

1. CAS Data	
Country: Djibouti	
CAS Year: FY05	CAS Period: FY06 – FY08
CASCR Review Period: FY06 – FY08	Date of this review: April 13, 2009

2. Executive Summary
<p>i. The FY05 CAS sought to contribute to Djibouti's poverty reduction efforts by aligning Bank assistance with three of the objectives of the Government's 2004 PRSP, which were to: (i) strengthen competitiveness; (ii) accelerate human development; and (iii) improve governance and public sector management. Between FY05-FY08, the Bank provided US\$41.7 million for seven projects, of which US\$13.1 million was provided from various trust funds, and was supported by fifteen analytical and advisory studies and five capacity building grants.</p> <p>ii. The overall outcome of the Country Assistance Strategy (CAS) is rated as <i>moderately unsatisfactory</i>. Progress towards meeting the CAS objectives in the fiscal consolidation and economic competitiveness pillar was assessed as moderately unsatisfactory. The growth upturn had little effect on unemployment and poverty levels. Little progress was registered in fostering fiscal and structural reforms to improve competitiveness or create fiscal space for priority social sector outlays. Fiscal deficits exceeded targets, public debt levels remained high, and new external arrears were incurred in 2007 and 2008. IDA assistance made a valuable contribution to improving the road link to Ethiopia and mobilizing foreign investment support for the port although the objective of improving the railway system was not met.</p> <p>iii. The outcomes of the human resource development and poverty reduction pillar were assessed as <i>moderately satisfactory</i>. Solid progress was registered in repairing damage from the 2004 flood, responding to the 2007 food crisis, improving access to basic schooling and health care, combating the spread of HIV/AIDs and delivering community-driven urban poverty reduction programs. Still, Djibouti's social indicators continue to be some of the worst in the world, and little progress has been made in improving the efficiency and effectiveness of social services, or establishing a well-targeted social safety net.</p> <p>iv. IEG rates the outcomes of the governance and public sector management pillar as moderately unsatisfactory. With IDA analytic and capacity building support, some progress has been made in improving budget processes, but internal controls and accountability institutions remain weak, and there is little public scrutiny of the budget and its execution. Moreover, an improved procurement system has not been established and the management of the Customs service remains unchanged.</p> <p>v. The Bank's performance is rated <i>moderately unsatisfactory</i>. The Bank's strategy overestimated the political support for structural reform and the program was not designed to assist in the challenging fiscal and structural reforms. The reform momentum that ushered in the CAS was lost when policy dialogue temporarily lapsed. Although high-case lending triggers were not met, and lending support for fiscal consolidation and competitiveness reform was not provided, a high-case level of assistance was ultimately delivered due to exceptional assistance support provided for emergency response support and additional education assistance.</p> <p>vi. The CAS Completion Report was clearly written but suffered from coverage gaps and insufficient attention to the Bank's contribution to country performance. The realism of CAS objectives merited further</p>

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examination and coverage of recent operations, including the MIGA investment guarantee, was uneven. More attention should have been accorded to the quality and continuity of policy dialogue in sustaining reform, and to assessing the reasons for the lack of progress in reducing high civil service wages and restructuring public utilities.

vii. With limited IDA resources, the Bank program should focus its support on competitiveness-enhancing structural and institutional reforms to build human resources and broaden participation in a transit-trade dominated growth process. Lending instruments need to be carefully designed to commit the Government to implement a manageable number of reforms over the long term, while providing them with incentives to persevere. Disaster prevention and preparedness should be mainstreamed into Bank operations and combined with support for a more robust social safety net. Establishing well-functioning project-level monitoring and evaluation systems would be a good first step towards tracking performance of IDA support towards higher-level poverty reduction objectives.

3. CASCR Summary

Overview of CAS Relevance:

1. In May 2004, the Government finalized its first Poverty Reduction Strategy Paper (PRSP) which included a four-pronged strategy aimed at: (i) strengthening competitiveness; (ii) accelerating human development; (iii) fostering regional and local development; and (iv) improving governance and public sector performance. The FY06-FY08 CAS built on the first generation of fiscal and structural reforms undertaken from 2000-2004, and was anchored in the PRSP. It focused on three pillars: (i) growth and competitiveness, (ii) human development, and (iii) governance. The CAS included 21 clearly defined monitoring indicators with targeted outcomes for 2008. A base-case lending program of \$31.4 million in IDA credits was set with clear triggers for a high-case scenario. The strategy was recognized as inherently risky because of the vulnerable economy and challenging fiscal consolidation measures and structural reforms.

2. The PRSP's implementation proved short-lived, particularly after foreign direct investment soared from 8 percent of GDP in 2005 to 21 percent of GDP in 2006. The President launched the National Initiative for Social Development (NISD) in January 2007, which, while building on, ultimately supplanted the PRSP as the national poverty reduction strategy. The NISD provided special emphasis to spatial planning and environmental preservation, and is based on three main strategic priorities: (i) improving national production capacity; (ii) providing access to basic social services; and (iii) improving access of excluded groups to economic opportunities. It also included the establishment of an NISD monitoring and evaluation unit.

3. The CAS was overly ambitious and presumed that intensive policy dialogue and capacity building assistance would be sufficient to help Government launch challenging structural reforms. Moreover, its relevance dissipated quickly as foreign direct investment surged and support for reforms identified in the 2004 PRSP waned.

Overview of CAS Implementation:

4. **Lending.** The Bank's actual commitments during FY05-08 totaled US\$41.6 million for 8 projects and grants compared with a planned base-case amount of US\$31.4 million for 5 projects (see Annex Table 1). This included IDA commitments of US\$28.6 million and US\$13.1 million from various trust funds. Of these, the Flood Rehabilitation project was delivered as planned; a Second School Access and Improvement project was delivered a year ahead of schedule in 2005; and a power project was also delivered in 2005 without the planned water components. The Djibouti-Ethiopia Rail Road Partial Risk Guarantee planned for 2007 wasn't delivered because a private operator was not secured. Trust fund support was mobilized to support assistance for primary education, Avian Influenza response, and a response to the 2008 Global Food Crisis Response Program. Substantial co-financing was mobilized to complement Bank assistance.

5. As Djibouti was classified as being of high-risk of debt distress in FY07, IDA financing was thereafter provided on a 100 percent grant basis. An education project (\$6.0 million) supported by the Education for All/ Fast Track Initiative Trust Fund (TF) was delivered in 2006, and a TF-supported Emergency project for Avian influenza control and prevention (\$2.1 million) was delivered in 2007. In response to a deteriorating food security situation, a Food Crisis Response Development Policy Grant (\$5.0 million) was approved in 2008. The CAS envisaged that a follow-up fiscal consolidation adjustment operation would be pursued if the high case triggers were met. It was not, because triggers to reduce the wage bill and restructure public enterprises were not met. However, total commitments reached high-case funding levels because of the additional resources provided for supplementary financing for the flood relief project and non-programmed projects (I.E. Education for All, Avian Influenza Control, Food Crisis Response grants).

6. In addition to the lending program, the Bank mobilized unplanned additional grant assistance totaling US\$1.4million between FY05-08 to support AAA activities. This included: (i) an IDF grant for US\$0.36 million in public procurement reform; (ii) an IDF grant for US\$0.34 million to the Ministry of Finance to strengthen budget preparation and fiscal management; (iii) a \$0.25 million Trust Fund for Statistical Capacity Building (TFSCB), (iv) a US\$0.24 million IDF grant to support pension reform; and (v) a US\$0.29 million IDF grant to help establish a PRSP monitoring and evaluation unit. Additional grant assistance was used to help the Government implement recommendations made in the Bank's Country Financial Accountability Assessment (CFAA) and its Country Procurement Assessment Review, to accelerate investments in basic education, support the Government's rapid response to the upward surge in basic food prices in 2008, and strengthen PRSP monitoring capacities. Implementation of most of the IDF and TF funded activities is still on-going.

7. Total disbursements reached US\$26.5 million, or 12 percent of total ODA disbursed, from 2005 to 2008. The IDA portfolio as of December 2008 consists of 5 ongoing operations for a total commitment of \$43.5 million. The ongoing portfolio supports improved access to health, education, power, public works, and overcoming the food crisis. In addition, there are 4 Trust Fund and IDF grants for a total commitment of US\$8.9 million, of which US\$1.6 million was undisbursed as of December 2008.

8. After starting the CAS period with just one operation at risk in 2005, the portfolio improved in 2006 and 2007 with no operations at risk, and then deteriorated in 2008 with 2 operations (second School Access and Improvement, and the Power Access and Diversification project) at risk, equivalent to 40 percent of total commitments. In both at-risk projects, implementation problems were related to delays in disbursements and flags in monitoring and evaluation. Throughout the CAS period, IDA has been proactive in addressing problem projects through close supervision and support to strengthen procurement and financial management. As a result, the disbursement ratio averaged 35.8 percent between FY05-FY08, well above IDA and regional averages.

