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**INTERNATIONAL DEVELOPMENT ASSOCIATION
INTERNATIONAL FINANCE CORPORATION
MULTILATERAL INVESTMENT GUARANTEE AGENCY**

**PERFORMANCE AND LEARNING REVIEW
OF THE COUNTRY PARTNERSHIP STRATEGY**

**FOR
THE REPUBLIC OF DJIBOUTI
FOR THE PERIOD FY14-FY17**

May 3, 2016

**Djibouti Country Management Unit
Middle East and North Africa Region
International Development Association**

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International Finance Corporation**

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ABBREVIATIONS AND ACRONYMS

AF	Additional Financing
AFD	<i>Agence Française de Développement</i>
AfDB	African Development Bank
ASA	Advisory Services and Analytics
CARAD	Comprehensive Approach to Risk Assessment in Djibouti
CPS	Country Partnership Strategy
DISED	Directorate of Statistics and Demographic Studies
DRDIP	Development Response to Displacement Impacts in the Horn of Africa Project
EDAM	<i>Enquête Djiboutienne Auprès des Ménages pour les Indicateurs Sociaux</i> (Djibouti Social Indicators Household Survey)
ESMAP	Energy Sector Management Assistance Program
ESW	Economic and Sector Work
EU	European Union
FAO	Food and Agriculture Organization
FIRST	Financial Sector Reform and Strengthening Initiative
GEF	Global Environment Facility
IDA	International Development Association
IFAD	International Food and Agricultural Development
IFC	International Finance Corporation
IMF	International Monetary Fund
JSDF	Japan Social Development Fund
MENA	Middle East and North Africa
MIGA	Multilateral Investment Guarantee Agency
PIU	Project Implementation Unit
PLR	Performance and Learning Review
PPP	Purchasing Power Parity or Public-Private Partnership
PRODERMO	<i>Projet de Développement Communautaire Rural et de Mobilisation des Eaux</i> (Rural Community Development and Water Mobilization Project)
RBF	Results-Based Financing
SMEs	Small and Medium Enterprises
SOE	State-Owned Enterprise
SORT	Systematic Operations Risk-Rating Tool
SSNP	Social Safety Net Project
TA	Technical Assistance
UMP	<i>Union pour la Majorité Présidentielle</i>
UNHCR	United Nations High Commission for Refugees
USN	<i>Union pour le Salut National</i>
WBG	World Bank Group

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I. INTRODUCTION

1. **The first joint IDA-IFC-MIGA Country Partnership Strategy (CPS) for FY14-17 for Djibouti was discussed by the Board of Directors in March 2014.** The CPS is anchored in the Government of Djibouti’s Vision 2035, a long-term development plan that focuses on economic integration, governance, and human development, and continues to guide Djibouti’s development focus today. The CPS reflects the understanding in Vision 2035 that Djibouti’s capital-intensive, public sector-dominated growth model is no longer sustainable and that new approaches are needed to address vulnerabilities and accelerate job creation for poverty reduction and shared prosperity. The CPS rests on two pillars—reducing vulnerability and strengthening the business environment—and focuses on institutional strengthening and gender as cross-cutting themes. The CPS was designed around an indicative IDA envelope of US\$25 million.

2. **This Performance and Learning Review (PLR) assesses progress toward achieving CPS outcomes, draws lessons from implementation, and provides an updated results framework for the remainder of the CPS period.** Good progress has been made toward achieving CPS outcomes in the first pillar, thanks to a robust portfolio of well-performing projects. Results under the second pillar have been mixed, with two ongoing projects still in the early stages of implementation and one planned project on telecommunications reform failing to materialize due to low government commitment.

3. **It is proposed that the CPS period be extended by one year, through FY18, to allow sufficient time to incorporate upcoming household-level poverty statistics into country plans and programs.** Djibouti’s next household income and expenditure survey (*Enquête Djiboutienne Auprès des Ménages pour les Indicateurs Sociaux*, EDAM) will be implemented in 2017. The data collected through this survey would provide a firmer foundation for the preparation of a Systematic Country Diagnostic (SCD) in FY18—which will provide the analytical underpinnings of the next World Bank Group (WBG) Country Partnership Framework.

4. **This PLR proposes adjustments to the CPS to address Djibouti’s evolving needs and align more closely with the WBG’s new strategy for the Middle East and North Africa (MENA) region.**¹ Changes to the CPS are intended to strengthen the WBG’s response to emerging development challenges such as growing refugee and youth populations and enduring service delivery deficits. These challenges align with the key focus areas in the MENA strategy, particularly on renewing the social contract and boosting resilience to refugee and migration shocks. Under the first pillar of the CPS on reducing vulnerability, a new regional operation has been prepared to help improve access to social services, expand economic opportunities, and enhance environmental sustainability in communities hosting refugees in the Horn of Africa. The second pillar of the CPS will be revised from “strengthening the business environment” to “strengthening public and private sector capacity for service delivery,” with a view to addressing both public and private service delivery constraints more broadly. These changes reflect feedback provided during stakeholder consultations. The PLR has an indicative envelope of US\$31 million following the IDA-17 replenishment. In addition, it draws on about US\$18 million in regional IDA resources. The program for FY18 will depend on Djibouti’s IDA-18 allocation and remains flexible.

¹ World Bank. 2015. Economic and Social Inclusion for Peace and Stability in the Middle East and North Africa: A New Strategy for the World Bank Group. Washington DC: World Bank.

II. COUNTRY CONTEXT AND RECENT CHANGES

A. Political and Security Developments

5. **Djibouti has remained relatively peaceful in recent years, unlike other countries in this important yet unstable region, but it continues to face security challenges.** On May 24, 2014, an Al-Shabaab attack on a local restaurant frequented by foreign nationals killed a Turkish national and injured many foreigners and locals, underscoring the country's security challenges. Many operations against regional terrorist groups in Somalia or Yemen are planned and carried out from foreign military bases hosted by Djibouti, making the country a potential target of terrorist groups.

6. **Djibouti is negatively affected by regional instability.** In mid-2014, according to the United Nations High Commission for Refugees (UNHCR), Djibouti was hosting over 20,000 refugees and asylum seekers from Somalia, Ethiopia, and Eritrea, mainly in two camps in the south of the country (Ali-Addeh and Hol Hol). The protracted presence of refugees has exacerbated the effects of continuous droughts on host communities, putting enormous pressure on already-stretched social services, infrastructure, natural resources, and economic opportunities.

7. **The war in Yemen has intensified refugee pressures in Djibouti.** Only 28 kilometers separate Djibouti's shores from Yemen and, since the beginning of the conflict in Yemen in 2015, an estimated 30,600 people of mixed nationalities have arrived in Djibouti.² Third-country nationals were evacuated to their home countries by their respective embassies. Of the 6,179 remaining refugees registered, 2,829 are sheltered in the new Markazi refugee camp in the north and 3,350 are living in the town of Obock and in the capital, Djibouti-Ville, as of September 2015.

8. **Legislative elections were held in February 2013 and, according to published results, the opposition won 10 out of 65 seats.** The opposition contested these results, however, and refused to participate in parliament. A framework agreement was finally signed in December 2014 between the coalition in power, united under the umbrella *Union pour la Majorité Présidentielle* (UMP), and the opposition, united under the umbrella *Union pour le Salut National* (USN), which brought opposition parliamentarians back to the National Assembly in January 2015. This agreement created a two-party parliament for the first time since the country gained independence in 1977.

9. **Presidential elections took place on April 8, 2016.** On March 12, 2016, the Constitutional Council approved the applications of six presidential candidates, including President Guelleh (under the UMP ruling coalition), two candidates running under the banner of the USN opposition coalition, and three independent candidates. According to results announced by the Ministry of the Interior, President Guelleh won the presidential elections with 86.7 percent of the votes. The opposition coalition (USN) candidate, Omar Elmi Khaireh, came second with 7.32 percent of the votes. Overall, calm prevailed in the country during the elections.

² UNHCR, May 2015.

B. Recent Economic Developments

10. **The private and public investment boom in port-related capital-intensive activities continues to spur growth in Djibouti.** Although national accounts data are limited in Djibouti,³ it is estimated that real GDP grew by about 6.5 percent in 2015–16, up from 6 percent in 2014 and 5 percent in 2013, and is projected to reach 7 percent in 2017–19. This is driven in large part by high aggregate investment, estimated at about 57 percent of GDP, on average, in 2015–2016. FDI inflows are expected to be roughly 8.6 percent of GDP over the same period. Despite the strong pace of growth, inflation is estimated to have been contained at about 3 percent in 2015 and is projected to reach an average of 3.5 percent over 2016–18, thanks in part to the currency board system. Weaknesses in the system of national accounts preclude the analysis needed to understand the quality of growth, to assess the fiscal impact of investment, or to tackle the serious debt sustainability concerns they raise.

