Foundations Project has also made available US\$2.7 million for NIDP to support some pilot activities, technical design work, and stakeholder consultations.

24. **The Ethiopia Digital ID for Inclusion and Services Project (P179040) will support the Government of Ethiopia (GoE) to roll out Fayda, an inclusive and trusted digital foundational ID system and other digital public infrastructure.** The Project will improve access to and delivery of public and private sector services and economic opportunities, especially for the most vulnerable, and to boost national resilience. This will be achieved by providing at least 90 million Ethiopian nationals and legal residents (including refugees)¹⁹ with a unique digital ID that they can use to securely verify themselves when transacting with government agencies and businesses. In addition, the Project will support the institutionalization of the Fayda ID system (including public awareness and stakeholder engagement) and its integration into services in key sectors, such as social protection, financial services, healthcare (including health insurance), agriculture, and education. The implementation of a standardized ID across Ethiopia's various states, ethnicities, and cultures will contribute to peace and social cohesion. The Project builds on the Ethiopia Digital Foundations Project (P171034), which provides financing for connectivity and improvements to the legal and institutional environment to enable digital development. The Project also complements the investments in the digitalization of civil registration (CR) in the Ethiopia Program for Results for Strengthening Primary Health Care Services Project (P175167), with the CR system being key for recording births, deaths, marriages, and other life *events* (compared to an ID system that records *people*) that can provide information for the creation of unique digital IDs at birth and retirement of IDs at death. The Project will also support multiple IDA operations in Ethiopia that aim to strengthen social safety nets, healthcare, education, farmer support, and Horn of Africa integration, among others.

Relationship to CPF

25. **The Project contributes to all three Focus Areas of the Ethiopia CPF FY18 - FY22:**

- a. **Focus Area 1 – Structural and Economic Transformation through Increased Productivity:** The Project will unlock financial and economic inclusion (Objective 1.1) by providing a universally accessible ID that can be used to access financial, employment, and other services.

¹⁸ World Bank. 2017. ID4D Country Diagnostic – Ethiopia. URL: <https://documents1.worldbank.org/curated/en/822621524689442102/ID4D-Country-Diagnostic-Ethiopia.pdf>

¹⁹ Fayda aims to provide a unique digital ID to all nationals and residents from birth. The target age group for the Project at concept stage is 14 years and older because these are the easiest to register, especially with respect to biometrics capture, but is subject to change as preparation advances. Unique identification of children is important for delivery of healthcare, education, nutrition, and other human capital-related services.



- b. **Focus Area 2 – Building Resilience and Inclusiveness:** The Project will improve access to and efficiency of social protection (Objective 2.1), healthcare 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).
- c. **Focus Area 3 – Supporting Institutional Accountability and Confronting Corruption:** The Project will build capacity and increase transparency for the delivery of government services (Objective 3.1).

C. Proposed Development Objective(s)

26. The Project Development Objective is to establish an inclusive foundational digital ID system to improve access to and delivery of benefits and services for people in Ethiopia.

Key Results (From PCN)

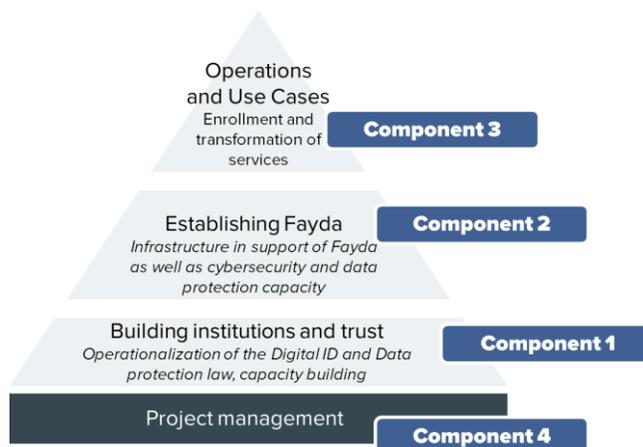
27. The achievement of the PDO could be measured by the results indicators below:
- a. Number of people in Ethiopia, aged 5 or older, who have received a Fayda ID
 - i. Percentage of whom are women and girls.
 - b. Number of refugees, aged 5 or older, who have received a Fayda ID
 - i. Percentage of whom are women and girls.
 - c. Number of public and private sector entities using digital identity verification for improved delivery of benefits and services.
 - d. Number of successful digital ID authentications by Fayda ID holders to access public and private sector services.

D. Concept Description

28. **The Project design is consistent with the World Bank’s general approach to ID operations supported in other countries (Figure 1 below).** This includes placing importance on building a sound institutional and legal foundations (Component 1), developing the actual system (Component 2), and rolling out the new ID system and integrating it into service delivery to expand access and enhance service delivery (Component 3).



