I. Project Context

Country Context

1. Djibouti is a small low-income country located in the Horn of Africa with a high level of urbanization. Faced with scarcity of arable land and water resources, the country’s traditionally nomadic people have migrated to urban areas. Approximately 71 percent of Djibouti’s estimated 865,000 inhabitants live in cities which are expanding annually by more than four percent (Djibouti Census 2009). The capital of Djibouti City (Djibouti Ville) has 475,322 inhabitants—including 25 percent of the “particular population,” the official term for foreigners, formal, and informal residents. Fifty-eight percent of the total population and 82 percent of the total urban population is concentrated in Djibouti City.

2. Sustained economic growth has been driven by large inflows of foreign investment, particularly in port activities and the transport and logistics sector. Over the last decade, landlocked Ethiopia’s high demand for transit trade and transshipment activities has allowed Djibouti to capitalize on its strategic location along the Red Sea, turning its ports into the engines of its economy. In 2000, the Government of Djibouti (GoD) signed a 20-year management concession...
with Dubai Port World (DPW), which contributed to attracting large amounts of foreign direct investment (FDI). In 2006, FDI inflows accelerated sharply with the construction of the Doraleh Container Terminal and the Port of Djibouti free zone. Between 2006 and 2010, FDI inflows averaged over 14 percent of gross domestic product (GDP), and gross capital formation reached 31 percent of GDP (figure 1). Consequently, the growth rate accelerated in 2002-2012 to reach an average of about four percent per year. Inflation has remained fairly well contained during this period. It stabilized to about 3.8 percent during the last four years, after peaking during the height of the 2007-2008 food and fuel price shock, due to the country’s almost complete dependence on imported foodstuffs.

3. Despite moderate growth and high income levels, poverty remains high. Djibouti is a lower middle-income country with a GDP per capita in 2011 of US$1,430 and US$2,500 in purchasing power parity (PPP). However, poverty is high and has declined slightly over the last decade. According to Government statistics, absolute poverty was 42.2 percent in 2002, declining only marginally to 41.9 percent in 2012. Absolute poverty in Djibouti City is estimated to be 30 percent, whereas 70 percent of the population living in all other areas is poor. The absolute poverty levels of female-headed and male-headed households are virtually identical at respectively 41.8 percent and 41.9 percent. Indicators of human development and access to services are also low. Djibouti ranks 164 out of 187 countries in the United Nations Development Program (UNDP) 2012 Human Development Index.

4. Job creation is critical for Djibouti’s long-term growth and poverty reduction performance. The large amounts of foreign investment that Djibouti attracts have not created many jobs compared to other countries in the region (figure 2). Djibouti’s small and young population—60 percent are aged 15 and below—faces low levels of activity and high unemployment. In 2012, Government statistics indicate that about 26 percent of the population aged 15 and above actively seeking work could not find a job. Of the working-age population, about 48 percent is unemployed, including discouraged workers. Public enterprises play a leading role in sectors such as electricity, transport, telecommunications, and real estate. The public sector provides 44 percent of formal employment representing about 17,000 jobs. Women are affected disproportionately by unemployment: only 35 percent of women participate in the labor force, and often, many are employed in vulnerable and insecure informal sector jobs such as kat redistribution. The cost and quality of important production factors, such as labor and electricity, and the quality of the investment climate, remain severely binding constraints to growth in Djibouti.

5. Djibouti is vulnerable to a range of natural hazards, which affects women and urban populations disproportionately. Natural hazards can severely impede economic growth and sustainable development. Approximately 33 percent of the population lives in high-risk mostly urban areas. About 35.3 percent of the economy is also vulnerable to natural disasters, including: (i) extended multi-annual droughts, which exacerbate the water scarcity, e.g., 300 m3/year per capita compared to the regional average of 1,200 m3/year per capita for agriculture and domestic uses; (ii) frequent intense flash floods with a variable but approximate recurrence of seven years; (iii) volcanism originating along the Afar Rift area; (iv) fires fueled by droughts and exacerbated by precarious construction materials; and (v) frequent earthquakes, in magnitude from four to five on the Richter scale. Women are also disproportionately affected by natural disasters: globally, women and young people are 14 times more likely than men to perish during natural disasters.

**Sectoral and institutional Context**

6. Since 1983, Djibouti City’s annual population growth rate has averaged about +4.4 percent (1983 and 2009 censuses), adding to existing pressures for basic infrastructure and services. This steady
growth is mainly due to a combination of natural growth, rural migration, and the influx of refugees fleeing political and environmental crises from neighboring countries. This demographic pressure has caused the following considerable changes in the city’s land use patterns. (i) From 1910 to 1960, the neighborhoods in the flood plain, south of the old city center developed, i.e., Quartiers 1 to 7, Quartier 7 bis, Ambouli, and Djebel. (ii) In the 1960s and the 1970s, the “Cités” were constructed, i.e., Einguela, Arhiba, Stade, Progrès, etc., mainly inhabited by people of average income. (iii) More recently, Balbala on the left bank of the Oued Ambouli was developed and is inhabited by more than 40 percent of the capital’s total population. In 2013, only about 44 percent of the capital’s population had a direct water connection and less than 60 percent had legal electric connections. The GoD has prepared three successive master plans in 1983, 1998, and 2013, mainly to address housing development, reserving space for the port and military bases, and flood protection.