11. **Recourse to publicly and externally financed investments is reflected in growing twin deficits.** The fiscal deficit grew to 16.5 percent of GDP in 2015 from 12.2 percent in 2014, but is expected to narrow to an estimated 11.4 percent in 2016 with the softening of capital expenditures. Similarly, the external deficit soared to an estimated 31 percent of GDP in 2015 from 25.6 percent in 2014, but is expected to shrink to 14 percent in the medium term (2016–19) as imports of capital goods slow. Foreign reserves remain strong at an estimated US\$350 million in 2015 (covering 3.6 months of imports and 109 percent of the currency board) and are projected to rise to US\$399 million in 2016 (covering 4.1 months of imports and 105 percent of the currency board). However, the commercial bank loan portfolio has deteriorated and nonperforming loans are on the rise, topping 22 percent in June 2015.

12. **Fiscal and external debt sustainability pressures are intensifying with the approaching completion of disbursements from two large nonconcessional loans contracted in 2013.** Total public and publicly guaranteed debt is projected to peak at 79.6 percent of GDP in 2017—a significant increase from 52.5 percent in 2014–15—and this poses risks to the country’s debt sustainability. Moreover, the proposed tax exemption for many activities that support growth could lower fiscal revenues, thus reducing domestic revenues as a percentage of GDP. Financing of the fiscal deficit relies mainly on external sources (estimated at about 87 percent of the fiscal budget deficit in 2015).

13. **Macroeconomic risks remain high.** Growth and macroeconomic stability remain subject to substantial risks such as delays in construction, inefficient management of new infrastructure, adverse economic events in countries on which Djibouti depends economically, regional security developments, and domestic social and political instability. In addition, the commercial dispute with DP World over a port concession could lower investor confidence. Further degradation in the fiscal and debt situation and delays in the agreement on a new Extended Credit Facility program with the International Monetary Fund (IMF), resulting from the contracting of two nonconcessional loans, could affect the quality of macroeconomic management and exacerbate risks to growth and stability. Already, aggregate investment is projected to drop from 60.1 percent of GDP in 2015 to 33.4 percent by 2017 as ongoing investment projects wind down.

³ Djibouti does not independently produce GDP figures on a regular basis. These are generally estimated during IMF Article IV missions, held once or twice per year. Data on sectoral contributions to GDP are nonexistent.

C. Poverty Reduction and Shared Prosperity

14. **Djibouti has enjoyed high rates of economic growth in the past decade, but its capital-intensive, public-sector-led approach to growth has not alleviated high levels of poverty or unemployment.** Government data from 2013,⁴ which were not available at the time the CPS was published, indicate that more than one-fifth of the population lives in extreme poverty and cannot cover basic food needs. This rate is higher in rural regions, at an estimated 44 percent. When poverty calculations take into account both food and nonfood necessities, the associated poverty rates are estimated to be 40.7 percent nationally, and 62.5 percent for rural areas. The Ali Sabieh and Obock regions show the highest levels of poverty, at 77.8 and 79.7 percent, respectively. These results reflect the meager progress achieved in social inclusion and the lack of mitigation measures in response to regional disparities.

15. **High rates of poverty despite robust growth reflect the dampening effect of high inequality in household consumption.** In 2013, a government study estimated the Gini index at 0.44, a slight increase from 0.40 in 2002. Inequality is higher in Djibouti than in lower-middle-income countries (0.414 on average for 2005–12).⁵ Other work using 2012 data highlighted wide differences in standards of living across Djibouti, where households in the top 20 percent of the population spend on average more than eight times the amount consumed by households in the bottom 40 percent. Owing to the scarcity of household-level poverty data, it is not yet possible to track the incomes of those in the bottom 40 percent and thus to understand Djibouti's progress in promoting shared prosperity. The Bank's technical assistance planned in FY17 will start to help addressing some of the data gaps.

16. **The structure of growth—given that it is driven by capital intensity, foreign borrowing, and rents from the port and from foreign military bases—has not helped generate enough jobs for Djiboutians.** Unemployment is estimated at 48 percent nationwide, and estimates suggest that over 70 percent of young people under the age of 30 are unemployed. Yet the work made available through port-related activities requires higher-skilled labor in smaller amounts than would be needed to absorb the abundance of low-skilled laborers in Djibouti. As pointed out in the CPS, the pace of job creation will need to double in order to even begin to tackle unemployment, and demographic pressures will only intensify as a young and increasingly well-educated population enters the labor market. The country will need to address the problem of inadequacy between the demand and the supply for skilled labor. The Bank is working with the Ministry of Education and Vocational Training to reinforce their capacity, enhance their communication with the private sector, and better link training with market demands.

17. **The emerging economic picture calls for renewing the social contract between the state and its citizens.** It points to the need to fundamentally rethink the role of the state and to shift from capital-intensive to labor-intensive, job-creating development; from a rent-seeking economic system to one of competitive gains; from the provision of low-quality social services to those that create meaningful human capital and skills for higher productivity; and from limited voice and accountability to active involvement of citizens in the development process. Such a shift would require inclusive development that unshackles the constraints to private-sector-led job creation, especially for low-skilled workers, and provides

⁴ These estimates are based on data from the *Enquête Djiboutienne Auprès des Ménages pour les Indicateurs Sociaux-Budget et Consommation* (EDAM-BC) 2013, and developed by the Directorate of Statistics and Demographic Studies and the African Development Bank. The poverty line is defined at 77,843 Djibouti francs per person per year, or about US\$1.97 per day in terms of 2011 purchasing power parity (PPP). This per-capita figure was obtained using an adjustment factor, as Djibouti's official poverty line is based on an adult equivalent measure.

⁵ The Gini coefficient measures the dispersion of wealth, with 0 percent indicating perfect equality and 1 indicating maximum inequality.

opportunities for all. Improved governance through the creation of inclusive institutions, promotion of voice and accountability, and development of efficiency and transparency in public sector institutions will be critical to support inclusive development.

18. **Achieving a better understanding of the nature of poverty and the quality of growth in Djibouti would require better data.** The country's poverty monitoring system could be improved through critical amendments to the household survey instrument and protocols, including efforts to incorporate vulnerable population groups that are often excluded from existing household surveys, improved measurement of expenditures on and ownership of certain goods, and better methods for addressing seasonality and long recall periods.

19. **The combination of high poverty, inequality, and unemployment in a context of high growth, together with the influx of refugees escaping regional conflicts, exacerbates Djibouti's vulnerability and impairs human development.** Inequalities in social outcomes are highly pronounced, particularly in rural areas and among poor people. While overall female literacy is 39.5 percent, the literacy rate for women in rural areas is only 9 percent. Only 40 percent of primary school-aged girls and 24 percent of secondary school-aged girls go to school in rural areas, and primary school completion rates are lower for poor girls than nonpoor girls. Djibouti has the highest maternal mortality ratio in the region, owing to a lack of access to emergency obstetric services and a high fertility rate—both problems concentrated in rural areas and among poor people. Over 30 percent of Djiboutian children are stunted, with irreversible, long-term, and multigenerational health and economic consequences. It is estimated that Djibouti failed to meet its Millennium Development Goals by 2015, with the possible exception of ensuring environmental sustainability by improving access to improved water sources (Annex 4). In light of current service delivery deficits, it will be a challenge for Djibouti to reach the new Sustainable Development Goals (SDGs) for 2030.

20. **Private sector development continues to be constrained by rigid and cumbersome procedures and high costs for key factors of production.** *Doing Business 2016* ranks Djibouti 155th among 189 countries on overall ease of doing business (up from 171st in 2013). Costs for inputs such as energy, labor, telecommunications, and land remain prohibitively high. Initial regulatory measures implemented in 2013 to improve business registration have slowed considerably. Despite constituting the majority of enterprises in Djibouti, small and medium enterprises (SMEs) continue to struggle to access financing due to high collateral requirements, high interest rates, and terms that are not suited to their needs. According to the third EDAM survey (2012), structured private sector contributions to job creation amount to about 20 percent, compared to 39 percent from the informal sector and 41 percent from state employment. The high cost of business registration and the complexity of the country's fiscal system impede the movement of businesses from the informal sector to the formal sector, and by extension job creation.

21. **Continued weaknesses in most areas of public sector management thwart the types of governance improvements needed to bolster private sector development and job creation.** According to Country Policy and Institutional Assessment indicators, Djibouti ranks below the average for IDA countries on property rights and rule-based governance; quality of budget and financial management; quality of public administration; and transparency, accountability, and corruption in the public sector. Accountability is weak throughout the service delivery chain and across sectors, and citizens have little voice with respect to service delivery performance. Corruption remains problematic, with Djibouti ranking 99th out of 167 countries on Transparency International's 2015 Corruption Perceptions Index. The Anti-Corruption Commission established in December 2015 lacks capacity and is not yet operational. In the area of public financial management, many recommendations from a Country Financial Accountability

Assessment in 2003 and a Public Expenditure and Financial Accountability review in 2011 have yet to be implemented, and improvements are needed in line ministry budget execution, cash planning, coordination among audit and control bodies, and accounting and reporting. In 2011, the government embarked on an ambitious civil service and public administration reform program to address persistent weaknesses such as overstaffing and lack of attention to merit and performance, but reform implementation has been slow.

