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Report No: PAD2989

INTERNATIONAL DEVELOPMENT ASSOCIATION

PROJECT APPRAISAL DOCUMENT

ON A

PROPOSED CREDIT

IN THE AMOUNT OF SDR 7.2 MILLION
(US\$10 MILLION EQUIVALENT)

AND

A PROPOSED GRANT

FROM THE IDA-18 REGIONAL SUB-WINDOW FOR REFUGEES AND HOST COMMUNITIES

IN THE AMOUNT OF SDR 3.6 MILLION
(US\$5 MILLION EQUIVALENT)

TO THE

REPUBLIC OF DJIBOUTI

FOR AN

INTEGRATED CASH TRANSFER AND HUMAN CAPITAL PROJECT

April 22, 2019

Social Protection and Jobs Global Practice
Middle East And North Africa Region

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CURRENCY EQUIVALENTS

(Exchange Rate Effective February 28, 2019)

Currency Unit = Djiboutian Franc

DJF 178 = US\$1

US\$ 0.056 = DJF 1

US\$ 1.40 = SDR 1

FISCAL YEAR

January 1 - December 31

Regional Vice President: Ferid Belhaj

Country Director: Marina Wes

Senior Global Practice Director: Michal J. Rutkowski

Practice Manager: Hana Brix

Task Team Leaders: John Van Dyck, Amr S. Moubarak

ABBREVIATIONS AND ACRONYMS

ADDS	Djiboutian Social Development Agency
AFS	Annual Financial Statement
CCD	Community-Driven Development
CCT	Conditional Cash Transfer
CPS	Country Partnership Strategy
DA	Designated Account
DFIL	Disbursement and Financial Information Letter
DISED	Department of Statistics and Demographic Studies
DJF	Djibouti Francs
DLI	Disbursement-linked Indicator
EDAM	Djiboutian Household Survey (<i>Enquête Djiboutienne Auprès de Ménages</i>)
ESMF	Environmental and Social Management Framework
EU	European Union
FA	Financing Agreement
FGB	Grassroots management training (<i>Formation en Gestion à la Base</i>)
FO	Finance Officer
FY	Fiscal Year
GDP	Gross Domestic Product
GRS	Grievance Redress Service
HDI	Human Development Index
IDA	International Development Agency
IFR	Interim Financial Report
IMF	International Monetary Fund
IPF	Investment Project Financing
INSEED	National Institute of Statistics of Economic and Demographic Studies (<i>Institut National de la Statistique, des Etudes économiques et démographiques</i>)
M&E	Monitoring and Evaluation
MENA	Middle East and North Africa
MIS	Management Information System
MOE	Ministry of Education
MOH	Ministry of Health
MPA	Multiphase Programmatic Approach
NDC	Nationally Determined Contribution
OP	Operational Policy
PDO	Project Development Objective
PFS	Project Financial Statement
PIU	Project Implementing Unit
PMT	Proxy-Means Test
PNSF	National Program for Solidarity and Family
POM	Project Operational Manual
PPA	Project Preparation Advance
PPSD	Project Procurement Strategy for Development
RF	Results Framework

RPF	Resettlement Policy Framework
SAI	Supreme Audit Institution
SCD	Strategic Country Diagnostic
SEAS	Secretariat of State Secretariat for Social Affairs
SOE	Statement of Expenditures
SSN	Social Safety Net
SSNP	Social Safety Nets Project
TOR	Terms of Reference
UNHCR	The United Nations High Commissioner for Refugees
UNICEF	United Nations Children's Fund
USAID	United States Agency for International Development
WFP	World Food Programme



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DATASHEET

BASIC INFORMATION

Country(ies)	Project Name	
Djibouti	Integrated Cash Transfer and Human Capital Project	
Project ID	Financing Instrument	Environmental Assessment Category
P166220	Investment Project Financing	B-Partial Assessment

Financing & Implementation Modalities

<input type="checkbox"/> Multiphase Programmatic Approach (MPA)	<input type="checkbox"/> Contingent Emergency Response Component (CERC)
<input type="checkbox"/> Series of Projects (SOP)	<input checked="" type="checkbox"/> Fragile State(s)
<input type="checkbox"/> Disbursement-linked Indicators (DLIs)	<input checked="" type="checkbox"/> Small State(s)
<input type="checkbox"/> Financial Intermediaries (FI)	<input type="checkbox"/> Fragile within a non-fragile Country
<input type="checkbox"/> Project-Based Guarantee	<input type="checkbox"/> Conflict
<input type="checkbox"/> Deferred Drawdown	<input type="checkbox"/> Responding to Natural or Man-made Disaster
<input type="checkbox"/> Alternate Procurement Arrangements (APA)	

Expected Approval Date	Expected Closing Date
10-May-2019	31-Dec-2022

Bank/IFC Collaboration

No

Proposed Development Objective(s)

The Project Development Objectives are to: i) support an expanded and more enhanced social safety nets system; and ii) support access to basic services in targeted poor communities.

Note: for the purpose of the PDO statement, "enhanced" is taken to mean (i) improved targeting of program beneficiaries, (ii) an enlarged social registry, and (iii) effective accompanying measures in conjunction with conditional cash transfers.

**Components**

Component Name	Cost (US\$, millions)
Conditional cash transfers	8.50
Strengthening social protection delivery systems	2.10
Community-based investments in basic services to improve human capital	3.10
Project Management	1.30

Organizations

Borrower:	Republic of Djibouti
Implementing Agency:	State Secretariat for Social Affairs

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

Total Project Cost	15.00
Total Financing	15.00
of which IBRD/IDA	15.00
Financing Gap	0.00

DETAILS**World Bank Group Financing**

International Development Association (IDA)	15.00
IDA Credit	10.00
IDA Grant	5.00

IDA Resources (in US\$, Millions)

	Credit Amount	Grant Amount	Guarantee Amount	Total Amount
National PBA	10.00	0.00	0.00	10.00



Refugee	0.00	5.00	0.00	5.00
Total	10.00	5.00	0.00	15.00

Expected Disbursements (in US\$, Millions)

WB Fiscal Year	2019	2020	2021	2022	2023
Annual	0.58	1.50	2.79	5.45	4.68
Cumulative	0.58	2.08	4.88	10.32	15.00

INSTITUTIONAL DATA

Practice Area (Lead)

Social Protection & Labor

Contributing Practice Areas

Education, Health, Nutrition & Population, Poverty and Equity

Climate Change and Disaster Screening

This operation has been screened for short and long-term climate change and disaster risks

Gender Tag

Does the project plan to undertake any of the following?

a. Analysis to identify Project-relevant gaps between males and females, especially in light of country gaps identified through SCD and CPF	Yes
b. Specific action(s) to address the gender gaps identified in (a) and/or to improve women or men's empowerment	Yes
c. Include Indicators in results framework to monitor outcomes from actions identified in (b)	Yes

SYSTEMATIC OPERATIONS RISK-RATING TOOL (SORT)

Risk Category	Rating
1. Political and Governance	● Substantial
2. Macroeconomic	● Moderate
3. Sector Strategies and Policies	● Low



4. Technical Design of Project or Program	● Moderate
5. Institutional Capacity for Implementation and Sustainability	● Substantial
6. Fiduciary	● Substantial
7. Environment and Social	● Moderate
8. Stakeholders	● Moderate
9. Other	● Substantial
10. Overall	● Moderate

COMPLIANCE

Policy

Does the project depart from the CPF in content or in other significant respects?

☐ Yes ☒ No

Does the project require any waivers of Bank policies?

☐ Yes ☒ No

Safeguard Policies Triggered by the Project	Yes	No
Environmental Assessment OP/BP 4.01	✓	
Performance Standards for Private Sector Activities OP/BP 4.03		✓
Natural Habitats OP/BP 4.04		✓
Forests OP/BP 4.36		✓
Pest Management OP 4.09		✓
Physical Cultural Resources OP/BP 4.11		✓
Indigenous Peoples OP/BP 4.10		✓
Involuntary Resettlement OP/BP 4.12	✓	
Safety of Dams OP/BP 4.37		✓
Projects on International Waterways OP/BP 7.50		✓
Projects in Disputed Areas OP/BP 7.60		✓



Legal Covenants

Sections and Description

Schedule 2, Section I.A.4. In order to ensure proper continuation of the Project, the Recipient shall allocate and use resources to finance Cash Transfers for at least 5,362 Cash Transfer Beneficiaries in 2021 and at least 8,362 Cash Transfer Beneficiaries in 2022.

Sections and Description

Schedule 2, Section I.B.1. The Recipient shall no later than one (1) month after the Effective Date prepare and adopt and thereafter maintain, in accordance with terms of reference acceptable to the Association, a project operational manual.

Conditions

Type	Description
Effectiveness	The Association is satisfied that the Recipient has an adequate refugee protection framework.



I. STRATEGIC CONTEXT

A. Country Context

1. **Djibouti is a small lower-middle income country with a strategic geopolitical and trade position in the Horn of Africa and Gulf of Aden.** The country overcame violent civil conflict in the early 1990s through a brokered peace and power-sharing agreement among major ethnic groups in the country and has enjoyed a peace-dividend with steady economic growth enabled by foreign capital inflows to the transportation and logistics sector and rental fees from foreign countries' military bases. From 2015 to 2017, real Gross Domestic Product (GDP) growth averaged 8.6 percent, with inflation of 1.3 percent. Growth in 2018 was expected to reach six percent.

2. **Despite the strong economic growth, extreme poverty remains high in Djibouti.** Djibouti is a fragile state which faces serious obstacles to poverty reduction and improved service delivery to its population. Limited arable land and rainfall have had adverse effects on livelihoods and contributed to high level of food insecurity. Inequality in 2017 was high, with an estimated Gini index of 0.42. In the same year, an estimated 21 percent of the Djiboutian population lived in extreme poverty, spending less than Djibouti Francs (DJF) 111,783 per capita per year (equivalent to US\$2.17 per day in 2011 at purchasing power parity). Rural areas lagged behind the capital city showing higher rates of extreme poverty (62.6 percent).¹ The refugee and migrant population put an additional stress on limited resources and services, including for host communities.

3. **In 2017, Djibouti hosted over 25,700 registered refugees and asylum seekers from Somalia, Ethiopia, Yemen, and Eritrea whose most basic needs are shelter, water and safety.** This represented an increase from 17,683 registered refugees as of end-2016.² Most of the registered refugees and asylum seekers live in three camps - Ali Addeh, Holl Holl and Markazi - and in urban areas, including Djibouti-City and Balbala. Both long-term and new refugees require shelter, essential non-food items, health, education, water and sanitation. Heightened demand for the delivery of basic services comes not only from refugees and asylum seekers, but also from the approximately 100,000 migrants, equivalent to 10 percent of the population, who pass through the country each year.

B. Sectoral and Institutional Context

B.1. Human capital development is a top priority

4. **For equitable and sustained growth, substantial investments are needed in human capital development, especially for young children that represent the country's future.** Djibouti ranks 172 out of 188 in the Human Development Index (HDI), while data are not available to produce a ranking for Djibouti in the new Human Capital Index. The most urgent priority for human capital development is for the youngest children, given that a large body of scientific and economic research has shown that the early years of a child's life are critical for development of cognitive, physical, and socioemotional skills, and that high-quality investments in the early years can have returns that surpass investments in primary or secondary education.

¹ DISED (2018) "Résultats de la Quatrième Enquête Djiboutienne Au près des Ménages pour les Indicateurs Sociaux"

² Djibouti Assessment of Eligibility for IDA18 Regional Sub-Window for Refugees and Host Communities: Board Consultation Note, September 19, 2017.



5. **Investments are needed for both the demand for and the supply of basic services that promote development of human capital.** Djibouti's education sector has improved in the last several years but continues to be confronted with challenges of quality and access. Close to 19 percent of the school-age population remains out of school and access to early learning opportunities, including quality preschool, is severely limited for low-income populations. In rural areas especially, access to clean water and improved sanitation is very low. Djibouti is additionally challenged by the increasing number of street children from neighboring countries. Climate and economic shocks continue to threaten poor and vulnerable households' ability to meet basic needs or invest in human capital. Research suggests that famine and prolonged food and nutrition deprivation negatively affect cognitive development of children, especially during the women's prenatal and postnatal period (Agbor and Price, 2012; Almond et al., 2010). Finally, the influx of refugees has disproportionately affected poor communities, where both refugees and their host communities have significant unmet needs in terms of nutrition and access to basic services (health, education, water, sanitation).

