



# Combined Project Information Documents / Integrated Safeguards Datasheet (PID/ISDS)

Appraisal Stage | Date Prepared/Updated: 31-Jan-2018 | Report No: PIDISDSA23362



**BASIC INFORMATION**

**A. Basic Project Data**

Country Djibouti	Project ID P162904	Project Name Public Administration Modernization Project	Parent Project ID (if any)
Region MIDDLE EAST AND NORTH AFRICA	Estimated Appraisal Date 09-Feb-2018	Estimated Board Date 28-Mar-2018	Practice Area (Lead) Governance
Financing Instrument Investment Project Financing	Borrower(s) The Republic of Djibouti	Implementing Agency Secrétariat Général du Gouvernement	

Proposed Development Objective(s)

The PDO is to improve access, efficiency and quality of selected e-government and revenue administration services.

Components

Strengthening e-government foundation and institutional building  
Tax and Customs Modernization  
Project Management

**Financing (in USD Million)**

Financing Source	Amount
International Development Association (IDA)	15.00
<b>Total Project Cost</b>	<b>15.00</b>

Environmental Assessment Category

B - Partial Assessment

Decision

The review did authorize the preparation to continue

**B. Introduction and Context**

Country Context



- 1. Strategically located at the southern entrance to the Red Sea, Djibouti is a small country with a population estimated at 942,325 people (in 2016).** Djibouti is adjacent to the Mandeb Strait and the Suez-Aden canal<sup>1</sup>, through which ten percent of the world's oil exports and 20 percent of its commercial exports transit annually. It hosts several military bases<sup>2</sup> and has become the main sea-access route to landlocked Ethiopia. Djibouti draws significant rents from the military bases, which now account for more than 20 percent of total government revenues. Its economy has been expanding at a remarkable pace, estimated to have reached 6.5 percent in 2016, fueled by debt financed public investments in ports modernization and transports, particularly the railroad to Ethiopia, the construction of several new ports and a water pipeline from Ethiopia. Meanwhile, external debt has accumulated very rapidly, standing currently above 80 percent of GDP from less than 50 percent in 2014.
- 2. Despite significant investment and remarkable economic growth, Djibouti is classified among low human development countries, ranking 172 out of 188 countries in 2016.** Weak governance and insufficiently inclusive social and economic development model have not led to the improvement of social outcomes. About 41 percent of the population is poor; 23 percent live in extreme poverty, the unemployment rate reaches 39 percent; life expectancy at birth is 62 years, below the world average of 71.5 years and Least Developed Countries (LDC) average of 63.3 years; food insecurity affects 75 percent of rural households; and 17.8 percent of children under five years of age suffer from global acute malnutrition. Yet, a small connected elite has accumulated vast wealth; the Gini index increased from 40 percent in 2002 to 44 percent in 2013.
- 3. Unlike many of its neighbors, Djibouti has remained relatively peaceful and stable in recent years.** The current regime has been in power since 1999 and has succeeded, thanks to geostrategic rents, centralized model of governance, and external supports, in maintaining peace and stability. However, there has been little progress in transforming public institutions to become more accountable for results and to citizens. Weak accountability and inclusion may expose the country to regional instability. There are underlying tensions between communities that could be exacerbated by high poverty, exclusion, high unemployment, flow of refugees from Yemen and Somalia, and threats from Al-Shabaab.
- 4. Significant improvement in governance and reforms supporting a more inclusive and diversified private sector are key to unlocking the country's developmental potential.** As stated in the government's development strategy *Vision Djibouti 2035*<sup>3</sup> and the Djibouti SCD Concept Note,<sup>4</sup> such reforms are critical to ensure that the country reaches its full potential

<sup>1</sup> Djibouti commands access to the Red Sea, the Sea of Arabia, the Indian Ocean and the Suez Canal, hence to the Mediterranean Sea. In other terms, it commands one of the most vital naval arteries in the world (Robert M. Shelala II, "Maritime Security in the Middle East and North Africa: a strategic assessment", CSIS, 2014).

<sup>2</sup> Countries that have military bases include: France, USA, Japan, Germany, Spain, Italy, Saudi Arabia, and China.

<sup>3</sup> Vision Djibouti 2035 targets medium-term growth of 7.5-10 percent per year, tripling per capita income, and reducing unemployment. It includes five pillars: peace and national unity, good governance, economic diversification, human capital development, and regional integration.