Figure 1: Conceptual framework of project's interventions



29. **The Fayda system will be supported to comply with the *Principles on Identification for Sustainable Development* (Table 1 below) and align with other international good practices.** This will maximize the socio-economic benefits and development impacts that stem from trusted and inclusive ID systems, while also mitigating key risks. During implementation, special attention will be paid to ensuring:

- Inclusion and removing any barriers to ID access and usage by ensuring that all people in Ethiopia can easily obtain an ID (including ensuring that cost is not an obstacle for the poor) and having exceptions handling processes in place so that no person entitled to a certain service is denied access, such as because of biometric failures for example.
- A focus on use cases and maximum efforts to ensure improvement of service delivery to guide design and implementation, given that the issuance of a Fayda ID is not an end in itself but, instead, a means to an end.
- Application of strong personal data protection practices, including data collection minimization, purpose specification, lawful processing, strict limits on data retention, data accuracy, accountability, transparency, consent and user-empowerment, and the use of privacy- and security-by-design approaches.
- Adherence to open standards and, where appropriate, the use of open-source software and open application programming interfaces (APIs), to prevent vendor lock-in, and promote interoperability, scalability, sustainability, flexibility and country ownership.
- Consultative and human-centered design approaches to inform the implementation and use of Fayda to access services.

Table 1. Principles on Identification for Sustainable Development

<p>Pillar 1: Inclusion</p> <ol style="list-style-type: none"> Ensure universal access for individuals, free from discrimination. Remove barriers to access and use. <p>Pillar 2: Design</p> <ol style="list-style-type: none"> Establish a trusted—unique, secure, and accurate—identity. Create a responsive and interoperable platform. Use open standards and prevent vendor and technology lock-in. Protect privacy and agency through system design.



7. Plan for financial and operational sustainability.

Pillar 3: Governance

8. Protect personal data, maintain cyber security, and safeguard people’s rights through a comprehensive legal and regulatory framework.
9. Establish clear institutional mandates and accountability.
10. Enforce legal and trust frameworks through independent oversight and adjudication of grievances.

Component 1 – Building Institutions and Trust

30. This component will invest in the ‘analogue’ foundations for Fayda, with a focus on the operationalization of a strong Digital ID Authority at federal and regional levels, as well the future Personal Data Protection Office. This component will also invest in communications and awareness-building activities and grievance management systems to handle any issues that the population may face in accessing and using Fayda.

31. This Component will include sub-components for:

- a. Subcomponent 1.1 – Stakeholder engagement, communications and awareness building, and support for Fayda ID grievances management systems.
- a. Subcomponent 1.2 – Operationalization of the Ethiopian Digital ID Authority.
- b. Subcomponent 1.3 – Personal data protection.

Component 2 – Establishing scalable and secure Fayda ICT infrastructure

32. This Component will invest in the information and communication technology (ICT) infrastructure to support Fayda ID related operations, including software, licenses, and hardware. This component will also invest in building cybersecurity and data protection capabilities to strengthen the resilience of the Digital ID system.

33. This Component will include sub-components for:

- a. Subcomponent 2.1 – Digital Infrastructure in support of Fayda ID.
- b. Subcomponent 2.2 – Strengthening information and cyber security.

Component 3 – Inclusive ID issuance and integration into services

34. This Component will support the rollout of the Fayda system for registration and issuance of IDs and its integration into key services, with the aim to streamline identity verification in the context of financial inclusion, social protection programs, health insurance, education, and other sectors. It will include process re-engineering, policy and regulatory reforms, software integration, and hardware, as well as laying foundations for an ‘Ethiopia Stack’, including core building blocks such as Digital ID and authentication, data sharing, and possibly digital payments. The design and implementation of an ‘Ethiopia Stack’ will require strong coordination with other sectors.

35. This Component will include sub-components for:

- a. Subcomponent 3.1 – Registration operations, credential production, and distribution (DLIs).
- b. Subcomponent 3.2 – Expanding and transforming service delivery in key sectors (*financial inclusion, social protection, health, and education*).
- c. Subcomponent 3.3 – Developing an Ethiopia Digital Stack: In addition to digital ID, other core elements include a whole-of-government data exchange platform and digital payments.



Component 4 – Project Management

36. **This Component will finance project management and other activities to ensure the successful implementation of the Project.** This will include support for a project implementation unit (PIU) initially within MoF but eventually in the Digital ID Authority once the Authority is established, with core functions related to financial management (FM), procurement, M&E, Environmental and Social risks management, as well as project communications and coordination.