6. **Climate change threatens Djibouti's human capital development by increasing the frequency of severe weather that endangers food security, water availability, public health, and economic livelihoods.** Djibouti is highly vulnerable to natural disasters including extreme heat, multi-annual drought, flash floods, coastal storm surge, and water scarcity.³ Over the past 30 years, the country has suffered from eight major droughts including one in 2008 that affected 380,000 people, killed 70 percent of livestock, and cut agricultural output in half. Aridity is increasing as temperatures are already 0.7 °C (Djibouti City) to 1.4 °C (Ali Sabieh) above pre-industrial annual averages and may rise by a total of 5.2 °C by the end of the century.⁴⁻⁵ Prolonged drought is often followed by heavy rains that result in flash floods, displaces tens of thousands, extends the range of vector-borne disease, and damages critical water and sanitation infrastructure.⁶⁻⁷ With 88 percent of the country's one million population living on the coast, sea level rise and tropical cyclones constitute significant risks. Finally, under any scenario, Djibouti is forecasted to experience more *highly unusual* (3-sigma) and *unprecedented* (5-sigma) summer month of extreme temperature anomalies than other Middle East and North Africa (MENA) countries.⁸⁻⁹

³ *Djibouti's Natural Disaster Risk Profile*, ThinkHazard, 2019.

⁴ "Mapped: How Every Part of the World Has Warmed and Could Continue to Warm", Climate Brief, September 2018. Based on IPCC models and Berkeley Earth data.

⁵ *Djibouti's Country Profile*, Climate Change Knowledge Portal, World Bank, 2017.

⁶ Last May, Cyclone Sagar dumped 110mm of precipitation on Djibouti's capital (roughly the annual average in 48 hours), inundated most neighborhoods, affected up to 50,000 people, disrupted access to water and sanitation services for weeks, and compromised the ability of thousands of households to provide their children with adequate nutrition according to a *United Nations Humanitarian Needs Assessment*. Five other major floods occurred in Djibouti, 1980-2010, and two of them killed hundreds and displaced more than 200,000.

⁷ *Djibouti's Country Climate Adaptation Brief*, World Bank, 2016.

⁸ "Turn Down the Heat: Confronting the New Climate Normal", World Bank, 2014, pp. 114, 122.

⁹ The Moscow heat wave in the summer of 2010 is a good example of a 3-sigma event. High temperatures, which were ~7 °C warmer than normal, killed thousands of mainly elderly and poor people from heat-related illness, caused drought that reduced Russia's wheat crop by 40 percent, cost the country US\$15 billion in lost agricultural production, triggered a ban on grain exports, and caused food prices to rise globally. For details, see Coumou & Robinson, "Historic and Future Increase in the Global Land Area Affected by Monthly Heat Extremes", *Environmental Research Letters*, August 2013.



B.2. An expanded and enhanced social safety nets (SSN) system can promote human capital development

7. **A solid SSN system complemented by interventions in health, education, water, nutrition and other areas has become crucially important in countries across the world to alleviate poverty and promote human capital development.** International evidence shows that SSNs not only have an immediate impact on poverty, but also enable households to increase their use of basic services which contribute to increased human capital. This can be achieved through two key pathways: (i) the income from cash transfers can help to cover the cost of schooling, health care, water and sanitation, and other services; and (ii) the conditionalities associated with conditional cash transfers can encourage utilization of services as well as behavior changes that promote development of human capital.

8. **Djibouti lacks the adaptive capacity to cope with climate-induced shocks.** At US\$1,927 in 2017, its GDP per capita, is the third lowest in the MENA region. Low-income, vulnerable populations lack the resources to adapt to extreme weather.¹⁰ Poor households in MENA suffer the highest economic losses from floods, drought, and storms.¹¹ Improving the resilience of vulnerable populations is a major priority of Djibouti's Nationally Determined Contribution (NDC). International assistance is needed to fund climate adaptation activities, which could cost the country €1.33 billion in a 4 °C scenario.¹²

9. **Djibouti's Vision 2015-2035 and the 2017 national social protection strategy both recognize the importance of combining SSNs with actions to build human capital, such as prevention of malnutrition and promotion of cognitive development of children.** Specifically, Djibouti's social protection strategy emphasizes the importance of a long-term, development-oriented approach of building national social protection system integrating different forms of social assistance including scaling up the poverty-targeted cash transfer program, providing subsidized access to health care, and reducing malnutrition in the early years. Djibouti has begun laying the groundwork for a social protection system through the introduction of a national cash transfer program, the National Program for Solidarity and Family (*Programme Nationale de Solidarité Famille*, PNSF), and the establishment of a social registry of potential beneficiaries. While PNSF currently serves approximately 3,000 households, it has the potential to be the cornerstone of a country-owned and adaptive Social Protection system. The emphasis is now on scaling up PNSF to cover a greater share of the poor population, building on the capacity developed with the support of the World Bank's Social Safety Nets Project (SSNP, P130328) which has financed the development of the social registry, the targeting methodology, and the PNSF's Management Information System (MIS).

10. **Prior to the PNSF, most SSN programs had been established at the wake of drought shocks and were largely donor-driven initiatives** (such as the World Food Programme (WFP), the United Nations Children's Fund (UNICEF), the Food and Agriculture Organization, the Islamic Development Bank, the United States Agency for Development, and the Norwegian Refugee Council) which were mainly focused on providing food to vulnerable populations. At present, the scale and funding of SSN programs remains inadequate to protect most poor and vulnerable groups. According to the latest available data, only 32.7 percent of the poorest 20 percent of households are covered by any SSN program. In addition, the Government's share of spending in SSN is quite limited, as Djibouti only spends 0.18 percent of its GDP on

¹⁰ Hallegatte et al, "Shockwaves: Managing the Impacts of Climate Change on Poverty", World Bank, 2016.

¹¹ Wooden et al, "Impact of Weather Shocks on MENA Households", World Bank, 2014.

¹² Djibouti's First NDC, August 2015, p2.



SSN, compared to a MENA average of 1 percent, and a World average above 1.5 percent. Djibouti has recently adopted a progressive law that extends eligibility to refugees for most social programs. Although refugees remain to be integrated in the social registry and most programs, resources are insufficient to cover all Djiboutians in need, much less refugees. Creating the fiscal space to enhance the coverage of the SSN system in Djibouti alongside donor support is essential.

11. Institutional strengthening and capacity building will continue to be a crucial element in building an integrated national SSN system and a broader social protection system. Future plans for expansion and modernization of the national SSN system require that the Government increases capacity of the State Secretariat for Social Affairs (SEAS) to play a coordinating role in the Government, as well as expanding its program implementation and supervision capacity. There is equally a need to strengthen the capacity of the Government to work closely with local communities to deliver basic social services including the community sessions envisioned in this project.

12. Djibouti has been accumulating experience with community sessions to promote positive behaviors. These sessions, initiated under the Employment and Human Capital Safety Net Project¹³ after the 2008 food crisis and expanded in 2012, have provided tailored sessions on pre-natal care and for mothers with children under two years of age. The sessions have also provided a platform to detect potential stunting of participating children by triggering a subsequent home visit to provide more individualized counseling, and/or referral to the nearest health clinic. In a community-based setting, a group of maximum 20 women (called ‘foyer’) come together once a month for three hours. Preliminary impact evaluation results indicate an increase in pre-natal consultations, exclusive breast feeding (61 percent of children below six months breastfed in the first six months) for participating households. Furthermore, participation in sessions show an increase in the consumption of a diversified diet (55 percent vs. 37 percent) for children under five and an overall increase in food consumption at the household level, (at 10 percent of food share and 9 percent in non-food) attributable to the increase in household income resulting from the participation in the program. While nutrition behavior change will henceforth be supported under the World Bank financed project Towards Zero Stunting in Djibouti Project (P164164), the proposed project will continue to use the community session approach to support behavior change in other areas.

13. Djibouti has adopted a refugee protection framework which extends access to many social programs to refugees. Djibouti recently promulgated a progressive and comprehensive refugee law and issued its application decrees to facilitate the socioeconomic inclusion of refugees. Since February 2017, Djibouti is also one of the five pilot countries in the region selected for the rolling out of the Comprehensive Refugee Response Framework which favors greater inclusion of refugees. While financing for social protection is limited, the Government’s eventual aim is to ensure that vulnerable refugees and host communities have access to adequate social assistance without being forced to resort to adverse adaptation strategies.¹⁴ Financing remains a key obstacle, and as mentioned previously, coverage of social assistance programs even for poor and vulnerable Djiboutians remains low. Still, the Government is aiming to mobilize external financing to extend social assistance programs to refugees, notably universal health coverage.

¹³ Financed through a Japan Social Development Fund (JSDF) Grant.

¹⁴ Government of Djibouti, Policy letter on refugees, displaced persons, and host communities in the Republic of Djibouti, August 9, 2017.



B.3. Strengthened basic service delivery and local development is critical for human capital development

14. **Although Djibouti has less than one million inhabitants, over 70 percent of which live in the capital city of Djibouti and its suburbs (especially in the slum of Balbala), its current infrastructure lacks the ability to meet deliver basic services, especially in rural areas.** Access to services such as electricity, water and sanitation varies among different groups, with extremely poor households impacted by low access to basic infrastructure: 69 percent of poor household have access to clean water and only 42 percent to closed toilets. Low school enrollment is more pronounced in rural areas where the scattered and nomadic population poses challenges to education access. The refugee and migrant population has put an additional stress on services for both host communities and refugees.

15. **The Government is aiming to expand the delivery of services outside of the capital and spark regional development.** To expand delivery of services for the poorest, the country requires additional physical infrastructure, including in education, health, water and sanitation. This is compounded by significant infrastructure challenges such as lack of provision of electricity and transport, among other services. Decentralization is a key element of the Government's strategy to strengthen service delivery, and accordingly in 2016 it established a Ministry 'délégué' responsible for the implementation of its decentralization policy. At the same time, the Government would like to leverage the experience with community sessions to develop its ability to empower communities to play a stronger role in development actions. Increased community and local involvement in the development of infrastructure is one way in which the Government seeks to expand access to basic services.

C. Relevance to Higher Level Objectives

16. **The proposed project is fully aligned with the World Bank Group's Country Partnership Strategy (CPS) for Fiscal Years (FY) 14-17 extended to FY18 (Report No. 83874-DJ, discussed by the Board of Executive Directors on March 13, 2014), which supports Djibouti Vision 2015-2035, launched in June 2014.** Vision 2015-2035 is Djibouti's long-term strategy to build the country's future. Vision 2015-2035 includes a Pillar on investing in human capital "Building a hardworking, healthy and educated workforce" which corresponds to the CPS Pillar "Reducing vulnerability." Djibouti faces serious challenges in protecting poor and vulnerable households against shocks and the risk of irreversible loss of human capital. Vision 2035 includes a pillar on reducing vulnerability to improve institutional capacity to reach the poorest and most vulnerable population. The proposed project will aim to address inadequate targeting of beneficiaries of safety nets program and difficulties in ensuring that benefits reach the poorest and most vulnerable while contributing to building human development. The proposed project is also in line with the World Bank Group's Systematic Country Diagnostic (SCD, Report No. 134321-DJ) and the World Bank Group's expanded MENA Regional Strategy (March 2019) by supporting a renewed social contract, resilience to refugee shocks, and human capital development.

17. **The project is also aligned with the national social protection strategy** which sets an ambitious agenda for improving the living standards of the poor and the vulnerable and resilience of households to respond to economic shocks. The strategy recognizes the importance of social protection coupled with preventing malnutrition and promoting development of children to build human capital. Furthermore, it emphasizes the importance of a long-term, development-oriented approach to building a national social protection system that integrates different forms of social assistance, including the scaling up of a poverty-targeted cash transfer program and promoting health and nutrition in the early years at the local level.



18. **The project is also aligned with the World Bank Gender Strategy** and contributes to the first pillar – “improving gaps in human endowments” - through raising awareness for women of beneficial education, health, and nutrition behaviors, such as schooling for girls, hygiene, and breastfeeding, in combination with increased access to basic services such as water and sanitation.