7. Urban development in Djibouti City is characterized by a multiplicity of actors and insufficient resources. The central Government remains responsible for urban development through various technical departments, ministries or specific agencies directly under their control. The capital now has two levels of administration: the city and the commune, which are both governed by elected councils and mayors or by the president of the council at the commune level. However, the situation is transitional. The new 2005 regulation did not transfer new responsibilities to the city. Instead it reduced the authority of the newly elected city officials to coordinate technical departments (compared with the authority of the previous president of the District of Djibouti). Djibouti City’s technical departments are now under the direct control of the respective ministries. Nevertheless, the 2005 regulation increased new aspirations and additional demands at the City level that could drive certain changes.

8. The challenge of managing the urban development of the entire city has been overwhelmed by attempts to upgrade sprawling old slums or already existing unplanned population areas. To improve the efficiency of urban management, the Government’s top priority is to clarify the institutional framework, defining roles and responsibilities as well as improving horizontal and vertical coordination. The Djibouti City Urban Master Plan financed under the DUPREP led by the Housing and Urban Planning Department (DHU) is a first step in the right direction, but still requires implementation tools and needed in-house capacities.

9. Quartier 7 (Q7), in Boulaos municipality, is Djibouti City’s largest and densest old neighborhood, with 25,000 inhabitants living on 0.56 km2. Q7 is one of the last neighborhoods developed in the fifties in an area prone to flooding. It presents a microcosm of the country’s social disparity and significant challenges in providing services. Seventy percent of Q7 households have no sewage system; they use either rudimentary pits or holes in the ground, or have no system at all. The neighborhood is also regularly flooded, including the houses, which are essentially built below street levels. Due to the lack of drainage and the low permeability of the ground, Q7 suffers from high rates of diseases such as diarrhea, and malaria. According to a 2002 survey, the second district, which includes Q7, registered the highest probability of death before the age of 40 in Djibouti City (49.1 per 1,000) even though its poverty rates are lower than other parts of the city.

10. Djaga Bouldouq is a slum-type pocket on the northeastern section of Q7. It covers almost a quarter of the neighborhood surface and contains a third of its population — about 8,000 inhabitants. Its urban layout features very narrow streets or alleys and extremely small plots. The neighborhood’s accessibility is highly constrained for public services like solid waste collection, ambulances, and firefighters. The provision of basic services in Djaga Bouldouq is also much lower than in the rest of Q7. Because 71.8 percent of households are not connected to the city water network, residents are forced to buy drinking water from their neighbors at a much higher costs. In Djaga Bouldouq almost half of the households (46.2 percent) are renters compared to 25.6 percent
in the rest of Q7 and nearly 18 percent share their housing with at least another family. Their living conditions and standards are much lower than the rest of Q7.

11. Although Q7 is close to the city center, it has remained attractive to poor communities, which is typical of neighborhoods with low-level service provision. While extreme poverty in 2012 was much lower in Q7, with only nine percent compared to 31 percent in the rest of the city, its relative poverty of 63 percent was fairly high, making Q7 a priority area for targeted and sustained poverty reduction efforts. Moreover, employment issues are acute in the entire neighborhood. The youth and the women are the most affected: only 24.4 percent of men under 35 and 21.2 percent of all women reported being employed compared to 46.5 percent for all men. Residents of Q7 acknowledged the benefits of infrastructure investments and the need for employment opportunities during meetings with local associations.

12. The Bank-supported Djibouti Urban Poverty Reduction Project (DUPREP), which was launched in 2008 and will close in December 2014, has increased Q7 residents’ access to basic services and social infrastructure. The Bank’s ongoing engagement in Djibouti’s urban sector dates back to 1984 with the first Government urban upgrading programs. The First Urban Development Project (UDP1) focused on upgrading old neighborhoods in the capital and its southern suburb, followed by UDP2 from 1991 to 1999. The Bank also supported the country’s recovery from the disastrous 2004 flooding by supporting the development of flood management infrastructure and population resettlement. With the DUPREP, the Bank is backing the Government’s dual approach to development as investment in infrastructure is combined with social activities and institutional support.

II. Proposed Development Objectives

The proposed Project Development Objective (PDO) is to increase access to basic urban services in Quartier 7 (Q7) in Djibouti City.

III. Project Description

Component Name
Infrastructure Upgrading in Q7

Comments (optional)
This component will finance key urban infrastructure in Q7 while at the same time respond to the urgent need to address the chronic challenge of employment in the neighborhood, particularly among women and young people by piloting non-traditional training activities during project implementation.

Component Name
Building Institutional Capacity and Citizen Engagement

Comments (optional)
This component is of paramount interest for all of Djibouti City, but it will also directly benefit Q7 and other neighborhoods under the DUPREP II.

Component Name
Support to implementation, monitoring and evaluation

Comments (optional)
This component will finance: (i) operating costs, short term technical assistance to ADDS, and additional equipment, as well as training for the ADDS staff and other stakeholders in charge of project implementation; and (ii) technical and financial audits.
IV. Financing (in USD Million)

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V. Implementation

The Djiboutian Agency for Social Development, “Agence Djiboutienne de Développement Social” (ADDS), will be the project implementation agency. Project implementation will be carried out leveraging existing administrations and entities. The main rationale for the proposed institutional and implementation arrangements is to rely as much as possible on existing institutional structures and staff to contribute to strengthening national capacity.

VI. Safeguard Policies (including public consultation)

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Comments (optional)

VII. Contact point

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