III. SUMMARY OF PROGRAM IMPLEMENTATION

A. Progress toward CPS Objectives

22. **Performance of the CPS program has been mixed, with better progress in achieving outcomes under the first pillar than those under the second pillar.** Projects proposed under the CPS have all been delivered with the exception of the telecommunications project. Of 23 outcome indicators included in the original results framework, nine have been achieved and five more are on track for completion by the end of the CPS period. Eight of seventeen CPS outcomes outlined under the first pillar have been achieved, whereas only one of six targets under the second pillar has been reached. The outcome on telecommunications reform is being dropped, as the relevant project is no longer going forward, and three indicators that have not yet been achieved are being replaced with those that align more closely with current project interventions. The WBG will continue to look for opportunities to support the cross-cutting themes of institutional strengthening and gender during the remainder of the CPS period, including in new interventions. Following is a brief assessment of the performance of the CPS program, by pillar; more details can be found in Annex 3.

23. **Pillar 1: Reducing Vulnerability.** The good progress made in achieving results under this pillar results from a robust portfolio, including projects on social safety nets, rural community development and water mobilization, health, and urban poverty reduction—all of which have progressed well over the CPS period.

- *Improved institutional capacity to reach the poorest and most vulnerable:* Most targets have been achieved or exceeded. A poverty and gender diagnostic study has been carried out. Efforts to strengthen poverty and gender statistics are on track for achievement by the end of the CPS period. The WBG is working closely with the Government of Djibouti's Directorate of Statistics and Demographic Studies (DISED) and with the African Development Bank (AfDB) to develop an implementation strategy for the EDAM 2017, with a view to producing more reliable indicators—at the national level and disaggregated by region, gender, vulnerability status, and other considerations—and track them more consistently so that they can inform policy making and the development debate.
- *Strengthened education system management:* The production of annual education statistical reports has been achieved.
- *Improved utilization of good-quality maternal and child health care services and communicable disease control programs:* The share of HIV-positive pregnant women receiving antiretroviral therapy has increased, exceeding the CPS target. The target on skilled birth attendance has not been achieved and is being adjusted to include only rural areas, thus ensuring consistency with plans and targets under ongoing WBG interventions. The target on the share of children immunized will be adjusted to align with current project targets.
- *Increased access to basic infrastructure in disadvantaged rural and urban areas:* Targets on increasing secure access to drinking water, improving the share of female subproject beneficiaries in Quartier 7, and boosting the number of income-generating activities targeting women have been

achieved. The target on the share of funded subprojects completed by women's organizations is on track to be achieved by the end of the CPS period. This activity will be financed through a project on urban poverty reduction. Targets on road improvements and community development beneficiaries in Quartier 7 are being adjusted to ensure consistency with WBG interventions.

- *Improved assessment of natural disaster risk and vulnerability*: Targets in this area have not been achieved. In 2013, the Comprehensive Approach to Risk Assessment in Djibouti (CARAD) program was launched to help strengthen institutional capacity by developing an early warning system, updating emergency plans and protocols, establishing a network of five hydrometeorological stations, and assessing Djibouti-Ville's vulnerability to earthquakes and flash floods. In response, the WBG program developed decision-making tools to reduce housing vulnerability, including housing sector diagnostics, a national strategy on housing, self-construction guides, and a study on priorities and implementation challenges. CARAD is awaiting approval by the council of ministers and is expected to be operational during the CPS period.

24. **Pillar 2: Strengthening the Business Environment.** Results under this pillar have been mixed, owing largely to a slow start on two new projects and the failure of a third planned project to materialize.

- *Improved access to affordable electricity*: The target on increasing household access to electricity was achieved, but the remaining three outcomes have seen delays owing to a slow start in project implementation. Implementation of the Geothermal Power Generation Project is beginning to pick up, and the remaining targets are expected to be achieved by the end of the CPS period.
- *Telecommunications reform*: The project foreseen in the CPS did not materialize owing to a lack of government commitment; this outcome is therefore being dropped.
- *Improved investment climate in selected areas*: Targets in this area are on track to be achieved. Progress was registered through continued work with the Djibouti's construction permit agency, as measured by the latest iteration of the joint World Bank-IFC *Doing Business* report.

25. **Following the CPS focus on gender as a cross-cutting theme, gender equity is addressed in the design and implementation of operations in the social protection, education, urban and rural development, and health sectors.** Project results frameworks include both qualitative and quantitative outcomes ranging from improving women's access to water and better health services to strengthening their capacity and means to participate in income-generating activities.

B. Portfolio Performance

26. **As of March 2016, the active portfolio for Djibouti comprises seven IDA projects, for a total commitment of US\$45 million and with an undisbursed balance of about US\$24 million.** WBG teams have continued to leverage IDA resources through trust funds, both recipient- and Bank-executed, with a net commitment value of about US\$24 million as of March 2016. Trust-funded activities are fully aligned with, and complementary to, the IDA-funded portfolio. IFC has no active investment portfolio in Djibouti. MIGA has supported one project in Djibouti thus far and continues to seek opportunities to support private sector investment through political risk guarantees.

27. **The WBG's portfolio in Djibouti is young and has suffered initial delays, but indications are that the pace of implementation will pick up.** The projects included in the current portfolio are relatively new. Implementation was slowed initially by the need to engage with new counterparts, but momentum is building. There are three problem projects in the portfolio. The multidonor Geothermal Power Generation

Project is showing improved performance, but is still in problem status.⁶ The Bank's two education projects need particular attention. They suffer from slow implementation, with a disbursement rate of 45 percent after three-and-a-half years for the Strengthening Institutional Capacity and Management of the Education System Project (US\$6 million grant) and 13 percent after two years for the Access to Quality Education Project (US\$3.8 million grant financed by the Global Partnership for Education). Low capacity and high turnover among key ministry personnel constitute the main impediments to successful implementation of these projects. The WBG continues to supervise these projects closely to ensure proactivity. Across the portfolio, the WBG will put additional emphasis on quality at entry of new projects and take an assertive approach to restructuring or cancelling projects that do not move forward.

28. **The WBG, in partnership with the authorities, is implementing a strategy to improve portfolio performance.** Several implementation challenges have been identified in biannual portfolio workshops, including frequent government reshuffles, difficult coordination among government institutions, low institutional capacity for procurement and planning, high turnover of project teams in sectoral ministries, and cumbersome bureaucratic procedures. Nevertheless, important results have been achieved in a number of ongoing and recently closed projects (Annex 5). Remedial measures have included fiduciary support in the form of procurement, financial management, and safeguards training to local companies through the Chamber of Commerce. These courses strengthen the private sector's understanding of effective procurement procedures and international best practices to help ensure that bids or audits submitted by local companies are adequate, complete, and in line with fiduciary requirements. In addition to reference tools such as public procurement guidelines, trainers have been trained to strengthen the capacity of stakeholders in various institutions. Hands-on and case-study-based training opportunities are provided to project implementation units (PIUs) through monthly procurement seminars. More frequent implementation support missions and management support are helping to strengthen the focus on implementation.

C. Evolution of Partnerships and Leveraging

29. **The WBG has expanded its technical and financial cooperation with Djibouti's key development partners during the CPS period.** In particular, the WBG is working closely with *Agence Française de Développement* (AFD) to cofinance the establishment of a legal and regulatory framework for public-private partnerships (PPPs); with the UNHCR, the European Union (EU), and the Food and Agriculture Organization (FAO) on responses to displacement and migration; with the International Fund for Agricultural Development (IFAD) on rural development and water mobilization; and with the AfDB on energy. The WBG also continues to work closely with the government of Japan on the implementation of Japan Social Development Fund (JSDF) grants.

30. **The WBG has expanded its internal collaboration.** The proposed new operation on Development Response to Displacement Impacts in the Horn of Africa (DRDIP) covers Djibouti, Ethiopia, and Uganda, and is the first regional IDA project addressing the spillover impacts of forced displacement

⁶ Seven donors contribute to the financing of the geothermal project. The AfDB financed the first activities, followed by AFD and then by IDA, the Global Environment Facility (GEF), and the Energy Sector Management Assistance Program (ESMAP). The project suffered initial delays in implementation as a result of changes in the AfDB task team and slow procurement and disbursement approvals owing to an underperforming PIU. It was thus flagged as a problem project. Over the last six months, however, significant positive changes have occurred at the level of the PIU, which is working well and intensively with the geothermal consulting company to issue a request for proposals for drilling services. The pace of project implementation is now expected to accelerate.

at the regional level. It is expected that this joint operation between the MENA and Africa regions will catalyze future collaboration on other critical cross-regional issues and operations.

31. **Collaboration across the WBG's Global Practices has increased during CPS implementation.** The Global Practices on Health, Nutrition, and Population and on Social Protection and Labor are collaborating through the Improving Health Sector Performance Project and the Social Safety Net Project (SSNP) to incentivize appropriate utilization of maternal and child health services offered at health facilities and to enhance the sustainability of community-based prevention activities. In addition, the Social Protection and Agriculture teams are collaborating through the SSNP and the Rural Community Development and Water Mobilization Project (PRODERMO) to ensure that community-based prevention activities addressing maternal and child health and nutrition will be extended in rural areas. The strong community structures put in place through PRODERMO will be leveraged to train community leaders and set up prevention activities for the SSNP. The Global Practices on Finance and Markets, Trade and Competitiveness, and Governance have worked together under the umbrella of the Governance for Private Sector Development Project, in consultation with IFC, to support the Djiboutian authorities in improving access to justice, and in assessing SME finance constraints and developing a partial credit guarantee instrument. The close collaboration among Global Practices is reflected in the country team's plan to take three new, complementary projects to the WBG's Board of Executive Directors in conjunction with this PLR (paragraph 46).