19. **The project also supports Djibouti’s commitments to facilitating the sustainable socioeconomic integration of refugees.** These commitments in addition to access to improved health services, better educational outcomes, and access to social assistance and microfinance, were described in the Board Consultation Note sent to the World Bank Board of Executive Directors on September 19, 2017, and the Government is continuing to move ahead with the implementation of the refugee protection framework.¹⁵ By supporting inclusion of refugees in the national social registry and financing socio-economic infrastructure in localities with refugees living in host communities that are not already covered by other refugee programs, the project will contribute to creating social and economic development opportunities for refugees and host communities, one of the sub-window objectives of the IDA18 Regional Sub-Window for Refugees and Host Communities.

II. PROJECT DESCRIPTION

A. Project Development Objective (PDO)

PDO Statement

20. The Project Development Objectives are to: (i) support an expanded and enhanced¹⁶ social safety nets system; and (ii) support access to basic services in targeted poor communities.

21. These objectives aim to contribute to the higher-level objective of reinforcing human capital in Djibouti by supporting both the demand for and supply of basic services that promote development of human capital. Specifically, cash transfers and accompanying measures will seek to boost demand for such services, while the construction of community-level infrastructure will aim to strengthen the supply of basic services.

PDO Level Indicators

22. Key outcome indicators:

Outcome Name: *Support an enhanced social safety nets system to facilitate expansion of coverage*

- Beneficiaries of SSN programs

¹⁵ The Board Consultation Note outlined the rationale for the proposed support of the IDA Regional Sub-Window for Refugees and Host Communities, including, inter alia: (i) evidence of the country eligibility; (ii) an analysis of the needs of refugees, impact on the host communities targeted by the project(s)/programs and related constraints to enabling refugees’ self-reliance in the given context; (iii) description of proposed program strategic objective, key areas for policy dialogue, project(s), activities and beneficiaries; and (iv) the financing terms for the project and national contribution.

¹⁶ For the purposes of the PDO statement, “enhanced” is taken to mean i) improved targeting of program beneficiaries, ii) an enlarged social registry, and iii) effective accompanying measures in conjunction with conditional cash transfers.



- Number of Beneficiaries of SSN programs Beneficiaries - female
- Number of beneficiaries of SSN programs – Other cash transfer programs
- Percentage of women with a child aged 0-6 months practicing exclusive breastfeeding
- Percentage of beneficiary households below the poverty line
- Number of households registered in the national social registry

Outcome Name: Support access to basic services in targeted poor communities

- Number of beneficiaries with access to basic services infrastructure financed by the project

B. Project Components

23. The Project will consist of four components: (i) conditional cash transfers under the PNSF, including accompanying measures to improve human capital, (ii) strengthening social protection delivery systems through institutional capacity building support for PNSF and SSN system building; (iii) community-based investments in basic services to improve human capital; and (iv) project management.

Component 1: Conditional cash transfers (US\$8.5 million)

Sub-component 1.1: Financing of cash transfers (US\$7.5 million)

24. This sub-component will finance direct payments to program beneficiaries based on eligibility criteria and conditions. Every three months, payments of DJF 30,000 (about US\$169, or US\$56 per month) will be made to eligible households through a third-party payment agent for a period of at least 30 months. As shown in table 1, the World Bank will finance a declining share of the cost of cash transfers over the life of the project, with the Government taking on an increasing share with the longer-term objective of achieving sustainable financing.

Table 1: Households benefitting from PNSF cash transfers with Bank and Government financing¹⁷
(indicative amounts)

Year	Households financed by:		Total PNSF beneficiary households
	Project	Government	
2018	0	3,362	3,362
2019	5,000	3,362	8,362
2020	5,000	3,362	8,362
2021	3,000	5,362	8,362
2022	0	8,362	8,362

25. The transfers financed by the project will be part of the Government's flagship safety nets program, PNSF, which is implemented by SEAS and includes soft conditionalities related to participation in community-level behavioral change communication sessions aimed at building human capital (see component 1.2 for additional detail). The transfers

¹⁷ The European Union (EU) in partnership with the WFP is also expected to provide funding for 4,000 PNSF beneficiaries.



financed by the project will support the expansion of the PNSF outside the capital in sub-prefectures and ‘chef-lieux’ targeted based on poverty and remoteness by the Department of Statistics and Demographic Studies (DISED). Household eligibility criteria, while yet to be finalized, are expected to include the following: (i) households with young children, (ii) below the threshold for the Proxy-Means Test (PMT) developed to assess household welfare in regional capitals ‘chef-lieux’; and (iii) through community-based targeting in rural areas. Beneficiaries of cash transfers will not include refugees, though they will be eligible to participate in accompanying measures sessions under the following sub-component.

Sub-component 1.2: Community-based accompanying measures to improve human capital (US\$1.0 million)

26. This component will finance the design and the implementation of community-level behavior change sessions that will constitute the soft conditionality for the conditional cash transfers. The sessions will center around themes related to human capital development, particularly those linked to the early years/early childhood development agenda. The content of the community-level sessions is still being identified but will likely include: (i) simulation of cognitive development; (ii) promotion of good parenting practices; (iii) encouragement for attendance of school-age children in school; (iv) encouragement of practices to prevent child malnutrition; (v) hygiene promotion; and (vi) information sessions on the creation of income-generating activities; and (vii) information sessions for refugee and migrant households on their rights and responsibilities. Nutrition-related interventions will be harmonized with those supported by the “Zero Stunting Initiative” led by the Ministry of Health (MOH), supported by a World Bank-financed operation. Participation in these sessions will be part of the conditionalities that the eligible households will have to meet to receive payments under the Conditional Cash Transfer (CCT) program. Enforcement of the conditionalities is expected to be “soft,” meaning that the conditionalities will be enforced in a flexible manner.

27. The sessions will be delivered by community volunteers ‘mères-conseillères’ with technical oversight from local staff of partner ministries concerned by the sessions’ themes. The session curriculum will be informed by consultations with relevant line ministries, concerned community-based organizations, and local communities. To ensure maximum impact, the design and implementation of the sessions will be informed by lessons learned (including impact evaluation findings) from sessions currently implemented under the SSNP. The design of the session curriculum will also be coordinated with the Ministry of Education (MOE) which is leading the preparation of a basic education project aimed at addressing issues of access, quality and equity, with an emphasis on refugees and their host communities. Finally, in the agriculture sector, Djibouti Rural Community Development and Water Mobilization Project (*Projet de Développement Communautaire Rural et de Mobilisation des Eaux* - PRODERMO) (P117355) is supporting the mainstreaming of community health, nutrition, and water interventions.

Component 2: Strengthening social protection delivery systems (US\$2.1 million)

28. Under this component, the project will reinforce the Government’s capacity by financing technical assistance and social protection system investments that will support achievement of the project objectives. Specifically, the component will finance the scale-up of the national social registry of vulnerable households and strengthening of targeting procedures, including the PMT methodology developed under the SSNP and community-based targeting. This will include making the necessary modifications to incorporate refugees in the social registry, given that they have become eligible for several social programs in Djibouti. The program’s corresponding MIS will be reinforced for improved enrollment, payment, grievance and redress management, and monitoring as well as referral of potential beneficiaries to other



services. The component will also support the expansion of the information system's hardware and software capacity to absorb additional households (including in-take and assessment of needs and conditions).

29. Additional investments will build SEAS's capacity for program implementation, outreach, and enrollment of new households. Operational investments will also include the development of the 'back-office' functions for benefit calculation, payment mechanisms, monitoring and evaluation, and grievance and redress. The component will finance and build on potential innovations in payment methods (e.g., options for digital payments). At the local level, the component will invest in administrative infrastructure (equipment) of social units (the lowest administrative level) and provide training for officials and staff. Where a poor family does not have identification cards, the project will provide support to help them obtain formal identification.

30. To ensure robust expansion of the program, the project will support three key evaluations for the program. These include: (i) a program process evaluation of PNSF after the first year of the program, (ii) a "desk-review" assessment of the application of the PMT targeting used for the program, and, (iii) an evaluation of the PMT performance of the program (see project evaluation section).

Component 3: Community-based investments in basic services to improve human capital (US\$3.1 million)

31. Using a Community-Driven Development (CDD) approach, this component will aim to improve access to basic service infrastructure to strengthen or protect human capital in poor or isolated regions of the country, with priority to areas with refugees living in host communities that are not already covered by other refugee programs. This component will aim to benefit the same areas as component 1, with the possibility, if necessary, of adding other communities to ensure representation of those with concentrations of refugees living in host communities that are not already covered by other refugee programs.

32. The list of eligible infrastructure investments will be defined in the Project Operational Manual (POM) and will include water supply and sanitation, water resource management, schools, markets, rural roads, environmental resource management, and other investments of similar scale and impact. Communities eligible for infrastructure sub-projects will be selected based on available data on poverty, isolation, and existing service delivery infrastructure.

33. Community associations will receive a sub-grant after meeting eligibility criteria set out in the POM. The associations will be responsible for selecting the sub-project type from a menu of options and carrying out the subproject, including financial management and procurement. To enable them to perform these functions, community members will receive grassroots management training (*Formation en Gestion à la Base* – FGB) to enable them to carry out their community's subproject. FGB is a seven-module training program that covers the entire cycle of implementation of a community sub-project, including: (i) organization and community dynamics; (ii) participatory evaluation of poverty and needs; (iii) community procurement; (iv) community financial management; (v) participatory planning of the sub-project; (vi) participatory monitoring and evaluation; and (vii) maintenance. SEAS, through its development agency, will support the community associations to carry out the infrastructure sub-projects and will also deliver the FGB training.

34. To promote social inclusion and ensure their needs are considered, refugees will be encouraged to participate in the process of planning and executing the sub-project, including the FGB training.



35. To support the country's decentralization process, the project will also seek to build the institutional capacity of the Ministry of Decentralization and regional councils to carry out investments in basic social services infrastructure—thorough community-driven investments and otherwise—with the ultimate goal of improving the quality of services to strengthen human capital.

Component 4: Project Management (US\$1.3 million)

36. The component will support activities related to project management and coordination through SEAS. The component would finance: (i) consultant (non-civil servant) salaries; (ii) purchase of equipment and operating costs for project implementation and supervision; (iii) financial management including regular internal audits and annual external audits; and (iv) training, workshops, knowledge-exchange and South-South learning activities, communications, and other events related to project implementation and supervision.

Gender

37. The project has identified a number of gender-related gaps between men and women. First, women, who are generally the primary care-givers for infants and children, lack information on beneficial practices related to child nutrition, parenting practices, and child stimulation. For example, the proportion of women with children less than six months of age practicing exclusive breastfeeding is among the lowest in the world, at 12 percent, due to social and cultural norms and lack of awareness not only about the benefits of breastfeeding but also of methods and practices that are critical to establishing breastfeeding over the long-term.¹⁸ Second, women are disproportionately vulnerable to poverty and economic shocks, and face a lack of economic opportunity – for example, unemployment is higher among women (49 percent) than men (34 percent). Third, as noted in the SCD, girls are much less likely than boys to continue their education beyond primary school. Rural girls' enrollment and primary completion rates are even lower. Fourth, women are often excluded or marginalized in decision-making, leading to patterns in public investment and spending that do not reflect women's priorities.

38. The project will aim to address these gaps in the following manner. First, sub-component 1.2 will promote adoption of positive child nutrition, parenting, and child stimulation practices among beneficiaries, including promotion of exclusive breastfeeding among mothers of children between zero and six months of age, with the target of raising the percentage of beneficiary mothers practicing exclusive breastfeeding to 35 percent. This will be accomplished through community sessions, already developed under the SSNP, that raise awareness and promote positive behavior through sharing of good parenting practices and breastfeeding methods, in a way that is tailored to the Djibouti context and individual needs of expectant and new mothers. Second, the cash transfers under component 1 will be disproportionately targeted towards women, and under sub-component 1.2, these cash transfer beneficiaries will receive referrals to programs outside the project that aim to promote economic empowerment. Women are targeted to make up at least 60 percent of cash transfer beneficiaries. Third, the accompanying measures under sub-component 1.2 will aim to

¹⁸ WHO, UNICEF. *Capture the Moment: Early Initiation of Breastfeeding, the Best Start for Every Newborn*. New York: UNICEF; 2018. The report asserts that “early initiation of breastfeeding – putting newborns to the breast within the first hour of life – is critical to newborn survival and to establishing breastfeeding over the long term.” In Djibouti, early initiation rates hover at only 52 percent; cultural practices and lack of knowledge about benefits and breastfeeding tactics are major barriers contributing to low rates of breastfeeding (WHO, UNICEF, 2018).



encourage school attendance of children, especially girls, who make up the majority of out-of-school children. Fourth, the type of infrastructure to be financed under component 3 will be identified through community-based consultations that take into consideration the full and equal participation of women, men, girls and boys. Women are expected to be over 50 percent of the beneficiaries of these infrastructure investments.