9. Between FY04 and FY07, IEG evaluated 3 closed projects, of which 2 were assessed as satisfactory and one as moderately satisfactory. The share of projects (3 of 3 rated for US\$52.3 million disbursed) with satisfactory outcome ratings was higher in Djibouti than in the MNA region and the Bank as a whole, although completed projects were found to have less of a positive institutional impact than the Bank wide average, but higher than others in the region (see Annex Table 3). QAG undertook quality of supervision assessments for the HIV/AIDS, Malaria and TB Control project in 2006 and the Flood Emergency Rehabilitation project in 2008, with the former rated satisfactory and the latter moderately satisfactory. The QAG panel noted that the Flood Emergency Rehabilitation project had not completed the key reconstruction work for the main dike some four years after the original flood disaster.

10. **Non-lending.** Of the original 18 planned studies in the CAS for FY05-08, three covering the economic and social impact of reducing the wage bill, an update of the public expenditure review, and the CG meeting for 2006 were dropped. The two major studies were the Public Expenditure Review (PER) and the Country Economic Memorandum (CEM). These were several years in the making and

were ultimately delivered a year later than planned (see Annex Table 2). However, the CEM (2007) and PER (2006) were particularly noteworthy, in terms of being comprehensive, analytic, wide-ranging, country-rooted and the first of their kind for Djibouti. Analytic work has also provided a foundation for institutional development support to build country capacity in procurement (2006), public finance (2006), streamlining social protection systems (2008), developing national M&E systems (2008), and building national statistical capacity (2006).

11. **Other Factors Affecting Implementation.** Program performance was adversely affected by a number of unforeseen events. The most important of these was the dramatic rise in foreign direct investment from US\$22 million in 2005 to US\$176 million in 2007, which reduced the Government's incentive to mount contentious structural reforms. After the pace of reforms improved in 2006, the surge in food and fuel import prices in 2007 and 2008 caused the Government to shift its attention to stabilizing the prices of basic goods. An additional source of uncertainty has been an increase in low-level hostilities on the border with Eritrea, hampering Government efforts to reduce military expenditures.

Overview of Achievement by Objective:

12. Detailed achievements in each area are summarized below and compared with CAS objectives and indicators.

Objective 1: Enhance Fiscal Consolidation and Economic Competitiveness—Moderately Unsatisfactory

13. The main objective was to unleash a process of higher and more labor-intensive growth. It envisaged further steps in fiscal consolidation to reduce the crowding-out effects of high public sector wages and an over-sized wage bill on services and transfers for the poor; restructuring the main utilities to lower business costs; and enhancing the transport system to bolster development of the port. The Bank's main contribution to fiscal consolidation and economic competitiveness was through the reconstruction of the road to Ethiopia, the power sector project, a MIGA guarantee for private investment in the port, and through analytic inputs into policy making and sector strategy formulation from the CEM, PER, a transport sector review, and annual progress monitoring of the PRSP.

14. **Growth.** Large inflows of foreign direct investment have put Djibouti on a higher growth trajectory and have boosted average incomes to the low-middle income range of US\$1,060 in 2007, but with little impact on poverty or employment generation. Unemployment remained in the range of 45 to 60 percent throughout the CAS period. Reconstruction of the road to Ethiopia and a MIGA guarantee for the port did help facilitate FDI inflows and enclave-oriented growth.

15. **Fiscal Consolidation and debt sustainability.** While some progress was made towards reducing the overhang of large domestic arrears, the CAS objective of fiscal consolidation was undermined by expansionary fiscal policy in 2006 and 2007 and by the adverse budgetary effects of the global commodity price shocks in 2008. As a result, the fiscal deficit rose from 0.2 percent of GDP in 2005 to 2.6 percent of GDP in 2007, against a CAS target of 2 percent of GDP. Because of widening deficits, external debt remained barely within sustainability limits, and Djibouti was declared in high risk of debt distress in 2007 with eligibility for IDA assistance limited to grants.

16. The CAS aimed to secure lower public sector wages to reduce formal-sector labor costs and create more fiscal space for social sector outlays and public investment. Only modest progress was made towards these objectives. Civil service salaries remain among the highest in the region, averaging 10 times the average per capita national income and the share of social sector spending and public investment in the budget was little changed. The CEM, PER and CFAA provided recommendations on public expenditure reform although Bank involvement was limited to analytical studies and policy dialogue.

17. **Restore Competitiveness of the Utilities Sector.** The second objective was to restore competitiveness of the utilities sector by restructuring the loss-making, power and water utilities. Little progress was registered in this area as both utilities continue to suffer from high staff costs, weak management systems, financial losses, and provide limited and unreliable services. The high cost of electricity and lack of reliable service was cited in a 2008 study of SMEs as the single most important constraint to doing business. Similarly, little progress was made in improving access to regular water connections or improving collection rates to the water utility. Bank support through a proposed Power and Water project was initially designed to restructure the two largest state-owned utility companies, but was subsequently refocused to improve access to power and improve use of renewable energy resources.

18. **Upgrade Transport and Transit Infrastructure.** The third objective was to improve international transport links and modernize operations at the port. The Bank assisted transport corridor project to Ethiopia was completed in 2005 and was highly successful in reducing transport times from 10 hours to 3 hours and reducing vehicle operating costs by 60 percent (compared to a 40 percent target). The number of trucks using the road has doubled from 400 a day before the road repairs to 800 a day afterwards, substantially boosting trade volumes. Thanks largely to improved connectivity, substantial volumes of foreign direct investment in the transport sector were mobilized to fund a petroleum terminal, a port container terminal, the Doraleh road corridor to Ethiopia, and the Free Trade Zone. Bank support for the road to the Ethiopia border, and a \$427 million MIGA guarantee for a new port terminal in 2008 helped improve trade infrastructure, although lack of progress in securing a private operator for the rail line frustrated efforts to diversify transport routes.

19. An overall rating of **moderately unsatisfactory** is accorded to the achievement of outcomes related to the CAS objective of enhancing fiscal consolidation and economic competitiveness. Fiscal targets were missed and external arrears increased. Most importantly, little progress was registered in reducing extraordinarily high civil service salaries or in redirecting savings from a modest reduction in the wage bill to much needed social sectors. There was also very little progress registered in structural reforms - the main public utilities continue to provide erratic and high-cost services, making the overall costs-of-doing business amongst the highest in the continent. One of the main instruments the Bank had planned to use in supporting reforms in this area was the second fiscal consolidation credit which was not delivered for lack of Government preparedness to undertake needed reforms. Progress was, however, made in improving transport and transit infrastructure although the CAS objective of securing a private operator for the rail line was not met.

Objective 2: Human Resource Development and Poverty Alleviation---Moderately Satisfactory

20. Bank support for human resource development and poverty alleviation was designed to contribute to the second pillar of the PRSP by improving basic education and health services and by improving employment opportunities and access to social protection by the poor. The Bank's lending assistance contributed to CAS objectives through its first and second School Access Projects, HIV/ AIDS, Malaria and TB Control Project, the Health Sector Development Project, Social Development and Public Works Project, the Flood Emergency Rehabilitation Program and the Food Crisis Response Development Policy grant. Insightful analysis of social sector spending and management options was provided in the CEM and PER.

21. **Accelerated school access and improvement.** The government has made considerable efforts to boost access to basic education. IDA support for developing new classrooms, providing teaching materials and teacher-training, under the first and second School Access and Improvement program, contributed to an increase in the gross enrolment rate from 52 percent in 2005 to 68 percent in 2007, in line with the CAS target of 73 percent in 2008. Primary school repetition rates were reduced from 10 percent in 2005 to 4 percent in 2008 and gender parity was effectively attained in primary schooling. However, the quality of basic education is low. In 2007, just one-third of primary school students complete basic education, with high drop-out rates in the second and fifth school years. There is also little vocational training, contributing to high rates of youth unemployment. Although education spending accounted for an average of 5.1 percent of GDP between 2005 and 2007, the system remains marred by inequalities in

access, poor quality and limited accountability. Boosting access and quality of education continues to be frustrated by high wages for teachers and limited access to quality education by the poor.

22. **Improving infant and maternal care and addressing HIV/AIDS.** CAS targets for health service utilization, child immunization and child mortality were exceeded, and with IDA support, steady progress was made in reducing the HIV/AIDS incidence. Reflecting substantially improved access to maternal and child health care facilities, the proportion of births in health facilities increased from 40 percent in 2002 to 93 percent in 2008. There continues, however, to be a high and rising prevalence of several communicable diseases, including tuberculosis and malaria. Health care spending remains extremely low, with current outlays running at less than 2 percent of GDP between 2005 and 2007, and efforts to expand access to quality care in rural areas continue to be frustrated by skills shortages and the high costs of employing government health care workers.