<sup>4</sup> Republic of Djibouti, a Systematic Country Diagnostic, Concept Note, May 2017.



and becomes a logistics and commercial hub for the whole of East Africa. Unfortunately, most governance indicators point to weak institutions that are unable to uphold the rule of law, posing important challenges to government accountability. A lack of inclusive processes around public policy making are particularly detrimental when assessing the government's effectiveness in the delivery of public services such as in health and education.<sup>5</sup>

- 5. To address the multiple social and economic challenges that the country is facing and which may undermine its long-term stability, the Government has started implementing critical reforms to strengthen its institutional capacity and capabilities.** Djibouti has made significant improvement in Doing Business and was ranked in 2017 among the ten top reformers in the world. It gained 17 places from 171th to 154th rank in the world. On the issue of fiscal sustainability, Government is moving on with the implementation of key recommendations of the 2015 National Tax Conference<sup>6</sup>. With regard to reforming public enterprise and governance, the authorities are taking steps to implement the Code of Good Governance, and they are appointing new executive boards and signing performance contracts with five public enterprises. With a great investment in a state-of-the-art e-governance infrastructure ([www.egouv.dj](http://www.egouv.dj)), the Government has created a National Agency for the State Information System (*Agence Nationale de Système d'Information de l'Etat – ANSIE*) to modernize public administration and make it more efficient. This will also enable citizen feedback through an open data platform. In the 2017 Ibrahim Index of African Governance, Djibouti was ranked among the top 10 improvers in participation sub-category for the period of 2012-2016. This progress is notable considering a climb of 12 rank places from 46<sup>th</sup> in 2012 to 34<sup>th</sup> in 2016.

## Sectoral and Institutional Context

### *Governance, institutional building, and services delivery.*

- 6. Public administration is characterized by poor performance and a very weak delivery system.** Djibouti's public administration is relatively young and Djibouti gained its independence from France in 1977, but most of the public administration was run by the French until the early 90's. The post-colonial era was difficult as there were not enough qualified Djiboutian civil servants and good systems to ensure the transition. Citizens have poor access to basic services. Indicators for access to basic services (water, electricity) and outcomes in health, education, nutrition, and employment all show that the country lags behind comparator countries. Djibouti ranks below most countries in the Human Development Index. There are also inequalities in access to basic services, education, health, nutrition, and labor markets. For example, in the education sector, achievements show inequalities along gender, geographic location, and wealth dimensions. Access to all levels remains poor, affected by demand- and supply-side factors.

- 7. To address the country's social and economic challenges that undermine its long-term stability, the Government has started implementing reforms to strengthen its institutional capacity and**

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<sup>5</sup> Ibid.

<sup>6</sup> IMF Country Report No. 17/87, April 2017



**capabilities.** Djibouti has made significant improvements targeting the private sector, yielding results in Doing Business indicators. In 2017, Djibouti was ranked among the ten top reformers in the world, improving 17 places from 171<sup>th</sup> to 154<sup>th</sup>. On fiscal sustainability, the Government is moving forward with the implementation of key recommendations of the 2015 National Tax Conference<sup>7</sup>. Further, the Government is focused on reforming public enterprise and governance, taking steps to implement the Code of Good Governance, appointing new executive boards and signing performance contracts with five public enterprises.

8. **While Djibouti is reforming the public sector, it continues to lag behind comparators on governance indicators.** In the 2017 Ibrahim Index of African Governance (IIAG), the country scored 46.4 percent and was ranked 38 out of 54 countries in Africa, a deterioration of 0.15% compared to the annual average trend of the previous five years. Djibouti fares poorly on the World Bank's Worldwide Governance Indicators (WGI). For example, on Voice and Accountability, it ranks in the bottom ten percent of the 214 countries ranked, reflecting limited interaction with citizens as well as businesses. Djibouti ranks in the bottom third of 214 countries on control of corruption, a significant drop from being above the 50<sup>th</sup> percentile in 2008. Further, Djibouti ranks in the bottom 20 percent on government effectiveness, revealing gaps in service delivery and efficiency of the administration.

9. **To address these gaps, Djibouti is taking steps to adopt e-Governance.** With a great investment in a state-of-the art e-governance infrastructure ([www.egouv.dj](http://www.egouv.dj)), the Government has created a National Agency for the State Information System (*Agence Nationale de Système d'Information de l'Etat – ANSIE*) to modernize public administration and make it more efficient. They also plan an open data platform to increase access to information. In the 2017 Ibrahim Index of African Governance, Djibouti was ranked among the top 10 improvers in participation sub-category for the period of 2012-2016. This progress is notable considering a climb of 12 rank places from 46<sup>th</sup> in 2012 to 34<sup>th</sup> in 2016.

10. **A new window of opportunity for good governance is opening up in Djibouti.** Faced with severe external and internal threats for its fragile stability and social cohesion, the government is showing great commitment to address migration, security, and institutional challenges. Hence, the bold reforms in business environment, assets declaration, anti-corruption, transparency, and accountability that the government has been introducing to ensure inclusive development. More support is required to help the government to keep the momentum in the implementation of these reforms as well in other critical ones on procurement and supreme audit institution (SAI). The World Bank has been helping Djibouti to strengthen procurement and SAI through small IDF operations. Continued support in these two areas is indeed very opportune and crucial.