Climate Co-Benefits

39. The proposed operation explicitly strengthens Djibouti's adaptive capacity against climate-induced shocks (food insecurity, water scarcity, stunting caused, and compromised livelihood due to climate change,) by targeting climate-vulnerable populations (rural poor families with children in drought-prone areas) and providing them with adaptive and shock-responsive - social protection (cash transfers, community infrastructure investments) as well as through investment in adaptive social protection systems (MIS and social registry) to respond to future climate shocks (social protection system). Under component 1, component 1.1 (US\$7.5 million) provides up to 12,000 low-income households with US\$56 per month for up to 36 months. All households in interior regions of Djibouti reside in governorates that have been affected by drought. To that end, it is expected that the cash received by these households will be used to bolster food security affected by prolonged drought.

40. Component 1.2 (US\$1.0 million) encourages these cash transfers to be used towards activities that enhance better child-rearing and nutrition practices towards areas prone to extreme weather (malnutrition prevention, hygiene promotion among others). Component 2 (US\$2.1 million) improves Djibouti's disaster risk management by enhancing the government's ability to reach climate-vulnerable populations in times of economic shocks. All social protection system investments including the enhancement of MIS and social registry are expected to be used to enhance the SEAS ability to better identify households and utilize its system to reach populations in event of climate-shocks.

41. Finally, component 3 (US\$3.1 million) invests in service delivery infrastructure that will be degraded by heat, drought, and sea level rise (water resources, sanitation facilities, coastal roads). It is expected that close to 40 percent of these community-driven infrastructures will support beneficiary communities in better management of water and waste-management given prolonged-drought challenges faced.

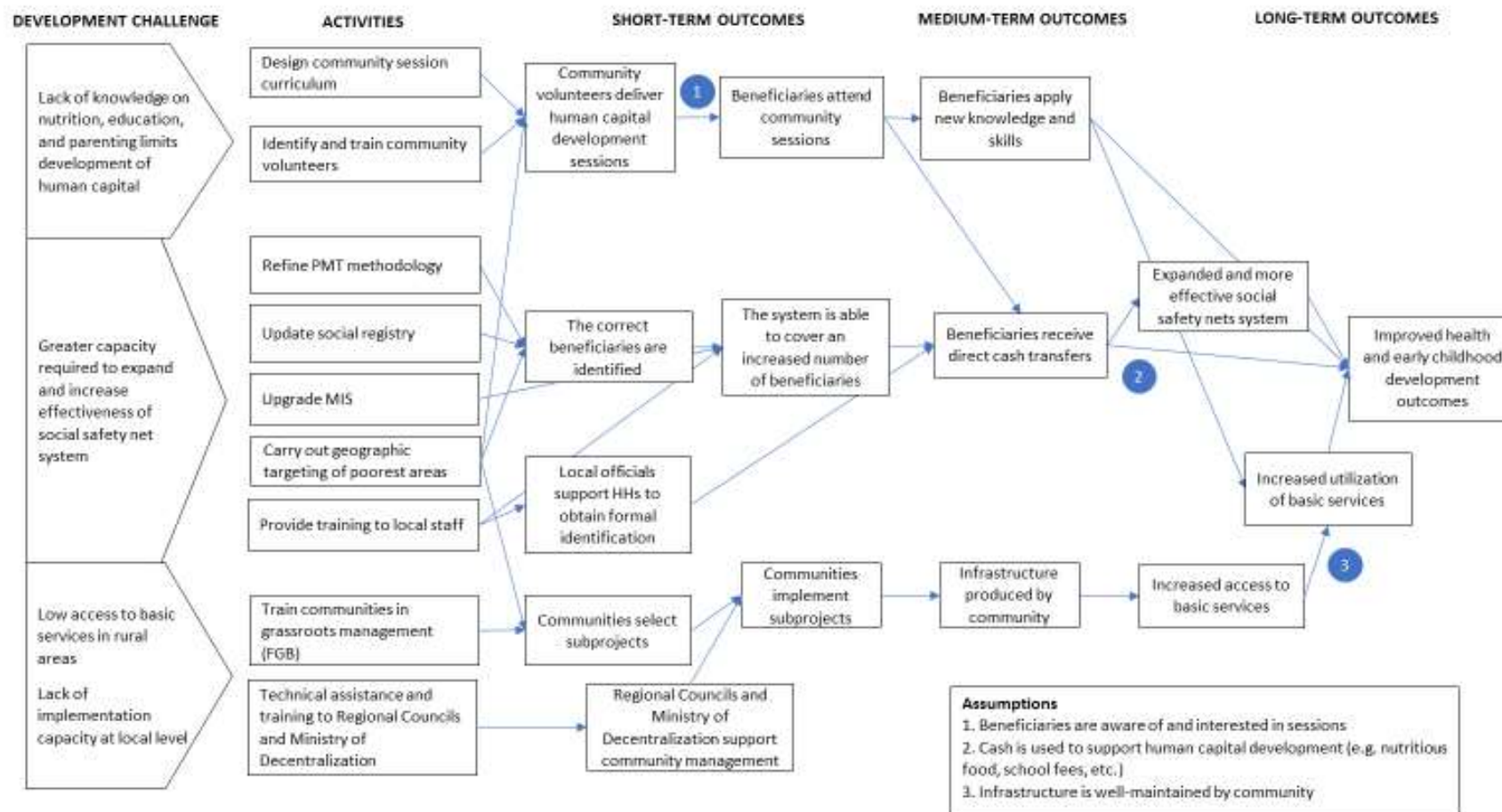
C. Project Beneficiaries

42. The project will benefit localities outside the capital in sub-prefectures and 'chefs-lieux' targeted based on poverty and remoteness by DISED. The beneficiaries of the project will be poor households targeted to benefit from cash transfers and accompanying measures safety net interventions (component 1), and individuals in poor and/or isolated communities targeted to receive support for the construction of small-scale basic infrastructure (component 3). Component 3 will seek to ensure that a significant proportion of resources benefit localities with refugees living in host communities that are not already covered by other refugee programs. In the project monitoring framework, beneficiary numbers will be disaggregated by gender.



D. Results Chain

43. The project results chain is as follows:





E. Rationale for Bank Involvement and Role of Partners

44. The World Bank can add value by supporting this project given its expertise and international experience with building safety net systems and using the CDD approach. Specifically, the World Bank support will help the Government to adopt best practices in safety net system design, targeting of safety nets beneficiaries, making payments to safety net beneficiaries, training of poor communities to implement basic services sub-projects and safety nets activities, and monitoring and evaluation. Furthermore, domestic resources to finance a scale-up of safety nets are limited and are expected to increase gradually rather than immediately. The support from the World Bank will also increase the capacity of national government agencies to design and manage larger scale projects with adequate procurement and financial procedures, clear implementing manuals and a well-developed monitoring and evaluation system.

45. The Government is expected to work closely with civil society and local non-governmental organizations in the implementation of the program, as was the case with the previous safety nets project. Several development partners provide support to the social protection sector in Djibouti, including the EU, WFP and UNICEF.

46. With the **EU**, collaboration could support the identification and the inclusion of refugees in the social protection system and/or community investments. The EU, in collaboration with WFP, is working to subsidize health insurance for the Djiboutians and the refugees in rural areas. Most of the development cooperation in Djibouti is financed by the European Development Fund. For the period 2014-2020, funding of €105 million is available for the support program for Djibouti. The emphasis is on water and sanitation but also on food safety, resilience and climate change adaptation.

47. **WFP** has supported delivery of in-kind and cash transfers in Djibouti including delivery of the PNSF program in rural areas, school meals programs, and food assistance for assets schemes, which provide people with cash, voucher or food transfers in exchange for the building or rehabilitation of assets that will improve long-term food security and resilience. Current WFP-supported safety nets are designed for eventual handover to the Government. One of WFP's new projects aims to finance the expansion of PNSF into urban areas. In this framework, the World Bank and WFP will continue discussions to ensure that the PNSF remains consistent despite the various funding programs of the different partners in the localities. Finally, the World Bank will also work with WFP on PNSF management information systems and the payment system.

48. **UNICEF** is supporting PNSF in the design of family-friendly practices that can become program accompanying measures under PNSF. UNICEF is also supporting the strengthening of SEAS social workers.

49. **The United Nations High Commissioner for Refugees (UNHCR)** has prepared an assessment of Djibouti's refugee protection framework that is part of the basis for the determination of eligibility of Djibouti for the refugee sub-window. UNHCR screens, tracks, and registers refugees and provides services in the areas of health, education, food security and nutrition, water and sanitation, shelter, livelihood promotion, and logistics. The World Bank and the Government will coordinate with UNHCR regarding the project's support for refugees and host communities, including on the targeting of communities with concentrations of refugees under component 3.



F. Lessons Learned and Reflected in the Project Design

50. **Supporting national systems and programs is critical to ensure sustainability and lasting impact.** Global experience underlines that organizing donor support around national programs, reducing fragmentation, boosting institutional capacity, and agreeing on a shift from external to domestic financing are critical for program sustainability. As discussed in the sustainability section below, the project will seek to support all these principles.

51. **For the objective of poverty reduction, cash transfers are a more efficient mechanism to channel resources to poor households than labor intensive public works.** As safety net programs, both cash transfers and labor-intensive public works can serve important functions depending on a country's needs. Labor-intensive public works provide short-term employment opportunities while investing in public goods (often road repairs or upkeep of public spaces). Materials, tools, and supervision costs for these investments absorb a part of program resources that would otherwise go to beneficiaries. Cash transfer programs, which do not finance such costs, can devote a higher percentage of resources to support beneficiaries.

52. **The community-based platform developed under the soon to close SSNP can be leveraged to support behavior change to improve beneficiaries' human capital.** Impact evaluation results that this platform led to increases in pre-natal consultations, exclusive breast feeding, and consumption of a diversified diet. This experience showed the potential of using community actors respected by beneficiaries to achieve behavior change. The model will be scaled up under this project for a broader range of messages on themes related to human capital development, particularly on the early years/early childhood development agenda.

III. IMPLEMENTATION ARRANGEMENTS

A. Institutional and Implementation Arrangements

53. The project will be implemented by SEAS which will have fiduciary responsibility for all project components. It will directly implement sub-component 1.1 (Financing of Cash Transfers), component 2 (Strengthening social protection delivery systems), and component 4 (project management). A third-party payment agency will be contracted to effect payment of cash transfers to targeted households.

54. SEAS will execute sub-component 1.2 (Community-based accompanying measures to improve human capital) and component 3 (Community-based investments in basic services to improve human capital) while subcontracting aspects of implementation, through Procurement Regulations, to an agency under its supervision (the Djiboutian Social Development Agency - ADDS).

55. As SEAS does not have prior experience in managing World Bank financing directly, an assessment of its capacity in financial management and procurement has been conducted by the World Bank. Based on this assessment, several actions have been recommended to strengthen SEAS's financial management and procurement capacity (see Section IV.B and Annex 2).



56. A Project Preparation Advance (PPA) in the amount of US\$1.75 million has been provided to the Government of Djibouti to facilitate the preparation of the project. Eligible expenditures under the PPA include: (a) provision of technical assistance in preparation for project implementation, including the targeting and registering of cash transfer beneficiaries, selection of the payment agency, identification of productive and adaptive accompanying measures, communications activities, development of a Community Driven Development platform, and other key preparatory activities; (b) provision of training and international study tours for Government officials and project staff; (c) acquisition of goods including vehicles, IT equipment, and office supplies; and (d) provision of operating costs for the purpose of project preparation.

57. No later than one month after effectiveness, SEAS will finalize a POM detailing *inter alia*: (i) the timeline, implementation steps, processes, and procedures for implementing all project activities; (ii) the roles and responsibilities of all project actors and the methods to ensure coordination among actors; (iii) the administration, financial management, accounting, and procurement procedures applicable to the project; (iv) the eligibility criteria, detailed rules and procedures for identification, registration and selection of cash transfer beneficiaries and community associations; (v) the requirements to be fulfilled by cash transfer beneficiaries and community associations under components 1 and 3 respectively, and the mechanisms for verification of compliance with these requirements; (vi) the procedures to deal with potential environmental and social risks in line with the Environmental and Social Management Framework (ESMF) and the Resettlement Policy Framework (RPF); (vii) monitoring and evaluation arrangements; (viii) communications arrangements; and (ix) the composition and terms of reference (ToR) of the project steering committee, a role which is expected to be assumed by the existing PNSF Steering Committee. This committee is chaired by the Secretary of State for Social Affairs and composed of representatives from various relevant stakeholders. The project steering committee is expected to approve the project's annual work plans and budgets and ensure coordination with technical ministries and other donors.