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

Summary of Screening of Environmental and Social Risks and Impacts

37. **The overall environmental impact on the environment and human health is anticipated to be minimal with no adverse risks which could be significant or irreversible.** The main environmental risks of the project are anticipated from Component 2 and 3 which will invest in various IT equipment, namely ID registration kits, laptops and mobile devices, ID card printers, including software and hardware, such as servers, needed to support both front-end and back-end operations. The availability of digital ID and the future introduction of authentication capability including through mobile phones may eventually lead to an increase in mobile phone ownership by the population. Activities to be financed under Components 2 and 3 will result in an increase in the generation of e-waste in the long run (that can ultimately have various EHS risks and community health and safety concerns if e-waste is not properly managed. People could potentially be exposed to e-waste-related toxicants through air, soil, and water via ingestion, inhalation, and dermal absorption. Poor E-waste handling and disposal could expose people to non-dioxin-like polychlorinated biphenyls, polycyclic aromatic hydrocarbons, polychlorinated dibenzo-p-dioxins, polychlorinated dibenzofurans, and dioxin-like polychlorinated biphenyls. Most of these compounds are endocrine disrupters and most are neuro-toxic. E-waste-related toxic elements can enter living organisms through the air (e.g. open burning), soil (e.g. disposal), and water via ingestion (e.g. food chain contamination due to disposal and poor recycling processes). E-waste is resistant to biodegradation with a strong tendency to bio-accumulate in agricultural lands and be available for uptake by grazing livestock. Besides, the digitalization of services could lead to increased consumption of energy. Studies estimate the lifespan of some IT equipment may range from 4-5 years. However, an e-waste management plan will be needed soon after the commencement of implementation as the Project may finance the replacement of used IT equipment.

38. **The client will engage project workers including the PIU staff and consultants during the implementation of the project which necessitates proper management of e-waste-related health and safety risks.** The Client’s capacity to manage the above risks is expected to be weak, at least in the beginning, hence, the environmental risk of the project is rated as moderate based on the information available at this stage.

39. **The Project is expected to have a positive impact on the quality of life of citizens and residents of Ethiopia.** This will be achieved by improving the accessibility and delivery of public and private sector services and the ability of both nationals and non-nationals to exercise the rights related to a legal identity. Furthermore, Fayda could help to address the root causes of conflict in the country by increasing access to economic opportunities for all persons and cultivating a sense of national identity by providing a standardized form of identification. Importantly, Fayda represents a significant



improvement over existing identification systems in Ethiopia, especially kebele IDs, with respect to social risks of exclusion based on various identifiers provided during ID registration.

40. **The social risk rating is Substantial for several reasons.** First, there are risks of social and economic exclusion if registration and authentication processes and strategies are themselves exclusionary and biased. This risk will be mitigated by ensuring through legal, processes, and technological design that Fayda is universally accessible including for vulnerable groups, pastoralists, and historically underserved communities in emerging regions. Mitigation measures will be informed by pilots and the on-going social risk assessment to identify and address any barriers faced by disadvantaged populations, such as particular ethnic groups, persons with disability, the elderly, and non-nationals. There may be potential social risks where some groups can have limited access to identification or associated services and rights because they lack internet connectivity/devices, digital literacy/digital skills, or decide not to enroll due to technology bias. The second risk area is exacerbating conflict and tensions, particularly of an ethnic and or religious nature. Notably, Fayda will be the first national-scale identification system in Ethiopia that will not collect information about ethnicity and religion. A conflict analysis will be conducted to inform measures to not only reduce the potential risks of Fayda related to triggering any conflict but also to identify how Fayda can support the peace dividend. Third, the absence of a legal framework for personal data protection means there are gaps in terms of legal accountability and oversight for the responsible collection and use of personal data. To mitigate this risk, the task team will be working closely with the GoE to explore how to expedite the passage of a Personal Data Protection Proclamation. To address this gap, the Task Team with the project implementing entity will identify alternative measures of addressing data protection requirements in relation to Fayda, in accordance with the international best practices, if an omnibus Personal Data Protection Proclamation cannot be passed before this project preparation is completed. Fourth and finally, the Project will be implemented at the national level, including in conflict areas, which means that there are security risks for personnel and populations that participate in the Project. A Security Risk Assessment and Management Plan (SRAMP) will be prepared for the Project activities to inform project implementation and mitigate the related risks, including the risks of engaging security personnel to safeguard the project workers, assets, and activities. Fayda shall institute accessible and well-functioning grievance handling procedures to be put in place to avoid any potential exclusion of services both for the ID registration itself, as well as for accessing public and private services that require proof of identification.

41. **The Project may induce risks related to labor management and community health & safety.** Given that the Project focuses on technical assistance, procurement of IT equipment, and ID registration activities, the anticipated labor-related risks are low. No major infrastructure investments or civil works are being proposed. Hence, the impacts associated with civil works and land acquisition are not envisaged at this stage. Generally, there will be no resettlement or cultural heritage issues related to this Project.

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