23. **Employment generation and support to the poor.** With Bank support for the first Social Development and Public Works Project, access to basic economic and social infrastructure was improved in 21 of the poorest urban neighborhoods; community development programs including for sanitation and adult literacy were mounted; some 8,300 person-months of employment were created; capacities of small construction and contracting companies were developed; and a public works agency (ADETIP) was established. Sustainability of the infrastructure remains a concern as maintenance arrangements were not clearly established. While noteworthy efforts were made to prepare a poverty map, the impact of urban anti-poverty programs on poverty status remains largely unknown because of deficiencies in project monitoring and evaluation.

24. Support to the poor was also provided to overcome natural disasters. After four years of initial delay, the IDA Flood Emergency Rehabilitation Program has been effective in repairing the main dike, and has rehabilitated roads, bridges, storm water channels, drainage systems, schools, health centers, and water infrastructure destroyed in the 2004 floods. In response to the 2008 surge in food import prices, with IDA assistance, the government reduced the consumption tax rate from 8 percent to zero on five basic food items, expanded food aid programs, and ramped-up social assistance and community-based infrastructure programs for the most vulnerable population. While a concerted response has been made to recent disasters, very little progress has been made in reducing vulnerability or in developing a social safety net that effectively meets the needs of the poor. Social transfers, while large in financial terms, remain poorly targeted and provide little protection to the urban poor.

25. **Improve social mobilization for gender and other social development objectives.** High-level policy dialogue between the Bank and the President of Djibouti contributed to raising awareness of the serious consequences of Qat abuse. In mid-2008, the Government launched a public awareness campaign aimed at discouraging Qat use, and educating the public about its negative consequences. Progress has also been registered in raising awareness of the need to tackle the problem of widespread female genital mutilation (FGM), although with little Bank support. In 2007, Djibouti became the first country to launch a joint program with UNICEF and UNFPA to combat FGM.

26. An overall rating of **moderately satisfactory** is accorded to the achievement of outcomes related to the CAS objective of strengthening human resource development and poverty alleviation. In a short period of time, much has been accomplished in terms of improving access and gender equality to basic schooling, in boosting access to clinics and programs to treat and combat the spread of HIV/AIDS, in mounting targeted community-driven programs to combat urban poverty, and in providing relief for the victims of the 2004 floods and the 2008 food crisis. Still, the delivery of social services remains frustrated by high teacher and health worker costs (which hampers system expansion and improvement), geographic and socio-economic inequalities, low levels of public spending on health care, a social safety net that provides scant protection to the poor, and a reactive approach to responding to disasters.

Objective 3: Strengthening governance and public finance management—Moderately Unsatisfactory

27. The CAS objective of strengthening governance and public finance management was designed

Objective 3: Strengthening governance and public finance management—Moderately Unsatisfactory

27. The CAS objective of strengthening governance and public finance management was designed to support the PRSP objective of promoting good political, local, economic and financial governance. Within this broader agenda, the Bank's assistance, which was modest, focused on ensuring transparency and efficiency of public expenditure and improving public sector financial management. IDF grants were provided to improve the procurement system and strengthen public sector financial management, and the 2004 CFAA, 2006 PER, 2007 CEM and the 2008 CPPR contributed to the policy dialogue on fiscal and public sector management reform.

28. **Ensure transparent and efficient management of public expenditure.** Progress has been registered in public sector financial management, although at a pace slower than anticipated in the CAS. With IDA support, the budget directorate has been strengthened, the budget preparation process improved, and the Government's capacity to forecast revenues and expenditures substantially improved. Compared to previous years, recourse to arrears to finance expenditure overruns has been reduced, but not eliminated. Internal and external budget controls continue to be weak although operating procedures and organizational arrangements for expenditure controls have improved - new audit manuals and procedures have been produced and adopted by the Inspection General des Finances and the Court of Audit. Despite some progress in budgeting and financial controls, internal and external controls remain weak and public awareness the budget and its execution is low.

29. Improve Governance in Public Resource Management. With IDA's IDF grant support, progress was made in developing a new procurement code and manuals and standard bidding documents, but formal approval has not been granted. Procurement in Bank projects has gradually improved, although country procurement systems remained largely the same in 2008 as in 2005. A review has been undertaken of the Commission National des Marchés or National Procurement Commission (NPC) and a series of recommendations for improving its functions are under consideration. In addition, one of the CAS objectives was to modernize the customs service to reduce the high costs of international trade. There is no evidence of progress made in improving Customs management, and Bank support was not provided to address this objective

30. An overall rating of **moderately unsatisfactory** is accorded to the achievement of outcomes for the CAS objective of strengthening governance and financial management. Some progress was made in strengthening budget preparation in the Budget Directorate, but capital and current spending are not integrated. Expenditure oversight and controls remain weak and there is little public awareness or understanding about the budget and its execution. A new procurement code was prepared but not adopted. No improvement has been registered in the management of the Customs service and the costs of trading across borders remains unacceptably high.

Achievement of CAS Objectives:

Objectives	CASCR Rating	IEG Rating	Explanation / Comments
Objective I: Enhance Fiscal Consolidation and Economic Competitiveness	<i>Not Reported (specific ratings are provided for each CAS outcome)</i>	<i>Moderately Unsatisfactory</i>	While some progress has been made in fiscal consolidation, external arrears continue to incur and public debt levels remain very high. Little progress was registered in restructuring the high-cost and loss-making public utilities, in reducing high civil service wages or in restructuring public spending.
Objective II: Human Resource Development and Poverty Alleviation	<i>Not Reported (specific ratings are provided for</i>	<i>Moderately Satisfactory</i>	Through a series of IDA projects, progress has been made in improving access to basic

			repairing damage from natural disasters. Scant progress has been registered in improving the efficiency and effectiveness of social service delivery, or establishing a well-targeted social safety net.
Objective III: Promoting good governance	<i>Not Reported (specific ratings are provided for each CAS outcome)</i>	<i>Moderately Unsatisfactory</i>	Some progress has been made in improving budget processes although budget controls and accountability institutions remain weak. Governance of public spending has not improved--an efficient and transparent procurement system has not been established and the management of the Customs service remains unchanged.

Comments on Bank Performance:

31. IDA's assistance strategy for Djibouti proved to be unrealistic. The Bank's strategy was too optimistic regarding the extent of political support for structural reform and the degree to which policy makers could focus on challenging structural reform while responding to a series of natural disasters, border disputes, a national election and global market shocks. Moreover, a long-term program in support of fiscal, structural and governance reforms was required given the high financial, institutional and political-economy costs associated with such reforms.

32. Preparation of the CAS included a period of intensive high-level policy dialogue. When the CAS was concluded, the Government was on the brink of adopting important exchange-rate and fiscal reforms. For the next year, however, there was very little in the way of policy dialogue between the Bank and the Government due to insufficient effort on the Bank's part. As a consequence, reform momentum was lost and critical policy reforms were shelved. Nevertheless, IDA's lending operations had positive payoffs as it wisely kept its projects simple and focused on broadening access to essential social and economic services.

33. There were also other missed opportunities to forge meaningful sector policy reform. What was originally intended to be a project aimed at lowering costs through restructuring loss-making state enterprises in the power and water sectors was transformed into a project to broaden access to power. Bank policy dialogue on civil service wages and two operations in the education sector were unable to address the problem of high teacher salaries, which effectively puts a brake on meaningful expansion and quality improvement. In the health care sector, IDA support has been unable to reverse a decline in low levels of public spending. High levels of civil service pay, identified as the main impediment to broad-based growth in the CAS, and then carefully analyzed in the CEM and PER, has yet to be effectively addressed. While policy dialogue made ample use of the AAA findings, persuasion alone was insufficient to provide the Government with incentives to undertake controversial reforms that would threaten the country's coddled elite.

34. Co-financing was mobilized for most projects launched during the FY05 CAS. Less progress has been made in fostering collaboration in structural policy reform or building country systems to reduce aid transaction costs.

35. There have apparently been no safeguard or fiduciary issues, although weak country capacity to comply with environmental and cultural safeguards was flagged in both the Emergency Floods Rehabilitation project and in the Social Development and Public Works projects.