11. **Additional opportunities are seen in the realm of open government.** Djibouti is not yet eligible for membership in the Open Government Partnership (OGP), but has made progress on eligibility criteria. Measured by the OGP criteria on fiscal transparency, access to information, public officials' assets disclosure, and civil liberties, Djibouti has a score of only 17%, whereas the threshold for eligibility to OGP is set at 75%. In reality, Djibouti's OGP eligibility score is higher when examining recent reforms in the areas of asset disclosure, fiscal transparency, and access to information<sup>8</sup>. The Government is committed

<sup>7</sup> IMF Country Report No. 17/87, April 2017

<sup>8</sup> Djibouti has not only a law on assets declaration which being implemented with all ministers and high-ranking public



to substantially improve its score and eventually become an OGP member. For the strengthening of the assets declaration, it is critical going forward to review and verify the truthfulness of declarations made. Currently, there is a lack of methods and procedures for implementing verification and an absence of cooperation across public institutions.

*Setting up of a unique ID system to improve public administration*

12. **Foundational identification systems are designed to provide government-recognized credentials (e.g., digital ID numbers, paper/plastic/laminated cards, smart cards, digital certificates, mobile IDs, etc.) that can be used as proof of identity.** These systems include registration of individuals and collecting biometric and other demographic data. They are often built as part of civil registration systems which then communicate with other registries such as those for social protection, health, education, financial services, population, or travel. Good practice is for these numbers to be randomly generated and not linked with data on nationality or citizenship to support inclusivity. However, foundational ID systems require a robust legal and institutional framework to effectively safeguard and govern how personal data is protected, managed and shared among agencies, as well as uphold sovereignty, individual privacy, non-discrimination, and inclusion.

13. **Djibouti lacks a reliable citizen registry system with unique ID numbers to prevent frauds and inefficiencies, and which would enable eligible citizens to access services through better targeting, planning and monitoring.** Safety net programs for poor families or access to schools, health centers, and financial services are hindered by the lack of a reliable ID system. A unique ID system would facilitate interoperability of government registries and ensure the registry and authentication of major life events including birth, marriage, job, and death as well as set up the foundation for an efficient and integrated services delivery system.

14. **The establishment of a unique ID (e-ID) is a key priority for the government as it is critical to ensure integrity and cost-effectiveness of public delivery systems.** For the moment, there are duplicative and non-integrated ID systems, which result in high maintenance and transactional costs, fraud, poor quality and limited access to services for citizens. Several ministerial departments including interior, social affairs, population, security, and civil services have different ID systems which are not interlinked or connected. Using a unique ID as a base for interconnection of registries can also support other services such as tax administration, customs, business registration and land management. ANSIE has received the mandate to coordinate and lead the development of a unique ID, which will involve the participation and collaboration of all stakeholders who run parallel ID systems. To move to an efficient e-birth registration system that is linked with the e-ID system will require significant business process reengineering, digitalization, and setting-up of IT systems interoperability. As such, this and other e-services are planned for a subsequent phase of the e-government transformation.

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administration officials have already declared their assets. The Supreme Audit Institution has been issuing the General Audit Report and the executive's budget proposal is made public. The right-to-information act is under preparation.



*eGovernment foundation, development of e-services, and establishment of Citizen Service Centers*

15. **Considerable strengthening of the e-government capacities and capabilities is required to ensure the development of e-services through an interoperable digital platform.** Additionally, improving mobile broadband access, coverage and affordability will be essential for an effective e-service delivery and will help laying the foundations of a digital and modern public administration. Djibouti has invested heavily in the access to eight submarine telecommunications cables that bring in considerable external revenues from the sale of internet connections to several countries in eastern and southern Africa. However, access to high bandwidth does not yet translate into a modern public administration using ICT to deliver quality services to the people. The low coverage of mobile services, and especially mobile broadband services limits citizens' capacities to engage with the public administration by using ICT as medium. Despite the fact that nearly 80 percent of the population lives in urban areas, mobile broadband covers only half of its population (around 53% according to GSMA compared to around 75% average in MENA<sup>9</sup>). Moreover, prices of mobile broadband are very expensive (according to GSMA, the price of mobile broadband is around \$30 for 500Mb/month). This is very high compared to countries in MENA<sup>10</sup>. With extreme poverty touching one fifth of the Djiboutian population and high cost of telecommunication, the domestic access to internet is very limited, leading to low engagement between the citizens and the state. Despite ad-hoc IT applications, current service delivery systems are paper based, less considering transparent, and accountable to citizens.

