DOCUMENT OF
The World Bank

Report No. T7405-ET

TECHNICAL ANNEX
FOR A PROPOSED CREDIT OF SDR 133.7 MILLION
(USD170.6 MILLION EQUIVALENT)
TO THE
FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA
FOR AN
EMERGENCY DEMOBILIZATION AND REINTEGRATION PROJECT

November 9, 2000
CURRENCY EQUIVALENT
(exchange rate effective as of November 2, 2000)

Currency Unit = Ethiopian Birr
US$1 = 8.25

GOVERNMENT FISCAL YEAR
July 8 - July 7

ABBREVIATIONS AND ACRONYMS

AIDS Acquired Immune Deficiency Syndrome
BOP Balance of Payments
CAS Country Assistance Strategy
DPPC Disaster Prevention and Preparedness Commission
EDRP Emergency Demobilization and Reintegration Project
EM SAP Ethiopia Multi-Sectoral HIV/AIDS Project
ENDF Ethiopia National Defense Force
ESRDF Ethiopian Social Rehabilitation and Development Fund
FMU Financial Management Unit
FPMU Federal Project Management Unit
GoE Government of Ethiopia
HAF HIV/AIDS Fund
HIPC Highly-Indebted Poor Country
HIV Human Immune Deficiency Virus
ICB International Competitive Bidding
ICRC International Committee of the Red Cross
IDA International Development Association
IDP Internally Displaced Person
IMF International Monetary Fund
I-PRSP Interim Poverty Reduction Strategy Paper
ISS Interim Support Strategy
MEDaC Ministry of Economic Development and Cooperation
MIS Management Information System
MoLSA Ministry of Labor and Social Affairs
MoND Ministry of National Defense
NCB National Competitive Bidding
NGO Non-governmental Organization

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<table>
<thead>
<tr>
<th>Acronym</th>
<th>Description</th>
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<tbody>
<tr>
<td>OAU</td>
<td>Organization of African Unity</td>
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<tr>
<td>POC</td>
<td>Prosthetic Orthotic Center</td>
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<td>PRSC</td>
<td>Poverty Reduction Support Credit</td>
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<tr>
<td>QCBS</td>
<td>Quality and Cost Based Selection</td>
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<tr>
<td>RPMU</td>
<td>Regional Project Management Unit</td>
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<tr>
<td>STI</td>
<td>Sexually Transmitted Infection</td>
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<tr>
<td>TSS</td>
<td>Transitional Subsistence Support</td>
</tr>
<tr>
<td>UNCT</td>
<td>United Nations Country Team</td>
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<tr>
<td>UNDP</td>
<td>United Nations Development Program</td>
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<tr>
<td>UNICEF</td>
<td>United Nations Children's Fund</td>
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<tr>
<td>UNMAS</td>
<td>United Nations Mines Action Service</td>
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<tr>
<td>UNMEE</td>
<td>United Nations Mission in Ethiopia and Eritrea</td>
</tr>
<tr>
<td>UXO</td>
<td>Unexploded Ordnance</td>
</tr>
<tr>
<td>VCT</td>
<td>Voluntary Counseling and Testing</td>
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<tr>
<td>WFP</td>
<td>World Food Program</td>
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# ETHIOPIA

## EMERGENCY DEMOBILIZATION AND REINTEGRATION PROJECT

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Map
A. BACKGROUND AND STRATEGY

I. Circumstances of the Conflict

1. On May 6, 1998, fighting broke out between the armed forces of the Governments of Ethiopia and Eritrea. The conflict continued for more than two years and was characterized by relatively short bursts of heavy fighting, resulting in significant casualties. On June 18, 2000, the two governments signed an Agreement on the Cessation of Hostilities.

2. Under the terms of the Agreement, both parties agreed to cease all military attacks and seek a resolution to their disputes through peaceful and legal means. They also agreed to modalities of deployment, whereby Ethiopian troops would withdraw to positions under their civil administration prior to May 6, 1998, while the Eritrean army would maintain its troops at a distance of 25 km (defined as "artillery range") from Ethiopian positions. An international peacekeeping force, sponsored by the United Nations, would be established to patrol the area between the two armies, monitor the implementation of the Cessation of Hostilities Agreement and support efforts to accommodate the return of displaced civilians in both countries.

3. The UN Security Council authorized the full deployment of 4,200 peacekeeping troops, the United Nations Mission in Ethiopia and Eritrea (UNMEE), on September 15, 2000. The deployment of UNMEE military observers has recently commenced. Both parties to the conflict have refrained from significant military actions and have adhered to the Cessation of Hostilities Agreement. The redeployment of the Ethiopian and Eritrean troops is expected to begin within two weeks of the full deployment of the peacekeeping troops.

4. Ongoing negotiations to find a permanent resolution of the dispute are being mediated by the Organization of African Unity.

II. Economic Impact

5. The war has had a significant negative impact on the Ethiopian economy, which had performed well since 1992. Consumer price inflation averaged 3.3 percent a year during 1992–99 and domestic bank financing of the fiscal deficit turned negative in 1994–95 and remained so until 1997–98. The fiscal deficit (including grants) fell from 7.8 percent of GDP during 1991–92 to 3.6 percent during 1997–98. This period also saw a major reorientation of public expenditures from defense to social sectors and vital infrastructure.

6. These favorable trends were reversed after the outbreak of the conflict in May 1998. Defense spending, which had fallen to 2.5 percent of GDP in 1996–97, rose to 8.7 percent in 1998–99 and as high as 13.3 percent in 1999–00. The
Ethiopia National Defense Forces (ENDF) have increased significantly in size, from a pre-war force of about 55,000. Consequently, the fiscal deficit rose to 6.9 percent in 1998–99 and to 10.3 percent in 1999–00. The preemptive demands of defense expenditure over the last two years were financed by cuts in discretionary recurrent expenditure and in capital expenditure. Capital expenditures, which had steadily grown to 10.4 percent of GDP in 1996–97, slipped to 6.7 percent in 1999–00.

The burden of the conflict is exacting a progressively heavier toll on private sector development. Economic uncertainty and balance of payments constraints have eroded investor confidence in general as evidenced by the significant fall in new investments that have commenced operations. Data drawn from the Ethiopian Investment Authority indicate that these fell from a high of 2.9 billion birr in 1997–98 to 1.1 billion birr in 1998–99 and to 0.5 billion birr in the first nine months of 1999–00. Finally, the balance of payments came under severe pressure with foreign exchange reserves declining by nearly $100 million between 1998–99 and 1999–00, bringing import cover to as low as two months. The government prevented any sharp depreciation in the exchange rate through a number of controls and non-price barriers, further impairing private sector activity.

III. Humanitarian Impact

The main areas of tension during the conflict were: (i) Badme and Sheraro in the western Western Zone of the Tigray Region; (ii) Tsorona, Zalambessa and Alitena in the Eastern Zone of the Tigray Region, and (iii) Bure in the eastern border section of the Afar Region. These were also the main areas from which civilians were displaced. According to the latest Government estimates, approximately 364,000 civilians were displaced in the course of the conflict. As many as 50% of these Internally Displaced Persons (IDPs) may still be displaced.

In addition, Government estimates indicate that over 75,000 persons of Ethiopian origin who resided in Eritrea were forced to return to Ethiopia as a result of the conflict. A further 33,000 are expected to come into Ethiopia in the near future. The overwhelming majority of these deportees retorna are women, children and the elderly. Government also considers the conflict-affected population to include families who lost their main bread winner in the war. According to Government estimates, about 36,000 bread winners were killed during the conflict.

An indirect consequence of the war is the significantly increased risk of HIV/AIDS transmission in the war-affected communities and the ENDF. The concentration of a large number of military personnel, coupled with the inflow of commercial sex workers, has exposed communities in Tigray and Afar to considerable health risks. The ongoing withdrawal of military personnel from the frontlines and their re-deployment in the vicinity of the civilian population deeper inside Tigray, following the signing of the Cessation of Hostilities Agreement, further increases this risk. ENDF troops are frequently billeted alongside communities rather than confined to separate facilities.
IV. Government Response

11. In late June 2000, the Government of Ethiopia (GoE) approached IDA to assist with a post-war rehabilitation program which would address demobilization, emergency humanitarian needs, rehabilitation and reconstruction, as well as stabilizing the economy and re-starting the reform agenda.

12. Demobilization and Reintegration. The Government’s immediate emergency response consists of two elements. The first is the Emergency Demobilization and Reintegration Program (EDRP), which proposes the demobilization and reintegration of approximately 150,000 military personnel, in two phases. The first phase consists of the demobilization of 17,000 disabled and 42,000 able-bodied veterans, and provides care to the severely disabled as well as economic reintegration assistance to able-bodied veterans. Intensive preparations for the first phase are under way. A pilot is scheduled to take place before the end of this year, and phase I demobilization is scheduled to be completed by mid-2001. In the second phase, the Government plans to demobilize approximately 90,000 additional personnel. The Government has indicated a wish to use IDA resources to finance both phases of the program.

13. During appraisal of the EDRP, Government highlighted three specific concerns: (i) the need to implement the demobilization quickly in order to free national resources for more productive purposes and to demonstrate its commitment to the peace process; (ii) its desire to link demobilization to sustainable economic reintegration; and (iii) the need to mitigate the risk of spreading HIV/AIDS.

14. Rehabilitation and Reconstruction. The second emergency component, the Rehabilitation Programme for Displaced and Deported Households Due to the Ethio-Eritrean War under the Emergency Recovery Program (ERP), proposes resettlement and reintegration packages for 364,000 internally displaced persons (IDPs), 110,000 deportees/returnees, and 36,000 families who lost breadwinners as a result of the war. In addition, the reconstruction and rehabilitation of social infrastructure in the border areas, roads affected by the conflict and demining activities are included in the package.

15. Economic Stabilization and the Resumption of Reform. Following the signing of the Cessation of Hostilities Agreement, the Government began to take measures to stabilize the economy and restore sustainable growth. To guide this effort, the Government has prepared an interim poverty reduction strategy paper (I-PRSP). The I-PRSP is expected to form the basis for quick-disbursing assistance in support of economic stabilization and structural reform measures; in addition, a HIPC Decision Point Document is being prepared with a view to consideration by the Boards of the Fund and the Bank in late December 2000 or early 2001.