IV. EMERGING LESSONS

32. **Djibouti's weak governance framework and the poor performance of its public administration hamper successful project implementation, as well as overall economic and social development.** Despite the government's announcement in January 2015 of major reform efforts to address key development challenges in the public administration system, only some of the intended reforms have commenced. The termination of negotiations over planned investment lending to reform the telecommunications sector highlights the difficulties involved in changing the status quo. More attention needs to be paid to governance shortcomings and bottlenecks, and to supporting (sector) governance reforms as a means to improve overall governance performance in Djibouti.

33. **Design of the WBG portfolio needs to take into account the political economy of Djibouti, recognizing the drivers of fragility and building on the factors that keep Djiboutian society stable and resilient.** An informal, internal social and political assessment found that fragility in the country is driven by an unfinished political transition dominated by elite patronage; by high inequality and unemployment, particularly among young people; and by a lack of justice and redress mechanisms. Nonetheless, Djiboutian society remains relatively stable within a troubled region, drawing strength from strong community solidarity and social cohesion, national pride, and the country's important strategic role in the Horn of Africa. Given this careful balance, the WBG's portfolio should take care to reinforce participatory approaches and systems, integrate meaningful sociopolitical analysis into project design, promote trust between the government and the population, and focus interventions in critical areas such as basic service delivery, governance, rural development, and employment generation. The PLR draws from these lessons to refine the CPS and going into the next Country Partnership Framework with Djibouti.

34. **Stakeholder consultations support the PLR's proposed alignment with the new MENA strategy and the focus on public and private sector capacity for service delivery.** A South-South High-Level Development Exchange, organized in June 2014, underscored the importance of reducing electricity and telecommunications costs and strengthening governance and the business climate to improve the private

sector's role as an engine of growth. Results of a country opinion survey conducted in early 2015 pointed to a shift in priorities since the last such survey in 2012 (Annex 6), from poverty reduction and education to public sector governance and reform, health, social protection, and jobs. Survey ratings of the WBG's performance improved substantially, although there continued to be room for improvement in the speed of preparation, complexity, and timeliness of WBG knowledge products. Consultations conducted in November 2015, in preparation for the PLR, demonstrated broad agreement among high-level government officials and representatives of the private sector, civil society, and donor organizations on the relevance of the new MENA strategy to the development context in Djibouti. Stakeholders noted good progress toward CPS outcomes and discussed lessons learned, including the need to focus on areas where the government is committed to reform, the need for clarity on PIU staffing at the outset, the need for simpler program design, and the need for flexibility to adapt to changing circumstances. While the government agreed that focusing on social sectors would help the country absorb short-term shocks, it was suggested that progress in the productive sectors would be needed to create jobs to reduce poverty and ensure equitable and sustainable development in Djibouti.

35. **Djibouti remains a challenging implementation environment and requires simpler designs, closer and more regular implementation support from the Bank, and increased support to PIUs on WBG processes and procedures.** The country team is addressing these challenges by ensuring that PIUs are staffed adequately and by holding quarterly (rather than biannual) implementation support missions and monthly audio and video conferences. In addition, three-day workshops on procurement, disbursement, and financial management have been held twice per year with all PIUs to clarify WBG procedures. The WBG's new procurement policy can help address these challenges by allowing for a more strategic approach to procurement. By reducing the number of contracts subject to prior review, the new policy could free up resources to provide clients with hands-on technical and capacity-building support.

36. **Identification of qualified local project managers is critical to enable more efficient program implementation and achievement of results.** As an example, the geothermal project stalled for almost two years before a decision was made at the highest levels to change the project coordinator. Since then, project implementation has accelerated and notable progress has been made in only six months. Recruitment of a project coordinator through a competitive bidding process is crucial in properly staffing the PIU and ensuring timely implementation of activities through dedicated, well-qualified personnel.

37. **A more realistic results matrix is needed to reflect the challenging implementation environment.** Despite extraordinary efforts by the task teams to conduct regular monitoring and more frequent missions, many CPS outcomes have not yet been achieved. Furthermore, delays in project implementation can be unexpectedly long and thus slow progress toward results. Targets should be more reasonably attainable and more easily measurable to better reflect the realities on the ground.

V. ADJUSTMENTS TO THE COUNTRY PARTNERSHIP STRATEGY

38. **In light of data limitations in Djibouti, it is proposed that the CPS period be extended by one year, through FY18.** This extension would allow the results of Djibouti's next household income and expenditure survey to be incorporated into the preparation of country plans and programs, including an SCD in FY18 and the follow-on Country Partnership Framework.

39. **Given the ongoing fragility and conflict in MENA, the WBG has prepared a new regional strategy that puts the goal of promoting peace and social stability front and center.** The strategy is built around four pillars that address both the underlying causes of conflict and violence and their urgent

consequences though development interventions that foster inclusion and shared prosperity: (1) *renewing the social contract* to generate a new development model that is built on greater citizen trust, more effective protection of poor and vulnerable people, inclusive and accountable service delivery, and a stronger private sector that can create jobs and opportunities for young people in the region; (2) *regional cooperation*, particularly around regional public goods and sectors such as education, water, and energy, to foster greater trust and collaboration across MENA countries; (3) *resilience* to refugee and migration shocks by promoting the welfare of refugees, internally displaced persons, and host communities by focusing on building trust and building their assets; and (4) *reconstruction and recovery* through a dynamic approach that brings in external partners, leverages large-scale financing, and moves beyond humanitarian response to longer-term development wherever and whenever conflict subsides.

40. **Firmly grounded in the new MENA strategy, this PLR proposes several changes to the CPS to strengthen its response to emerging challenges in Djibouti as laid out in Vision 2035.** In line with the second and third pillar of the MENA strategy, which focus on resilience and regional cooperation, the new regional DRDIP operation seeks to improve access to social services, expand economic opportunities, and enhance environmental sustainability for refugee host communities. In addition, new technical assistance (TA) will support the Government of Djibouti in its initial steps toward universal health coverage, an important goal in Vision 2035. This TA aligns with MENA strategy goals on renewing the social contract and resilience.

41. **The CPS is also being adjusted to strengthen support for service delivery, in response to entrenched service delivery challenges in Djibouti and in line with the MENA strategy’s efforts to renew the social contract between the government and its citizens.** The PLR thus proposes to broaden the focus of the second pillar of the CPS from “strengthening the business environment” to “strengthening public and private sector capacity for service delivery.” This shift captures the need, as demonstrated across the WBG’s portfolio in Djibouti, to address both public and private service delivery issues, with the aim of providing services that better meet the needs of beneficiaries.

42. **Stronger support for service delivery will help to buttress Djibouti’s work toward achieving the SDGs by 2030.** For example, expanded assistance for social protection initiatives will support SDG1, target 3 on implementing a nationally appropriate social protection systems and measures for all. The ongoing geothermal project supports SDG7 on ensuring access to affordable, reliable, sustainable, and modern energy for all. Work on governance for private sector development contributes to SDG16, target 6 on developing effective, accountable, and transparent institutions at all levels. The WBG team stands ready to assist Djibouti in developing individual country indicators to guide achievement of the global SDGs.

43. **Drawing on the lessons outlined above, activities under the second pillar will approach the need for improved service delivery and a stronger business-enabling environment through a more explicit “governance” lens** (see para 47). These efforts will be spearheaded by additional financing (AF) for the Governance for Private Sector Development project. In addition, work on strengthening access to energy will improve economic opportunities by facilitating the operation of SMEs.

44. **Two new projects and three AF operations are expected to be delivered as part of the PLR.** In addition, two new grants will buttress efforts to reduce vulnerability and increase voice and participation through improved parliamentary capacity and awareness raising on the effects of widespread consumption of *qat*. IFC and MIGA will continue to explore opportunities to support the government in strengthening the business environment and promoting the provision of good-quality services. Table 1 presents the current and planned portfolio for lending as well as advisory services and analytics (ASA) under the CPS, and

proposed new operations and AF operations are described briefly below. Specific program activities for FY18 are not yet defined, as the portfolio will depend on Djibouti's allocation under IDA-18.