16. **The government recognizes the need to leverage e-Government for public administration modernization and effective service delivery as evidenced by the creation of ANSIE and its positioning at the Presidency.** Through the e-governance platform operated by ANSIE, the government is seeking to improve efficiency, access, and quality of public services. ANSIE plans to digitize and incorporate into the government portal most of the services the government provides to citizens, to ensure transparent and accountable service delivery. So far, ANSIE has interconnected 15 out of 16 sites of ministries and agencies within the ministerial city (*Cité ministerielle*) with fiber optic high speed internet. A powerful datacenter has been established, equipped, and is fully operational. For the moment, Government IT systems are duplicative, costly, and not interconnected. Thus, the goal for the authorities to bring government systems under one integrated platform to reduce maintenance and operating costs, enhance systems security, and ensure the development of e-services. Data from government departments and institutions will be stored in a public cloud through the national datacenter, reducing the need for constant purchase of servers and operating licenses across government. However, before any of these systems changes take place the Government must provide an enabling environment, including: (i) establishing a legal framework for the digital transformation and access to services; (ii) reviewing and updating the e-Government strategy; (iii) improving institutional and technical capacities; and (iv) focusing on program management, communications and change management to include process re-engineering of systems and services to maximize the benefits of ICT investments and improve operational efficiency and effectiveness.

<sup>9</sup> [GSMA Report](#) as footnote 9. Please also note that MENA region for GSMA and World Bank include different countries and estimates for MENA broadband coverage and penetration (World Bank list of countries) could be even higher as Comoros, Mauritania and Somalia (lowest penetration and access to internet) are included in Africa Region for World Bank but not for GSMA.

<sup>10</sup> World Bank Report on Broadband Networks in the Middle East and North Africa: Accelerating High-Speed Internet Access: <https://openknowledge.worldbank.org/handle/10986/16680>



17. **In response to petitions on improving public services formulated by citizens to the President, the public administration has initiated a reform program centered on Declaration of Services to Citizens – (*Declaration de Services aux Citoyens*).** Ministries are required to declare and provide information to citizens on services available, costs, delivery time, required procedures and forms, etc. So far, nine out of 22 ministries have completed their declarations. Yet, few improvements in terms of reduced delays and knowledge about available services have been registered. Deep-seated impediments for access to services remain.

18. **Furthermore, the government is seeking to increase access of services particularly to the poor in remote or underserved areas through the establishment of Citizen Service Centers (CSCs).** Currently, administrative services are provided in a fragmented manner, with citizens needing to go to multiple locations to obtain necessary documents and services. To reduce this burden and improve service delivery, the Government aims to establish CSCs to provide citizens with access to multiple services under one roof using a one stop shop model. As the current level of broadband connectivity and the high cost of internet access are barriers to the full adoption of e-services, CSCs will provide an important physical bridge between analog and digital service delivery by providing access to services and e-services through kiosks and assisted access terminals. Physical centers are considered good practice in order to ensure equitable access to services and provide citizens with channel choice.

19. **In the same vein, the right for all citizens to have access to information is fundamental for transparency and equitable access to services.** Limited access to information about government services leads to increased transaction costs for citizens, especially for those in remote areas, who have to travel long distances to access services. The government is called upon to not only provide information on services to all citizens, but to also ensure that their rights and expectations are met. Establishing an integrated and interoperable digital platform and ensuring effective accountability systems including citizen feedback loops should lead to reduced transaction costs as well as improved access and quality of services to citizens.

### *Tax and Customs Management*

20. **The tax regime in Djibouti continues to cause serious impediments to services development<sup>11</sup> and competitiveness.** Djibouti provides tax exemptions through: (i) the common law (CGI); (ii) the Investment Code (IC); (iii) the Free Zone; (iv) externally financed development operations; and (v) diplomatic privileges. So far, tax exemptions have not led to the expected corresponding investment and employment benefits. The common-law tax regime suffers from tax distortions and discretionary decision making. Under the investment code, tax exemptions and other special tax regimes, including the free zone system and the regime for foreign military bases, reduce the tax base, create distortions to competition between economic operators, and lead to sizable revenue losses<sup>12</sup>. As noted in the tax conference 2015, the Free Zone law is very generous by international comparison. Furthermore, trade with Djibouti is subject to tariff through the internal consumption tax (TIC)<sup>13</sup>, whose rate is particularly

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<sup>11</sup> What Tax Strategy Following the National Conference on Taxation?, GPMFM, World Bank, 2017

<sup>12</sup> International Monetary Fund, Country Report No. 17/87, April 2017

<sup>13</sup> Djibouti does not have a customs tariff in the strictest sense, but TIC serves a similar purpose as domestically produced goods



high. Strengthening domestic resource mobilization systems should result in more fiscal space and less accumulation of public debts. As recommended in the World Bank's Tax Strategy report (2017), the authorities should take immediate steps to review tax expenditures and exemptions, consolidate instruments by phasing out the TIC and instead strengthening the VAT and excise taxes. Promoting economic neutrality of the VAT, with an effective and accelerated VAT refund process, would make the system more attractive to investors.