4. Overall IEG Assessment	
Outcome:	<i>Moderately unsatisfactory</i>
Bank Performance:	<i>Moderately unsatisfactory</i>
<p>36. Outcome: IEG rates the overall outcome of the CAS as <i>moderately unsatisfactory</i>. The overall outcome rating is based on an equal weight to performance in all three CAS objectives. Performance in fostering structural reform to reduce business costs lagged expectations, and little progress was registered in addressing high civil service wages, the over-sized public wage bill or improving the structure of public expenditures. Unemployment and income poverty remain unacceptably high and a process of economic growth driven by a port-related enclave and other sources of rents is unlikely to create opportunities for the poor. Some progress was made in access to basic social services, fostering community development in urban areas and responding to the immediate needs of victims of natural disasters, but little progress has been registered in improving the efficiency and effectiveness of social service delivery. Modest improvements were registered in budget processes although budget controls remain weak and accountability institutions and practices are largely unchanged.</p> <p>37. Bank Performance: IEG rates Bank performance as <i>moderately unsatisfactory</i>. The Bank correctly identified weakness in competitiveness due primarily to the effects of high civil service salaries and an oversized wage bill as the main constraints to inclusive growth and long-run social development. But the Bank did not design or deliver a program sufficient to address these constraints. It allowed policy dialogue to lapse in 2005-2006 and then did little to follow-up on CEM and PER recommendations to help reduce high civil service salaries or address the high costs of the loss-making public utilities. Although triggers for high-case lending were not met, a high case level of assistance was delivered. Despite progress in many areas, the overall assistance effort was too fragmented.</p>	

5. Assessment of CAS Completion Report
<p>38. The CASCR focuses mainly on country-level achievements, with little discussion of the role played by IDA in contributing to these achievements. There are also a number of gaps in the CASCR's coverage. Key outcomes of assistance for the Flood Relief Program are not spelled out, neither are the expected outcomes of the 2007 Avian Influenza Control operation or the 2008 Food Crisis response grant. It does not mention the role or importance of MIGA's guarantee US\$427 million in 2008 to support investments in the new container terminal. No mention is made of the outcomes, either actual or expected of the progress made in strengthening core government institutions in transport, education, health, power and urban development. Despite considerable involvement in urban community development, the CASCR is silent on the degree to which Bank support has had any impact on the capacity of civil society and urban SMEs.</p> <p>39. The discussion of development coordination in the CASCR is limited to a review of the Bank's achievements in mobilizing co-financing. Other than securing co-financing for specific operations, there is no discussion of the Bank's performance in fostering more effective aid utilization or coordination.</p> <p>40. The CASCR concludes that policy dialogue was broadly adequate. A more candid discussion of the effects of the lapse in policy dialogue shortly after the CAS was approved would have been appropriate.</p>

41. The CASCR could have drawn lessons from not accomplishing the central challenge posed by the CAS - the reduction of high civil service wages and other factor costs to boost competitiveness and create fiscal space for transfers and pro-poor expenditures.

6. Findings and Lessons

The key findings and lessons are:

42. With limited IDA resources, the Bank program should focus its support on competitiveness-enhancing structural and institutional reforms to build human resources and broaden participation in a transit-trade dominated growth process. Lending instruments need to be carefully designed to commit the Government to implement a manageable number of reforms over the long term, while providing them with incentives to persevere.

43. Natural disasters and external shocks are to be expected with Djibouti's open-economy, narrow economic base, a high debt overhang, fragile border situation, and a poor and vulnerable population. Disaster prevention and preparedness should be incorporated into all IDA operations, and combined with assistance for building a more robust social safety net.

44. As very little is known about the impact of public policies or external assistance on employment generation and poverty reduction, establishing well-functioning project-level monitoring and evaluation systems would be a good first step towards tracking progress between IDA interventions and higher-level poverty reduction objectives.

Annex Table 1: Actual vs. Planned Lending, FY05-08

Annex Table 2: Analytical and Advisory Work: Actual vs Planned

Annex Table 3: IEG Project Ratings, FY05-08

Annex Table 4: Portfolio Status Indicators by Year, FY03-08

Annex Table 5: IBRD / IDA Net Disbursements and Charges, FY05-08

Annex Table 6: Total Net Disbursements of ODA and Official Aid, 2001-2007

Annex Table 7: Economic and Social Indicators

Annex Table 8: Millennium Development Goals

Annex Table 9: Summary of Achievement of CAS Objectives

Annex Table 1: Planned and Actual Lending, FY05-08 (Base-case: \$31.4 million)

	Project ID	Proposed FY	Approved FY	Proposed Amount	Approved Amount
Programmed Projects					
• Emergency floods rehabilitation ¹	P089968	2005	2004	6.4	6.4
• Power and Water	P086379	2005	2005	7.0	7.0
• Second School Access and Improvement (Phase II)	P086994	2006	2005	10.0	10.0
• Ethiopia Rail Road Partial Risk Guarantee		2007	Dropped ²	3.0	Dropped
• Second Fiscal Consolidation Credit		2007	Dropped	9.0	High-case conditions not met for the loan
• Second Social Development /Public Works	P088876	2008	2008	5.0	3.0
Total FY05-08				40.4	26.4
Non-Programmed Projects³					
• Education for all/Fast Track Initiative (EFA/FTI)-TF	P101445	2006	2006		6.0
• Emergency Floods Rehabilitation Additional Financing-IDA Grant	P104890	2007	2007		2.1
• Avian Influenza Control and Prevention- TF	P102 842	2007	2007		2.1
• Food Crisis response Development Policy Grant-TF	P112017	2008	2008		5.0
Total FY05-08				40.4	41.6

Source: Djibouti Draft CASCR 2009 and WB Business Warehouse as of February 10, 2009

¹ An amount of \$3.2 million in the form a grant, and an equal amount in the form of an IDA credit.

² Not approved due to unsuccessful selection of a private operator to manage the railway.

³ Starting in FY07, Djibouti was classified as a country in risk of debt distress (red light). All projects subsequently approved were to be on a 100 percent grant basis.

Annex Table 2: Planned and Actual Analytical and Advisory Work

Planned FY	Products	Project ID/ Comm. Amount	Delivered to Client FY	Delivery Status
Planned				
FY05	Transport Sector Review	P084577	Delivered in FY05	Delivered
	Economic and PRSP Monitoring		Policy notes prepared in FY05	Delivered
	Public Expenditure Review (PER)	P079415	Delivered in FY06	Delivered
	Economic and Social Impact of Public Wage			Dropped
	Energy Poverty and Social Impact Analysis	P086426	Forwarded to FY06	Delivered
	Economic and Social Impact of Public Wage Bill reform			Dropped
	FY06	IDF for Country Procurement Assessment Report (CPAR)/Governance	IDF Grant for Public Procurement (\$357,000)	Delivered in FY06	Delivered
IDF for Country Financial Accountability Assessment (CFAA)/Governance		IDF Grant for Budget and Debt Management (\$343,000)	Delivered in FY06	Delivered
Economic and PRSP Monitoring			Policy notes prepared in FY06	Delivered
Country Portfolio Performance Review (CPPR)			Forwarded to FY07	Delivered
Country Economic Memorandum (CEM)		P089668	Forwarded to FY07	Delivered
PRSP Assessment			Forwarded to FY07	Delivered
CG Meetings			Deferred to FY09	Dropped
FY07	PRSP Assessment		Delivered in FY07	Delivered
	Economic and PRSP Monitoring		Policy notes prepared in FY07	Delivered
	Country Portfolio Performance Review (CPPR)		Forwarded to FY08	Delivered
2008	Public Expenditure Review (PER) Update			Dropped
	Economic and PRSP Monitoring		Policy Notes on NISD Delivered in 2008	Delivered
	Country Portfolio Performance Review (CPPR)		Delivered in FY08	Delivered

Annex Table 2: Planned and Actual Analytical and Advisory Work (continued)

Planned FY	Products	Project ID/ Comm. Amount	Delivered to Client FY	Delivery Status
Additional actual deliveries				
FY06	IDF for Country Procurement Assessment Report (CPAR)	P94858 (\$357,000)	Delivered in FY06	Delivered
	IDF for Country Financial Accountability Assessment (CFAA)	P094818 (\$343,000)	Delivered in FY06	Delivered
	Trust fund for Statistical capacity Building (TFSCB)	P100189 (\$252,700)	Delivered in FY06	Delivered
FY08	IDF for streamlining social protection systems	P104109 (\$240,400)	Delivered in FY06	Delivered
	IDF for M&E systems	P11072 (\$286,330)	Delivered in FY08	Delivered

Source: Djibouti Draft CASCR 2008 and WB Business Warehouse as of February 10, 2009

Annex Table 3: IEG Project Ratings for Djibouti, FY05-08

Proj. ID	Project Name	Approval FY	Exit FY	IEG Outcome	IEG Sustainability	IEG ID Impact
P044585	DJ-School Access and Improvement Program	12/19/2000	2005	Satisfactory	Highly likely	Substantial
P069930	DJ-Intl. Road Corridor Rehab. Project	06/22/2000	2005	Satisfactory	Likely	Modest
P044584	DJ-Social Development and Public Works	05/25/1999	2008	Moderately satisfactory	NA	NA