16. The critical first steps in stabilizing the economy are to create fiscal space to finance key emergency programs; to provide foreign exchange for immediate import needs, in particular those required by the private sector; and to reduce Government recourse to domestic borrowing. Meeting these objectives requires a sharp reduction in military expenditures and access to significant amounts of foreign financing. The Government has
committed itself to cutting military expenditure significantly, (the program agreed with the Fund envisages a reduction from 13.3 percent of GDP in FY00 to something of the order of 5 percent of GDP by FY03).

17. **Humanitarian.** The federal Disaster Prevention and Preparedness Commission (DPPC) has led the Government response to humanitarian needs arising from the war. The DPPC has worked closely with the regional sector bureaus and its own regional bureaus in Tigray and Afar, along with national and international Non-Governmental Organizations (NGOs). Furthermore, the DPPC has organized joint needs assessment with the United Nations Country Team (UNCT), NGOs, and donors, and is responsible for preparing consolidated appeals for international assistance. Lastly, it is responsible for the supervision of relief resource delivery and allocation.

18. The Government has also provided some assistance to the returnees from Eritrea. The returnees have received food, clothing, drugs and other essentials in transit centers. While some of the returnees remain in transit centers, the Government has helped about 21,800 to resettle in regions of their choice. However, as Government resources have not been adequate to enable beneficiaries to re-establish their livelihoods, it has appealed for additional external assistance.

19. The Government has also undertaken some initial de-mining operations in the conflict zones through the Ethiopian De-mining Project, a non-combatant unit in the military.

V. **International Response**

20. **Political:** The Agreement on the Cessation of Hostilities was brokered by the Organization of African Unity (OAU), with the support of the United Nations, the United States, and the European Union. The OAU continues to mediate ongoing negotiations in pursuit of a permanent settlement.

21. **Peacekeeping:** Under the terms of the Cessation of Hostilities Agreement, an international peacekeeping force sponsored by the United Nations, UNMEE, would be established to patrol the area between the two re-deployed armies, which would be known as the Temporary Security Zone. UNMEE is also mandated to monitor the implementation of the Cessation of Hostilities Agreement and support efforts to accommodate the return of displaced civilians in both countries. The UN Security Council authorized the full deployment of 4,200 UNMEE peacekeeping troops on September 15, 2000. The deployment of UNMEE military observers and peacekeepers has commenced and is expected to be completed shortly.

22. **Humanitarian:** In support of the Government's Appeal for the Year 2000 for Victims of Natural Disasters and Internally Displaced Persons, which was issued on January 21, 2000, the UNCT issued an appeal and relief action plan with proposals for US$27.5 million in combined food and non-food assistance for the IDPs. As of June 2000, donor response to this request amounted to US$19.7 million, meeting 80 percent of the food requirements but only 22 percent of the non-food requirements. The UNCT subsequently issued an Updated Appeal for Rehabilitation and Recovery Programs for IDPs on August 22, 2000, with the objective of supplementing Government's ongoing efforts during the period from September

23. In addition, the UNCT has initiated a series of studies and actions in the Humanitarian Mine Action (HMA) sector since June 1999 to mitigate the landmine and unexploded ordinance (UXO) threat to civilians. Since October 1999, the United Nations Children’s Fund (UNICEF) has provided technical support to a landmine and UXO awareness project targeting displaced populations in the Tigray Region. The United Nations Development Program (UNDP) has provided a platform for collaborative action, presenting an HMA strategy paper to the Government.

B. IDA RESPONSE AND STRATEGY

I. Rationale and Strategy of IDA Assistance

24. The Bank’s objective in the immediate post-war period is to help the country deal as quickly as possible with the human, material and financial destabilization caused by the war, while simultaneously re-engaging on core development issues. The emergency component of the program will, at one level, help stabilize the economy and restart economic growth, while releasing counterpart funds for the country’s reconstruction and rehabilitation needs. The interim support program in FY01/02 will therefore consist of a series of initiatives designed to:

(i) address the immediate human, infrastructure and economic emergency, and set the economy back on a path of sustainable economic growth;

(ii) tackle weaknesses in the management of the IDA portfolio, which have accumulated during the war and which require urgent attention if an ambitious program of new interventions is to succeed; and

(iii) initiate long-term IDA assistance in three areas of critical importance to the Ethiopian economy – food insecurity, the spread of HIV/AIDS, and systemic weaknesses in Ethiopia’s capacity to produce and deliver essential services.

25. Four emergency operations are currently under preparation; these projects would provide US$700 million in new IDA credits to address the impact of the conflict and consist of the following:

(i) An Emergency Demobilization and Reintegration Project (proposed IDA financing of US$170.6 million) to demobilize and subsequently reintegrate about 150,000 veterans into their communities and to support macro-economic stability in the country.

(ii) An Emergency Recovery Project (proposed IDA financing of US$230 million) to:
   (a) support individuals directly affected by the conflict (IDPs, deportees/returnees, and families which have lost bread winners); (b) rehabilitate and reconstruct social and economic infrastructure destroyed or damaged as a result of the conflict, and (c) support macro-economic stability in the country.
(iii) An Emergency Support Credit (proposed IDA contribution of US$250 million'). A significant balance of payments gap is anticipated after factoring in disbursements under the ERP and EDRP projects in the IMF program. The gap will be filled by an IMF Poverty Reduction and Growth Facility (PRGF) in the amount of SDR 87 million (US$111 million), as well as by an IDA-financed fast-disbursing credit in support of the Government's development agenda described in the I-PRSP. The BoP support operation will serve to ease the severe foreign exchange shortage, which has necessitated crisis management of Ethiopia's foreign exchange reserves.

(iv) A Fertilizer Supplemental credit (US$50 million) to ensure that fertilizer supplies are continued while a follow-on project is being prepared.

26. In addition, IDA is restructuring its existing portfolio to reallocate funds for the Emergency Recovery Program (ERP). It is estimated that about US$30 million out of the existing undisbursed portfolio can be made available for the purposes of the Program. Specifically, US$17.5 million from the Ethiopia Social Rehabilitation and Development Fund (ESRDF) for community infrastructure and household rehabilitation; US$2.5 million from the Ethiopia Multi-Sectoral HIV/AIDS Project (EMSAP) for HIV/AIDS prevention, care and support; and US$10.0 million from the Second Energy Project for the rehabilitation of critical power supply infrastructure.

27. The process of tackling weaknesses in the management of the IDA portfolio has begun with a joint Government-Bank Country Portfolio Performance Review and a joint review of the Sector Development Programs for Health and Education both in October 2000 to identify weaknesses and develop an action plan to improve implementation.

II. Rationale for IDA Assistance to the EDRP

28. The Government's request for support for the EDRP comes at a critical time, shortly after the signing of the Agreement on the Cessation of Hostilities. IDA support would complement the activities of other international stakeholders, in particular the UN and OAU who, together with the US and EU, are taking the lead in facilitating the peace process. UN specialized agencies and bilateral partners continue to provide emergency humanitarian assistance. The EDRP would demonstrate Government commitment to the peace process, and improve the prospects for economic recovery by facilitating the reallocation of public resources to productive sectors. IDA’s involvement is justified by the timing of the Project, the scale of the resource requirement, the focus of the Project on sustainable economic reintegration of veterans, and the need to monitor the macro-economic impact of the EDRP.

III. Lessons from Previous IDA Involvement in Demobilization and Reintegration Projects

29. Overview: IDA has gained substantial experience in preparing and financing demobilization and reintegration projects (DRPs) in several countries (e.g., Bosnia, Cambodia, Chad, Djibouti, Guinea-Bissau, Mozambique, Rwanda, Sierra Leone, and Uganda). Such assistance has often taken the form of technical and/or financial support

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1 Amount of BoP support will be determined once an agreement is reached with the IMF on the PRGF.
through investment credits, budget support programs or through reallocations from ongoing projects. In addition, IDA completed a review of DRP experiences in selected African countries (Colletta et al., 1996). The Bank’s operational and analytical work points to a number of lessons around, which have informed Project design.

30. **Demobilization:** this phase is logistically complex. Successful implementation of demobilization activities is a precondition for the subsequent development and provision of targeted reinsertion and reintegration assistance. The provision of non-transferable ID cards, the establishment of a database on the beneficiary population and the collection of socio-economic data are key demobilization activities. Furthermore, the assembly of veterans in one location during the demobilization phase provides an opportunity for health counseling and screening, as well as the dissemination of information about program benefits and civilian life.

31. **Reinsertion:** to facilitate the veterans’ return to their communities and their initial civilian start-up costs, it is crucial to provide a short-term social safety net that covers their initial economic needs.

32. **Economic Reintegration:** Veterans constitute a specially vulnerable group in need of priority targeted assistance. They should be assigned to target groups and sub-groups on the basis of their main economic activity and, thus, on their differing needs and aspirations. This allows for the development of a differentiated, relevant, and cost-effective approach. Disabled veterans commonly require tailored training and employment assistance, and their special medical needs should be met through the provision of specialized services.

33. Veterans should receive no more support than is necessary to help them attain the standard of living of the communities into which they reintegrate. To avoid the creation of a dependency syndrome, assistance should have a limited time horizon. Information, counseling and referral services can assist veterans in crucial ways. Apprenticeship in the informal sector combines the benefits of vocational training and employment at the lower end of the market and is, thus, a feasible and cost-effective option. Micro-credit schemes can help veterans secure their economic independence and self-employment. They are, however, also the most expensive interventions and the most difficult to manage. Micro-grant schemes are, therefore, preferable.

34. Ultimately, veterans are reintegrated into a larger economic context, and the creation of viable long-term employment is closely linked to a conducive environment for private sector investment.

35. **Social reintegration:** Social reintegration is often eased by the support of an extended family network, and veterans should be encouraged to reintegrate in the vicinity of their extended families. Informal networks of veterans – discussion groups, veterans associations, joint economic ventures – are key elements to successful economic and social reintegration. Efforts to strengthen social capital enable communities to take development into their own hands and facilitate the reintegration of veterans.

36. Care should be taken to ensure that veterans are not stigmatized as unfit for military service or as conveyers of disease, violence and misbehavior. Community sensitization and
political awareness are paramount in this effort, though the fears and needs of communities related to veteran reintegration should not be neglected.