21. **Tax administration, particularly the General Directorate of Tax (*Direction Générale des Impôts – DGI*) does not have the necessary capacity and capabilities to ensure effective implementation of tax policies and domestic resource mobilization.** So far, the DGI has not been successful in promoting tax fairness, curbing distortions and fraud, efficiently monitoring VAT refund claims, broadening the tax base particularly with regard to property tax, and conducting systematic cross-checking between Tax and Customs information. The current administrative system is largely manual and involves excessive physical interaction between taxpayers and the tax administration, which increases opportunities for corruption. Indeed, the DGI does not have sufficient human resources and adequate information systems to support its operations. The workforce is small with 170 staff and only seven higher level managers (category A). Due to staff limitations and efficiency, services are more centered on a simple review of tax documents rather than risk-based audit activity, which is critical for a modern tax administration based on self-assessment. DGI's information system (AGIR) does not have the necessary features for cross-checking information with Customs, is lacking modules to guide risk-based audit and management of VAT refunds, and also does not allow for online tax returns filing and payments, etc. Therefore, it is critical, as recommended during the 2015 Tax Conference and in the World Bank tax strategy report, to strengthen the capacity and capabilities of DGI.

22. **Strengthening of the Customs administration (*Direction Générale des Douanes et des Droits Indirects – DGDDI*) is equally important and central for increased resources mobilization and competitiveness.** Good performance of the Customs administration is crucial for the recovery of import duties like the TIC but also for the VAT. In 2015, 65.9 percent of VAT was collected by DGDDI. Hence, the necessity to strengthen DGDDI's information system (ASYCUDA World) and to ensure the interface for effective cross-checking with the DGI's information system. Furthermore, DGDDI continues to have significant challenges with regard to the assessment of merchandise values and in improving clearance times, which need to be addressed to ensure competitiveness and increased integration in the chain of international trade (e.g. China New Silk Road).

23. **The authorities are taking the necessary measures to implement some key recommendations of the 2015 National Tax Conference<sup>14</sup>, but effective results have yet to materialize.** The 2016 budget included measures to streamline and simplify the tax structure. Key changes included: exemption of the lowest income earners from income tax; broadening of the capital gains tax on real estate; reduction of import license fees; introduction of a differentiated scale for company registration fees; revision of the

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are not subject to this tax. Djibouti's Most-Favored Nation (MFN) tariff is estimated at 27.8 percent (WTO) compared with 22.0 percent for an average MENA country or 11.4 percent for lower-middle-income country. TIC revenue fell from 7 percent of GDP in 2000 to 4 percent of GDP in 2015. Despite the drop, the level is still high relative to that of countries competing against Djibouti, such as Mauritius, where tariffs account for only 0.3 percent of GDP. (World Bank 2017)

<sup>14</sup> Ibid.



stamp duty and licensing fees; elimination of the excise tax on fruit and vegetable juices and carbonated beverages. The authorities also continued to gradually reduce the TIC with the goal of eventually replacing it with the VAT and excise taxes. Further tax policy and tax administration measures are envisaged. They include: installation of cash registers in businesses subject to the VAT; transfer of the management of the business license tax and local real estate taxes to the regional authorities; appointment of customs commissioners to enable customs officers to focus on inspection work; rapid processing of customs clearance procedures by introducing a risk analysis system; and adoption of a code of ethics for customs personnel and an inspection charter. As agreed with the IMF, the authorities are establishing a tax policy unit and a reform steering committee tasked with devising, promoting, and coordinating tax reforms. The success of all these reforms will be gauged by how well they are implemented and bring in additional domestic revenues that the authorities need to improve service delivery in priority sectors.

24. **As the government is called upon to quickly improve the efficiency of its tax and customs administration to increase fiscal space in the context of raising public debts, the development of e-Tax and e-Customs is also top priority for ANSIE.** The tax and customs administrations are plagued with inefficiencies, low compliance rate, and limited revenue mobilization capabilities. Revenues forecasts based on the existing fiscal policy indicate that domestic revenues could fall to 17.3 percent of GDP in 2019 from 19.3 percent in 2015. Strengthening tax administration and domestic resource mobilization systems should result in more fiscal space and less accumulation of public debt. Establishing e-Tax and e-Customs to ensure online filing and payment will require thorough business process re-engineering, digitalization, and upgrade of the tax and customs IT systems.

### C. Proposed Development Objective(s)

25. The PDO is to improve access, efficiency and quality of selected e-government<sup>15</sup> and revenue administration services.

26. The expected outcomes of the project are increased efficiency, access, and satisfaction with the e-Government and revenue administration. The aim is to leverage a combination of policy reforms, ICT tools, greater transparency, change management and strengthening of skills with a focus on both the efficiency of government administration and access to services for citizens and businesses. The key results are as follows:

- Percent of population with unique ID.
- Increase in VAT collection
- Reduction in time taken to clear Customs.