Table 1: Lending and ASA under the Djibouti CPS (Revised)

	Pillar 1: Reducing Vulnerability		Pillar 2: Strengthening Public and Private Sector Capacity for Service Delivery (Formerly Strengthening the Business Environment)	
Lending				
	Project	Amount (US\$ millions)	Project	Amount (US\$ millions)
IDA projects approved under CPS⁷	Second Urban Poverty Reduction Project (IDA, FY14)	5.6	Governance for Private Sector Development Project (IDA, FY14)	2.0
	Strengthening Institutional Capacity and Management of the Education System Project (IDA, FY13)	6.0	Geothermal Power Production (IDA, FY14)	6.0
	Social Safety Net Project, AF (IDA, FY15)	5.0		
	Health Sector Performance Improvement Project, (IDA, FY13)	7.0		
	Total	23.6	Total	8.0
Trust-funded activities approved under CPS⁸	Access to Quality Education Project (EFA-FTI, FY14, grant)	3.8	Geothermal Power Production (GEF, FY14)	6.0
	Health Sector Performance Improvement Project (HRBF, FY15, grant)	7.0	Geothermal Power Production (ESMAP, FY14)	1.1
	Enhancing Income Opportunities in Djibouti (JSDF, FY15, grant)	2.73		
	Total	13.53		7.1
IDA pipeline projects under the PLR⁹	Rural CDD and Water Mobilization AF (IDA, FY16)	7.0	Governance for Private Sector Development AF (IDA, FY17)	5.0
	Development Response to Displacement Impacts in the Horn of Africa (national/regional IDA, FY16)	2.0 national 18.0 regional	Sustainable Electrification (IDA, FY17)	7.0
	Social Safety Net Project, Second AF (IDA, FY16)	4.0		
	Total	31.0	Total	12.0
ASA				
Completed under CPS	Poverty and Gender ESW (FY14)		Light Manufacturing Policy Note (FY14)	
	Poverty and Social Impact Analysis (FY15)		Governance TA (FY15)	
Active	Poverty TA (FY17)		Rural Electrification Strategy (FY14)	
	Impact Evaluation of Social Safety Net (FY16)		TA on Audit, Procurement, and Fiduciary (FY15)	
	Universal Health Coverage TA (FY16)		Governance Capacity Building TA (FY16)	
			Tax Reforms TA (FY15)	
Pipeline	TA support to design and implementation of the new household budget survey (FY17)		Training for government officials on integrity and anti-corruption issues (FY16-17)	
		Systematic Country Diagnostic (FY18)		
		Study on Competitiveness (FY17-18)		
		Study on Service Delivery (FY17-18)		
		Study on Governance (FY17-18)		

⁷ In IDA credits.

⁸ Recipient-executed trust funds in grants.

⁹ The pipeline for FY18 is not yet defined, as it will depend on Djibouti's IDA-18 allocation.

45. **The PLR’s proposed adjustments to the CPS program reflect the WBG’s commitment to maintaining flexibility in a fluid environment and responding to government needs and priorities as reflected in Vision 2035.** The focus on these specific areas addresses the need to: (i) adapt to the evolving situation on the ground (responding to the increase in the refugee population, to continued drought, and to youth unemployment); (ii) deepen the WBG’s engagement in existing sectors (private sector development, social safety nets, and rural development); (iii) build on past successful interventions (such as the Power Access and Diversification Project); and (iv) strengthen support for the business-enabling environment by pairing private sector reforms with greater public sector capacity to create space for, and support, those reforms. The selectivity criteria used in deciding on new investments and ASA include alignment with original CPS objectives and the new MENA strategy, government commitment, the WBG’s comparative advantage among Djibouti’s development partners, and the history of WBG engagement in the sector.

Pillar One: Reducing Vulnerability

- a. *Development Response to Displacement Impacts in the Horn of Africa (regional project; US\$2 million national IDA and US\$18 million regional IDA).* This project responds to the effects of protracted refugee presence in the region and supports the MENA strategy’s efforts to strengthen resilience and regional cooperation. This project will address the youth, climate change, and disaster risk management agenda. Building on extensive analytical work undertaken in the region, the DRDIP will seek to address gender inequality, reduce gender-based violence, and empower young people by helping communities to identify and prioritize investments on social services, economic infrastructure, and traditional and nontraditional livelihoods. Interventions will focus specifically on women, female-headed households, and young people, who are disproportionately affected by displacement. This work seeks to expand efforts to strengthen social cohesion and integration between host communities and refugees and put in place mechanisms to prevent increased tensions. In addition, the project will aim to improve health and reduce indoor air pollution through the use of cleaner fuels and fuel-saving cooking technologies. Finally, the project will contribute to reducing greenhouse gas emissions by supporting the use of renewable energy sources, soil and water conservation measures, and afforestation efforts in support of the climate change agenda. The three investment components are interrelated and mutually reinforcing. Implementation will be in a phased manner, so as to mitigate the complexity of the project.
- b. *Additional financing for the Social Safety Net Project (US\$4 million IDA).* Building on the project’s strong foundations in reducing vulnerability among Djibouti’s citizens, this AF will support the efforts to renew the social contract by providing more effective protection for poor and vulnerable people. It will continue to develop the building blocks of a social safety net system and to improve the resilience of poor and vulnerable households with pregnant women and preschool children through increased access to income, human capital development, and building of community assets. One explicit objective will be to promote the institutionalization of the community-based approach to preventing malnutrition, in collaboration with the Ministry of Health. The project will continue to promote a national vision for social protection, including through continued support for the creation and implementation of a social registry to allow the government to improve service delivery and to consolidate and deliver multiple social assistance programs. The project will help strengthen the design of a new national cash transfer program, in part by supporting coordination on accompanying measures (on nutrition and education, for example) that build the human capital of the poorest Djiboutians. This operation is designed to strengthen inclusive institutions that work with poor people.

- c. *Additional financing for the Rural Community Development and Water Mobilization (PRODERMO) (US\$7 million IDA).* In view of the tangible results recorded so far, the AF will build on the momentum of the community-led participatory process and the management standards developed by the existing project in order to consolidate achievements and scale up ongoing activities to six additional grazing areas and two fishing sites. The AF will aim to: (i) mobilize surface and groundwater for human consumption and for small-scale community agricultural and livestock production activities to enhance rural households' resilience to climate change, particularly droughts; (ii) enhance the production and added value of rural communities' agricultural and livestock activities around water points; and (iii) strengthen organizational, technical, and management capacity at the community level as well as the capacity of the implementing entity and its central and regional staff. The AF will put greater emphasis on women's representation in local steering committees and as beneficiaries of subprojects and income-generating activities. It will implement nutrition education and awareness- and capacity-building activities on the role of livestock and fisheries as a source of nutrient-dense food. In line with the MENA region's commitment to engage with stakeholders more broadly, this AF will include citizen engagement to strengthen the voice of poor people in Djibouti, which is essential for improved governance.
- d. *MENA MDTF grant (US\$250,000) to support the National Assembly.* The establishment of Djibouti's first two-party parliament since independence presents the country with an opportunity to address issues of voice, accountability, and social cohesion, in an atmosphere where citizens are more engaged in the political process and in their country's development. This grant will support the development of a national dialogue on key challenges and priorities, building on existing momentum and promoting the MENA strategy's efforts to renew the social contract with citizens. The grant will also work to strengthen the capacity of parliamentarians in understanding their role, preparing and reviewing laws, implementing the budget, and performing their oversight function while contributing to an open and collaborative process. All proposed activities would include representatives from all major parties.
- e. *MENA MDTF grant (US\$363,000) to reduce qat consumption among youth.* *Qat* is a national cultural institution, deeply entrenched in all areas of life in Djibouti. Considerable time and resources are devoted to chewing *qat*, not only among adult males of all social classes, but increasingly among youth and women. *Qat* consumption diverts limited money from spending on basic needs, takes time away from family, adversely affects opportunities to improve well-being and seek employment, and reduces work productivity. Moreover, *qat* has several negative health effects, such as hyperactivity, insomnia, mild depression and irritability at withdrawal, and increased likelihood of heart attacks, oral cancers, and decreased liver function over the long term. The grant works to raise awareness of the impacts of *qat* through informational, educational, and communication activities; to build the capacity of young women and men through vocational and life skills training; and to facilitate job placements.

Pillar Two: Strengthening Public and Private Sector Capacity for Service Delivery

- f. *Sustainable Electrification (US\$7 million IDA).* This project will aim to improve the delivery of modern electricity services through on- and off-grid investments, thus strengthening the private sector's ability to provide services and economic opportunities. The project will build on the success of the Power Access and Diversification Project, which electrified over 26,000 homes (covering 4 percent of the population) in Ballbala. The project will seek to attract both private and public funds

to help extend the existing grid in peri-urban areas and scale up pilot projects of solar photovoltaic systems in rural areas. The WBG will seek cofinancing from donor partners and will draw on best practices from its extensive experience in implementing energy access projects around the world.