Source: WB Business Warehouse Table 4a.6 as of February 10, 2009

Region	Total Evaluated (\$M)	Total Evaluated (No)	Outcome percent Sat (\$)	Outcome percent Sat (No)	Inst Dev Impact percent Subst (\$)	Inst Dev Impact percent Subst (No)	Sustainability percent Likely (\$)	Sustainability percent Likely (No)
MNA	2,748.8	68	92.8	77.6	44	31.6	93.2	76.5
Djibouti	52.8	3	100.0	100.0	33	50.0	100.0	100.0
Overall Result	58,213.2	884	86.6	79.7	65	55.8	88.9	82.7

Source: WB Business Warehouse Table 4a.5 as of February 10, 2009

Annex Table 4: Portfolio Status Indicators, FY03-08

Fiscal year	2003	2004	2005	2006	2007	2008
Djibouti						
# Proj	7	5	4	6	6	5
Net Comm Amt	94.3	77.8	53.3	70.3	72.3	43.5
# Proj At Risk	2	0	1	0	0	2
percent At Risk	28.6	0.0	25.0	0.0	0.0	40.0
Comm At Risk	31.0	0.0	6.5	0.0	0.0	17.0
percent Commit at Risk	32.9	0.0	12.1	0.0	0.0	39.1
Ethiopia						
# Proj	19	20	22	22	21	28
Net Comm Amt	1,844.5	1,941.4	1,614.2	2,010.6	1,990.3	2,701.1
# Proj At Risk	1	3	3	3	2	8
percent At Risk	5.3	15.0	13.6	13.6	9.5	28.6
Comm At Risk	4.9	33.0	217.7	69.0	115.0	815.2
percent Commit at Risk	0.3	1.7	13.5	3.4	5.8	30.2
Cape Verde						
# Proj	7	5	4	5	4	3
Net Comm Amt	86.6	67.1	53.0	63.0	50.5	48.5
# Proj At Risk	0	2	1	1	0	0
percent At Risk	0.0	40.0	25.0	20.0	0.0	0.0
Comm At Risk	0.0	26.5	17.5	17.5	0.0	0.0
percent Commit at Risk	0.0	39.5	33.0	27.8	0.0	0.0
Mauritania						
# Proj	10	12	9	9	10	11
Net Comm Amt	230.2	303.4	270.4	270.5	288.5	293.5
# Proj At Risk	0	0	2	1	0	0
percent At Risk	0.0	0.0	22.2	11.1	0.0	0.0
Comm At Risk	0.0	0.0	30.9	21.0	0.0	0.0
percent Commit at Risk	0.0	0.0	11.4	7.8	0.0	0.0
Burkina Faso						
# Proj	12	13	11	14	13	13
Net Comm Amt	469.3	513.3	457.0	598.6	528.9	530.4
# Proj At Risk	2	1	2	2	1	0
percent At Risk	16.7	7.7	18.2	14.3	7.7	0.0
Comm At Risk	43.6	41.3	42.6	94.4	30.7	0.0
percent Commit at Risk	9.3	8.0	9.3	15.8	5.8	0.0
MNA						
# Proj	109	99	89	95	93	86
# Proj At Risk	18	16	12	6	16	11
percent At Risk	16.5	16.2	13.5	6.3	17.2	12.8
Net Comm Amt	4,762.6	4,961.4	5,365.3	6,494.3	5,860.8	6,203.2
Comm At Risk	768.3	405.8	419.9	211.3	1,087.7	598.5
percent Commit at Risk	16.1	8.2	7.8	3.3	18.6	9.6

Source: WB Business Warehouse Table 3.a.4 as of February 10, 2009

Annex Table 5: IBRD / IDA Net Disbursements and Charges (FY05-08)

Period	Disb. Amt.	Repay Amt.	Net Amt.	Charges	Fees	Net Amt.
2005	12.8	1.1	11.7	0.8	0.1	10.8
2006	11.3	1.6	9.7	1.1	0.1	8.5
2007	12.4	1.5	10.9	1.0	0.1	9.8
2008	10.5	1.6	8.9	0.4	0.8	7.7
TOTAL	47.0	5.8	41.2	3.3	1.1	36.8

Source: World Bank Client Connection, Net Disbursements and Charges Report (in USD) as of February 10, 2009

Annex Table 6: Total Net Disbursements of Official Development Assistance & Official Aid 2001-2007 (US\$ million)

Donor	2001	2002	2003	2004	2005	2006	2007	Total
Belgium	..	0.04	0.03	0.01	0.02	0.02	..	0.12
Canada	0.12	0.1	0.36	0.38	1.15	1.03	0.75	3.89
Denmark	..	..	..	..	..	..	0.01	0.01
Finland	..	..	..	0.03	0.06	0.01	..	0.1
France	21.87	26.3	22.81	24.51	35.12	71.61	56.7	258.92
Germany	0.09	0.03	0.58	0.29	0.39	0.14	0.28	1.8
Greece	..	..	..	..	0.06	0.08	..	0.14
Ireland	..	..	..	..	..	0.38	..	0.38
Italy	1.05	1.34	1.04	0.86	1.24	0.8	0.85	7.18
Japan	2.99	5.44	8.06	7.16	6.38	4.59	3.67	38.29
Luxembourg	..	..	..	..	0.31	..	..	0.31
Netherlands	0.89	0.53	..	..	0.76	..	1.43	3.61
New Zealand	..	..	..	..	0.46	..	..	0.46
Norway	0.01	0.08	..	0.03	0.11	0.47	..	0.7
Spain	..	..	..	..	..	..	1.49	1.49
Sweden	..	..	..	..	..	..	0.04	0.04
Switzerland	0.13	0.11	..	..	..	0.14	0.03	0.41
United Kingdom	..	0.02	..	..	..	..	..	0.02
United States	0.94	2.87	4.12	6.15	7.57	10.2	10.21	42.06
Korea	..	0.04	0.04	0.09	0.1	0.53	0.57	1.37
Turkey	..	..	..	..	0.02	0.01	0.01	0.04
Arab Countries	-0.16	2.05	2.4	-2.62	-1.12	1.15	-0.49	1.21
Total-Bilateral	27.93	38.95	39.44	36.89	52.63	91.16	75.55	362.55
Multilateral Donors								
EC	6.57	1.85	7.65	5.6	3.19	1.63	5.65	32.14
AfDF (African Dev. Fund)	1.99	3.54	-0.56	1.98	0.42	-0.53	1.67	8.51
Arab Agencies	1.43	1.78	-0.02	0.22	0.67	3.98	3.77	11.83
GEF	..	..	..	..	..	0.02	0.23	0.25
Global Fund	..	..	..	..	3.16	3.49	5.52	12.17
IDA	8.24	17.14	25.99	11.28	8.01	11.77	10.68	93.11
IFAD	-0.44	-0.07	-0.09	-0.04	-0.07	0.27	3.35	2.91
IMF (SAF,ESAF,PRGF)	4.63	5.88	..	..	-0.81	-1.6	-2.78	5.32
UNDP	0.42	0.59	0.25	0.75	0.67	0.74	0.67	4.09
UNFPA	0.54	0.51	0.35	0.3	0.44	0.66	0.75	3.55
UNHCR	2.13	2.99	2.8	3.41	3.35	2.66	0.93	18.27
UNICEF	0.78	0.69	0.56	0.86	0.79	0.84	2.83	7.35
UNTA	0.84	1.23	1.59	1.36	1.84	0.99	1.38	9.23
WFP	1.29	2.59	0.84	1.51	1.8	1.09	2.24	11.36
GEF	..	..	..	..	..	0.02	0.23	0.25
Global Fund	..	..	..	..	3.16	3.49	5.52	12.17
Total-Multilateral	28.42	38.72	39.36	27.23	26.62	29.52	42.64	232.51
All Donors, Total	56.35	77.67	78.8	64.12	79.25	120.68	118.19	595.06
DAC Countries, Total	28.09	36.86	37	39.42	53.63	89.47	75.46	359.93
DAC EU Members, Total	23.9	28.26	24.46	25.7	37.96	73.04	60.8	274.12
G7, Total	27.06	36.1	36.97	39.35	51.85	88.37	72.46	352.16
Non-DAC Countries, Total	-0.15	2.09	2.44	-2.53	-1	1.71	0.1	2.66

Source: OECD DAC Online database, Table 2a. Destination of official Development Assistance and official Aid- Disbursements as of February 09, 2009