27. Some key intermediary results include:

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<sup>15</sup> Targeted e-government services include: (i) national ID, (ii) tax filling, and (iii) customs declaration.



- Number of e-IDs issued (disaggregated by gender)
- Number of e-Tax transactions (filing)
- Number of e-Customs transactions (filing)
- Increased number of taxpayers.
- Increased tax administration operational efficiency (measured by the ratio of operating costs to collected taxes).
- Number of public IT systems connected to the Government interoperability platform
- Average number of transactions initiated through Citizen Service Centers per year

28. Furthermore, there will be a whole range of process and output indicators that will be monitored.

## **D. Project Description**

### **Project Components**

#### **Component 1: e-Government foundation and institutional building (US\$ 9.5 million)**

29. This component consists of three interrelated sub-components: (i) Development of a digital platform and e-services, (ii) Establishment of a Citizen Service Center (CSC) pilot, and (iii) institutional building. A gradual and phased approach will be followed in the development and provision of e-services.

##### *Sub-component 1.1. Development of a digital platform and e-services.*

30. The development of e-Government is critical for improving efficiency and transparency in the delivery of public services as well as enabling citizens' feedback on the quality of services. The e-Government platform will serve not only citizens (G2C) but also businesses (G2B), and facilitate better government to government (G2G) coordination. The development of e-services will follow a gradual approach given that the project budget is limited and the considerable amount of time and coordination needed for the business process reengineering and digitalization prerequisites. Hence, only a few number of e-services will be realized over the course of this project, which focuses on establishing a strong foundation for e-government, while preliminary work will be done for future deployment of other e-services. E-services targeted under the current phase include: unique ID, tax filing, and customs filing. Future e-services may include: unique ID for businesses and land properties, criminal records, and renewal of driver's licenses.

31. The proposed project would finance the following activities:

- Development of legal and institutional frameworks, strategy and action plans for digital transformation of the public administration.
- Strengthening of the back-up data center.



- Strengthening cyber security to ensure protection and trust and building a Public Key Infrastructure to safeguard electronic transactions.
- Business process simplification and digitalization of select services.
- Development of an interoperable platform, including the Enterprise Service Bus (ESB) and web services (APIs).
- Development of e-ID, a unique electronic identifier system for citizens, and distribution to 200,000 citizens.
- Development of a strategy and costing for the implementation of unique IDs for businesses and land properties.
- Development of e-Tax and e-Customs filing modules.
- Development of e-procurement portal to provide information to the public on tenders, awards, etc.
- Development of open data portal.
- Change management to ensure adaptation and ownership by actors and stakeholders of the digital transformation of public administration.

*Sub-component 1.2. Establishment of Citizen Service Center (CSC) Pilot.*

32. One of the project's goals is to ensure that women and vulnerable groups—people with disabilities, the poor, the elderly, ethnic minorities, and the rural population—have increased access to modernized services. The CSCs are based on the one stop shop principle of service access; providing multiple services through a single window. The CSCs are envisaged as assisted access centers, where citizens can obtain information and apply for administrative e-services. The precise model of operations will be determined following a feasibility study planned for the first year of the project.

33. Given the limited budget of the project and the time needed for e-services development, the focus will thus be on establishing and testing at least one CSC pilot (located in Balbala and/or Djibouti-ville). The findings from the feasibility study will inform the pilot CSC location, design and operational model that will be tested and adapted over time. The proposed location in Balbala also houses the sub-prefecture, the national police, an office of the Directorate of Population and Family, an office of the State Secretariat for Social Affairs, an office of the Court of religious affairs, and a building of the elected officials of the municipality of Balbala. This would ensure high traffic to the CSC as citizens access other government bodies.

34. The pilot center subcomponent will support the feasibility study, renovations and refurbishment of existing infrastructure, training materials and capacity building for staff, and citizen engagement activities. Citizen engagement is critical to introduce the concept of e-services and CSCs to citizens, as well as to gather feedback on service quality. To this end, this subcomponent will support a gender-sensitive citizen outreach campaign to inform citizens



about CSCs and available services; and the development and deployment of a citizen feedback mechanism to solicit information on service quality and efficiency from the user perspective.

35. The proposed project would finance the following activities:

- A feasibility study for the CSC pilot including the recommendations on necessary requirements for a regulatory framework, identification of the range of services to be delivered, selection of key performance indicators and success criteria, as well as costing and financial models.
- Development of service level agreements with ministries and agencies for ensuring accountable delivery of e-services to citizens.
- Refurbishment of the buildings to accommodate the CSC and provide a better citizen experience.
- Development of training materials for service agents and staff on customer service.
- Outreach and public relations strategy to inform citizens about the CSC and services.
- Development of citizen feedback mechanisms.
- Evaluation of the pilot results to measure progress and adapt the model as necessary.
- Development of an Action Plan for rollout of additional centers.