37. **Institutional concerns:** Central program coordination by one civilian agency with overall responsibility, balanced by decentralization of implementation authority to regions and communities through existing organizational structures makes for a powerful institutional arrangement. Ex-combatant counselors, as well as field-based staff, can perform crucial roles in facilitating reintegration. Local communities should be involved directly in decision-making, especially on important local matters, so that scarce public resources are allocated in a transparent and socially accountable manner.

C. **DETAILED PROJECT DESCRIPTION**

I. **Project Objectives**

38. The overall objectives of the proposed Emergency Demobilization and Reintegration Project are to assist the Government of Ethiopia to:

   (i) demobilize and reintegrate 150,000 veterans.

      a) help an estimated 133,000 able-bodied veterans and 17,000 disabled veterans to rebuild their lives and resume productive economic activities;

      b) rehabilitate about 17,000 disabled veterans through the provision of medical services; and

      c) facilitate the reallocation of public resources to priority social and infrastructure investments by reducing defense expenditures.

   (ii) support macro-economic stability.

II. **Project Coverage and Implementation Period**

39. The EDRP would be implemented in two phases. In phase I, Government plans to demobilize about 42,000 able-bodied veterans and 17,000 disabled veterans. Phase I demobilization will commence shortly after the evaluation of a pilot demobilization, which is scheduled for late November 2000. In phase II, Government intends to demobilize a further 90,000 able-bodied veterans. Phase II demobilization will commence after a thorough evaluation of phase I.

40. Project activities will focus on those areas to which veterans return. Therefore, the Project will probably be most active in densely populated parts of the country, which have contributed the largest number of soldiers to the ENDF. Precise coverage will be determined on the actual reintegration patterns of veterans following their demobilization.

41. The Project will be implemented over a period of three years. The project closing date is December 31, 2003.
III. Project Cost

42. Before describing each component, a summary of Project costs is provided below. The Government's overall Project is estimated to cost US$174.1 million, of which IDA would finance US$170.6 million.

Table 1. Emergency Demobilization and Reintegration Project Financing Table
(In Million US$)

<table>
<thead>
<tr>
<th>EDRP Project Activities</th>
<th>GOE's Total Project Requirements</th>
<th>IDA Financing</th>
<th>GoE Financing</th>
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<tr>
<td>1. Demobilization</td>
<td>26.8</td>
<td>26.3</td>
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<td>2. Reinsertion</td>
<td>53.2</td>
<td>52.2</td>
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<td>3. Reintegration</td>
<td>80.0</td>
<td>79.0</td>
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<td>4. Operating Costs</td>
<td>9.0</td>
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<td>5. Administration</td>
<td>5.1</td>
<td>4.6</td>
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<td><strong>TOTAL</strong></td>
<td><strong>174.1</strong></td>
<td><strong>170.6</strong></td>
<td><strong>3.5</strong></td>
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IV. Demobilization

43. This phase entails the i) establishment of six Demobilization Centers (DCs) for the demobilization of able-bodied veterans, while disabled veterans will be discharged from two medical facilities; ii) the transport of veterans from collection points to the DCs and to their areas of return following the demobilization process, iii) the registration, provision of ID cards, socio-economic and health screening and counseling (including HIV/AIDS counseling). Detailed activities are listed below.

44. The EDRP will commence with a reasonable pilot in December 2000 in order to test the resilience and utility of proposed demobilization systems and procedures. A thorough evaluation of the pilot will be conducted, and any necessary modifications made, before full phase I demobilization is initiated.

ENDF
(Note: These activities will not be financed by the Credit.)

1. Demobilization preparations

   • Identification of Demobilization Centers.
   • Identification of soldiers to be demobilized, using the following criteria: i) Last in First Out, ii) disabled, and iii) veterans with special family needs.
   • Sensitization of relevant military units prior to assembly.

2. Disarmament

   • Disarmament of soldiers to be demobilized.
Transport of soldiers to be demobilized to designated collection points.

3. Certificates of service and discharge

- Provision of discharge certificates reflecting termination of service.
- Discharge ceremonies.
- Handover of veterans over to Federal Project Management Unit at collection points.

Federal Project Management Unit (FPMU) and Regional Project Management Units (RPMUs)
(Note: These activities will be financed by the IDA Credit.)

1. Transport to Demobilization Centers

- Transport of veterans from collection points to DCs.

2. Demobilization Center Administration

- Provision of non-transferable, non-falsifiable photograph ID card.
- HIV/AIDS (prevention education, distribution of materials, voluntary testing and counseling, and medical follow-up).
- Collection of socio-economic data.
- Provision of Pre-Discharge Orientation containing information on Project benefits and modalities; limited duration of assistance; health; economic and social development and reintegration; economic opportunities; environment; rights and obligations vis-à-vis family and community.

3. Transportation

- Transport of veterans to zonal level via contracting of private transport providers.
- Provision of transport allowance to facilitate transport to woreda and home community.

4. Post-discharge orientation

- Subsequent provision of reintegration information by RPMUs; discussion of community-specific situation (social, economic and environment) and local institutions.

V. Reinsertion

45. The Project will facilitate the veterans' reinsertion into their communities through a standard, monetized, transitional subsistence support (TSS) assistance. Able-bodied veterans will each receive the Birr equivalent of US$350. This amount will cover expenses related to the veterans' return and the re-establishment of his/her household for a twelve month period. Mildly and moderately disabled veterans will receive a slightly higher TSS allowance.
(US$420 for mildly disabled veterans and US$460 for moderately disabled veterans respectively) in order to allow for their greater needs and to cover medical expenses.

46. The TSS payments are the only form of support provided by the Project to facilitate the reinsertion into the community. TSS is the cash equivalent of a defined basket of basic goods and services enabling the beneficiary family unit to re-establish a civilian household. The basket consists of basic goods such as household items, clothing and cooking utensils and makes provision for children's education.

47. TSS payments will be made to the veterans by the regional Finance Bureaus through the woreda administration once they have relocated to their homes. The first payment will be made within one month of the veterans' return. Two subsequent payments will be made four and eight months respectively after their return.

VI. Reintegration

48. Reintegration activities will be designed at the regional level on the basis of the data collected in the socio-economic profile of the veterans (obtained at the Demobilization Centers) and locally available economic opportunities. A menu of options for the economic reintegration of veterans will be provided in both urban and rural areas. In implementing reintegration assistance, the relevant legal provisions will be observed and the Government's economic policy will inform specific strategies to be pursued.

49. Each veteran will be eligible for economic reintegration assistance up to a specific amount. Able-bodied veterans will receive support up to US$425 per person. Disabled veterans will be eligible for moderately greater financial assistance (US$605 for mildly disabled, US$675 for moderately disabled). In addition, disabled veterans will receive targeted medical rehabilitation assistance.

50. The following are general principles and possible options to support the veterans' economic reintegration. The final menu will have to be based on: (i) the specific situation in different regions of return; and (ii) the needs, characteristics and aspirations of the veterans:

**Principles**

- Able-bodied veterans will all be eligible for a similar amount of assistance irrespective of their reintegration choice from the available menu of options.

- Reintegration assistance will seek to minimize market distortions and maximize the choice of the beneficiaries.

- RPMUs will seek to leverage ongoing activities in regions rather than develop new service provision capabilities.

- The RPMUs will prioritize components by simplicity to ensure rapid implementation.
Information, counseling, and referral
- All veterans will receive information about economic opportunities; counseling on career paths and job-seeking strategies; referral to jobs, projects, and training.

VII. Rural Reintegration

1. Rural investment grant scheme
   - Uniform amount for all able-bodied veterans; mainly for seeds and fertilizer, tools, and other equipment.

2. Facilitation of access to land
   - Cooperation with local authorities; assistance for titling; provision of land for housing; provision of land in rural areas, where available.

3. Agricultural development
   - Linking with promoters of ongoing agricultural development projects at central and local levels; referral; training to improve yields; grant scheme; coverage under current extension services; facilitation of purchase of inputs and marketing of produce; soil improvements.

4. Environment
   - Linking with ongoing initiatives; environmental education; natural resource management; replanting.

5. Rural apprenticeship scheme
   - Identification of trainers/shop owners; provision of (local) tools upon commencement of apprenticeship (monetized); link to investment grant scheme.

VIII. Urban Reintegration

1. Urban investment grant scheme
   - Uniform amount for all able-bodied veterans; mainly for tools and other equipment to set up small shop or other economic activity; formation of groups to pool funds for larger investments.

2. Skills verification
   - For civilian skills acquired in the ENDF; facilitation of testing for certificates; no further testing if certificates issued by ENDF; coordination with relevant ministries to strengthen system; acceptance of certificates by employers; link to investment grant scheme.

3. Employment subsidy program
   - Contacting employers at central and local levels; wage subsidies; tax credit (corporate income tax) for employing veterans; demining (including training); industrial enterprises; service industry.

4. Labor-intensive public works
   - Linking with promoters of ongoing programs; wage subsidies for a limited period.

5. Formal education and scholarships
   - Continuation with secondary schooling; scholarship fund; enrollment in specialized education.
facilities/institutes; facilitation of applications; coverage of related expenses up to certain amount; demand-driven approach; cooperation with ministry and schools at central and local levels; payment of fees or related expenses through normal government channels.

6. Vocational training

- Linking with institutions; contract training and voucher schemes; demand-driven approach; special courses for skills for women; provision of (local) tools upon completion of course (monetized); link to investment grant scheme.

7. Urban apprenticeship scheme

- Identification of trainers/shop owners; provision of (local) tools upon commencement of apprenticeship (monetized); link to investment grant scheme.

IX. Social Reintegration

1. Counseling

- Each RPMU will provide counseling for veterans and their families for potential problems such as veteran–family–community conflicts.
- Training of counselors.

2. Strengthening community services

- Cooperation with ongoing projects; day care to enable female veterans to receive training or work; health and environmental education; and community counseling.

3. Public awareness and sensitization tours

- National awareness campaign; presentation of the EDRP; discussion of veterans and community rights and obligations.
- Regular visits by members of the RPMUs to all zones and those woredas with high concentration of veterans for sensitization and problem solving.

X. Special Target Groups

Disabled veterans

- Upon demobilization, coverage under government’s disabled program for the estimated 17,000 disabled veterans.
- Access for one family member of severely disabled to training or (self-) employment.
- Rehabilitation of Alage Center and strengthening of five regional Prosthetic-Orthotic Centers (POCs).

Women

- Information to female soldiers, partners of veterans and communities on their legal rights; sensitizing communities.
• Encourage informal formation of day care for female veterans engaged in training or economic activities.