Annex Table 7: Economic and Social Indicators

Series Name	Djibouti					Ave	Ethiopia	Cape Verde	Burkina Faso	Mauritania
	2004	2005	2006	2007	2008 ⁴		Ave 2004-2007			
Growth and Inflation										
GDP growth (annual percent)	3.8	3.2	4.8	4.0	5.9	3.9	11.8	5.9	4.6	6.1
GDP per capita growth (annual percent)	2.0	1.4	3.0	2.2	3.4	2.6	9.0	3.5	1.3	3.2
GNI, PPP (current international \$)	1,940.0	2,020.0	2,180.0	2,260.0	..	2,100.0	667.5	2042.5	340.0	682.5
GNI per capita, Atlas method (current US\$)	950.0	1000.0	1060.0	1090.0	..	1025.0	177.5	2610.0	960.0	1845.0
Agriculture, value added (percent of GDP)	3.6	3.5	3.5	3.9	..	3.6	46.3	9.1	32.9	18.7
Industry, value added (percent of GDP)	16.6	16.6	16.4	16.9	..	16.6	13.3	16.2	23.2	38.0
Services, etc., value added (percent of GDP)	79.8	79.9	80.1	79.3	..	79.7	40.5	74.8	44.0	43.3
Macroeconomic Indicators										
Gross fixed capital formation (percent of GDP)	21.5	19.0	29.6	38.3	..	27.1	24.4	38.3	18.0	35.1
Gross domestic savings (percent of GDP)	4.3	8.6	12.1	17.8	..	10.7	4.6	3.2	3.2	4.9
Official exchange rate (LCU per US\$, period average)	177.7	177.7	177.7	177.7	..	177.7	8.7	86.5	514.5	265.5
Gross national expenditure (percent of GDP)	117.2	110.3	117.4	120.5	..	116.4	119.8	135.1	114.8	130.2
External Accounts										
Exports of goods and services (percent of GDP)	37.0	40.6	39.9	58.3	36.9	43.9	14.2	17.8	10.8	44.7
Imports of goods and services (percent of GDP)	54.2	50.9	57.3	78.8	71.6	60.3	34.0	52.9	25.6	74.9
Current account balance (percent of GDP)	0.5	2.8	-2.2	..	..	0.3	-10.4	-7.5	..	..
Total debt service (percent of GNI)	2.4	1.9	2.6	..	..	1.7	0.9	3.0	0.9	3.5
External debt, total (percent of GNI)	57.0	53.1	54.3	..	..	41.1	47.8	56.1	31.7	108.4
Gross domestic savings (percent of GDP)	4.3	8.6	12.1	17.8	..	10.7	24.4	3.2	3.2	4.9
Gross fixed capital formation (percent of GDP)	21.5	19.0	29.6	38.3	..	27.1	15.3	38.3	19.8	35.1
Foreign Direct Investment (percent of GDP)	5.8	3.2	8.3	21	..	..	..	..	..	..
Government Finance										
Total revenue (percent of GDP) ⁵	..	37.1	34.9	35.1	32.9	20.3	..	..	..	..
Revenue, excluding grants (percent of GDP)	..	20.0	20.3	20.5	18.4	15.3	..	..	..	..
Public Expenditures (percent of GDP)	..	36.8	37.4	37.7	34.5	36.6	..	..	..	..
Stock of external public debt, total (percent of GDP)	..	62.0	56.6	59.3	58.9	59.2	..	..	..	..
Wage bill (percent of GDP) and related expenditures	..	13.4	13.1	12.4	11.5	13.0	..	..	..	..
Education Expenditures (percent of GDP) ⁶	4.5	6.0	5.5	5.6	..	4.3	..	..	..	..
Health Expenditures (percent of GDP)	5.1	6.9	5.2	5.5	..	4.4	..	..	..	..
Transfers (percent of GDP)	..	2.6	3.3	3.1	2.9	1.3	..	..	..	..
Social Indicators										
Health										
Life expectancy at birth, total (years)	..	54.2	54.5	..	..	54.3	52.3	70.9	51.7	63.6
Immunization, DPT (percent of children ages 12-23 months)	64.0	71.0	72.0	..	..	69.0	69.0	72.5	93.0	69.7
Improved sanitation facilities (percent of population with access)	..	..	67.0	..	..	67.0	11.0	..	13.0	24.0
Improved water source (percent of population with access)	..	..	92.0	..	..	92.0	42.0	..	72.0	60.0
Mortality rate, infant (per 1,000 live births)	..	88.0	86.2	..	..	87.1	78.6	25.5	121.1	77.9
Population										
Population growth (annual percent)	1.7	1.7	1.8	1.8	..	1.7	2.5	2.2	2.9	2.5
Population, total (Million)	0.79	0.80	0.82	0.83	..	0.81	79.1	0.5	14.9	0.3
Urban population (percent of total)	85.5	86.1	86.5	86.9	..	86.3	16.7	58.9	18.7	40.8
Education										
School enrollment, preprimary (percent gross)	1.9	1.1	1.8	..	..	1.6	2.9	53.2	2.0	1.9
School enrollment, primary (percent gross)	39.9	41.5	44.1	..	..	41.9	90.8	105.7	59.8	100.0
School enrollment, secondary (percent gross)	16.7	18.1	18.0	..	..	17.6	30.5	80.2	14.5	24.1
School enrollment, tertiary (percent gross)	1.9	1.1	1.8	..	..	1.6	2.7	7.9	2.3	3.3
School enrollment, tertiary (percent gross)	1.5	2.2	2.4	..	..	2.0	2.9	53.2	2.0	1.9

Source: WB DDP as of February 12, 2009, IMF Staff Report, September 2008

⁴ Projections by the IMF Staff report, and its statistical annexes, September 2008

⁵ Excluding the French contribution

⁶ Expenditures are foreign and locally-financed

Annex Table 8: Millennium Development Goals

	1990	1995	2000	2007
Goal 1: Eradicate extreme poverty and hunger				
Employment to population ratio, 15+, total (percent)	..	..	..	..
Employment to population ratio, ages 15-24, total (percent)	..	..	..	..
Income share held by lowest 20 percent	..	6.4	6.0	..
Malnutrition prevalence, weight for age (percent of children under 5)	..	..	..	25.6
Poverty headcount ratio at national poverty line (percent of population)	..	..	..	..
Prevalence of undernourishment (percent of population)	53	38	..	..
Vulnerable employment, total (percent of total employment)	..	..	..	..
Goal 2: Achieve universal primary education				
Literacy rate, youth female (percent of females ages 15-24)	..	..	..	..
Primary completion rate, total (percent of relevant age group)	32	30	28	35
Total enrollment, primary (percent net)	..	..	27	35
Goal 3: Promote gender equality and empower women				
Proportion of seats held by women in national parliament (percent)	0	0	0	11
Ratio of female to male enrollments in tertiary education	0	..	89	68
Ratio of female to male primary enrollment	72	..	73	81
Ratio of female to male secondary enrollment	66	..	66	67
Ratio of young literate females to males (percent ages 15-24)	..	..	..	..
Share of women employed in the nonagricultural sector (percent of total nonagricultural employment)	..	..	26.7	..
Goal 4: Reduce child mortality				
Immunization, measles (percent of children ages 12-23 months)	85	41	50	67
Mortality rate, infant (per 1,000 live births)	116	106	97	86
Mortality rate, under-5 (per 1,000)	175	161	147	130
Goal 5: Improve maternal health				
Adolescent fertility rate (births per 1,000 women ages 15-19)	..	31	30	24
Births attended by skilled health staff (percent of total)	..	..	..	93
Contraceptive prevalence (percent of women ages 15-49)	..	..	9	18
Maternal mortality ratio (modeled estimate, per 100,000 live births)	..	..	..	650
Pregnant women receiving prenatal care (percent)	..	..	..	96
Unmet need for contraception (percent of married women ages 15-49)	..	..	..	22
Goal 6: Combat HIV/AIDS, malaria, and other diseases				
Children with fever receiving antimalarial drugs (percent of children under age 5 with fever)	..	..	..	10
Condom use, population ages 15-24, female (percent of females ages 15-24)	..	..	..	..
Condom use, population ages 15-24, male (percent of males ages 15-24)	..	..	..	..
Incidence of tuberculosis (per 100,000 people)	576	640	712	809
Prevalence of HIV, female (percent ages 15-24)	..	..	..	2.1
Prevalence of HIV, total (percent of population ages 15-49)	..	..	3.1	3.1
Tuberculosis cases detected under DOTS (percent)	..	93	61	40
Goal 7: Ensure environmental sustainability				
Annual freshwater withdrawals, total (percent of internal resources)	..	..	6.3	..
CO2 emissions (kg per PPP \$ of GDP)	0.3	0.3	0.3	..
CO2 emissions (metric tons per capita)	0.6	0.6	0.5	..
Forest area (percent of land area)	0	..	0	0
Improved sanitation facilities (percent of population with access)	..	..	65	67
Improved water source (percent of population with access)	76	78	83	92
Goal 8: Develop a global partnership for development				
Aid per capita (current US\$)	345	168	98	143
Debt service (PPG and IMF only, percent of exports of G&S, excl. workers' remittances)	4.0	5.0	6.1	6.4
Internet users (per 100 people)	0.0	0.0	0.2	1.3
Mobile phone subscribers (per 100 people)	0.0	0.0	0.0	5.4
Telephone mainlines (per 100 people)	1.0	1.2	1.3	1.3
Other				
Fertility rate, total (births per woman)	6.1	5.4	4.8	4.1
GNI per capita, Atlas method (current US\$)	850	820	760	1,090
GNI, Atlas method (current US\$) (billions)	0.5	0.5	0.6	0.9
Gross capital formation (percent of GDP)	14.1	8.4	8.8	38.3
Life expectancy at birth, total (years)	51	53	53	54
Literacy rate, adult total (percent of people ages 15 and above)	..	..	..	..
Population, total (millions)	0.6	0.6	0.7	0.8
Trade (percent of GDP)	132.3	90.4	85.4	137.1