*Sub-component 1.3. Institutional Building.*

36. Success in e-government and public administration performance requires strong institutions to ensure transparency, participation, and accountability. The Government has initiated important institutional reforms on access to information, financial disclosure, procurement, and accountability, which need to be deepened and sustained.

37. The proposed project would finance the following activities:

- TA for preparation of the Access to Information Law – Right to Information (RTI) Act. Adequate legal assistance will be mobilized to prepare the bill as well as a study visit to a performing country in the sub-region.
- TA for establishment of a database, electronic filing software, and online filing of asset declarations.
- Training for officials on RTI implementation and asset disclosure.
- Communication and citizen engagement campaign on RTI and open data.
- TA for revision of the public procurement code and support to its implementation, and strengthening of the national procurement commission as well as other stakeholders.
- Capacity building of the Supreme Audit Institution (Court of Accounts), particularly regarding the filling of public accounts and accountability of public accountants.



### **Component 2: Tax and Customs Modernization (US\$ 4.5 million)**

38. This component will support the revision of different tax legislations for more coherence and efficient tax and customs administration, ensure that Tax and Customs systems are integrated, business processes are revamped, and a sound digital architecture for revenue collection is established. Through the interoperable digital platform developed under component 1, citizens and businesses will have access to online services, including e-tax filling and payment, and e-customs declaration and payment. This should lead to lower compliance and administrative costs.

39. The proposed project would finance the following activities:

- Revision of the tax code in line with the recommendations of the 2016 National Tax Conference.
- TA for the set-up of the new organizational structure of the tax administration including new job functions as well as the set-up of new tax policy and monitoring unit.
- Training for tax and customs officials.
- TA for the set-up and operationalization of the contact center for tax queries and complaints.
- Strengthening of VAT control and refund processes.
- Elaboration of a study on the impact of reducing internal tax consumption and raising VAT.
- Implementation of a risk-based approach to auditing, monitoring of arrears and the initiation of proceedings against taxpayers in default.
- Support to operationalization of the Tax/Customs training center (Financial Application Center – *Centre d'Application Financière - CAF*).
- Acquisition and implementation of a modern tax revenue information system for DGI to ensure, among other functionalities, e-Tax filing and payment.
- Upgrade of the DGDDI's existing information management system (ASYCUDA World) to ensure, among other functionalities, e-Customs declaration.

### **Component 3: Project Management (US\$ 1.0 million)**

40. The project will support the establishment and operation of a Project Coordination Unit (PCU), located within ANSIE, to support coordination and manage implementation of the project. Details of the implementation arrangements are outlined in Annex 2. Activities will include (a) the development of annual work programs and corresponding PPs; (b) the management of fiduciary and monitoring activities; (c) the coordination of technical work and the provision of support services to the technical units within the relevant ministries; (d) the monitoring of and reporting on the implementation of the project's activities. The project will provide the funding necessary for the acquisition of office equipment and accounting software, as well as for the payment of the activities related to project coordination and monitoring.



**E. Implementation**

- 41. The project will be carried out under the leadership and oversight of ANSIE. ANSIE is anchored in General Secretariat of Government at the Presidency. Being at the center of government is a great asset for ANSIE to ensure coordination with concerned ministries and sectors and effective project implementation. A project coordination unit (PCU) will be established within ANSIE. The PCU, which will be staffed by a Coordinator, a Financial Management Specialist, a Procurement Specialist, and an M&E specialist, will oversee planning, execution, and monitoring of activities. The Project Steering Committee will be chaired by the General Secretary of the Government and will include the General Secretaries of the Ministries of Budget and the General Directors of Tax and Customs Administrations.
- 42. Implementation of activities will be under the responsibilities of:
  - ANSIE, through the PCU, will manage the implementation of the e-Government and institutional building component.
  - Tax and Customs administration will work very closely with the PIU in the implementation of component 2.

**F. Project location and Salient physical characteristics relevant to the safeguard analysis (if known)**

No new construction under component 1 of the project at the Data center and the two Citizen Service Center (CSC) pilots in Balbala and Djibouti-ville but only minor refurbishment of already existing premises. The project will work inside existing government offices. These minor refurbishment of government offices expect to present limited environmental and social risks that are readily managed through mitigation measures.

**G. Environmental and Social Safeguards Specialists on the Team**

Antoine V. Lema, Social Safeguards Specialist  
Mohamed Adnene Bezzaouia, Environmental Safeguards Specialist

**SAFEGUARD POLICIES THAT MIGHT APPLY**

Safeguard Policies	Triggered?	Explanation (Optional)
Environmental Assessment OP/BP 4.01	Yes	The project is categorized as a B.