B. Results Monitoring and Evaluation Arrangements

58. The results monitoring framework assesses progress towards the PDO through key indicators, focusing on providing targeted cash transfers to poor households and supporting access to community-level interventions that improve human capital. In addition, intermediate indicators will be used to monitor the progress of each component over the life of the project. The SEAS will collect data for the activities they will implement. SEAS will be responsible for aggregating results data and preparing periodic reports on results as specified in the Financing Agreement (FA). Monitoring will occur at each stage of project implementation to identify arising problems and issues and to promptly consider and adopt corrective measures.

59. The project will conduct a mid-term review and several evaluations to gauge progress towards the PDO, to assess the impact of the project on the beneficiaries, the quality of the works carried out, as well as overall project efficiency. For component 1, these evaluations will include a process evaluation and a targeting assessment to evaluate the accuracy of safety net targeting procedures. For component 3, evaluations will include technical audits of infrastructures built (at mid-term and end of project) and audits of adherence to environmental and social safeguards (at mid-term and end of project). Beneficiary satisfaction surveys will also be conducted.



C. Sustainability

60. **Sustainability of cash transfers and social protection system.** The project will support the scale-up of the PNSF, implemented by a permanent government ministry (SEAS). PNSF is already being implemented, with 3,362 beneficiaries under Government financing. To ensure the sustainability of the scale-up, the number of cash transfer beneficiaries financed by the project will decrease each year over the course of the project, with the Government increasing its financing to compensate for reduced project financing. The support provided by the project for systems-building will also ensure the capacity within SEAS to continually improve the quality of implementation of the cash transfer program, further promoting sustainability.

61. **Sustainability of support for community infrastructure and decentralization.** The project will seek to establish a permanent capacity within government institutions to empower community associations to carry out basic infrastructure projects. The project will help the government to develop tools and human resources that will enable it to train and supervise communities. The approach will be designed with an eye towards future decentralization and will ensure a role for the Ministry of Decentralization and regional councils. After the close of the project, it is expected that government resources, including from the Solidarity Fund '*Fonds de Solidarité*' could be mobilized to continue the approach.

IV. PROJECT APPRAISAL SUMMARY

A. Technical, Economic and Financial Analysis

62. The project's key economic impact will be to contribute to a reduction in the poverty rate (headcount poverty) and reduction of the poverty gap – as well as to reinforce systems that should allow for such reduction to continue after the project. Currently, a substantial share of the population in Djibouti remains poor (21.1 percent poverty rate in 2017). As for human capital, Djibouti has one of the lowest rankings in MENA and ranks 172 among 188 countries in the HDI. Notable challenges include some of the highest rates of stunting and wasting for children under five. Although poverty reduction (though hard to attribute without an expensive impact evaluation) is expected to be the main effect of the program's expansion, as a second order effect, the project may have an impact on overall human development outcomes (although limited given the scope of the proposed conditionalities).

63. **Simulating the impact of PNSF expansion on headcount poverty in Djibouti.** The proposed project aims to expand PNSF to cover 5,000 of the poorest and most vulnerable households in Djibouti, providing critical consumption smoothing to selected beneficiaries. Based on the latest plans for the expansion of the program and using the latest available household survey in Djibouti (Enquête Djiboutienne Auprès de Ménages, EDAM 4), this economic analysis aims to calculate the impact of the proposed cash transfer program on head count poverty. The simulation approximates a US\$56 per month transfer to 5,000 households. The total allocation of the program is simulated through a three-step process. First, 5,000 households are selected randomly in regions of the interior based on the percentage of poor population (excluding Djibouti Ville). Second, the benefits are distributed only to households in these areas. Finally, households are randomly assigned to receive benefits so that their consumption levels are increased, until the target of 5,000 households is reached.



Poverty Rates Rural Households only		
Region	Poverty Rate Before	Poverty Rate After
Ali-Sabieh	56.58%	51.99%
Dikhil	68.68%	63.41%
Tadjourah	78.49%	70.35%
Obock	52.30%	46.40%
Arta	41.66%	38.22%

Poverty Rates Urban and Rural Households		
Region	Poverty Rate Before	Poverty Rate After
Djibouti Ville	13.59%	13.59%
Ali-Sabieh	27.16%	25.32%
Dikhil	52.86%	49.48%
Tadjourah	65.45%	59.17%
Obock	40.42%	36.66%
Arta	31.58%	29.05%
National	21.14%	20.28%

Simulation using EDAM 4 - Bank Staff calculations
Population weights used for poverty rate calculation

64. Limiting distribution of benefits to rural households was found to improve targeting accuracy of the program given the severe poverty rates among rural households outside of Djibouti Ville ranging from 41 percent to 78.5 percent (see Poverty Rate among rural households). As both charts show, the poverty rate after simulating the program expansion is reduced (as denoted by column labeled 'Poverty Rate After'). Among rural households, we see the greatest decline in the poverty rate in Tadjourah where the poverty head count rate is expected to fall by nearly a full eight percentage points. This is largely due to the smaller population in the province and the high poverty rate (which in turn improves the overall targeting accuracy of the program in the selected region). At the national level, there is a notable decline in poverty according to the simulation (see right-hand side chart). Accounting for both rural and urban population, the simulation shows marginal declines in poverty rate in larger provinces but significant declines in sparse, largely rural regions (specifically, Tadjourah, and Arta with sizable decreases). Nationally, we find that headcount poverty is expected to fall by a near 1 full percentage point (from 21.14 percent to 20.28 percent) with the addition of 5000 households.

65. **Impact on Human Capital.** Direct simulation of changes in growth rate and cognitive development are not feasible ex-ante given that observable effects of the project may not be feasible during and shortly after project completion. However, global evidence indicates that cash transfers have a significant impact on human capital development, leading for example to increased spending on health, education and food security, as well as to economic investment. Cash transfers have been successful in increasing the uptake of health services for prenatal care, giving birth at health facilities, and preventive health clinic visits for children (Bastagli et al. 2016; IEG 2014; Glassman et al. 2013) as well as dietary diversity (Bastagli et al. 2016). In a recent review of 156 studies of CCT and unconditional cash transfer programs in 30 countries, Bastagli et al. 2016 reported that nine out of 15 studies increased health service use, and seven out of 12 studies improved dietary diversity. Another review, focused on child outcomes (de Walque et al. 2017), reported improvement in prenatal care (8 out of 12 studies), presence of skill birth attendance (8 of 11 studies), growth monitoring (11 of 14 studies) and child food consumption (3 of 5 studies).¹⁹ Fears that cash transfer recipients will misuse the transfers have proven largely unfounded. Evans and Popova (2014) examined data on 19 programs and found almost without exception no significant evidence of increased spending on temptation goods such as alcohol and tobacco.

¹⁹ The Contribution of Social Protection and Jobs to Human Capital Formation, World Bank 2018



66. **Fiscal Sustainability of Proposed Program Expansion.** The World Bank's support for the expansion of PNSF assumes that the Government will replace World Bank financing with domestic financing starting with the project's third year. Hence, the expansion of the program for an additional 5,000 households is expected to result eventually in an increase of the level of domestic expenditures for cash transfers. This expansion against a backdrop where fiscal deficit peaked up at 21 percent of GDP in 2015 in relation to increased transport infrastructure expenditure while revenues remain subdued. The fiscal balance has been improving, however, as the investment projects (e.g., mega-infrastructure projects) have subsided, shrinking to 15 percent of GDP in 2016 and estimated at about 3.8 percent in 2017. To that end, it is expected that the expansion of the SSNs program would affect the current fiscal balance by less than 0.3 percent of GDP once the program outlays are fully transferred to government budget. This increase is consistent with the government's objective of protecting households against poverty, vulnerability, and improving overall human capital indicators that can contribute to improving household income (and government's revenue generation) in the medium-to long-term, as well as the International Monetary Fund's (IMF) recommendation that "the authorities should preserve and significantly increase targeted social transfers and invest in human capital (IMF Staff Report, 2017).

B. Fiduciary

(i) Financial Management

67. The proposed project will be implemented in line with World Bank policy including the July 2016 "Procurement Framework". SEAS will be the implementing agency of the project. SEAS is a public institution responsible for the implementation of the Government's poverty reduction policy and the coordination of social programs. SEAS has no previous experience in implementing Bank financed operations, though it has managed other external financing such as that of the United Nations System. SEAS will be responsible for project management, including financial management of the project. The financial management assessment conducted during appraisal found the financial management risk, as a component of the fiduciary risk, Substantial. With the proposed mitigating measures SEAS will have the financial management requirements as per the World Bank Policy and Directive for Investment Project Financing (IPF) and will have an acceptable financial management system and the residual financial management risk rating would be moderate.

68. A Project Designated Account (DA) in US Dollars will be opened at a commercial bank in Djibouti acceptable to the World Bank. Payments and withdrawal of eligible expenditures accompanied by Statements of Expenditures (SOE) statement and proper documentation following the applicable procedures and the World Bank's disbursement arrangements detailed in the Disbursement and Financial Information Letter (DFIL). SEAS will be responsible for submitting withdrawal applications to claim the funds. SEAS will benefit from an advance to the DA, the advance ceiling is set at US\$1.5 million. All disbursements will be subject to the terms of the FA and to the procedures defined in the DFIL.

69. A technical auditor with ToR acceptable to the World Bank will be recruited to verify the results achieved related to the cash transfer component and the sub-projects activity. The verification protocol will be set forth, in detail, in the POM. A POM will be finalized for the purpose of the project. The POM will include a financial management and accounting chapter.



70. The general accounting principles for the project will be as follow: (i) project accounting will cover all sources and uses of project funds, including payments made and expenses incurred. Project accounting will be based on accrual accounting; and (ii) project transactions and activities will be separated from other activities undertaken by SEAS.

71. The project financial reporting will include unaudited Interim Financial Reports (IFRs) and yearly Project Financial Statements (PFS): (a) IFRs should include data on the financial situation of the project²⁰; (b) SEAS will produce the IFRs every quarter and submit to the World Bank within 45 days at the end of each quarter. The annual PFS will include: (i) a cash flow statement; (ii) a closing statement of financial position; (iii) a statement of ongoing commitments; (iv) analysis of payments and withdrawals from the project account; and (v) a complete inventory of all fixed assets acquired under the project. (c) the IFRs and PFSs will be produced based on the accounting system and submitted for an external financial audit.

72. The PFSs produced will be audited annually and will cover all aspects of the project, uses of funds and committed expenditures. The audit will also cover the financial operations, internal control and financial management systems and a comprehensive review of statement of expenditures of each agency. The annual audit report will include: (i) the auditor's opinion on the project's annual financial statements; (ii) a management letter on the project internal controls; and (iii) a limited yearly review opinion on the IFRs. The annual audit report and management letter will be submitted to the World Bank within six months from the closure of each fiscal year and the limited review opinion will also be submitted to the World Bank with the IFRs.

(ii) Procurement

73. **Applicable Procurement Rules and procedures.** Procurement will be carried out in accordance with the World Bank Procurement Regulations for IPF Borrowers dated July 1, 2016, revised November 2017 and August 2018; "Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants" dated October 15, 2016 and revised in January 2011 and as of July 1, 2016"; and provisions stipulated in the FA.

74. As per the national procurement procedures, every contract in estimated amount of DJF 5,000,000 and above, will be processed through the National Procurement Commission. When the Recipient uses its own national open competitive procurement arrangements, such arrangements shall be subject to paragraph 5.4 of the Procurement Regulations. When other national procurement arrangements other than national open competitive procurement arrangements are applied by the Recipient, such arrangements shall be subject to paragraph 5.5 of the Procurement Regulations. For the sake of smooth project implementation and as it is currently the case for other projects in the portfolio, the client would take advantage of using the standard procurement documents developed by the World Bank for the use of Recipients.