51. **Background**: Ethiopia has accumulated considerable experience in delivering orthotics and prosthetics services to the disabled. With the help of the International Committee for the Red Cross (ICRC), the Addis Ababa POC (Prosthetic-Orthotic Center) has become an important referral center, providing orthotics, prosthetics and physiotherapy services for lower limb disabilities. Outside of Addis Ababa, the Alage rehabilitation center and nine regional POCs provide similar services, although less sophisticated and on a lower scale. However, the majority of these facilities lack adequate medical equipment and trained staff.

52. In response to the sudden surge in prosthetic-orthotic and physiotherapy care needs for the 17,000 disabled war veterans, the Government plans to rehabilitate, equip and appropriately staff the Alage rehabilitation center and five regional POCs. While the Alage center would provide intensive specialized care to the approximately 1,000 severely disabled veterans, such as the quadri- and paraplegics who require intensive medical assistance. The five other POCs would address the needs of the 16,000 less severely disabled veterans.

**XI. HIV / AIDS Prevention and Care Measures**

53. Although the ENDF has not systematically tested soldiers for HIV/AIDS, Government is fully aware of possible HIV/AIDS risks associated with the EDRP. Government therefore highlighted the importance of taking advantage of the assembly of veterans in Demobilization Centers to provide health counseling and voluntary HIV/AIDS testing to veterans. Therefore, in line with Government policy, health screening, with a particular focus on voluntary counseling and testing of Sexually Transmitted Infections (STI), especially HIV/AIDS, will be an integral part of the EDRP.

54. Voluntary HIV/AIDS Counseling and Testing (VCT), and sensitization work to increase the level of awareness of veterans about HIV/AIDS and STIs, is vital to strengthen their ability to take responsibility for their health as well as that of their partners and communities. The objective of VCT during demobilization is thus to increase the awareness of demobilized veterans about HIV/AIDS prior to their return to their home communities, and to determine their HIV serostatus on a voluntary basis. This would pave the way to further prevention, care and support of veterans that test positive. Government is currently refining its proposed HIV/AIDS module (see project file), including detailed technical specifications, terms of reference and staffing requirements.

55. The large caseload of up-to 60,000 veterans in phase I of the EDRP and the limited time available will pose considerable challenges in terms of logistics and institutional capacity available to implement comprehensive VCT during demobilization. In order to address these challenges, Government will evaluate the proposed counseling and testing procedures during the pilot phase and make adjustments to Project design and implementation arrangements to achieve maximum quality in the delivery of these critical services before the initiation of phase I demobilization.
56. The EDRP will also work closely with the Ministry of Health, the Health Division of the Ministry of National Defense (MOND) and NGOs to leverage all available resources and achieve efficiencies of scale. In addition, the Project will work closely with the Ethiopia Multi-sectoral HIV/AIDS Project (EMSAP). The EMSAP (IDA contribution US$60 million) was approved by the Board on September 12, 2000. This project will support Ethiopia's national AIDS strategy by financing the expansion of multi-sectoral efforts as well as by creating an Emergency HIV/AIDS Fund (HAF). The EMSAP will be involved during the reinsertion and reintegration phases of the EDRP in order to ensure sustained support to the HIV seropositive veterans after they return to their community. The HAF will disburse directly to NGOs active at the national or regional level, as well as provide block grants for HIV/AIDS prevention and care activities to kebele-level HIV/AIDS committees.

57. A detailed costing of EDRP by key activities and target groups is attached (see Table 2 below).

**Table 2. Emergency Demobilization and Reintegration Project Costing Table**  
(In Million US$)

<table>
<thead>
<tr>
<th>EDRP Project Activities</th>
<th>Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Demobilization</td>
<td></td>
</tr>
<tr>
<td>Demobilization Center Preparation (6 DCs)</td>
<td>3.0</td>
</tr>
<tr>
<td>Equipment, Beneficiary Activities and Services</td>
<td>5.7</td>
</tr>
<tr>
<td>Health Screening / Counseling / Kits</td>
<td>1.3</td>
</tr>
<tr>
<td>Transport and Logistics</td>
<td>9.3</td>
</tr>
<tr>
<td>Discharge Allowances</td>
<td>7.5</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td>26.8</td>
</tr>
<tr>
<td>2. Reinsertion (TSS Payments)</td>
<td></td>
</tr>
<tr>
<td>Able-Bodied Veterans</td>
<td>46.1</td>
</tr>
<tr>
<td>Mildly Disabled Veterans</td>
<td>3.4</td>
</tr>
<tr>
<td>Moderately Disabled Veterans</td>
<td>3.7</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td>53.2</td>
</tr>
<tr>
<td>3. Reintegration Assistance</td>
<td></td>
</tr>
<tr>
<td>Able-Bodied Veterans</td>
<td>56.1</td>
</tr>
<tr>
<td>Mildly Disabled Veterans</td>
<td>4.7</td>
</tr>
<tr>
<td>Moderately Disabled Veterans</td>
<td>5.2</td>
</tr>
<tr>
<td>Five Regional POC's</td>
<td>5.7</td>
</tr>
<tr>
<td>Alage Rehabilitation Center</td>
<td>7.1</td>
</tr>
<tr>
<td>Social Reintegration</td>
<td>1.2</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td>80.0</td>
</tr>
<tr>
<td>4. Administration</td>
<td></td>
</tr>
<tr>
<td></td>
<td>9.0</td>
</tr>
<tr>
<td>5. Contingencies</td>
<td></td>
</tr>
<tr>
<td></td>
<td>5.1</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>174.1</td>
</tr>
</tbody>
</table>

Note: Total project costs include taxes and duties.
58. **Government Counterpart Contribution**: IDA projects normally require counterpart contributions. However, the Government indicated that no budgetary allocations have been made for counterpart funds for the current fiscal year due to the emergency nature of the EDRP, and asked IDA to reduce the counterpart funding requirements. As IDA agreed, the percentages of expenditures to be financed under the Project reflect this understanding. It should be noted that overall counterpart contributions for IDA projects in Ethiopia exceed ten percent.

59. IDA also agreed to finance 100 percent of the operational costs of the Alage Rehabilitation Center for disabled veterans from the local currency generated under Category I, Eligible Imports, of the Credit. The Government will ensure financing of operational costs of the Alage Center and the five POCs after Project completion.

60. It is understood that the percentages of expenditures to be financed under the Project have been calculated on the basis of the Borrower's undertaking to finance all taxes levied in the territory on works, goods and services for this Project. If this undertaking changes, the percentages referred to above shall be decreased in accordance with the general conditions.

XII. EDRP Financing Mechanisms

61. As noted in the Project objectives, there are two aspects to the Emergency Demobilization and Reintegration Project. First, maintenance of macro-economic stability necessitates a quick disbursing component. Second, the immediate implementation of the Project also requires a substantial amount of primarily local currency. The timely availability of financial resources will be critical in order to enable the Government to implement the EDRP in the planned timeframe, and thereby to reduce defense expenditures. In the absence of a rapid disbursement mechanism, implementation of the Project would likely be significantly slowed, which could in turn inhibit the pace of social and economic recovery. The Project harmonizes these two requirements by incorporating the provision of foreign exchange through a quick disbursing mechanism. The quick disbursing mechanism will consist of disbursements for purchases based on a positive list of imports, as is the standard procedure for an emergency recovery credit. The local currency proceeds from the sale of this foreign exchange will thereafter be deposited into an Emergency Demobilization and Reintegration Fund Account to be utilized for the Project. The funds disbursed under this mechanism would be provided in three installments of US$60 million, US$40 million and US$20 million respectively, in accordance with Project implementation requirements and performance. In addition, the Project would have a standard Special Account in the amount of US$50 million to finance works and the procurement of goods and services.

62. A close linkage between the quick disbursing mechanism and the implementation of the EDRP has been established through the phasing of the quick disbursing installments. On the basis of the initial six-month implementation plan for the Project, fifty percent of the amount will be disbursed initially to the Government. After suitable verification of the disbursement and appropriate use of funds is received, additional funds will become available to the Government in two more phases.
XIII. Safeguards to Ensure the Proper Use of Funds

63. Six robust safeguards have been built into the Project to ensure that the IDA funds are utilized for the purposes intended:

(i) Disbursement of the second and third installments of the quick-disbursing allocation will be linked to Project performance;

(ii) A unique, non-transferable, photograph ID will be provided to each veteran. This will be used to verify veterans’ eligibility for assistance;

(iii) The IDs will be entered in an integrated MIS that will enable the FPMU and RPMUs to track Project implementation at all levels;

(iv) Regular surveys of a random subset of beneficiaries will track Project delivery;

(v) Annual audits will verify appropriate use of funds, and

(vi) Semi-annual IDA supervision missions.

D. STUDIES AND TECHNICAL ASSISTANCE

I. Study 1: The Rehabilitation of the Alage Center and Five Regional Prosthetic Orthotic Centers (POCs)

64. Background: Ethiopia has accumulated considerable experience in delivering orthotics and prosthetics services to the disabled. With the help of the International Committee for the Red Cross (ICRC), the Addis Ababa POC has become an important referral center. This center is providing orthotics and prosthetics services for lower limb problems and physiotherapy services to the civil population of Addis Ababa and to some disabled war veterans. In addition to the Addis Ababa POC, the Alage rehabilitation center and five other POCs are providing similar services, although less sophisticated and on a lower scale.

65. Alage Center: Originally constructed in the 1970's, the Alage Center consists of five "villages" and central service buildings. The facilities and infrastructure have deteriorated considerably and require extensive rehabilitation. Alage has a POC and a physiotherapy center to provide care to disabled residents. However, neither is not fully operational due to a lack of equipment. Furthermore, the laboratory is very basic and does not meet the minimum requirements for the diseases treated in the center. Transport, recreation and educational facilities are inadequate. A more detailed assessment is in the Project File.

66. Government has completed a preliminary survey of the engineering and civil works required to upgrade the Alage Center to satisfy project needs. The initial cost estimates are based on this survey. However, these initial estimates need to be reviewed in more detailed engineering studies. In line with IDA requirements, Government will carry out the necessary architectural and engineering studies that will inform the preparation of bidding documents, detailed programming of works for each site, as well as coordination, supervision and follow-up during construction. Detailed terms of reference are in the Project file.
67. **Regional Prosthetic-Orthotic Centers:** Government has a system of regional POCs, five of which require significant rehabilitation if they are to provide effective assistance to the estimated 16,000 mildly and moderately disabled veterans. As with the Alage Center, Government will carry out the necessary architectural and engineering studies required to prepare bidding documents, detailed programming of works for each site, as well as coordination, supervision and follow-up during construction. Detailed terms of reference are in the Project file.