Source: World Development Indicators database

Annex Table 9- Djibouti: Summary of Achievements of CAS Objectives			
Pillar I: Enhance fiscal consolidation and economic competitiveness			
Objectives		Actual results	Comments
(i) Enhance fiscal consolidation		Bank funded part of the needed analytical work, but reforms stagnated.	No progress
(ii) Restore competitiveness of the utilities sector		Bank funded one study, but main reforms have yet to be undertaken.	No progress
(iii) Upgrade the transport and transit infrastructure		Bank contribution was minimal, as road corridor rehabilitation was achieved during the previous CAS. Real impact came from FDI.	No progress
Objectives	Target outcomes	Actual results	Comments
(i) Enhance fiscal consolidation	<ul style="list-style-type: none"> Maintain a fiscal deficit of about 2% through improved tax system, improved expenditure efficiency and effectiveness: 	Deterioration of the fiscal deficit from 0.2 percent in 2005 to 2.6 percent of GDP in 2007.	Deterioration
	<ul style="list-style-type: none"> Reduce the ratio of the nominal civil servant salary to the GNI per capita: The ratio of civil service salary to GNI per capita was about 10 times. 	<ul style="list-style-type: none"> The CAS had no benchmarks for this outcome No salary cut during the CAS period. The ratio of civil service salary to GNI per capita remained the same. A specific project (Second Fiscal Consolidation Credit) and a specific ESW (<i>Economic and Social Impact of Public Wage Bill reform</i>) that were supposed to address the issue were dropped. A CEM and other studies provided recommendations on alternatives to address the high level of the wage bill 	No progress
	<ul style="list-style-type: none"> Expenditure restructuring⁷ : Status in 2005 as a percentage of GDP was as follows: - Wage bill and related expenditures: 13.4 , - Education expenditures: 6.0, - Health expenditures: 6.9, - Transfers: 2.6 	<ul style="list-style-type: none"> The CAS had no benchmarks for this outcome Status in 2007 as a percentage of GDP was as follows: -Wage bill and related expenditures 13.1, Education expenditures: 5.5, Health expenditures: 5.6, -Transfers: 3.1 A CEM, a PER and a CFAA provided recommendations pertaining to the public expenditure reallocation 	No progress
	<ul style="list-style-type: none"> Continued settlement of internal arrears: Stock of domestic arrears was about 23 percent of GDP in 2005 	<ul style="list-style-type: none"> The CAS had no benchmarks for this outcome Stock of domestic arrears was reduced to 17 percent of GDP in 2007. However, domestic arrears reduction was facilitated by further external borrowing. Consequently, neither the country external situation nor the overall fiscal deficit was improved by domestic arrears reduction. 	Limited progress. While the stock of domestic arrears declined, the overall indebtedness of the government increased with the fiscal imbalance, weakening the chances of debt sustainability. (See below)
	<ul style="list-style-type: none"> Maintain a sustainable external debt:: Total external debt in terms of GNI was 57.0 percent in 2004 External service to revenue was 3.4 in 2004 	<ul style="list-style-type: none"> The CAS had no benchmarks for this outcome Total external debt in terms of GNI was about 60 percent of GDP percent in 2004. External service to revenue was 5.5 in 2008 Djibouti was declared in external debt distress in 2007, and since then it can only be eligible to IDA grants. 	No progress

⁷ See Annex table 7 for details on expenditures

Objectives	Target outcomes	Actual results	Comments
(ii) Restore competitiveness of the utilities sector	Restore financial viability of utilities companies		No progress
	<ul style="list-style-type: none"> • Restructuring of water, energy and telecommunications utilities: 		No progress
	<ul style="list-style-type: none"> • Institutional and regulatory reform in the water, energy and telecommunications companies 	<ul style="list-style-type: none"> • The CAS had no benchmarks for this outcome • Updated information not available in CASCR 	No progress
	<ul style="list-style-type: none"> • Rehabilitation of networks, and protection of resources. 	<ul style="list-style-type: none"> • The CAS had no benchmarks for this outcome • Updated information not available in CASCR 	No progress
	<ul style="list-style-type: none"> • Exploring new resources for water supply and power generation. 	<ul style="list-style-type: none"> • The CAS had no benchmarks for this outcome • Extension of electricity system to the poor underway and piloting of a wind farm 	No progress
	<ul style="list-style-type: none"> • Reduce energy and water prices: - CAS implicitly aimed to reach the MENA average of US\$ 0.07/kWh and US\$0.28/m3, respectively for electricity and water 	<ul style="list-style-type: none"> • No steps taken to reduce high power costs or to restructure the power utility • Power and water project was restructured and served to other ends • Updated Information of utilities prices not available • An analytical study in the energy sector with recommendations was completed 	No progress
	<ul style="list-style-type: none"> • Reduce tariffs for telephone and communications services. 	<ul style="list-style-type: none"> • The CAS had no benchmarks for this outcome • Updated information of prices of telephone and communications services not available 	No progress
<ul style="list-style-type: none"> • Reduce high labor costs: • Reduce the ratio of the nominal civil servant salary to the GNI per capita. • The ratio of employees salaries in the public utilities to GNI per capita was about 10 times 	<ul style="list-style-type: none"> • The CAS had no benchmarks for this outcome • No salary cut during the CAS period. • The ratio of employees' salary for utilities to GNI per capita remained the same. • Labor code adopted in 2005, but not yet implemented; 	No progress	
(iii) Upgrade the transport and transit Infrastructure	Modernize the Port of Djibouti and develop the Djibouti-Addis Abba transport corridor:		Some progress
	<ul style="list-style-type: none"> • Rehabilitation of the road corridor linking Djibouti and Addis Ababa. The CAS target was to reduce trucks operating costs by 40% 	<ul style="list-style-type: none"> • The CAS had no benchmarks for this outcome. • Major work related to this outcome was completed during the previous CAS and was rated Satisfactory. However the link to the current Bank CAS outcomes matrix is very loose. • A specific project (Ethiopia Rail Road Partial Risk Guarantee) that was supposed to contribute in the outcome achievement was dropped. • A \$427 million guarantee from MIGA in 2008 supports investments into a new container terminal 	Some progress on account of projects undertaken under the previous CAS.
Pre CAS Ongoing Lending	None	None	
New Lending	<ul style="list-style-type: none"> • Power and Water Project • Second Fiscal Consolidation Credit • Ethiopia Rail Road Partial Risk Guarantee 	P086379 Delivered in FY05, Latest PDO Rating: Satisfactory Dropped Dropped	