- g. *Additional financing for the Governance for Private Sector Development Project (US\$5 million IDA).* The ongoing project focuses on institutional capacity building and investment climate reform, which will strengthen overall governance. Given the low level of technical and managerial capacity and limited access to finance among new firms and entrepreneurs, however, AF will be provided to help micro, small, and medium enterprises make the investments they need to become more competitive, buttressing the new MENA strategy's efforts to renew the social contract by supporting a stronger private sector that can create jobs and opportunities for young people. The project will expand the scope and scale of TA to help regulatory institutions develop a coherent action plan for alleviating burdensome procedures. The AF will also support investments to upgrade the central bank's core payment infrastructure and to establish a partial credit guarantee fund. The AF will benefit from continued collaboration between Global Practices in Finance and Markets, Trade and Competitiveness, and Governance. Trust fund resources would be raised from the Financial Sector Reform and Strengthening Initiative (FIRST) to sustain financial infrastructure and access to finance reform efforts by the Ministry of Finance and the Central Bank of Djibouti.
- h. *IFC will continue to focus on proactive business development for potential investments in sectors important for economic diversification (such as fisheries, tourism, financial services, and infrastructure, including energy) and on noninvestment activities such as SME development and the investment climate.* New intervention areas would include: (i) introduction of capacity building tools for SMEs (using Business Edge/SME Toolkit); (ii) provision of relevant technical knowledge and support to the Central Bank of Djibouti to develop a robust legal and/or regulatory framework for leasing activities; and (iii) support for the government (together with the Bank and the AFD) on developing a PPP strategy and institutional framework, while identifying in parallel a pipeline of feasible priority PPP projects. Support for PPPs will help the government strengthen private sector participation in developing targeted infrastructure projects, thereby enabling the government to deliver sustainable, resilient infrastructure that supports long-term economic growth and equitable access to basic services.
- i. *MIGA will remain open to supporting cross-border private investments in Djibouti in projects that align with country priorities, as articulated in the CPS and the MENA and MIGA strategies.* To date, MIGA has supported one project in Djibouti, the Doraleh Container Terminal Port, with an outstanding gross exposure of US\$81 million. MIGA's political risk insurance guarantees will be available for projects in sectors such as infrastructure, power, transportation, finance, manufacturing, and agriculture, with an emphasis on job creation. MIGA will work with IFC to identify projects in which political risk guarantees can support the decision to channel private sector investment into Djibouti. MIGA will continue to offer long-tenor coverage (of up to 20 years) and capacity to support large transactions.

46. **In furtherance of the WBG's efforts to strengthen internal collaboration, this PLR is being presented to the Board together with three new, complementary projects: DRDIP, AF for SSCP, and AF for PRODERMO.** Under the regional DRDIP, currently underserved people in target communities will be supported through service delivery subprojects based on inclusive and conflict-sensitive community mobilization and a careful mapping of existing service delivery locations and underserved areas. While willingness to participate will be an important criterion, the DRDIP can usefully benefit from the social

registry being developed with support from the SSNP. At the same time, SSNP beneficiaries could be prioritized for support in taking up traditional and nontraditional livelihood activities under the DRDIP, provided they meet the eligibility criteria. Similarly, the SSNP and PRODERMO initiatives will work together to ensure that community-based prevention activities addressing maternal and child health and nutrition will be extended in rural areas. The strong community structures put in place through PRODERMO will be leveraged to train community leaders and to put in place prevention activities through the SSNP. Moreover, PRODERMO's efforts to increase access to water among rural communities and to enhance their capacity to manage water and agro-pastoral resources using a participatory approach to community-based development will be furthered by DRDIP's investments in traditional and nontraditional livelihoods to diversify income sources, enhance productivity and returns through value chain investments, and support livelihood-based community organizations to ensure the sustainability of project outcomes.

47. **Cutting across both pillars of the CPS are a number of initiatives in governance.** First, promising new engagements with parliament and local justice institutions are being rolled out to complement the WBG's significant existing menu of governance work, including Technical Assistance to support reforms in the civil administration, state-owned enterprises (SOEs), supreme audit institutions, and the justice sector, some of which have had measurable impact. TA (since FY15) on enhanced transparency and accountability of SOEs has led to the development of a draft SOE corporate governance law that is now awaiting parliamentary approval after passing the Council of Ministers. Furthermore, a recent stocktaking highlighted additional critical areas in which the WBG could consider providing support during the coming years, including in open governance and anti-corruption, public financial management, sector governance, and citizen engagement, many of which would offer strong complementarities with existing engagements across the two pillars. Training and support will continue to be provided, in coordination with the IMF, on debt management. Second, two new studies are being commissioned—one on strengthening Djibouti's competitiveness and one on improving service delivery—to offer recommendations on governance reforms needed to ensure equitable access to opportunities, based on a thorough assessment of the country's governance shortcomings and the tribal and family considerations that prevent citizens from having equal opportunities and participating fully in economic life. The studies will identify actionable measures to renew the social contract between the state and its citizens, for incorporation into existing and future programs. Third, the WBG will continue to provide assistance in strengthening Djibouti's national accounts during the remainder of the CPS period. Fourth, TA to support the design and implementation of the new household budget survey planned for 2017 will make available better-quality data to inform policy making and will be supplemented by training for government officials on integrity and anti-corruption issues. Finally, an SCD is planned for FY18 to inform the next Country Partnership Framework.

48. **ASA will continue to inform Bank-financed operations, leverage policy change, and help influence other partner's choices.** The Rural Electrification Strategy (FY14) will inform the new Sustainable Electrification project. Bank work resulted in new legislation to reform the management of SOEs. Ongoing Poverty TA will support the design and focus of operations in health, education, and rural and urban development. Finally, support to the design and implementation of the new household budget survey will inform all ongoing and future operations, including serving as a basis for the SCD. Based on the findings of the SCD and in the context of the annual WBG-IMF debt sustainability analysis, the ASA program laid out in the CPF and the PLR could support debt and public investment management as well as public financial management.

49. **The CPS results framework has been adjusted to reflect the proposed revision of the second pillar, and to align specific outcomes more closely with Bank interventions (Annex 2).** The original

CPS results framework did not include milestones along the path to achievement of CPS outcomes. This PLR has introduced milestones, allowing for better differentiation between outcomes to be achieved and the intermediate steps to be completed along the way. Indicators on the distribution of beneficiary cards through the social registry, access to surfaced roads in Quartier 7, and independent review and certification of geothermal well test results have been revised to align more closely with indicators being monitored under ongoing interventions. Furthermore, as indicated above, the original CPS indicator associated with the reform of the telecommunications sector has been removed. The Bank stands ready to reopen the dialogue on a proposed opening up of the telecommunications sector, should the authorities decide to undertake the necessary reforms. The updated results matrix includes 16 outcomes and additional milestones. Of these outcomes, seven have been achieved to date. While results achieved during the CPS period are expected to come primarily from the ongoing portfolio, selected indicators of progress have been added to reflect new activities. These indicators have been specified with due regard for the limited progress that will be made in these interventions between now and the end of the CPS period. More substantive results from these programs will be captured in the results matrix for the Country Partnership Framework to follow this CPS period.

VI. RISKS TO THE CPS PROGRAM

50. **The CPS identified a number of country-level and program-specific risks to satisfactory program implementation.** The country-level risks included vulnerability to natural disasters and external shocks, relatively low budgetary and institutional capacity, potential for elite capture and patronage, enduring social tensions and the risk of social instability, and regional security challenges. The program-level risks included governance challenges, the slow pace of behavioral change, capacity constraints, and nascent donor coordination mechanisms. A Systematic Operations Risk-Rating Tool (SORT) analysis reaffirms the prevalence of these risks, rating the overall risk as substantial (Table 2).

Table 2: Systematic Operations Risk-Rating Tool

Risk Categories	Rating*
1. Political and governance	H
2. Macroeconomic	S
3. Sector strategies and policies	M
4. Technical design of project or program	S
5. Institutional capacity for implementation and sustainability	H
6. Fiduciary	S
7. Environment and social	M
8. Stakeholders	S
Overall	S

* H = High, S = Substantial, M = Moderate, and L = Low

51. **Political and governance risks are high, particularly in light of recent presidential elections in Djibouti.** Governance challenges include an outdated legislative framework, lack of enforcement, the dominance of the executive branch, frustration among public employees, and perceptions of corruption. In line with the government's reform agenda, the WBG launched a small-scale intervention to address fragmented and inconsistent civil service legislation and enhance transparency and accountability among state-owned enterprises. Although these reforms could help strengthen public and private service delivery across sectors, governance risks continue to be relevant, especially as ongoing reforms may stall following the appointment of the new government in May 2016. Although much of this risk is exogenous, the WBG

will help to mitigate it by engaging broadly with stakeholders in Djibouti, both within the government and across parliament and civil society.

52. **As discussed above, growth and macroeconomic stability face substantial risks.** These include Djibouti's heavy economic reliance on regional and global economic players that show signs of slowing down, as well as construction delays, adverse economic events in neighboring countries, regional security developments, and domestic social and political instability. Further deterioration in the fiscal and debt situation and delays in agreeing on a new IMF program could affect the quality of macroeconomic management and exacerbate risks to growth and stability. A shortfall in growth and fiscal revenues could substantially hinder the government's ability to deliver on promises made. In an effort to mitigate these risks, the WBG and IMF jointly undertake a debt sustainability analysis each year, which is discussed thoroughly with the government, reported in the WBG's macroeconomic monitoring notes, and published in the IMF's report on Article IV consultations with Djibouti. In light of the country's high debt repayment costs, the WBG and IMF provided technical support in organizing a conference on tax reform, with the aim of improving the tax system's efficiency (which should improve revenues) and equity (which should reduce the tax burden on low-wage workers and a few large firms). The WBG, in collaboration with the IMF, is following up on this support with TA to design and implement the tax reforms identified during the national tax conference.

