

**PROJECT INFORMATION DOCUMENT (PID)  
APPRAISAL STAGE**

Report No.: 54599

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| <b>Project Name</b>                              | DJIBOUTI URBAN POVERTY REDUCTION PROJECT (DUPREP)  |
| <b>Region</b>                                    | MIDDLE EAST AND NORTH AFRICA   |
| <b>Sector</b>                                    | General water, sanitation and flood protection sector (40%); General transportation sector (30%); Other social services (10%), Central government administration (10%), General education sector (10%) |
| <b>Project ID</b>                                | P088876  |
| <b>AF project ID</b>                             | P120190  |
| <b>Borrower(s)</b>                               | REPUBLIC OF DJIBOUTI   |
| <b>Implementing Agency</b>                       | Djibouti's Social Development Agency (ADDS)  |
| <b>Environment Category</b>                      | <input type="checkbox"/> A <input checked="" type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> FI <input type="checkbox"/> TBD (to be determined)                                |
| <b>Date PID Updated</b>                          | May 12, 2010   |
| <b>Estimated Date of Appraisal Authorization</b> | April 27, 2010   |
| <b>Estimated Date of Board Approval</b>          | May 27, 2010   |

1. Key development issues and rationale for Bank involvement

1.1. Djibouti's urban poverty

Despite a GNI per capita of US\$1,130 (WDI 2008), Djibouti experiences very high poverty rates. The country's population is estimated at 818,159, 71 percent of which live in urban areas (Djibouti Census, 2009). Poverty in Djibouti-ville is very high, with 69.3% of its population living below the official poverty line in 2002<sup>1</sup>. While the overpopulated right bank of the Ambouli river, where the original core of the city was established, shows the lowest poverty rates and highest development/welfare indicators, more than three fourths of the population located on the left bank of the Ambouli river (Balbala, PK12) lives with less than US\$3 per day. Besides these alarming monetary aspects, urban poverty in Djibouti-City manifests itself via very high incidence of informal and sub-standard housing, low rates of access to basic urban services (water supply, sanitation and drainage<sup>2</sup>, electricity, solid waste management, access roads), low health indicators (medical access and coverage (0.2‰ physicians), infant and maternal mortality and morbidity<sup>3</sup>, HIV/AIDS prevalence), low levels of educational attainment (due to insufficient educational facilities, low school enrollment rates (primary: 66.6%), high rates of female illiteracy (51.5%) which in turn generate a growing unskilled labor force bound to be unemployed (43.5% of unemployment)<sup>4</sup>.

1.2. Recent growth and persistent poverty

Despite the recent GDP growth performance Djibouti has remained locked in a trap of high unemployment and high poverty. Foreign Direct Investments have grown substantially in the past years but have not trickled down to the poor. The impact of growth has been limited so far for at least three reasons. First, investments take place mainly in economic activities that produce few jobs, minimizing the backward and forward linkages to the local economy. Second, the labor force has remained highly under-skilled and with

<sup>1</sup> Source: EDAM-IS2. The national relative poverty line was fixed by the DISED at DJF 198,229 by adult equivalent by year, that is US\$3 per day.

<sup>2</sup> 68.8% of the population has access to improved sanitation.

<sup>3</sup> Infant mortality: 67‰ for the country as a whole.

<sup>4</sup> All figures are for Djibouti-City and taken from the preliminary results of the EDIM 2006.

low productivity. Thirdly, high energy costs continue to weight heavily on Djibouti's competitiveness, giving little incentive to labor intensive manufacturing industries to settle in the country.

### 1.3. Key challenges for urban pro-poor growth

The key development challenge is thus to find ways to make growth pro-poor and more equitable. The economy remained characterized by a dualistic, segmented labor market, with the formal sector formed by a large public sector administration and a handful of foreign-owned businesses. Inequalities of chances and opportunities are high: 55% of the very poor live in households where no member is employed<sup>5</sup>. Social exclusion hence assumes very vivid colors: multitudes coming from modest origins are not gaining as much from the recent economic development of the country as are a few already-well-off families.

### 1.4. Recent Government policy

Aware of the social risks fostered by the highly unequal economic development, the Government created the *Initiative Nationale de Développement Social* (INDS), the National Initiative for Social Development. On January 9<sup>th</sup>, 2007, the President of the Republic launched the INDS, which defines the new broad social objectives in terms of access to basic social services, employment generation and assistance to the most vulnerable groups: provision of clean water, urban upgrading of disadvantaged neighborhoods, construction and improvements of housing, expansion of the road network, provision of facilities (school, health centers), access to microcredit and micro-project training (agriculture, craftsmanship, services, small trade activities), and public financial contribution to the development projects supported by international donors. The *Initiative* denotes the clear intention of the Government to put in place more inclusive social policies, and constitutes the reference for the proposed operation.