75. **Procurement arrangements for delivery of value for money in achieving the PDOs.** An assessment of the proposed procurement arrangements was conducted by the World Bank in November-December 2018 in conjunction

²⁰ These reports should include: (i) a statement of funding sources and uses for the period covered and a cumulative figure, including a statement of the project bank account balances; (ii) a statement of use of funds by component and by expenditure category; (iii) a reconciliation statement for the DA; (iv) a budget analysis statement indicating forecasts and discrepancies relative to the actual budget; and (v) a comprehensive list of all fixed assets



with the Project Procurement Strategy for Development (PPSD) prepared by the client and communicated to the World Bank on December 7, 2018. This PPCS will need to be updated taking into consideration the change in design that delegates the entire fiduciary responsibility to SEAS. SEAS has technical and strategic experience in human capital programs and can lean on the experience of ADDS, a government agency reporting to SEAS with prior experience with World Bank financed projects. The PPCS has outlined key risks and their associated mitigation measures that mainly involve management capacity. SEAS will need to hire a procurement officer conversant with public procurement procedures.

76. On project and procurement scope, overall, around 60 percent of the total amount will finance cash transfers that will not involve procurement while 20 percent are dedicated to sub-projects to be executed directly by the communities, using community driven development approach. So far, procurement related activities to be managed by SEAS will be part of the remaining 20 percent of the total financing. Based on this project configuration, the PPCS was prepared using the short-form. It revealed that no complex or high value contract is envisioned, even though some contracts will require close follow-up. From the risk analysis, those contracts include selection of third-party payment agent and information systems vis-à-vis their compatibility with existing systems operating for the same service delivery.

77. Regarding market analysis, the PPCS confirmed that suppliers and service providers (mainly individual consultants) for expected contracts are available nationally while few may require exploring international approach option. For activities to be driven by communities, sub-projects are not expected to exceed US\$25,000 each and procurement will involve small contracts. Targeted communities will proceed to procurement using simplified procedures to be detailed in a dedicated sub-projects manual.

78. Despite the project design and scope of procurement that will involve few contracts with less complexity and low value, the risk associated with procurement is assessed as high due to lack of prior experience of SEAS in implementing World Bank financed projects. The main mitigation measures will include close technical involvement of ADDS during project implementation and hiring a procurement consultant to support and transfer knowledge to the SEAS's procurement unit.

79. **Oversight and monitoring arrangements for procurement.** Given the relative less complexity of procurement (no contract has initial estimate amount above US\$300,000) and leveraging on technical involvement of ADDS in the project implementation, there will be no formal hands on expanded implementation support from the World Bank. Training will be provided, and the project procurement implementation support will be conducted as regularly as possible from the country office.

80. **Procurement Plan.** A simplified Procurement Plan, as an output of the PPCS, and which outlines the procurement procedures to be used to plan and monitor the implementation of investment activities, was prepared by the client and agreed with the World Bank. For each contract to be financed by the Project, the different procurement or consultant selection methods, estimated costs, review requirements and time frames should always be agreed between the Recipient and the World Bank through the Systematic Tracking of Exchanges in Procurement system. The Procurement Plan may be updated at least every 12 months, or as required, to reflect the actual project implementation needs but each update shall require World Bank's approval. All procurement plans will be publicly disclosed in accordance with the World Bank's disclosure policy.

C. Safeguards

(i) Environmental Safeguards

81. SEAS does not have prior experience or capacity to prepare safeguards instruments or implement environmental or social safeguards mitigation measures. The environmental category of the Project is B; consequently OP/BP 4.01 (Environmental Assessment) is triggered. For the community infrastructure component (component 3), it is estimated that most of the financing of sub-projects will be for the construction and rehabilitation of physical infrastructures and other tangible assets such as water supply and sanitation, water resource management, schools, markets, rural roads, environmental resource management, and other investments of similar scale and impact. These interventions have the possibility to trigger small scale and site-specific environmental impacts that are manageable. The locations of these interventions are not known. The cash transfer and safety nets systems components (1 and 2) are expected to have no environmental impact.

82. To address gaps and the possible impacts mentioned above, two major actions will be taken, at the institutional level and at the operational level. At the institutional level, the SEAS will be supported by implementation partners under contract to ensure safeguards compliance. The fiduciary responsibility, however, remains with the SEAS. The World Bank team will provide hands on training to the SEAS safeguards focal point in addition to building capacity of the entities like ADDS. The implementation of the safeguards mitigation measures will build on the experience of the implementation of similar activities under theSSNP. The ESMF and the RPF for this project were disclosed in Djibouti and by the World Bank on December 13, 2018, and redisclosed on February 7, 2019. The ESMF stipulates that if physical cultural resources are found during civil works, a "chance find procedure" will apply. During implementation, these environmental screening and risk mitigation tools will be used by all actors and training will be provided to SEAS, ADDS, community associations, Regional Council officials, and other stakeholders.

83. The project was screened for climate change and disaster risks. Significant risks to food security, water security, public health, and economic livelihoods were identified. Extreme heat, drought, and other increasingly frequent and severe weather will have the greatest impact on the low-income beneficiaries targeted by this operation.²¹

(ii) Social Safeguards

84. Social impacts of the project are expected to be mainly positive, as the implementation approach aims at encouraging community empowerment and strengthening social/human capital in addition to providing better access to a range of social services. For component 3, this is ensured by the grassroots management training approach that will be used in identifying and implementing community sub-projects.

85. Under component 3, the commune and community sub-projects will support the rehabilitation and construction of social and economic infrastructure water supply and sanitation, water resource management, schools, markets, rural roads, environmental resource management, and other investments of similar scale and impact. These activities could lead to restriction of access to assets or sources of livelihood and they could also entail some acquisition of land and/or

²¹ See climate vulnerability context on p7 for more detail.



losses of assets and thus OP/BP 4.12 (Involuntary Resettlement) is triggered. The location of communities will only be known after the start of the project following selection based on available data on poverty, isolation, and existing service delivery infrastructure. Therefore, an RPF was prepared, consulted upon and disclosed by the World Bank and in Djibouti on December 13, 2018, and redisclosed on February 7, 2019. During project implementation, the policy framework will provide the roadmap for preparing Resettlement Action Plans as necessary.

(iii) Grievance Redress Mechanisms

86. Communities and individuals who believe that they are adversely affected by a World Bank supported project may submit complaints to existing project-level grievance and redress mechanisms (GRM) or the World Bank's Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed to address project-related concerns. Project affected communities and individuals may submit their complaint to the World Bank's independent Inspection Panel which determines whether harm occurred, or could occur, as a result of World Bank non-compliance with its policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to the World Bank's attention, and World Bank Management has been given an opportunity to respond. For information on how to submit complaints to the World Bank's corporate GRS, please visit <http://www.worldbank.org/en/projects-operations/products-and-services/grievance-redress-service>. For information on how to submit complaints to the World Bank Inspection Panel, please visit www.inspectionpanel.org.

V. KEY RISKS

87. The overall risk level is rated moderate. Macroeconomic, sector, technical, environmental and social, and stakeholder risks are rated low or moderate. Political and governance risk is rated as substantial due to the prevailing political economy challenges outlined in the SCD. The project, with its focus on strengthening delivery of safety nets and community execution of small basic service infrastructure sub-projects, will seek to strengthen institutions and promote good governance, voice, and accountability. SEAS has not directly managed and implemented World Bank resources, although it has carried out previous activities under the SSNP for which financial management and procurement were delegated to ADDS. Institutional capacity is therefore rated as a substantial risk, and will be mitigated through the World Bank's implementation support, hiring consultants to support SEAS, and provision of training. An assessment of SEAS's financial management and procurement capacity has been conducted and the fiduciary rated substantial. The financial management and procurement sections of this PAD lay out the measures identified to strengthen its fiduciary capacity. Government ownership of the project is strong, but careful attention will be required to ensure effective collaboration with other Ministries and partners.

88. Risks related to the project's support for socio-economic inclusion of refugees are rated substantial. Djibouti will need to maintain an adequate refugee protection framework to remain eligible for disbursements of the grant from the refugee sub-window. The country has displayed a strong commitment to a progressive refugee policy, but events in Djibouti or the region – such as political tensions, security incidents associated with refugees, and new inflows that overwhelm accommodation capacities – may result in a loss of momentum for the country's policy on refugees. The burden that undocumented migrants place on the management of refugee issues will also need to be more closely addressed.



VI. RESULTS FRAMEWORK AND MONITORING

Results Framework

COUNTRY: Djibouti

Integrated Cash Transfer and Human Capital Project

Project Development Objectives(s)

The Project Development Objectives are to: i) support an expanded and more enhanced social safety nets system; and ii) support access to basic services in targeted poor communities.

Note: for the purpose of the PDO statement, "enhanced" is taken to mean (i) improved targeting of program beneficiaries, (ii) an enlarged social registry, and (iii) effective accompanying measures in conjunction with conditional cash transfers.

Project Development Objective Indicators

Indicator Name	DLI	Baseline	End Target
Support an enhanced social safety nets system to facilitate expansion of coverage			
Beneficiaries of social safety net programs (CRI, Number)		0.00	5,000.00
Beneficiaries of social safety net programs - Female (CRI, Number)		0.00	3,000.00
Beneficiaries of Safety Nets programs - Other cash transfers programs (number) (CRI, Number)		0.00	5,000.00
Beneficiary women with a child aged 0-6 months practicing exclusive breastfeeding (Percentage)		12.40	35.00
Beneficiary households below the poverty line (Percentage)		0.00	80.00
Households registered in the national social registry (Number)		61,900.00	75,000.00
Support access to basic services in targeted poor communities			



Indicator Name	DLI	Baseline	End Target
Beneficiaries with access to basic services infrastructure financed by the project (Number)		0.00	5,000.00

Intermediate Results Indicators by Components

Indicator Name	DLI	Baseline	End Target
Conditional cash transfers			
Cash transfers paid to eligible beneficiaries (Amount(USD))		0.00	7,000,000.00
Community sessions organized as part of accompanying measures (Number)		0.00	2,000.00
Community counselors trained to lead community sessions (Number)		0.00	150.00
Beneficiaries satisfied with community sessions (Percentage)		0.00	75.00
Strengthening social protection delivery systems			
PNSF beneficiary households with biometric data in the social registry (Percentage)		0.00	80.00
PNSF beneficiary households paid within 15 days of scheduled payment date (Percentage)		0.00	85.00
People in the social registry that received national identity cards with the support of the project (Number)		0.00	1,000.00
PNSF complaints registered electronically and resolved by the time of the next cash transfer payment (Percentage)		0.00	70.00
Refugee households included in the social registry (Number)		0.00	1,500.00
Community-based investments in basic services to improve human capital			
Communities trained on the identification, implementation, and maintenance of community sub-projects (Number)		0.00	50.00



Indicator Name	DLI	Baseline	End Target
Community sub-projects constructed or rehabilitated (Number)		0.00	100.00
Community sub-projects functional one year after completion (Percentage)		0.00	80.00
Beneficiaries satisfied with the community infrastructures financed by the project (Percentage)		0.00	80.00
People provided with access to improved sanitation services (CRI, Number)		0.00	1,000.00
People provided with access to improved sanitation services - Female (RMS requirement) (CRI, Number)		0.00	500.00
Refugees with access to basic services infrastructure financed by the project (Number)		0.00	1,000.00
Refugees with access to basic services infrastructure financed by the project (female) (Number)		0.00	500.00

Monitoring & Evaluation Plan: PDO Indicators

Indicator Name	Definition/Description	Frequency	Datasource	Methodology for Data Collection	Responsibility for Data Collection
Beneficiaries of social safety net programs		Quarterly	Project administrative data	Routine monitoring	SEAS
Beneficiaries of social safety net programs - Female		Quarterly	Project administrative data	Routine monitoring	SEAS



Beneficiaries of Safety Nets programs - Other cash transfers programs (number)		Quarterly	Project administrativ e data	Routine monitoring	SEAS
Beneficiary women with a child aged 0-6 months practicing exclusive breastfeeding	Percentage of beneficiary women with a child aged 0- 6 months who participate in community sessions	Twice	Survey	Survey at middle and end of project	SEAS
Beneficiary households below the poverty line	Percentage of households benefitting from cash transfers with consumption levels below the poverty line	Once	Survey	Targeting evaluation	SEAS
Households registered in the national social registry	Number of unique heads of households in the registry, regardless of poverty status or program eligibility	Quarterly	Project administrativ e data	Routine monitoring	SEAS
Beneficiaries with access to basic services infrastructure financed by the project	Number of people estimated to be direct beneficiaries of sub-projects under Component 3	Quarterly	Project administrativ e data	Routine monitoring	SEAS