II. **Study 2: Provision of Prosthetics-Orthotics, Physiotherapy And Other Specialized Care**

68. **Objective:** Define needs and design diagnostic and rehabilitation protocols in the form of clinical algorithms for the intensive rehabilitation of severely disabled veterans, including recommendations to improve their autonomy (using wheelchairs or crutches, bladder and bowel education, prevention of bedsores, etc.) and facilitate their reintegration / reinsertion into their communities.

69. **Treatment Strategies:** The study will review the following issues:

   (i) In order to maximize outcomes for the severely disabled veterans (e.g., the quadri- and paraplegic), treatment strategies need to be reviewed in light of infrastructure and resource constraints. The objective should be to pursue the most "aggressive" rehabilitation strategy to enable the disabled to become as autonomous as possible.

   (ii) The proposed study should review and take into account cultural factors which might facilitate or impede acceptance of disabled in their communities. The feasibility of providing a monthly allowance - depending on the severity of the disability - to facilitate community reintegration in lieu of institutionalized care should be investigated.

   (iii) The study should especially take into account the costs implications and health risks of prolonged intensive care, such as medical complications (e.g., infected bedsores).

   (iv) Finally, several other, less frequent, disabilities such as deafness, throat problems impeding speech and other disfigurement problems may be solved through improvements of the existing hospital facilities such as the Ear Nose and Throat (ENT) and Re-constructive surgery departments of existing or specialized health facilities.

70. **Expertise Required:** High-level expertise in the O-P and the ENT domains is available locally and may be readily hired. Expertise with international experience in physiotherapy centers of excellence, preferably with working experience in the African context, should complement the team which is expected to review O-P, ENT and physiotherapy services and strategies in a comprehensive manner. Draft Terms of Reference for the study are in the project file.
III. Study 3: Economic Reintegration Opportunity Structure

71. **Background:** Specific reintegration measures will be developed on the basis of the socio-economic profile of the veterans and the regional economic opportunity structures. In order to better understand the different regional economic opportunity structures, and thus to inform the design of relevant and effective economic reintegration assistance measures, the EDRP will undertake the following analysis.

72. **Key Issues:** This assignment would identify in detail the opportunities and means for the economic rural and urban reintegration of veterans: (a) land; (b) employment and self-employment; (c) credit; and (d) training. Key issues to be considered for the successful reintegration of veterans and their families include the following:

(i) Land

- Availability of land for agricultural and livestock production across the regions;
- Identification of possible support measures for successful rural reintegration, focusing on natural resource management, food security, and gender dimensions.

(ii) Employment and self-employment

- Employment needs for skilled and unskilled labor in urban centers. Wage employment context in different enterprises and regions;
- Existing approaches to employment guidance and placement;
- Constraints and opportunities for the development of micro and small enterprises across the regions for both skilled and unskilled labor;
- Possible support measures for employment generation and support to micro and small enterprises under the EDRP, including employment subsidies and business training;
- Identification of employment providers by region.

(iii) Credit

- Capacity of the banking system at all levels. Regulations and procedures for loan application, in particular for micro and small enterprises;
- Role of informal credit providers, in particular in rural areas;
- Identification of credit providers by region.

(iv) Training

- Review of the existing institutional framework and performance;
- Assess the potential for apprenticeships in micro and small enterprises;
- Identify possible support measures for the provision of training under the EDRP, including the use of employment subsidies for on-the-job training, educational scholarships, contract training schemes, and training vouchers;
- Identification of training providers by region.
73. **Expertise Required:** A team of experts recruited from organizations with a proven relevant record in Ethiopia will assist the FPMU in the identification of reintegration opportunities. Under the guidance of the FPMU, the team will collaborate with individuals and government institutions. The team will include at least 1 human resource economist, 2 project design specialists, 2 agriculture specialists, 2 training specialists, 1 micro-credit specialist and 1 labor specialist. Draft terms of reference for the study are in the project file.

IV. **Study 4: Management Information System (MIS)**

74. **Background:** To monitor the progress of demobilized soldiers and control the various entitlements and support services provided to the veterans, an integrated MIS needs to be established. The system will include:
   - Socio-economic database on the veterans;
   - Financial information on payments to veterans;
   - Data on the provision of counseling and guidance services; and
   - Monitoring and evaluation database.

75. The computerized MIS to be established will contain the data essential to the Project, and will use software such as Microsoft Access and SPSS for Windows.

76. Data on all payments to veterans will be accounted and monitored through a computerized accounting system. To monitor and evaluate the effect and impact of this assistance, it is suggested that financial data must be linked to other data sets on the veteran.

77. In order to design the MIS, execute timely data entry and maintain the records on the veterans to be demobilized, adequate manpower will be assigned on a secondment basis or recruited from the market. Draft specifications and detailed terms of reference are in the project file.

E. **INSTITUTIONAL ARRANGEMENTS AND PROJECT IMPLEMENTATION**

I. **Federal Project Management Unit**

78. The implementation arrangements for the EDRP were agreed between the Government and IDA at negotiations. Project implementation will be undertaken by a Federal Project Management Unit (FPMU) attached to the Ministry of Labor and Social Affairs (MoLSA) that will report directly to the Ministry of Economic Development and Cooperation (MEDaC), and by Regional Project Management Units (RPMUs). The RPMUs will report directly to the FPMU.

79. The FPMU will be responsible for the following tasks: i) planning and implementing demobilization, ii) monitoring and evaluating the implementation of reinsertion and reintegration assistance by RPMUs and regional finance bureaus, iii) resolving constraints and expediting implementation where necessary, iv) maintaining the disbursement records, v) maintaining the MIS, vi) reviewing financial management data for all regions in a timely
manner, and vii) ex-post expenditure reviews. The FPMU will also undertake procurement of major items for the Project through its procurement unit.

80. The FPMU will be headed by a Project Director and will comprise the following units: i) Demobilization and Reinsertion, ii) Reintegration, iii) Financial Management, iv) Procurement, v) Monitoring and Evaluation, and vi) Human Resource Management. The Financial Management Unit will supervise the operation of the Special Account and the local currency account of the EDRP.

II. Regional Project Management Units

81. Regional Project Management Units (RPMUs) will be established in all regions of the country. They will be responsible for the implementation of economic reintegration assistance. They will also be required to monitor the execution of TSS payments and economic reintegration grants by the regional, zonal and woreda Finance Bureaus. In areas with particularly large numbers of returning veterans, zonal extension offices may be established.

82. RPMUs will be headed by a Regional Coordinator, and supported by managers for the areas of reinsertion, reintegration, monitoring and evaluation, finance and internal control. Where supported by Project requirements, additional staff will be employed.

III. Financial Management, Auditing and Reporting

83. Overall Program Accounting, Auditing and Reporting Arrangements: A Financial Management Unit (FMU) will be established in the FPMU, headed by an experienced finance officer acceptable to IDA, and staffed with appropriate personnel. The Financial Management Unit will maintain records and accounts to reflect, in accordance with sound accounting practices, the operations, resources, and expenditures of the EDRP. Towards that end, the FMU will set up and maintain a separate, EDRP-specific accounting, budgetary, and financial management system adequate to provide complete, accurate, and timely and relevant information regarding activities, the utilization of the resources, and the completeness of the expenditures. Where the quantity and amount of transactions justifies (most probably in Tigray, Oromiya, Amhara and SNNPR), FMU staff attached to the RPMUs will assist Regional Finance Bureaus. Draft Terms of Reference for the Federal and Regional FMUs as well as key staff are attached in the Project File.

84. Flow of Funds: Funds will flow from the Federal EDRP Fund Account in the FPMU to the appropriate Project Accounts in the Regions. Appropriate records will be kept of the fund flow to each of the decentralized units, as well as the use that have been made of these funds (e.g., the number of veterans receiving TSS, aggregate amount of TSS per person, and number/amount of reintegration assistance). Each veteran to receive support will be provided with individually numbered TSS vouchers to be cashed in predetermined months at the Woreda, Zonal or Regional Finance offices. These vouchers will be kept at the paying office, to be verified during post reviews, as corroborating evidence that payments have been made.
85. **Auditing:** The records, accounts and financial statements for the Special Account as well as the EDRP Fund Account will be audited annually in accordance with internationally acceptable auditing principles. The audits will be conducted by independent auditors with relevant experience and competence acceptable to IDA. The Financial Management Unit which maintains the Project's accounts will provide the Regional Governments, MOLSA, MOF, the IDA, and MEDaC with timely consolidated financial management information on the execution of the component and help ensure accountability and transparency. The annual audit reports along with Management Letters providing comments and observations, and making relevant and practical recommendations for improvements in the component financial management will be sent to the IDA and all the other interested parties not later than six months after the end of each fiscal year. Joint Government/IDA supervision missions will make spot checks on a small random sample of the beneficiaries at their place of residence to verify the use of the funds disbursed on a semi-annual basis. Designated World Bank Resident Mission staff will monitor financial performance on an on-going basis.

86. **Retroactive Financing:** The Credit will include Retroactive Financing according to the Bank's guidelines for Emergency Recovery Credits. Under this provision, the Government will be eligible for reimbursement up to a total of US$60 million against a positive list of imports for expenses which it has incurred since June 18, 2000. A joint GoE/Bank team will be formed to compile and review the list of positive imports and related procurement documentation to be disbursed as soon as the Credit is effective.

IV. **Procurement**

87. **Flexible Procurement Arrangements:** Special attention has been paid to devise procurement arrangements and procedures commensurate with the emergency nature of the project. In addition, the need has been recognized for simple mechanisms to facilitate the procurement or contracting of various reintegration assistance packages for veterans. The arrangements devised are aimed at efficient procurement that underpin quick disbursement and distribution of goods and money, mixing procurement on the local market in the war-affected areas with procurement and distribution from regional, national and international levels.

88. **Manual of Procurement Procedures:** A manual of Procurement Procedures under the EDRP will be prepared by the Borrower with assistance from the Bank. IDA procurement guidelines and policies will be followed.