<p>Non-lending (No QAG during the CAS period)</p>	<p>Planned Transport Sector Review Public Expenditure Review (PER) Energy Poverty and Social Impact Analysis Country Procurement Assessment Report (CPAR)/Governance Country Financial Accountability Assessment (CFAA) Country Economic Memorandum (CEM) Country Portfolio Performance Review (CPPR) Non-planned Trust fund for Statistical capacity Building (TFSCB)</p>	<p>P084577, Delivered in FY05 P079415, Delivered in FY06 P086426, Delivered in FY07 P094858, Delivered in FY06 P094818 Delivered in FY04, P089668, Delivered FY07 P100189, Delivered in FY06</p>	
Pillar II: Human Resource Development and Poverty Alleviation			
Objectives		Actual results	Comments
(i) Accelerate school access and improvement		Bank contributed somewhat in increasing school access ratios that improved fairly during the CAS period	Good progress
(ii) Improve infant and maternal health care, and address HIV/AIDS		Bank contributed fairly in improving infant and maternal health care, and in addressing HIV/AIDS	Good progress
(iii) Employment generation and support to the poor		Bank helped creation of jobs in poor neighborhoods and subsidized services to the poor, but impact not precisely evaluated	Some progress
(iv) Improve social mobilization for gender and social issues		Bank support was minimal	No progress
Objectives	Target outcomes	Actual results	Comments
(i) Accelerate school access and improvement	Improve school access and quality ratios		
	<ul style="list-style-type: none"> Increased access and retention rates of the education system-The GER was at 52 percent in 2005 and the target was set at 73 percent by 2008. 	<ul style="list-style-type: none"> Gross enrolment rate reached 68 percent in school year 2007-08. 	Some progress
	<ul style="list-style-type: none"> Further reduce repetition and drop out 	<ul style="list-style-type: none"> The CAS had no benchmarks for this outcome target. Primary repetition was reduced from over 10 percent in 2005 to 4 percent in 2008 	Good progress
	<ul style="list-style-type: none"> Increased ratio of girls to total student population from 44% in 2003 to 48 in 2008 	<ul style="list-style-type: none"> Gender disparity index stood at 0.98 in 2006 and the ratio of girls to the total primary school population reached 47 percent in 2007. 	Good progress
<ul style="list-style-type: none"> Students 6-11 year old completing primary schooling from 55% in 2003 to 80 in 2008 	<ul style="list-style-type: none"> Completion rates have deteriorated to 35 percent for primary school due to high drop out rates in the second and last school years and high repetition in the 5th grade 	Deterioration	

Objectives	Target outcomes	Actual results	Comments
(ii) Improve infant and maternal health care, and address HIV/AIDS	Reduce infant and maternal mortality and HIV/AIDS propagation		
	<ul style="list-style-type: none"> Reduction of infant mortality rate to 85 per thousand live births in 2006 <ul style="list-style-type: none"> Increased immunization levels from 45 % in 2002 to 80% in 2008 	<ul style="list-style-type: none"> Infant mortality rate was reduced to 67 per 1000 live births in 2006; Vaccination rate for children 12-23 months increased from 45 percent to 71 percent between 2002 and 2008 	Good progress
	<ul style="list-style-type: none"> Reduction of maternal mortality rate to 570 per 100.000 live births in 2006 <ul style="list-style-type: none"> Increased health facilities that could use IMC1 protocols from zero in 2002 to 60% in 2008 	<ul style="list-style-type: none"> Proportion of births in health facilities increased from 40 percent in 2002 to 93 percent in 2008; 	Good progress
	<ul style="list-style-type: none"> At least 80 percent of the population is aware of at least 3 measures to prevent the transmission HIV/AIDS <ul style="list-style-type: none"> Increased distribution of condoms, from 115,000 per year in 2002 to 600,000 per year in 2008 	<ul style="list-style-type: none"> Updated data not available in CASCR 	Progress Unknown
(iii) Employment generation and support to the poor	Increased socio-economic activities in poorest neighborhoods		
	<ul style="list-style-type: none"> Rehabilitation of basic services 	<ul style="list-style-type: none"> The CAS had no benchmarks for this outcome Basic economic and social infrastructure improved through 80 projects in 21 neighborhoods 	Some progress
	<ul style="list-style-type: none"> Improve technical capacity of small local private contractors. 	<ul style="list-style-type: none"> The CAS had no benchmarks for this outcome Small and medium-scale enterprises developed capacity to undertake simple civil works projects ADETIP established as a public works agency with capabilities to undertake several donor-funded civil works and community development projects 	Some progress
	<ul style="list-style-type: none"> Provide support to the poor <ul style="list-style-type: none"> The CAS projected the creation of jobs in the range of 17,500 person-months 	<ul style="list-style-type: none"> CAS benchmarks were incomplete. Community development processes were introduced, and important programs in sanitation and literacy-development launched; 8,300 person-months of work was created 360 families in flood-prone areas were resettled Government provided small food-for-work schemes in urban areas; Government has reduced the consumption tax rate from 8 percent to 0 on five basic food items and has expanded food aid programs 	Some progress
(iv) Improve social mobilization for gender and social issues	Enhance gender ratios, and increase awareness on harmful social practices		
	<ul style="list-style-type: none"> Reducing the gender gap in schooling Gender disparity index stood at 0.98 in 2006; 	<ul style="list-style-type: none"> The CAS had no benchmarks for this outcome target The ratio of girls to the total primary school population reached 47 percent in 2007. 	Good progress
	<ul style="list-style-type: none"> Raise awareness against the female genital mutilation (FGM); 	<ul style="list-style-type: none"> The CAS had no benchmarks for this outcome No demonstrable progress registered on the problem of female genital mutilation (FGM). 	While the Government has made strong statements, the link with Bank interventions is unclear.

Objectives	Target outcomes	Actual results	Comments
<i>(Continued)</i> (iv) Improve social mobilization for gender and social issues	<ul style="list-style-type: none"> Raising awareness about the harmful effects of Qat; 	<ul style="list-style-type: none"> The CAS had no benchmarks for this outcome No demonstrable progress registered on the excessive Qat chewing A Household Assessment slated to inspire the dialogue on Qat was not carried out 	While the Government has made strong statements, the link with Bank interventions is unclear.
Pre- CAS	<ul style="list-style-type: none"> HIV/ AIDS, Malaria and TB Control First Social Development /Public works 	Delivered in FY03 Delivered in FY03	
Lending	<ul style="list-style-type: none"> Second School access and Improvement Education for all/Fast Track Initiative (EFA/FTI)-TF Second Social Development /Public works 	P086994, Delivered in FY06 P101445, Delivered in FY06 P088876, Delivered in FY08	
Non-planned Lending	<ul style="list-style-type: none"> Flood emergency rehabilitation Avian Influenza Control Global Food Crisis Response 	P104890, Delivered in FY07 P102 842, Delivered in FY07 P112017, Delivered in FY08	
Non-lending (No QAG during the CAS period)	<ul style="list-style-type: none"> Energy Poverty and Social Impact Analysis 	P086426, Delivered in FY06	
Pillar III: Promoting Good Governance			
Objectives		Actual results	Comments
(i) Ensure transparent and efficient management of public expenditure		The Bank funded the required analytical work, but reforms have yet to be undertaken	Unknown progress
(ii) Improve governance in the management of public resources		The Bank funded the required analytical work, but reforms have yet to be undertaken	Unknown progress
Objectives	Target outcomes	Actual results	Comments
(i) Ensure transparent and efficient management of public expenditure	Enhanced management of public resources	Information non available	
	<ul style="list-style-type: none"> Improved budget preparation and execution 	<ul style="list-style-type: none"> The CAS had no benchmarks for this outcome target Budget preparation improved, but current and investment budgets not yet integrated A PER and a CFAA provided analysis and recommendations on this matter 	Some progress
	<ul style="list-style-type: none"> Improved monitoring to ensure alignment between voted and actual budget and avoid arrears accumulation 	<ul style="list-style-type: none"> The CAS had no benchmarks for this outcome target. A PER and a CFAA provided analysis and recommendations on this matter. Updated information non available in CASCR 	Unknown progress
	<ul style="list-style-type: none"> Improved budget transparency through control and audit functions and parliamentary oversight 	<ul style="list-style-type: none"> The CAS had no benchmarks for this outcome target; Internal and external controls still weak but a better division of labor between budget control institutions (IGF, State Inspectorate and the Chamber of Accounts) has been established; A PER and a CFAA provided analysis and recommendations on this matter Updated information non available in CASCR 	Unknown progress

Objectives	Target outcomes	Actual results	Comments
(ii) Improve governance in the management of public resources	Upgraded oversight of public resources management		
	<ul style="list-style-type: none"> Updated procurement code and harmonized procurement procedures; 	<ul style="list-style-type: none"> The CAS had no benchmarks for this outcome target; New procurement code prepared, but not adopted; A PER and a CFAA provided analysis and recommendations on this matter 	Some progress
	<ul style="list-style-type: none"> Improved Customs management and staff trained on new customs information management tools. 	<ul style="list-style-type: none"> The CAS had no benchmarks for this outcome target No progress registered in improving custom's services 	No progress
Pre CAS	None	None	
Lending	Fiscal Consolidation Credit	Dropped	
Non-lending (No QAG during the CAS period)	<ul style="list-style-type: none"> PER CEM IDF CPAR IDF CFAA Country Portfolio Performance Review (CPPR) 	P079415, Delivered in FY05 P089668, Delivered in FY07 P094858, Delivered in FY06 P094818, Delivered in FY04, Delivered in FY07	
Additional Non-lending	<ul style="list-style-type: none"> TFSCB IDF for M&E systems 	P100189, Delivered in FY06 P11072, Delivered in FY08	