Component 1 of the project has the propensity to generate very minimal and site specific environmental impacts in the case of the minor refurbishment of the government offices that are easily remediable . These environmental impacts are essentially related to the management of non hazardous and hazardous solid wastes, generation of noise, fugitive dust and sanitary wastewater discharges. Other impacts are related to Occupational and Community Health and Safety. A Checklist EMP of rehabilitation has been prepared by the client and will be implemented by selected contractors to manage these risks and impacts. This check list EMP will be integrated to tender documents. The Checklist EMP has been reviewed and approved by the World Bank.

Natural Habitats OP/BP 4.04	No	This policy is not triggered as the project will not involve work in natural habitats or protected areas.
Forests OP/BP 4.36	No	This policy is not triggered as the project will not involve work in forests or their rehabilitation.
Pest Management OP 4.09	No	This policy is not triggered as the project will neither support the use nor involve investments in Pesticides.
Physical Cultural Resources OP/BP 4.11	No	The proposed operation is not expected to pose risks of damaging on the existing community cultural property.
Indigenous Peoples OP/BP 4.10	No	The proposed operation is not expected to pose risks to indigenous people
Involuntary Resettlement OP/BP 4.12	No	The project does not include activities that will result in resettlement
Safety of Dams OP/BP 4.37	No	The project will not construct or rehabilitate dams, and will not support other investments which rely on services of existing dams.
Projects on International Waterways OP/BP 7.50	No	The project will not affect international waterways.
Projects in Disputed Areas OP/BP 7.60	No	The project is not located in a disputed area



**KEY SAFEGUARD POLICY ISSUES AND THEIR MANAGEMENT**

**A. Summary of Key Safeguard Issues**

1. Describe any safeguard issues and impacts associated with the proposed project. Identify and describe any potential large scale, significant and/or irreversible impacts:

Component 1 of the project has the propensity to generate very minimal and site specific environmental impacts in the case of the minor refurbishment of the government offices that are easily remediable . These environmental impacts are essentially related to the management of non hazardous and hazardous solid wastes, generation of noise, fugitive dust and sanitary wastewater discharges. Other impacts are related to Occupational and Community Health and Safety

2. Describe any potential indirect and/or long term impacts due to anticipated future activities in the project area:

3. Describe any project alternatives (if relevant) considered to help avoid or minimize adverse impacts.

4. Describe measures taken by the borrower to address safeguard policy issues. Provide an assessment of borrower capacity to plan and implement the measures described.

The Borrower has prepared a Checklist EMP of rehabilitation which will be implemented by selected contractors to manage these risks and impacts

5. Identify the key stakeholders and describe the mechanisms for consultation and disclosure on safeguard policies, with an emphasis on potentially affected people.

**B. Disclosure Requirements**

**Environmental Assessment/Audit/Management Plan/Other**

Date of receipt by the Bank	Date of submission for disclosure	For category A projects, date of distributing the Executive Summary of the EA to the Executive Directors
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**"In country" Disclosure**



**C. Compliance Monitoring Indicators at the Corporate Level (to be filled in when the ISDS is finalized by the project decision meeting)**

**OP/BP/GP 4.01 - Environment Assessment**

Does the project require a stand-alone EA (including EMP) report?

If yes, then did the Regional Environment Unit or Practice Manager (PM) review and approve the EA report?

Are the cost and the accountabilities for the EMP incorporated in the credit/loan?

**The World Bank Policy on Disclosure of Information**

Have relevant safeguard policies documents been sent to the World Bank for disclosure?

Have relevant documents been disclosed in-country in a public place in a form and language that are understandable and accessible to project-affected groups and local NGOs?

**All Safeguard Policies**

Have satisfactory calendar, budget and clear institutional responsibilities been prepared for the implementation of measures related to safeguard policies?

Have costs related to safeguard policy measures been included in the project cost?

Does the Monitoring and Evaluation system of the project include the monitoring of safeguard impacts and measures related to safeguard policies?

Have satisfactory implementation arrangements been agreed with the borrower and the same been adequately reflected in the project legal documents?

**CONTACT POINT**

**World Bank**

Robert A. Yungu  
Sr Public Sector Spec.



Axel Rifon Perez  
ICT Policy Specialist

**Borrower/Client/Recipient**

The Republic of Djibouti  
Ilyas Moussa Dawaleh  
Minister of Economy and Finance  
ilyasdawaleh@mefip.gov.dj

**Implementing Agencies**

Secrétariat Général du Gouvernement  
Mohamed Hassan Abdillahi  
Secretary General of the Government  
contact@ansie.dj

**FOR MORE INFORMATION CONTACT**

The World Bank  
1818 H Street, NW  
Washington, D.C. 20433  
Telephone: (202) 473-1000  
Web: <http://www.worldbank.org/projects>

**APPROVAL**

Task Team Leader(s):	Robert A. Yungu Axel Rifon Perez
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**Approved By**

Safeguards Advisor:		
Practice Manager/Manager:	Renaud Seligmann	31-Jan-2018
Country Director:	Poonam Gupta	31-Jan-2018