89. **Thresholds:** Most of the procurement methods will not be subject to specific limits on aggregate, thus giving the Borrower the option to choose the most suitable method of procurement for any given case and to use easily accessible procedures such as national competitive bidding, local and international shopping or direct contracting or force account (with specific safeguards and controls). This will apply to "Other Procurement" mentioned below.

90. **Procurement:** The tasks can be readily defined and procurement plans prepared. Relevant IDA guidelines and procedures will operate for goods, works and services. Procurement plans will be prepared and will provide the basis for agreement with IDA on the
proposed packaging and the optimal methods of procurement. Most of the procurement plans (to be included in the Implementation Manual) will be ready by end November 2000 to facilitate smooth implementation of the Demobilization and Reintegration process.

91. **Institutional Arrangements for Procurement:** Procurement would be undertaken by the Procurement Unit of the FPMU. Key responsibilities of procurement staff would include (i) import of essential goods from the positive list of imports in accordance with IDA guidelines; (ii) procurement of works, goods and services to be financed from the Special Account in accordance with IDA guidelines; and (iii) procurement of works, goods and services to be financed from the counterpart account in line with Project guidelines. Therefore, a procurement specialist highly experienced with IDA projects will be recruited for the Procurement Unit of the FPMU. This specialist will conduct procurement for the Project and will also be responsible for the quality and timeliness of procurement in the. He/she will prepare procurement plans for the items to be procured. He/she will also initiate periodic procurement audits and take follow up action.

92. **Retroactive financing:** The portion of the Credit that will utilize retroactive financing of eligible imports and investment resources will require: (a) agreement of a positive list, and (b) observance of Bank’s procurement procedures.

93. **Procurement Procedures:** The Credit will be utilized for goods, training, consultancy, and operating costs under the project. Procurement for all IDA financed activities will be carried out in accordance with the Bank’s *Guidelines for Procurement under IBRD Loans and IDA Credits (January 1995 and revised in January and August 1996, September 1997, and January 1999).* Consulting services by firms or individuals will be awarded in accordance with the Bank’s *Guidelines for Selection and Employment of Consultants by World Bank Borrowers (January 1997; Revised September 1997; Addendum Effective January 1, 1999).* Simplified procedures for Emergency projects will be used wherever needed.

94. **Consultant selection** for assignments will be addressed through competition among qualified short-listed firms and individuals in which the selection will be based on Quality- and-Cost-Based Selection (QCBS) by evaluation of the quality of the proposal before comparing the cost of services to be provided. In addition, selection shall also be done based on Consultants’ Qualifications (CQ) and other methods as provided for in the guidelines. Shortlists for contracts estimated to cost under US$100,000 may be comprised entirely of national consultants if a sufficient number of qualified (at least three) are available at competitive costs. However, if foreign firms have expressed interest, they will not be excluded. Contracts less than US$100,000 each for firms, and US$50,000 for individuals, could be contracted on the basis of CQ, and may be awarded on a single source basis only in exceptional circumstances, after adequate justification and prior review by IDA.

95. **Procurement of goods** will be carried out in accordance with Guidelines for Procurement under IBRD Loans and IDA Credits (January 1996, August 1996, September 1997, January 1999). Contracts of individual value US$200,000 equivalent or above will be awarded on the basis of ICB. Small value goods procurement contracts (individual value of less than US$200,000) equivalent will be awarded on the basis of NCB. Contracts less than US$30,000 each may be awarded through National Shopping using approved procedures.
The procedure to be adopted here is to award fixed price contracts on the basis of written solicitation issued to at least three qualified suppliers after evaluation of bids which would be received in writing.

96. **Procurement of works** will be carried out in accordance with Guidelines for Procurement under IBRD Loans and IDA Credits (January 1996, August 1996, September 1997, January 1999). Larger contracts of individual value US$500,000 equivalent or above will be awarded on the basis of ICB. Small value works procurement contracts (individual value of less than US$500,000) equivalent will be awarded on the basis of NCB. Contracts for amounts less than US$30,000 each may be awarded through National Shopping using approved procedures. The procedure to be adopted here is to award lump sum fixed price contracts on the basis of written solicitation issued to at least three qualified civil works contractors after evaluation of the bids which would be received in writing.

97. **Training activities** will comprise hiring consultants for training programs. Procurement of these will also follow IDA procurement guidelines.

98. **Prior Review Thresholds**: For procurement of goods and works, all cases valued at US$200,000 or more will require prior review by IDA.

99. IDA will review the selection process for the hiring of consultants proposed by the borrower for those consultancy contracts to be awarded to firms and individuals. Prior review will not be required for contracts worth less than US$100,000 for firms and contracts worth less than US$50,000 for individuals. However, IDA will review (a) all Terms of Reference of contracts, regardless of value, (b) all single-source hiring, (c) assignments of a critical nature as determined by IDA, (d) amendments of contracts raising the contract value above the prior review thresholds.

100. With respect to each contract for imports under Category 1 procured by the public sector and estimated to cost US$750,000 or more, or procured by the private sector and estimated to cost US$3,000,000 or more, prior review by IDA will be required.

101. **Risk Assessment**: There is need to establish the required procurement capacity. The overall risk assessment is rated as high.

102. To mitigate the risk, the FPMU will recruit a procurement specialist highly experienced with IDA projects. Also, semi-annual supervision missions are proposed, including special procurement supervision for post review and audits.

V. **Monitoring and Evaluation**

103. A strong monitoring and evaluation (M&E) component, along with close Bank supervision, will ensure that the Project reaches targeted beneficiaries in a timely and efficient fashion. It is essential that information on all beneficiaries is captured in the demobilization phase and entered into a computerized Management Information System (MIS). An integrated MIS will be established by the FPMU to serve this purpose. The MIS will also track various entitlements and support services provided to the veterans and monitor project performance throughout the life of the project. In addition, within six months of the
Effectiveness Date, and semi-annually thereafter, the Government will prepare an updated list of veterans identifying benefits provided and carry out verification exercises in the form of random samples of a minimum of 2 percent of the veterans to verify that they have received TSS and reintegration benefits.

104. The Monitoring and Evaluation units of the FPMU and RPMUs will be responsible for measuring Project performance against the agreed performance indicators specified below (see Table 3) with the help of the MIS. Specifically, the duties and responsibilities of the units include: (i) evaluation of the demobilization process, (ii) evaluation of timeliness and efficiency of TSS payment system, (iii) monitoring and evaluation of effectiveness of reintegration assistance in supporting sustainable employment; and (iv) provision of feedback and critical performance data to Project management and key stakeholders.

### Table 3: Key Performance Indicators

<table>
<thead>
<tr>
<th>Program Phase</th>
<th>Key Performance Indicators</th>
</tr>
</thead>
</table>
| Demobilization | • Demobilization of about 60,000 veterans in phase I and about 90,000 veterans in phase II.  
• Number of veterans who have received HIV/AIDS counseling. |
| Reinsertion | • Number of Transitional Subsistence Support payments made to veterans. |
| Reintegration | • Number of veterans who have received economic reintegration assistance.  
• Number of disabled veterans who have received medical rehabilitation assistance.  
• Employment status of veterans. |

105. A Management Information System (MIS) satisfactory to IDA will be established by the FPMU. This MIS will facilitate the monitoring of program performance from demobilization through reinsertion to reintegration. All RPMUs will also utilize this System to monitor progress in Program implementation.

106. An independent mid-term review will be conducted by an organization satisfactory to IDA following the completion of phase I demobilization and reinsertion, and before the initiation of phase II demobilization.

107. A Project impact evaluation will be done through beneficiary impact assessments carried out by and external institutions or independent consultants satisfactory to IDA before the Project completion date.

### VI. Project Sustainability

108. The EDRP is designed to aid the sustainable social and economic reintegration of veterans. Initial Project Support will provide a temporary social safety net for the veteran
and his/her family. This will be followed up with targeted economic reintegration assistance at the community level. The project will therefore make a positive contribution to veterans, their families and their communities. Also, indirectly, the Project will foster microeconomic recovery by injecting resources at the local level.

VII. Benefits

109. The Project will provide the Government the means to initiate the social and economic recovery following the setbacks caused by the war. The major benefits are to: (i) help the veterans rebuild their lives and resume productive economic activities; (ii) reverse the general slowdown of economic development due to the war; and (iii) facilitate the reduction of defense expenditures and the reallocation of Government resources to social sectors.

VIII. Risks

110. **External Risks:** The following are major external risks. First, there is the risk that the conflict resumes. This could lead to the suspension of the EDRP. Even if the conflict does not resume, delays in the peace process might result in delays in the implementation of the second phase of the Project. However, both parties’ adherence to the Cessation of Hostilities Agreement, and the ongoing deployment of UN observers in advance of the full peacekeeping force reduce this risk considerably. Furthermore, the EDRP itself is likely to serve as a confidence-building measure in support of the peace process, as it signals the Government of Ethiopia’s willingness to demilitarize the conflict.

111. **Project-Specific Risks:** As resources are fungible, there is the risk that Project resources will be misused or that savings from demobilization would not translate into a reduction of defense expenditures. However, the robust safeguards outlined in the Technical Annex should preclude direct abuse of Project resources. In addition, IDA and the Fund will monitor Government expenditures in the context of the IMF’s program and IDA’s planned BOP support.

112. Another risk relates to possible leakages of the cash payments envisaged under the reinsertion and reintegration elements. Strong safeguards will ensure that the funds are utilized for the purposes intended. First, there will be a comprehensive program internal system of verification at the zonal level and below via the use of coupons. Second, the MIS will contain a comprehensive beneficiary list, and RPMUs will be required to provide timely information on the status of payments. Third, regular ex-post verification of random beneficiary samples will be conducted by independent experts. Finally, appropriate accounting and auditing capacities will be established.