Monitoring & Evaluation Plan: Intermediate Results Indicators

Indicator Name	Definition/Description	Frequency	Datasource	Methodology for Data Collection	Responsibility for Data Collection
Cash transfers paid to eligible beneficiaries	Total amount of cash transfers paid	Quarterly	Project administrativ e data	Routine monitoring	SEAS
Community sessions organized as part of accompanying measures	Number of community sessions under Sub-	Quarterly	Project administrativ	Routine monitoring	SEAS



	component 1.2		e data		
Community counselors trained to lead community sessions	Number of community counselors (mères conseillères) trained to deliver community sessions as part of the accompanying measures of the project	Quarterly	Project administrative data	Routine monitoring	SEAS
Beneficiaries satisfied with community sessions	Percentage of beneficiaries of the cash transfer program who participate in community sessions as part of the accompanying measures that are satisfied with the sessions	Twice	Survey	Survey at middle and end of project	SEAS
PNSF beneficiary households with biometric data in the social registry	Percentage of PNSF beneficiary households with biometric data either directly in the social registry or in a database linked to the social registry	Quarterly	Project administrative data	Routine monitoring	SEAS
PNSF beneficiary households paid within 15 days of scheduled payment date	Percentage of beneficiaries paid within 15 days of date specified in POM	Quarterly	Project administrative data	Routine monitoring	SEAS
People in the social registry that received national identity cards with the support of the project	Number of people for whom the project facilitated obtaining a national identity card or birth certificate	Quarterly	Project administrative	Routine monitoring	SEAS
PNSF complaints registered electronically and resolved by the time of the next cash transfer payment	Percentage of complaints i) registered in PNSF MIS and ii) with a resolution	Quarterly	Project administrative data	Routine monitoring	SEAS



	communicated to the complainant				
Refugee households included in the social registry	Number of unique heads of refugee households in the registry, regardless of poverty status or program eligibility	Quarterly	Project administrative data	Routine monitoring	SEAS
Communities trained on the identification, implementation, and maintenance of community sub-projects	Number of communities having received all modules of FGB training program	Quarterly	Project administrative data	Routine monitoring	SEAS
Community sub-projects constructed or rehabilitated	Number of community sub-project completed (réception provisoire)	Quarterly	Project administrative data	Routine monitoring	SEAS
Community sub-projects functional one year after completion	Percentage of infrastructure assets rated as functional by an independent technical auditor one year after they are completed (with completion defined as having passed the stage of réception provisoire)	Once	Technical audit report	Technical audit	SEAS
Beneficiaries satisfied with the community infrastructures financed by the project	Percentage of direct beneficiaries of community infrastructures that are globally satisfied with the infrastructures	Once	Survey	Survey at end of project	SEAS
People provided with access to improved sanitation services	The indicator measures the cumulative number of people who benefited from improved sanitation	Quarterly	Project administrative data	Routine monitoring	SEAS



	facilities that have been constructed through operations supported by the World Bank.				
People provided with access to improved sanitation services - Female (RMS requirement)	The indicator measures the cumulative number of people who benefited from improved sanitation facilities that have been constructed through operations supported by the World Bank.	Quarterly	Project administrative data	Routine monitoring	SEAS
Refugees with access to basic services infrastructure financed by the project	Number of refugees estimated to be direct beneficiaries of sub-projects under Component 3	Quarterly	Administrative data	Routine monitoring	SEAS
Refugees with access to basic services infrastructure financed by the project (female)	Number of female refugees estimated to be direct beneficiaries of sub-projects under Component 3	Quarterly	Administrative data	Routine monitoring	SEAS



ANNEX 1: Implementation Arrangements and Support Plan

COUNTRY: Djibouti

Integrated Cash Transfer and Human Capital Project

As described in Section II.B, the project will support three operational components. The three operational components are: (i) conditional cash transfers under the PNSF, including accompanying measures to improve human capital; (ii) strengthening social protection delivery systems through institutional capacity building support for PNSF and SSN system building; and (iii) community-based investments in basic services to improve human capital. This Annex will elaborate the technical and operational arrangements to support the project's implementation.

Component 1

Under sub-component 1.1, transfers financed by the project will be part of the Government's flagship program, PNSF, which includes soft conditionalities related to participation in community-level behavioral change communication sessions aimed at building human capital. The transfers financed by the project will support the expansion of the PNSF outside the capital (Djibouti Ville) in sub-prefectures targeted based on poverty and remoteness by DISED.

Household eligibility criteria, while yet to be finalized, are expected to include the following: (i) households with young children; (ii) below the threshold for the PMT developed to assess household welfare in regional capitals ('chef-lieux'); and (iii) through community-based targeting in rural areas. In rural areas, targeting of beneficiary households is expected to proceed as follows:

- **Community Targeting (through community identification committees):** First, the project will support communities to adopt a community targeting approach to develop "prelists" for poor households in the community. The program criteria will be communicated to community identification committees which include "pre-listing" poor and vulnerable households with priority for those (i) without a formal or informal source of income; (ii) with young children; (iii) with an elderly member of the household (over 70); or (iv) with a disabled household member.
- **Registration and eligibility check:** Second, all pre-listed households will be registered as applicants for the PNSF program. The program will collect demographic and socio-economic data (*'enquête sociale'*) for registered households using off-line tablets. Registered households whose score is above a PMT threshold to be defined in the POM will be considered ineligible. Duplicate households (as determined by biometric deduplication) will be also removed from the list of eligible households.
- **Enrollment:** Third, the community will be informed of the eligibility status of registered households. The community identification committee will be given the option to override this decision if they present evidence that the data underlying the PMT score is incorrect. After reaching agreement with the community, eligible households will be enrolled.

Under component 1.2, community sessions will center around themes related to human capital development, particularly those linked to the early years/early childhood development agenda. The content of the community-



level sessions is still being identified but will likely include: (i) simulation of cognitive development; (ii) promotion of good parenting practices; (iii) encouragement for attendance of school-age children in school; (iv) encouragement of practices to prevent child malnutrition; and (iv) hygiene promotion.

Participation in these sessions will be part of the conditionalities that the eligible households will have to meet to receive payments under the CCT program. Enforcement of the conditionalities is expected to be “soft,” meaning that the conditionalities will be enforced in a flexible manner the details of which will be spelled out in the POM. The enforcement of the conditionalities will be the responsibility of SEAS, based on information received from its implementation partners regarding beneficiary compliance.

The sessions will be delivered by community volunteers (‘mères-conseillères’) with technical oversight from local staff of relevant partner ministries. To ensure maximum impact, the design and implementation of the sessions will be informed by lessons learned (including impact evaluation findings) from sessions currently implemented under the SSNP. The session curriculum will be informed by consultations with relevant line ministries, concerned community-based organizations, and local communities. For example, the design of the session curriculum for education will be coordinated with MOE which is leading the preparation of a basic education project aimed at addressing issues of access, quality and equity, with an emphasis on refugees and their host communities. Nutrition-related interventions will be harmonized with those supported by the “Zero Stunting Initiative” led by the MOH and supported by a World Bank-financed operation. Sessions will also take into account the experience of PRODERMO which is supporting the mainstreaming of community health, nutrition, and water intervention.

Component 2

The project will reinforce the capacity of the Government by financing technical assistance and social protection system investments that will support the achievement of the project objectives. Specifically, the component will finance effective and efficient implementation of the expanded PNSF program targeting and delivery system. Investment in the targeting of the program will include refinement of the PMT methodology developed under the SSNP and its application through the PNSF program’s MIS and the social registry. The national social registry, from which the eligible program beneficiaries will be drawn, will be strengthened based on the lessons of experience to date. This will include making the necessary modifications to incorporate refugees in the social registry with a marker to denote their refugee status, given that they have become eligible for a number of social programs in Djibouti. The program’s corresponding MIS will support the program in enrollment, payment, grievance and redress management, and monitoring as well as referral of potential beneficiaries to other services. The component will also support the expansion of the information system’s hardware and software capacity to absorb additional households (including in-take and assessment of needs and conditions).

Additional technical improvements and investment in the program’s delivery will include:

- **Communication and outreach.** the project will support the development of a PNSF communication plan and campaign with proposed communication channels, messages and timeline. The communication plan will provide information and awareness raising of the program at multiple level including: (i) potential and actual program beneficiaries; (ii) the public (including non-beneficiaries); (iii) internal communication within government (including relevant partner ministries such as finance, health, and education); and (iv) development partners and donors. In addition to communication and awareness raising, potential



program beneficiaries will also be oriented to the program by social and health workers in the targeted regions who will receive communication pamphlets.

- **Support to Community identification committees.** The project will support the organization of the community identification committees that will develop the pre-lists of potential beneficiaries. Support to community identification committees will include development of communication material and guidance notes for adopting a community targeting approach. The project will also support additional technical assistance to households and community identification committees to further guide them through the community targeting process.
- **Benefit Calculation and Payment Mechanism.** The project will support the analysis of payment levels using the latest household survey data to ensure that benefits paid to households take into consideration number of household members and consumption poverty level. The project will also support the modernization of the payment mechanism over the lifetime of the project. Specifically, ensuring that a mechanism is adopted to (i) robustly identify beneficiaries at point of payment; (ii) reconcile payments; (iii) ensuring payments are made regularly and on-time as described in the project manual.
- **Grievance and Redress.** The program will refine its GRM as part of the program structure. Specifically, the Ministry will allow for an 'enrollment' and 'payments' grievance period following the first payment in each of the program's waves by selected prefecture. The grievance period will last for several weeks and will be broadly advertised and communicated. Rejected candidates as well as beneficiaries with complaints related to payments will be able to file grievances. As a first step, the grievance system will include a filing process for grievances (based on a ticketing system). In the medium-term, the project will support digitization of grievances to be managed by the centrally created MIS.
- **Recertification.** The project will also support the Ministry in adopting a recertification process for current and future beneficiaries of the expanded program. This will include adopting a policy for recertification of beneficiaries including developing the required approach, notification for beneficiaries who need to be recertified.

As noted in the component description of the project document, the implementation of the program and relevant system-building activities will be SEAS' responsibility. It is expected that investments in the improvement of the effectiveness and efficiency of the program will be gradual over the lifespan of the project.

Component 3

The project's third component will support local and refugee communities in improving the access to basic services through the provision of community-driven development sub-projects. Communities eligible for infrastructure sub-projects will be selected based on available data on poverty, isolation, and existing service delivery infrastructure. Community-based associations will be responsible for selecting the sub-project type from a menu of options and carrying out the subproject, including financial management and procurement. To enable them to perform these functions, community members will receive grassroots management training (FGB) to enable them to carry out their community's subproject. FGB is an eight-module training program that covers the entire cycle of implementation of a community sub-project, including: (i) information and communication; (ii) organization and community dynamics; (iii) participatory evaluation of poverty and needs; (iv) participatory planning; (v) participatory monitoring and evaluation; (vi) community procurement; (vii) community financial management; and (viii) maintenance. SEAS or its contracted partners will support the community associations to carry out the infrastructure sub-projects and will also deliver the FGB training.



Detailed procedures for the implementation of this component will be set forth in the POM, based on consultations with regional councils and communities, the Ministry of Decentralization, the experience of the African Development Bank-funded Community Development Fund and following study tours to countries with advanced community development programs in place.

Financial Management

The project will be implemented in Djibouti according to the World Bank guidelines and through SEAS. SEAS is a public institution responsible for the implementation of the Government's poverty reduction policy and the coordination of social programs. Each year SEAS develops its budget which it submits to the Council of Ministers. SEAS manages the National Solidarity Fund which finances social assistance programs and investments in social services. SEAS has no prior experience in implementing World Bank financed operations. The project funds will be disbursed from the credit and grant accounts established by IDA using advance to a designed account, direct payments, reimbursement and special commitments for eligible expenditures accompanied by supporting documents following the applicable procedures and the World Bank's Disbursement Handbook. IFRs and Annual PFSs will be used as a financial reporting mechanism and not for disbursement purposes.

Financial Management Assessment

The World Bank's financial management team reviewed the financial management arrangements at SEAS. SEAS has no prior experience in World Bank financed operations.