53. **Given Djibouti's challenging implementation environment, there is a substantial risk that overly complicated program design would lead to slow or ineffective implementation.** The country team seeks to mitigate this risk through concerted efforts to ensure simpler program design, coupled with more frequent supervision missions, regular audio and video conferences to follow up on progress, efforts to ensure that PIUs are staffed adequately, and regular workshops on WBG procedures for procurement, disbursement, and financial management. In addition, the WBG's new procurement policy can help provide clients with hands-on support by reducing the amount of time spent on prior review of contracts.

54. **The risk that low institutional capacity will affect program implementation and sustainability remains high in Djibouti.** The PLR seeks to mitigate this risk through continued close supervision and support for project implementation, as detailed in the previous paragraph. In addition, the proposed shift in the focus of the second CPS pillar from strengthening the business environment to more explicitly addressing public and private sector capacity for service delivery is an attempt to mitigate the risk that low capacity will slow or even thwart progress toward CPS outcomes.

55. **Fiduciary risks to the CPS program remain substantial.** The potential for elite capture and patronage to affect program implementation remains relevant. The Bank seeks to mitigate these risks by providing, through the Chamber of Commerce, training courses for local companies on procurement, financial management, and safeguards. These courses strengthen the private sector's understanding of effective procurement procedures and international best practices to help ensure that bids or audits submitted by local companies are adequate, complete, and aligned with sound fiduciary standards. The WBG intends to conduct two new studies on competitiveness and service delivery to explore issues of elite capture and cronyism.

56. **Stakeholder risks remain substantial in Djibouti, especially in light of the recent influx of refugees and the role of the recent election.** The risk of social tension and instability, identified in the CPS, remains highly relevant because Djibouti still needs to move away from its current pattern of capital-intensive growth to a more sustainable, labor-intensive growth path. The country faces heightened perceptions of inequality and injustice due to large infrastructure projects, many of which are extensively

financed from abroad, that have not made a significant dent in high levels of poverty, unemployment, and income inequality. Young people in Djibouti, who make up a large proportion of the country's population, may feel particularly disenfranchised as they seek gainful employment in a context of scarce jobs. These issues may come to the fore in the wake of recent presidential elections. In addition, the war in nearby Yemen and the resulting arrival of a significant number of refugees continue to put pressure on an already fragile system of scarce resources, service delivery challenges, and limited employment. The Bank has continued to engage with a wide range of stakeholders, including parliament, civil society, and the private sector, and although this risk is largely exogenous, it will be mitigated to the extent possible by close monitoring and continued constructive dialogue with the government. The WBG will have an opportunity to engage more broadly with parliamentarians, including those in the ruling coalition and those in the opposition, through the planned MENA MDTF grant to support the National Assembly. Moreover, the WBG is responding to the acute refugee situation with a regional operation on displacement impacts, which will seek to strengthen social cohesion and integration between host communities and refugees and put in place mechanisms to prevent increased tensions.

Annex 1: Updated CPS Results Framework

Country Development Goals	Development Challenges addressed by CPS	Expected CPS Outcomes and Indicators	Supplementary Milestones	World Bank Group Program and Partners
Pillar One: Reducing Vulnerability				
Improve social safety net programs	<ul style="list-style-type: none"> • Inadequate basis for targeting beneficiaries of safety net programs • Difficulties ensuring that benefits reach the poorest and most vulnerable 	<p>1.1 Improved institutional capacity to reach the poorest and most vulnerable and increase their access to short-term employment opportunities</p> <p><i>1.1.1 Employment in labor-intensive community works and services increased (person-days)</i> Baseline: 15,000 (2013) Target: 400,000 (2018)</p> <p><i>1.1.2 Female employment in labor-intensive community works and services increased (person-days)</i> Baseline: 7,500 (2013) Target: 200,000 (2018)</p>	<p><i>Proxy means-tested benefits introduced</i> Baseline: No (2013) Target: Yes (2018)</p> <p><i>Number of people registered in the social registry with a unique household identity number</i> Baseline: 0 (2013) Target: 7,000 (2018)</p> <p><i>Poverty and gender monitoring system improved through the strengthening of statistics and the carrying out of a poverty and gender diagnostic</i> Baseline: No (2013) Target: Yes (2018)</p>	<p>Crisis Response Social Safety Net Project (P130328)</p> <p>Social Safety Net Project Additional Financing (P149621)</p> <p>Human Capital Social Safety Net Project (P120588)</p> <p>Poverty and Social Impact Analysis: Strengthening Safety Nets in Djibouti (P148622)</p> <p>Gender and Poverty ESW</p> <p>Partners: FAO, World Food Program</p>
Develop human capital through the improvement of health indicators and the quality of education	<ul style="list-style-type: none"> • Need for enhanced institutional capacity in the Ministry of National Education and Vocational Training to ensure more effective delivery and 	<p>1.2 Strengthened management of the education system</p> <p><i>1.2.1 Annual education statistical reports produced with key national indicators, including gender disaggregated data, to support education management (cumulative number)</i> Baseline: 1 (2013)</p>		<p>Strengthening Institutional Capacity and Management of the Education System (P123315)</p> <p>Education Access and Quality (P145323)</p>

Country Development Goals	Development Challenges addressed by CPS	Expected CPS Outcomes and Indicators	Supplementary Milestones	World Bank Group Program and Partners
	monitoring of education quality <ul style="list-style-type: none"> • Low utilization of maternal and child health care services and communicable disease control programs 	Target: 5 (2018) 1.3 Improved utilization of maternal and child health care services and communicable disease control programs <i>1.3.1 Share of women giving birth in a facility assisted by qualified personnel in rural areas (%)</i> Baseline: 25% (2013) Target: 50% (2018) <i>1.3.2 Share of children fully immunized before their first birthday (%)</i> Baseline: 32% (2013) Target: 52% (2018) <i>1.3.3 Share of HIV-positive pregnant women receiving antiretroviral therapy according to protocol (%)</i> Baseline: 12% (2013) Target: 63% (2018)		Improving Health Sector Performance Project (P131194) Partners: WHO, UNICEF, UNFPA and WFP, as well as multilateral and bilateral organizations: AfDB, IsDB, AFD, USAID, and Italian Cooperation
Revitalize and strengthen rural development and implement a policy of development of cities without slums	<ul style="list-style-type: none"> • Scarce water and agro-pastoral resources in rural areas • Lack of access to water and roads in poor urban areas of Djibouti-Ville, specifically within Quartier 7 	1.4 Increased access to basic infrastructure in disadvantaged rural and urban areas <i>1.4.1 Number of rural households with more secure access to drinking water within a reasonable travel time (two hours round-trip) in project areas (number)</i> Baseline: 2,160 (2013) Target: 7,099 (2018)	<i>Share of grievances registered related to delivery of project benefits that are actually addressed</i> Baseline: 0% (2013) Target: 60% (2018) <i>Number of Community Development Fund-financed subprojects increased</i> Baseline: 0 (2013) Target: 30 (2018)	Rural Community Development and Water Mobilization Project/ PRODERMO (P117355) Rural Community Development and Water Mobilization Project/ PRODERMO Additional Financing (FY16) Development Response to Displacement Impacts

Country Development Goals	Development Challenges addressed by CPS	Expected CPS Outcomes and Indicators	Supplementary Milestones	World Bank Group Program and Partners
		<p><i>1.4.2 Share of income-generating activities financed by the PRODERMO project for women (%)</i> Baseline: 0% (2013) Target: 39% (2018)</p> <p><i>1.4.3 Number of people within 150m of rehabilitated and new urban roads, drains, and street lighting (number)</i> Baseline: 0 (2013) Target: 10,000 (2018)</p> <p><i>1.4.4 Share of subproject beneficiaries in Quartier 7 (%) who have increased access to services and are women</i> Baseline: 0% (2013) Target: 50% (2018)</p> <p><i>1.4.5 Beneficiaries of DRDIP with access to social and economic services and infrastructure</i> Baseline: 0 (2015) Target: 40,000 (2018)</p>	<p><i>Share of funded subprojects completed by women's associations</i> Baseline: 0% (2013) Target: 50% (2019)</p>	<p>in the Horn of Africa Project (DRDIP) (FY17)</p> <p>Urban Poverty Reduction Project (P088876)</p> <p>Second Urban Poverty Reduction Project (P145848)</p> <p>Partners: IFAD, EU, FAO</p>
Strengthen the country's capacity to address disaster risks	<ul style="list-style-type: none"> • High vulnerability to climate change and natural disasters • Lack of information system on disaster risks and mitigation measures • No current platform for assessment and 	<p>1.5 Improved assessment of natural disaster risk and vulnerability</p> <p><i>1.5.1 Implementation of Comprehensive Approach to Risk Assessment in Djibouti</i> Baseline: No (2013) Target: Yes (2018)</p>		<p>Disaster Risk Management Phase III (P149978)</p> <p>Natural Disaster Risk Assessment and Monitoring System (P119878)</p> <p>Partners: EU, FAO, WFP, UNDP, UNESCO, UNFPA, USAID, WHO</p>