113. A final risk relates to the risk of the spread of HIV/AIDS via the EDRP. However, the aggressive counseling and voluntary testing measures envisaged for the demobilization phase, coupled with systematic EMSAP follow-up in communities of return, will significantly mitigate this risk. Furthermore, the implementation of VCT for HIV/AIDS will be closely monitored as it is a key performance indicator for the Project.
IX. Environmental and Social Aspects:

114. The Project is classified as environmental category C, as it is not expected to have a significant environmental impact. The widely dispersed reintegration of 150,000 veterans into civilian life is expected to be environmentally neutral. No major new physical works are envisaged under the Project. All planned works are limited to the rehabilitation of existing medical facilities.
F. **FINANCIAL AND ECONOMIC JUSTIFICATION**

**Economic Analysis**

115. **Macro-economic context.** After recording an improvement in earlier years, the fiscal performance of the Government has weakened in the last two years mainly due to the conflict with Eritrea. The overall expenditure registered an increase as a percentage of GDP from 25.2 percent in FY98 to 30.8 percent in FY99 and to an estimated 33.2 percent in 1999/00. These increases were mainly attributed to defense-related expenditures which increased steeply from 4.9 percent in FY98 to 8.7 percent in FY99 and further on to 13.3 percent of GDP in FY00 (Table 1). This has led to a decline in Government’s capital expenditure as well as the recurrent portion of the social sectors expenditures. Capital expenditure declined from 9.9 percent of GDP in FY99 to as low as 6.7 percent in FY00, while the total share of social sectors under recurrent expenditure declined from 3.6 percent of GDP in FY99 to 3.3 percent of GDP in FY00.

![Figure 1: Trends In Defense Expenditure](image)

Source: Ministry of Finance and World Bank Database.

116. The Government fiscal deficit including grants rose to 6.9 and almost 12 percent of GDP in FY99 and FY00 respectively from a level of 3.6 percent of GDP in FY98. Similarly, the fiscal deficit excluding grants increased to 11.3 and 13.7 percent of GDP in FY99 and FY00 respectively from a level of 6.5 percent in FY98.
117. The proposed demobilization effort by the government will reduce the fiscal burden of defense expenditure and help reorient public expenditure towards social sectors. Such fiscal adjustment is expected to strengthen the confidence of the donor community and set the government on a virtuous circle of large aid flows and higher expenditure in anti-poverty sector. Rapid demobilization and reintegration of veterans is directly linked to accelerated economic recovery.

118. **Analysis of Alternatives.** The Government's proposal, and the IDA appraisal of it, took into consideration various alternatives in the design of the EDRP. The final design is based on best practices and responds to the specific requirements of the situation in Ethiopia. It pursues a structured approach to demobilization and reinsertion, as compared to a simple discharge from the ENDF. The externalities of structured health screening and HIV/AIDS counseling prior to the veterans' return to their communities, along with the benefit of providing a social safety net to facilitate the re-establishment of households and to avoid social tensions, were judged to exceed the related costs. With respect to the economic reintegration, the Project's design attempts to minimize interference with market forces and maximize the choice of the individual. However, rather than a free hand-out, economic reintegration measures will be based on the socio-economic profile of the veterans and the specific opportunity structure in their areas of return.

119. **Cost-Effectiveness Analysis.** The Project design is based on cost-effectiveness, attempting to minimize costs without forfeiting quality. Whenever possible, existing structures will be used rather than building up parallel systems. For example with respect to the disbursement mechanisms, the regional and woreda level finance bureaus will be handling TSS payments to facilitate the reinsertion of veterans. With per capita cost of US$908 equivalent for the demobilization, reinsertion and reintegration of an able-bodied veteran, the costs of the EDRP are well within the range of comparable programs.

120. **Cost-Benefit Analysis.** It was not possible, nor is it required, to conduct a full fledged cost-benefit analysis for this Project. Nevertheless, it is instructive to compare the total cost of the project in the amount of US$174.1 million over three years with the direct savings in recurrent cost to the Government's budget from the demobilization of the veterans. During the first phase of the program, an estimated 60,000 veterans will be demobilized. Taking into account only the cost of salaries and food in the amount of Birr 410 (US$49.7) per month, the estimated savings to the Government's budget will be Birr 24.17 million (US$2.9 million) per month, i.e. Birr 290.07 million (US$35.16 million) per annum. For the second phase of 90,000 veterans, additional monthly savings will amount to Birr36.9 million (US$4.5 million), i.e. Birr 442.80 million (US$53.67 million) per annum. Therefore, over the three year Project period, expected savings are estimated to exceed total project cost, not taking into account savings in overhead costs to the ENDF, including training and wear and tear of material. Neither does this simple comparison take into account productivity gains and benefits to the communities and households of the returning veterans who will enter productive life again.
### G. ACTION PLAN

<table>
<thead>
<tr>
<th>Issue</th>
<th>Action / Responsibility</th>
<th>Completion Date</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Demobilization</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Specify technical criteria for Demobilization</td>
<td>MOND</td>
<td>Done</td>
</tr>
<tr>
<td>2. Confirm roles and responsibilities of relevant stakeholders in the</td>
<td>Technical team to set up</td>
<td>Done</td>
</tr>
<tr>
<td>demobilization process, especially of the Armed Forces.</td>
<td>meetings</td>
<td></td>
</tr>
<tr>
<td>3. Confirm location of suggested Demobilization Centers</td>
<td>Technical team / MOND</td>
<td>Done</td>
</tr>
<tr>
<td>4. Technical Discussions / Negotiations: Provide information and</td>
<td>Technical Team / IDA</td>
<td>Done</td>
</tr>
<tr>
<td>seek agreement on (i) STI/HIV/AIDS counseling model and health kits;</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(ii) ID and MIS systems; (iii) financial management and TSS payment</td>
<td></td>
<td></td>
</tr>
<tr>
<td>systems; (iv) socio-economic questionnaire and data processing</td>
<td></td>
<td></td>
</tr>
<tr>
<td>capacity; (v) TOR for rehabilitation of medical facilities; (vi) TOR</td>
<td></td>
<td></td>
</tr>
<tr>
<td>for monitoring and evaluation system; and (vii) procurement capacity.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5. Finalize detailed procurement plan for demobilization process</td>
<td>Technical Team</td>
<td>11/10/00</td>
</tr>
<tr>
<td>6. Establish and staff FPMU</td>
<td>GOE</td>
<td>Ongoing</td>
</tr>
<tr>
<td>7. Set up ID and MIS systems; finalize M&amp;E system specifications</td>
<td>FPMU</td>
<td>11/10/00</td>
</tr>
<tr>
<td>8. Finalize detailed demobilization plan and sub-components (ID,</td>
<td>FPMU</td>
<td>11/01/00</td>
</tr>
<tr>
<td>socio-economic profile, health screening and counseling, orientation)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>9. Second personnel to conduct health screening and health counseling,</td>
<td>FPMU</td>
<td>11/01/00</td>
</tr>
<tr>
<td>socio-economic profiling and IDs.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>10. Finalize transport and demobilization plan logistics</td>
<td>FPMU</td>
<td>11/05/00</td>
</tr>
<tr>
<td>11. Conduct essential staff training</td>
<td>FPMU</td>
<td>11/10/00</td>
</tr>
<tr>
<td>12. Establish Demobilization Centers</td>
<td>MOND / FPMU</td>
<td>11/10/00</td>
</tr>
<tr>
<td>13. Phase I demobilization pilot</td>
<td>MOND / FPMU</td>
<td>11/30/00</td>
</tr>
<tr>
<td>14. Evaluate performance of pilot</td>
<td>MOND / FPMU</td>
<td>12/15/00</td>
</tr>
<tr>
<td>15. Phase I demobilization of able-bodied veterans</td>
<td>MOND / FPMU</td>
<td>01/15/01</td>
</tr>
<tr>
<td>16. Phase I demobilization of disabled veterans</td>
<td>MOND / FPMU</td>
<td>01/31/01</td>
</tr>
<tr>
<td>17. Evaluate performance of phase I demobilization.</td>
<td>FPMU / MOND / MOF</td>
<td>02/28/01</td>
</tr>
<tr>
<td>18. Complete planning for phase II demobilization, incorporating</td>
<td>FPMU / MOND / MOF</td>
<td>04/01/01</td>
</tr>
<tr>
<td>lessons learned from phase I</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Reinsertion</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>19. Develop reinsertion payment mechanism and logistics to deliver</td>
<td>FPMU</td>
<td>12/01/00</td>
</tr>
<tr>
<td>first TSS payment in demobilization centers</td>
<td></td>
<td></td>
</tr>
<tr>
<td>20. Provide first TSS payment in communities of return</td>
<td>FPMU / MOF</td>
<td>01/31/01</td>
</tr>
<tr>
<td>21. Initiate interim medical reintegration assistance for disabled</td>
<td>FPMU / RPMU / MOH</td>
<td>12/15/00</td>
</tr>
<tr>
<td>veterans</td>
<td></td>
<td></td>
</tr>
<tr>
<td>22. Strengthen woreda level payment delivery mechanisms where</td>
<td>FPMU / RPMU</td>
<td>02/28/01</td>
</tr>
<tr>
<td>necessary</td>
<td></td>
<td></td>
</tr>
<tr>
<td>23. Provide first TSS payment in communities of return</td>
<td>FPMU / MOF</td>
<td>05/31/01</td>
</tr>
<tr>
<td>24. Provide first TSS payment in communities of return</td>
<td>FPMU / MOF</td>
<td>08/31/01</td>
</tr>
<tr>
<td><strong>Reintegration</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>25. Establish Regional Program Management Units</td>
<td>FPMU / RPMUs</td>
<td>12/31/00</td>
</tr>
<tr>
<td>26. Recruit experts for preparatory studies of reintegration options</td>
<td>FPMU</td>
<td>12/15/00</td>
</tr>
<tr>
<td>(labor markets, vocational training, credit markets)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>27. Finalize regional reintegration assistance strategies</td>
<td>RPMUs</td>
<td>04/01/01</td>
</tr>
<tr>
<td>28. Initiate economic reintegration assistance</td>
<td>RPMUs</td>
<td>04/01/01</td>
</tr>
<tr>
<td>29. Recruit experts for engineering and medical studies for Alage and</td>
<td>FPMU</td>
<td>12/31/00</td>
</tr>
<tr>
<td>POCs</td>
<td></td>
<td></td>
</tr>
<tr>
<td>30. Rehabilitate Alage Center and procure necessary equipment</td>
<td>FPMU</td>
<td>09/01/01</td>
</tr>
<tr>
<td>31. Strengthen regional POCs and procure necessary equipment</td>
<td>FPMU</td>
<td>09/30/01</td>
</tr>
</tbody>
</table>
I. ATTACHMENTS:

1. Partial list of documents in project file.

2. Program Cost Summary Tables
Attachment 1
Partial List of Documents in the Project File

A. Government Proposal


B. Bank Staff Assessments


C. Terms of Reference for Personnel / Duties and Responsibilities of Implementation Units

1. Financial Management Unit
2. Procurement Specialist

D. Terms of Reference for Studies

1. Study 1: The Rehabilitation of the Alage Center and Five Regional Prosthetic Orthotic Centers
2. Study 2: Provision of Prosthetics-Orthotics, Physiotherapy and Other Specialized Care
4. Study 4: Management Information System

E. Other


5. UNAIDS. 1998. AIDS and the Military. Best Practice Collection. UNAIDS.
# ETHIOPIA

## EMERGENCY DEMOBILIZATION AND REINTEGRATION PROJECT

### COST SUMMARY

#### Total Costs For EDRP Phases I & II (US$)

<table>
<thead>
<tr>
<th>Category</th>
<th>Beneficiaries</th>
<th>Demobilization</th>
<th>Reinsertion</th>
<th>Reintegration</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Activities</td>
<td>148,959</td>
<td>26,730,907</td>
<td>53,233,900</td>
<td>79,990,508</td>
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<td>Administration</td>
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<td>4,802,888</td>
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<td>2,040,797</td>
<td>9,046,273</td>
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<td>Pre-Contingency Total</td>
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<td>31,533,795</td>
<td>55,436,488</td>
<td>82,031,305</td>
<td>169,001,588</td>
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<td>Contingency (3%)</td>
<td></td>
<td>946,014</td>
<td>1,663,095</td>
<td>2,460,939</td>
<td>5,070,048</td>
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<tr>
<td>Total</td>
<td></td>
<td>32,479,809</td>
<td>57,099,583</td>
<td>84,492,244</td>
<td>174,071,636</td>
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</table>

#### Costs For Phase I (US$)

<table>
<thead>
<tr>
<th>Category</th>
<th>Beneficiaries</th>
<th>Demobilization</th>
<th>Reinsertion</th>
<th>Reintegration</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Activities</td>
<td>58,959</td>
<td>10,580,278</td>
<td>21,733,900</td>
<td>41,490,508</td>
<td>73,804,685</td>
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<tr>
<td>Administration</td>
<td></td>
<td>2,401,444</td>
<td>1,101,294</td>
<td>1,020,399</td>
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<tr>
<td>Pre-Contingency Total</td>
<td></td>
<td>12,981,722</td>
<td>22,835,194</td>
<td>42,510,906</td>
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<tr>
<td>Contingency (3%)</td>
<td></td>
<td>389,452</td>
<td>685,056</td>
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<tr>
<td>Total</td>
<td></td>
<td>13,371,173</td>
<td>23,520,250</td>
<td>43,786,233</td>
<td>80,677,656</td>
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</table>

#### Costs For Phase II in (US$)

<table>
<thead>
<tr>
<th>Category</th>
<th>Beneficiaries</th>
<th>Demobilization</th>
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<th>Total</th>
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<tbody>
<tr>
<td>Activities</td>
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<td>16,150,630</td>
<td>31,500,000</td>
<td>38,500,000</td>
<td>86,150,630</td>
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<td>Administration</td>
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<td>1,101,294</td>
<td>1,020,399</td>
<td>4,523,137</td>
</tr>
<tr>
<td>Pre-Contingency Total</td>
<td></td>
<td>18,552,074</td>
<td>32,601,294</td>
<td>39,520,399</td>
<td>90,673,766</td>
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<tr>
<td>Contingency (3%)</td>
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<td>556,562</td>
<td>978,039</td>
<td>1,185,612</td>
<td>2,272,213</td>
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<tr>
<td>Total</td>
<td></td>
<td>19,108,636</td>
<td>33,579,333</td>
<td>40,706,010</td>
<td>93,393,979</td>
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</tbody>
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### Unit Cost in US$

<table>
<thead>
<tr>
<th>Beneficiary Categories</th>
<th>Beneficiaries</th>
<th>Demobilization</th>
<th>Reinsertion</th>
<th>Reintegration</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Phase I Able-bodied</td>
<td>41,884</td>
<td>179</td>
<td>350</td>
<td>425</td>
<td>954</td>
</tr>
<tr>
<td>Phase I Mildly Disabled</td>
<td>8,000</td>
<td>179</td>
<td>420</td>
<td>888</td>
<td>1,487</td>
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<tr>
<td>Phase I Moderately Disabled</td>
<td>8,075</td>
<td>179</td>
<td>460</td>
<td>1,096</td>
<td>1,735</td>
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<tr>
<td>Phase I Severely Disabled</td>
<td>1,000</td>
<td>179</td>
<td>-</td>
<td>7,989</td>
<td>8,169</td>
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<tr>
<td>Phase 2 Able-bodied</td>
<td>90,000</td>
<td>179</td>
<td>350</td>
<td>425</td>
<td>954</td>
</tr>
<tr>
<td>Phase 2 Mildly Disabled</td>
<td>-</td>
<td>179</td>
<td>420</td>
<td>888</td>
<td>1,487</td>
</tr>
<tr>
<td>Phase 2 Moderately Disabled</td>
<td>-</td>
<td>179</td>
<td>460</td>
<td>1,096</td>
<td>1,735</td>
</tr>
<tr>
<td>Phase 2 Severely Disabled</td>
<td>-</td>
<td>179</td>
<td>-</td>
<td>7,989</td>
<td>8,169</td>
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</table>

### Overall Costs in US$

<table>
<thead>
<tr>
<th>Beneficiary Categories</th>
<th>Beneficiaries</th>
<th>Demobilization</th>
<th>Reinsertion</th>
<th>Reintegration</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Phase I Able-bodied</td>
<td>41,884</td>
<td>7,516,144</td>
<td>14,659,400</td>
<td>17,800,700</td>
<td>39,976,244</td>
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<tr>
<td>Phase I Mildly Disabled</td>
<td>8,000</td>
<td>1,435,612</td>
<td>3,360,000</td>
<td>7,104,000</td>
<td>11,899,612</td>
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<td>Phase I Moderately Disabled</td>
<td>8,075</td>
<td>1,449,070</td>
<td>3,714,500</td>
<td>8,846,625</td>
<td>14,010,195</td>
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<tr>
<td>Phase I Severely Disabled</td>
<td>1,000</td>
<td>179,451</td>
<td>-</td>
<td>7,989,183</td>
<td>8,168,634</td>
</tr>
<tr>
<td>Phase 2 Able-bodied</td>
<td>90,000</td>
<td>16,150,630</td>
<td>31,500,000</td>
<td>38,250,000</td>
<td>85,900,630</td>
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<tr>
<td>Phase 2 Mildly Disabled</td>
<td>-</td>
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</tr>
<tr>
<td>Phase 2 Moderately Disabled</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Phase 2 Severely Disabled</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
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</tr>
<tr>
<td>Activities Total</td>
<td>148,959</td>
<td>26,730,907</td>
<td>53,233,900</td>
<td>79,990,508</td>
<td>159,955,315</td>
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<tr>
<td>Administration</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>9,046,273</td>
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<tr>
<td>Contingency (3%)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>5,070,047,7</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>174,071,636</td>
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</table>
**ETHIOPIA**

**EMERGENCY DEMOBILIZATION AND REINTEGRATION PROJECT**

**DISBURSEMENT PROJECTIONS**

<table>
<thead>
<tr>
<th>Disbursement</th>
<th>2000/01</th>
<th>2001/02</th>
<th>2002/03</th>
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<tr>
<td></td>
<td>Q1</td>
<td>Q2</td>
<td>Q3</td>
</tr>
<tr>
<td>Phase I</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Demobilization</td>
<td>12,981,722</td>
<td>7,611,731</td>
<td>7,611,731</td>
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<tr>
<td>Reinsertion</td>
<td>8,502,181</td>
<td>8,502,181</td>
<td>8,502,181</td>
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<tr>
<td>Reintegration</td>
<td>6,376,636</td>
<td>4,251,091</td>
<td>2,125,545</td>
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<tr>
<td>Phase II</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Demobilization</td>
<td>18,552,074</td>
<td>10,867,098</td>
<td>10,867,098</td>
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<tr>
<td>Reinsertion</td>
<td>7,904,080</td>
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<tr>
<td>Reintegration</td>
<td>3,952,040</td>
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<tr>
<td>Contingency (3%)</td>
<td>389,452</td>
<td>483,417</td>
<td>1,039,080</td>
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<td>Annual Total</td>
<td>65,674,469</td>
<td>87,736,139</td>
<td>20,661,028</td>
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**Assumptions:**
1) Fiscal Year July 1 - June 30
2) Phase II demobilization completed by June 30, 2001
# ETHIOPIA
EMERGENCY DEMOBILIZATION AND REINTEGRATION PROJECT
PROCUREMENT SCHEDULE

## Total Procurement ($US) for Phases I & II

<table>
<thead>
<tr>
<th>Categories</th>
<th>Demobilization</th>
<th>Reinsertion</th>
<th>Reintegration</th>
<th>Total</th>
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<td><strong>Works</strong></td>
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<tr>
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<tr>
<td>Equipment</td>
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<td>1,476,000</td>
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<tr>
<td>Furniture</td>
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<td>0</td>
<td>0</td>
<td>60,000</td>
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<tr>
<td><strong>Services</strong></td>
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</tr>
<tr>
<td>Demobilization Services</td>
<td>16,726,990</td>
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<td>0</td>
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<tr>
<td>TSS Payments</td>
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<td>53,233,900</td>
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<tr>
<td>Reintegration Assistance</td>
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<td>66,700,058</td>
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<tr>
<td>Staff &amp; Consultants</td>
<td>1,808,888</td>
<td>1,037,588</td>
<td>1,123,247</td>
<td>3,969,723</td>
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<tr>
<td>Workshops and Study Tours</td>
<td>50,000</td>
<td>25,000</td>
<td>300,000</td>
<td>375,000</td>
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<tr>
<td><strong>Operating Costs</strong></td>
<td>1,140,000</td>
<td>1,140,000</td>
<td>4,908,000</td>
<td>7,188,000</td>
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<tr>
<td><strong>Subtotal</strong></td>
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<td>55,436,488</td>
<td>82,031,305</td>
<td>169,001,588</td>
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<tr>
<td><strong>Contingency (3%)</strong></td>
<td></td>
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<td></td>
<td>5,070,048</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td></td>
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<td>174,071,636</td>
</tr>
</tbody>
</table>