### 1.5. Bank involvement in Djibouti

The Bank stands out as one of the institutions most involved in the promotion of economic development and the reduction of poverty in the Republic of Djibouti. It has reinforced its cooperation with the Government through a strategy based on a combined set of analytical and operational work, which supports government efforts to tackle poverty while extending the impact of the recent growth to the poorest. The Bank has worked in close collaboration with the Government on the analysis of the macroeconomic situation and on policy recommendations for the future of Djibouti. A country assistance strategy was approved by the Board of Directors in April 2009.

### 1.6. Bank involvement in the sector

The Bank has been active in Djibouti on the urban poverty reduction agenda since 2000, with the implementation of the Social Development and Public Works Project (PDSTP), providing high operational expertise in infrastructure improvement, community development and employment-generating activities. The PDSTP was initially financed with an IDA credit of US\$15 million, but on account of its good results and rapid disbursements was refinanced with an additional US\$5 million midway and closed with a satisfactory rating in September 2007. Although slightly different from the proposed operation in its development objectives<sup>6</sup>, and partnership arrangements, the PDSTP has developed the Government's knowledge and expertise in the following domains: infrastructure improvement, building rehabilitation, sanitation and water provision, social development, labor-intensive public works programs.

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<sup>5</sup> Given the growing size of the informal sector in the country, unemployment means "low productivity employment" rather than the traditional definition.

<sup>6</sup> The PDSTP's PDO was to *enhance the living standards of the poor in the city of Djibouti by increasing the quality of and access to basic economic and social infrastructure and services and by generating employment opportunities.*

### 1.7. Rationale for the overall program

Bank support would contribute to the Government's efforts to foster a more comprehensive urban poverty reduction strategy and donor coordination. The Bank has shown a significant convening power to attract other donors to participate in the poverty reduction of urban areas in Djibouti. Due to the limited IDA amount available for the Djibouti Urban Poverty Reduction Project, DUPREP (\$3 million) as compared to the much larger amount allocated to the PDSTP, the Government requested that the Bank develop the framework and operational modalities of a broad urban poverty reduction program which could be supported by other donors. The Bank therefore developed a multi-donor program with the African Development Bank (AfDB), the Islamic Development Bank (IsDB), and the *Agence Française de Développement* (AFD).

### 1.8. Urban Poverty Reduction Program

The design of the DUPREP resulted from consultations with the Prime Minister's Cabinet, the Ministry of Finance, and two other donors, the AfDB and the IsDB. In addition, the design was developed in close consultation with the management of ADETIP (*Agence Djiboutienne d'Exécution de Travaux d'Intérêt Public*) and FSD (*Fonds Social de Djibouti*), which have all of the direct implementation experience of the previous generation of poverty-reduction operations. ADETIP and FSD were merged into a new agency in January 2008, the Djibouti Social Development Agency (ADDs). The overall program is supported by various donors, with the AfDB and the IsDB contributing respectively 12 and 8.5 million equivalent. The IDA contribution consists of: (i) the \$3 million that were made available as of the first year of operation (2008); and (ii) the Additional Financing of \$2.9million equivalent under the Crisis Response Window (CRW). With the addition of the AFD project funding, estimated at US\$8 million, and of the expected Government contribution of US\$7, the overall budget envelope will be of approximately US\$41.4 million, based on the currently available estimates.

**The urban areas chosen are the poorest ones in the country according to the Djibouti Poverty Maps of 2007.** As part of the PDSTP, the Bank, the *Direction de la Statistique et des Enquêtes Démographiques* (DISED) and the ADETIP produced in early 2007 an Atlas of Djibouti-City, which mapped an exhaustive set of poverty indicators at the neighborhood level. The Bank's area of intervention consists of "*Quartier 7*", the largest neighborhood in the city, with 23,000 inhabitants, and one of the poorest: the proportion of residents living below the poverty line is over 65%, with one full third of the work-force unemployed.

### 1.9. Overall program components

The overall program will improve access to water supply and sanitation, environmental management, community development and health centers, and road infrastructure in the poorest neighborhoods. Second, it will also support community development, which would benefit community associations, non-governmental organizations and local authorities, with the purpose of supporting their local economic development initiatives at the community, neighborhood, and city levels. Third, it will provide technical assistance and project management support for the implementing agency.

The Bank is financing the upgrading of the neighborhood *Quartier 7* in the commune of Boulaos; the IsDB is financing the upgrading of three underserved settlements in the commune of Balbala, while the AfDB invests in the upgrading of the five secondary centers. The AFD is implementing a complementary project in other underserved neighborhoods of the commune of Balbala. Each financial institution entered into separate but parallel co-financing agreements.