Based on the result of the assessment conducted, the financial management risk of SEAS, as a component of the fiduciary risk, is rated as **Substantial**. With the proposed measures, SEAS will have the financial management requirements as per the World Bank Policy and Directive for Investment Project Financing and will have acceptable financial management arrangements.

The risks identified for SEAS are as follows: (i) no prior experience in executing World Bank financed operations; (ii) limited human resources to undertake the financial management functions of the project; (iii) SEAS has limited internal control procedures; (iv) SEAS does not produce any financial reports; and (v) SEAS is a public institution and falls under the audit of the Supreme Audit Institution (SAI). Although the SAI has the required experience, it has limited human resources capacities. The SAI may not specifically audit the project as part of SEAS's operations on a yearly basis which would give limited assurance on the project's use of funds.

Based on the above risks, the following mitigating measures have been agreed upon for SEAS to reduce the risk level to moderate: (i) SEAS will recruit a Finance Officer (FO) to work on the project. The World Bank will provide the necessary support and training on World Bank Financial Management procedures; (ii) SEAS will acquire an accounting software with specifications acceptable to the World Bank, the software will be used to record the daily transactions and produce the un-audited IFRs. The format of the IFRs will be agreed upon with the World Bank. The IFRs will be submitted to the World Bank no later than 45 days after the end of each quarter; (iii) for the purpose of the project, SEAS will develop a POM which will contain an financial management chapter describing in detail the financial management procedures including internal controls; (iv) recruit a technical auditor with ToR acceptable to the World Bank to verify that "conditions have been fulfilled/beneficiaries received



their respective part of the cash” for the cash transfer component and that the sub-projects component is executed as per the terms and conditions set in the POM; and (v) SEAS will enter into a contract with an independent external auditor with ToR acceptable to the World Bank to audit the PFSS. The project will submit the annual audit report on the financial statements of the project and management letter to the World Bank no later than six (6) months after the end of each fiscal year.

Financial Management and Disbursement Arrangements

Staffing: SEAS currently does not have the human capacities to handle the project. An FO will be recruited and will be part of the Project Implementing Unit (PIU) established for the project. The PIU will include a project coordinator, a FO and a procurement officer. The World Bank will provide the necessary training to the FO on World Bank Financial Management guidelines and reporting requirements.

Budgeting: SEAS prepares its budget on an annual basis. The budget of SEAS is prepared after inputs from the various departments and based on the process established by the government and the prime minister’s office. SEAS will prepare a separate annual budget and a disbursement plan for the project. The budget will be prepared on an annual basis and submitted to the World Bank in November/December of each year covering the subsequent year. The disbursement plan will cover each fiscal year and will be divided by quarter. SEAS will monitor the variances in the disbursement plan and provide justification on any major divergence.

Project accounting system: SEAS does not have an accounting software, for the purpose of the project SEAS will acquire an accounting software with specifications acceptable to the World Bank. SEAS will utilize the software to record the daily transactions and produce the IFRs. The Software will have a special module to record the cash transfers for each beneficiary and produce detailed reports by region, beneficiary and amounts paid. The FO will be responsible for preparing the IFRs and submitting them to the project coordinator for review.

The general accounting principles for the project are as follows: (i) project accounting will cover all sources and uses of project funds, including payments made and expenses incurred. All transactions related to the project will be entered into the accounting system. The accounting basis used will be the International Public-Sector Accounting Standards cash basis; (ii) disbursements made from the project DAs will also be entered into the project accounting system; (iii) project transactions and activities will be separated from other activities undertaken by SEAS. IFRs summarizing the commitments, receipts, and expenditures made under the project will be produced quarterly using the templates established for this purpose; and (iv) the project chart of accounts will be in compliance with the classification of expenditures and sources of funds indicated in the project cost tables and the general budget breakdown in addition to the POM. The chart of accounts should allow for data entry to facilitate the financial monitoring of project expenditures by component, sub-component and category.

Project reporting: The project financial reporting includes quarterly IFRs and yearly PFSS. The IFRs should include data on the financial situation of the project, including:

- 1) Statement of Cash Receipts and Payments by category and component.
- 2) Accounting policies and explanatory notes including a footnote disclosure on schedules: (i) “the list of all signed contracts per category” showing contract amounts committed, paid, and unpaid under each contract; (ii) reconciliation statement for the balance of the project’s DA; (iii) statement of cash payments made using SOE basis; (iv) a budget analysis statement



indicating forecasts and discrepancies relative to the actual budget; and (v) a comprehensive list of all fixed assets.

The IFRs should be produced by SEAS every quarter and sent to the World Bank within 45 days from the end of each quarter. PFS should be produced annually. The PFS should include (i) a cash flow statement; (ii) a closing statement of financial position; (iii) a statement of ongoing commitments; (iv) an analysis of payments and withdrawals from the project's account; (v) a statement of cash receipts and payments by category and component; (vi) reconciliation statement for the balance of the project's DA; (vii) statement of cash payments made using SOE basis; and (viii) the yearly inventory of fixed assets acquired under the project.

Flow of funds: payments will be instructed by three signatures: The Secretary General of SEAS, the Director of the External Financing Department at the Ministry of Finance and the Director of the Debt Department at the Ministry of Budget.

Funds will be transferred from the World Bank based on withdrawal applications submitted by SEAS. The funds will be channeled from the World Bank through a segregated DA in US\$ opened in a commercial bank in Djibouti acceptable for the World Bank. Advances from the IDA account will be disbursed to the DA to be used for the project expenditures.

Internal control: For purpose of the project, SEAS will prepare a POM which will define the roles, functions and responsibilities for the implementing agency. The POM will contain a separate financial management chapter detailing the financial management and accounting procedures and will include internal controls procedures. The manual will be prepared no later than one month following effectiveness.

Additional Control Arrangements

The project will be financing expenditures covering works, goods, consultants' services, non-consultant services, soft conditional cash transfers, sub-projects and operational costs.

To ensure proper control in the execution of the cash transfer and sub-projects activities, a technical auditor, with ToR acceptable to the World Bank, will be recruited to verify that all conditions have been met and that the beneficiaries have received their respective cash transfers and that the sub-projects activity has been implemented as per the terms and conditions set in the POM. The portion of component 1 for the financing of cash transfers (excluding payment agency fees and other costs) is costed at around US\$7.1 million. Transfers will be made on a quarterly basis for US\$169 per quarter (US\$56 per beneficiary per month) for eligible households. The sub-projects activity is costed at US\$3.1 million.

The conditions to be fulfilled to trigger the cash transfers are the following:

- Households participation in community-level behavioral change communication sessions aimed at building human capital.
- Households living in targeted regions with young children and below the threshold cut-off for the PMT developed to assess household welfare.

SEAS will have the overall responsibility of ensuring that the funds under this category are used for their intended purposes and will follow up closely on the execution and the reporting. The verification agent will prepare a report



on a quarterly basis verifying that the cash transfers have been paid for their eligible beneficiaries. SEAS will submit, to the World Bank, the verification agent report 30 days after the end of each quarter. All procedures related to this activity will be detailed in the POM.

For the sub-projects (or sub-grants) activity, SEAS will enter into an agreement with the selected community associations who will be responsible for implementing each sub-project. Each association will open a separate bank account to receive the funds, the bank account will be used exclusively for the project. Payment of the sub-grants will be made in tranches starting with an advance. The association will report back to SEAS on the usage of the advance and based on proper supporting evidence, SEAS will release the next tranche. The details of the execution of this activity will be elaborated in the POM. SEAS will be responsible for ensuring that all funds related to these activities are used for their intended purposes.

Audit of the project

Audit of the project financial statements: An annual external audit of the PFSs will cover the financial transactions, internal control and financial management systems and will include a comprehensive review of SOEs for the project.

SEAS will appoint an external auditor according to ToR acceptable to the World Bank and should conduct the audit in accordance with international auditing standards. The auditor should produce: (i) an annual audit report including his opinion on the project's annual financial statements; (ii) a management letter on the project internal controls; and (iii) a limited review opinion on the IFRs on a yearly basis. The annual reports will be submitted to the World Bank within six months from the closure of each fiscal year and the limited review opinion will be submitted to the World Bank along with the yearly audit report.

SEAS will ensure that the recruitment of the external auditor will be done six months after project effectiveness in order for the auditor to start the field work early enough to deliver the audit report and management letter within the deadlines.

Technical audit of the project: technical audits will be carried out at mid-term and at the end of the project for the activities related to the cash transfers and the sub-projects. SEAS will enter into a contract with a technical auditor with ToR acceptable to the World Bank. The technical auditor will verify that all activities related to the cash transfers and sub-projects are carried out as per the terms and conditions set in the POM.

Flow of information: SEAS will be responsible for preparing periodic reports on project implementation progress and on both physical and financial achievements. These reports will be based on project activity progress (by component and expenditure category), including technical and physical information reported on a quarterly basis. SEAS will maintain the project bookkeeping and will produce annual PFSs and quarterly IFRs.

*Summary of actions to be implemented²²:*

Actions	Responsible Agency	Deadline
Recruit/appoint a FO	SEAS	1 months from effectiveness
Prepare a financial management chapter as part of the POM detailing the financial management and accounting procedures	SEAS	By effectiveness
Recruit a technical auditor with ToR acceptable to the World Bank	SEAS	At mid-term and end of project
Acquire accounting software with specifications acceptable to the World Bank	SEAS	3 months from effectiveness
Hire an external auditor with ToR acceptable to the World Bank	SEAS	6 months from effectiveness

Disbursement Arrangements

The IDA funds will be disbursed according to the World Bank guidelines and should be used to finance project activities.

The proceeds of the project will be disbursed in accordance with the traditional disbursement procedures of the World Bank and will be used to finance activities through the disbursement procedures currently used: i.e., Advances, Direct Payment, Reimbursement and special commitment accompanied by appropriate supporting documentation (SOEs), list of contract subject to World Bank prior review in accordance with the procedures described in the DFIL and the World Bank's "Disbursement Guidelines." The project's DA in US\$ will be opened in a commercial bank in Djibouti acceptable to the World Bank.

The ceiling of the DA is set at US\$1.5 million. The minimum application size for direct payment, reimbursement will be equal to 20 percent of the ceiling advance of the DA.

²² These actions, while not specifically reflected as dated covenants in the FA, will be important parts of the project's implementation arrangements as described in Schedule 2, Section I.A of the FA.



Allocation of the Project's Proceeds:

Category	Amount of the Grant Allocated	Amount of the Credit Allocated	Percentage of Expenditures to be Financed (inclusive of taxes)
(1) Goods, works, consulting services, non-consulting services, operating costs and training and for the project except cash transfers under Sub-component 1.1 and subgrants under component 3	SDR 900,000 (US\$1,250,000 equivalent)	SDR 2,088,000 (US\$2,900,000 equivalent)	100%
(2) Cash Transfers under Sub-component 1.1 of the Project.		SDR 5,112,000 (US\$7,100,000 equivalent)	100%
(3) Subgrants under component 3 of the Project.	SDR 1,440,000 (US\$2,000,000 equivalent)		100%
(4) Refund of Preparation Advance	SDR 1,260,000 (US\$ 1,750,000 equivalent)		Amount payable pursuant to Section 2.07 (a) of the General Conditions
Total	SDR 3,600,000 (US\$5,000,000 equivalent)	SDR 7,200,000 US\$10,000,000 equivalent)	

Reporting Eligible Expenditures

For reporting eligible expenditures paid under the project:

- *Cash Transfers*: SOEs (attachment 2 of the DFIL)
- *Reimbursement to the DAs*: SOEs (attachment 3 of the DFIL)
- *Direct Payment*: copy of records (contract, invoice, receipts etc.)
- *Special Commitment*: copy of the letter of credit

Governance and anti-corruption

Fraud and corruption may affect the Project resources, thus impact negatively the project outcomes. The World Bank Financial Management Specialist worked closely with the project's Task Team Leader and developed with the team an integrated understanding of possible vulnerabilities and agreed on actions to mitigate the risks. The above proposed fiduciary arrangements, including the POM with a detailed financial management chapter,



independent technical audit, reporting and external auditing are expected to address the risk of fraud and corruption that are likely to have a material impact on the project outcomes.

Implementation Support Plan: The financial management of the project will be monitored by the World Bank in conjunction with its overall implementation support of the project and conducted at least three times a year.

Supporting Documentation and Record Keeping: All supporting documentation was obtained to support the conclusions recorded in the Financial Management Assessment.