## 2. Project development objective(s)

*The Project Development Objective* is to increase access to basic economic and social infrastructure and to community development opportunities within *Quartier 7* in the city of Djibouti.

## 3. Project description

### 3.1. Project description and components

The original grant of \$3 million was approved on April 29, 2008, and became effective on January 29, 2009. The project has three components, namely:

- (i) *Improvement of Infrastructure*, includes the rehabilitation of key internal roads and their corresponding drainage systems, the construction of a community center, the upgrading of an abandoned public garden, and the construction of sports and recreation centers;
- (ii) *Community Development*, includes the financing of environmental management activities at the community level (in the areas of sanitation and solid waste collection), literacy campaigns, vocational training, and strengthening the capacity of neighborhood associations;
- (iii) *Technical Assistance*, includes training and development of management and technical tools for the implementing agency, as well as the financing of a project coordinator and fees for the implementing agency. An unallocated amount has been reserved to provide flexibility during project implementation.

The **Additional Financing** scheduled to be approved on May 27, 2010, estimated at approximately US\$2.9 million will help implement additional and expanded activities to scale up the project's impact and development effectiveness (OP/BP 13.20). Additional activities would fall into the existing components as follows:

- (i) *Component 1, Improvement of Infrastructure*: rehabilitation and surfacing of additional 1.5 Km of streets, including street lighting, construction of lateral drainage channels along the streets to be rehabilitated and cleaning of secondary drains, carrying out the design, construction and equipment of a health center, and rehabilitation of additional selected public spaces, including gardens.
- (ii) *Component 2, Community Development*: additional funds for activities in favor of local environment quality, vocational training, literacy campaigns, and support social awareness and mobilization.
- (iii) *Component 3, Technical Assistance*: includes the preparation of technical studies and bidding documents for civil works, the supervision of the carrying out of such civil works, support to project implementation in general, provision of training to the staff of the ADDS, and urban development studies for the City of Djibouti to support the preparation of Djibouti's urban master plan

### 3.2. Financial envelope

The US\$ 41.4 million overall program is the result of a multi-donor partnership. Three development agencies, the World Bank, the AfDB and the IsDB have partnered with the Government in the definition of the design, objectives and operational modalities of the overall program. AFD is financing actions which are largely similar and according to the same operational modalities, and also within the priority, poorest areas of the capital city. Each financial institution entered into separate but parallel co-financing agreements with the Government of Djibouti. The Government of Djibouti is contributing to the overall program with budgetary allocations from various sources, including revenues from the Solidarity Fund.

### 3.3. Implementing arrangements

The executing agency, The Djibouti Social Development Agency (ADDS), which was created officially in January 2008 after the merger of the Djibouti Public Works Agency (ADETIP) and the National Social Fund (FSN), is fully operational. The agency has developed its organizational chart and detailed job description, as well as all its operational manuals. The agency is now fully staffed.

## 4. Annexes

### 4.1. Safeguard policies that might apply

Environmental Assessment: Category B

**The project is classified as Category B** since most project interventions would cause significant environmental improvements to the area (improvements in drainage and sanitation systems, provision of public and green spaces, solid waste collection pilot) and will cause only limited and easy to control negative effects, by and large related to construction nuisance (construction is bound to 1.5 Kms of road rehabilitation, cleaning of 2.3 Km of drains, and construction of a 750 m<sup>2</sup> health center).

Solid waste to be collected in the neighborhood will be directed to the city's waste disposal center in Doudah, 20 km southeast of the city. The proposed health center will produce a very limited amount of medical waste because it is a preventive outpatient center. The medical waste will be eliminated using Djibouti's Ministry of Health guidelines to handle medical waste.

ADDS has a proven capacity to carry out environmental analyses, capacity that has been acquired after working in several IDA-financed projects. ADDS has an environmental manual that was developed using World Bank environmental guidelines. The manual contains all the elements to develop site-specific environmental studies. An environmental study for Quartier 7 has been prepared by a consulting firm and validated by ADDS and the Bank.

No resettlement is envisaged.

### 4.2. Financing plan

|   |                            |
|---|----------------------------|
| a. Government of Djibouti:                        | US\$7.0m equivalent        |
| b. <b>International Development Association :</b> | <b>US\$5.9m equivalent</b> |
| c. African Development Bank:                      | US\$12.0m equivalent       |
| d. Agence Française de Développement:             | US\$8.0m equivalent        |
| e. Islamic Development Bank:                      | US\$8.5m equivalent        |
| -----   |                            |
| TOTAL   | US\$41.4m equivalent       |

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