Country Development Goals	Development Challenges addressed by CPS	Expected CPS Outcomes and Indicators	Supplementary Milestones	World Bank Group Program and Partners
	communication of natural disaster risk and vulnerability			
Pillar Two: Strengthening Public and Private Sector Capacity for Service Delivery				
Improve the efficiency and effectiveness of the economy by modernizing and strengthening infrastructure	<ul style="list-style-type: none"> Limited capacity to assess the commercial viability of geothermal energy Tenuous financial viability of the energy utility, despite high tariffs 	<p>2.1 Improved access to affordable electricity</p> <p><i>2.1.1 People provided with access to electricity by household connections</i> Baseline: 14,800 (2013) Target: 22,800 (2018)</p>	<p><i>Feasibility study for geothermal power generation provided</i> Baseline: No (2013) Target: Yes (2018)</p>	<p>Geothermal Power Generation Project (P127143)</p> <p>Power Access and Diversification Project (P086379)</p> <p>Partners: AFD, AfDB, EU, OPEC/OFID</p>
Promote a diversified and competitive economy with the private sector as its engine of growth	<ul style="list-style-type: none"> Private sector growth is held back by the high cost of inputs such as labor, energy, and telecommunications Despite high labor costs, worker productivity is low Major deficits in nearly all areas of governance—including public policy clarity and consistency, justice and security of property, and corruption management and 	<p>2.2 Improved services for the private sector</p> <p><i>2.2.1 Business start-up procedures streamlined (number of days)</i> Baseline: 37 days (2013) Target: 10 days (2018)</p> <p><i>2.2.2 Issuance of construction permits streamlined (number of days)</i> Baseline: 167 days (2013) Target: 90 days (2018)</p> <p><i>2.2.3 Publication of commercial and civil court cases on Ministry of Justice website expanded (%)</i> Baseline: 0% (2013) Target: 95% (2018)</p>		<p>Government for Private Sector Development Project (P146250)</p> <p>Governance AAA (FY17-18)</p> <p>IFC support for improving <i>Doing Business</i> indicators</p> <p>IFC support for introduction of leasing framework</p> <p>MIGA Guarantee for Doraleh Container Terminal</p> <p>Partners: IMF</p>

Country Development Goals	Development Challenges addressed by CPS	Expected CPS Outcomes and Indicators	Supplementary Milestones	World Bank Group Program and Partners
	accountability— dampen investment			

Annex 2: Summary of Changes between Original CPS Results Framework and Revised PLR Results Framework

Outcome	Summary of changes
	The target year to achieve the milestone/outcome is now 2018 given extension of the PLR period.
1.1 Improved institutional capacity to reach the poorest and increase their access to short-term employment opportunities	<ul style="list-style-type: none"> -Elimination of 1.1.1-Beneficiary cards distributed to social registry -1.1.2 moved to milestones column-Proxy means-tested benefits introduced -1.1.5 moved to milestones column-Poverty and gender monitoring system improved through the strengthening of statistics and the carrying out of a gender diagnostic -Additional milestone added-Number of people who receive a unique social number
1.3 Improved utilization of good-quality maternal and child health care services and communicable disease control programs	<ul style="list-style-type: none"> -Outcome 1.3 title changed to “improved utilization of maternal and child health care services and communicable disease control programs” -1.3.1 “share of women giving birth in a facility assisted by qualified personnel increased” adjusted to include rural areas only -1.3.2 “share of children fully immunized before first birthday” amounts adjusted. -1.3.3 “share of HIV-positive pregnant women receiving antiretroviral therapy according to protocol” amounts adjusted.
1.4 Increased access to basic infrastructure in disadvantaged rural and urban areas	<ul style="list-style-type: none"> -New target for 1.4.1 to reflect PLR extension by one year -Renaming of 1.4.2-to “Share of income-generating activities financed by the PRODERMO project for women” with FY18 target -Elimination 1.4.3-Share of properties in Quartier 7 within 50m of surfaced roads increased -Elimination 1.4.4-Share of Quartier 7 residents of all age groups benefiting from improved community development subprojects and services -Renaming of 1.4.5 to “Share of subproject beneficiaries in Quartier 7 (%) who have increased access to services and are women” -1.4.6 moved to milestones column-Share of funded subprojects by women’s associations -Additional Outcome indicator added-“Number of people within 150m of rehabilitated and new roads, drains, and street lighting increased” -Additional Outcome indicator added-“Beneficiaries of DRDIP with access to social and economic services and infrastructure” -Additional milestone added-Grievance Redress Mechanism related to delivery to project that are actually addressed -Additional milestone added-Number of community development fund funded subprojects increased
1.5 Improved assessment of natural disaster risk and vulnerability	<ul style="list-style-type: none"> -Outcome indicator 1.5.1 “Implementation of a comprehensive approach to risk assessment in Djibouti and risk assessment platform in place” title changed to “Implementation of a comprehensive approach to risk assessment in Djibouti” -Outcome indicator 1.5.2 “improved risk management platform being used to monitor sectoral vulnerabilities to natural hazards and shocks” eliminated
2.1 Improved access to affordable electricity through stronger capacity to assess the commercial viability of geothermal resources, increased connections, and reduced energy utility losses	<ul style="list-style-type: none"> -Outcome title changed to “Improved access to affordable electricity” -2.1.1 moved to milestones column and renamed-“Bank support to a full fledged geothermal power generation feasibility study provided” changed to “feasibility study for geothermal power generation provided” -Elimination of 2.1.2-Well-tested results independently reviewed and certified Elimination of 2.1.4 -Electricity losses reduced due to the deployment of smart meters
2.2 outcome on telecommunications	This outcome area has been eliminated due to cancellation of project

2.3 outcome on improved business environment	Outcome title changed to “ Improved services for the private sector” Elimination of outcome 2.3.2: Number of days for commercial chamber to issue a ruling in commercial litigation Additional outcome indicator added: Issuance of construction permits streamlined Additional outcome indicator added: Publication of Commercial and civil court cases on MoJ website (%)
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Annex 3: Progress toward Original CPS Results

Country Development Goals	Development Challenges addressed by CPS	CPS Outcomes and Indicators-Progress as of 2015	World Bank Group Program and Partners
Pillar One: Reducing Vulnerability			
<p>Improve social safety net programs</p>	<ul style="list-style-type: none"> • Inadequate basis of targeting of beneficiaries of safety net programs • Difficulties ensuring that the benefits reach the poorest and most vulnerable 	<p>1.1 Improved institutional capacity to reach the poorest and most vulnerable and increase their access to short-term employment opportunities</p> <p><i>1.1.1 Beneficiary cards distributed through the social registry</i> Baseline: No (2013) Target: Yes (2017) Progress: Achieved</p> <p><i>1.1.2 Proxy means-tested benefits introduced</i> Baseline: No (2013) Target: Yes (2017) Progress: Achieved (newly launched national cash transfer program targets the extremely poor via proxy means test)</p> <p><i>1.1.3 Employment in labor-intensive community works and services increased (person-days)</i> Baseline: 15,000 (2013) Target: 400,000 (2017) Progress: Achieved (over 500,000 person-days created)</p> <p><i>1.1.4 Female employment in labor-intensive community works and services increased (person-days)</i> Baseline: 7,500 (2013) Target: 200,000 (2017) Progress: Achieved (over 400,000 person-days created for women)</p> <p><i>1.1.5 Poverty and gender monitoring system improved through the strengthening of statistics and the carrying out of a poverty and gender diagnostic</i> Baseline: No (2013) Target: Yes (2017)</p>	<p>Crisis Response Social Safety Net Project (P130328)</p> <p>Social Safety Net Project Additional Financing (149621)</p> <p>Human Capital Social Safety Net Project (P120588)</p> <p>Poverty and Social Impact Analysis: Strengthening Safety Nets in Djibouti (P148622)</p> <p>Gender and Poverty ESW</p>

Country Development Goals	Development Challenges addressed by CPS	CPS Outcomes and Indicators-Progress as of 2015	World Bank Group Program and Partners
		Progress: On track (a new survey is being prepared)	
Develop human capital through the improvement of health indicators and the quality of education	<ul style="list-style-type: none"> • Need for enhanced institutional capacity in the Ministry of National Education and Vocational Training to ensure more effective delivery and monitoring of education quality • Low utilization of maternal and child health care services and communicable disease control programs 	<p>1.2 Strengthened management of the education system</p> <p><i>1.2.1 Annual education statistical reports produced with key national indicators (cumulative number), including gender disaggregated data, to support education management</i></p> <p>Baseline: 1 (2013) Target: 3 (2017)</p> <p>Progress: Achieved (one annual statistical report created per year)</p> <p>1.3 Improved utilization of good-quality maternal and child health care services and communicable disease control programs</p> <p><i>1.3.1 Share of women giving birth in a facility assisted by qualified personnel increased (%)</i></p> <p>Baseline: 53% (2013) Target: 65% (2017)</p> <p>Progress: Not achieved; to be replaced with new outcome focused on rural areas</p> <p><i>1.3.2 Share of children fully immunized before their first birthday increased (%)</i></p> <p>Baseline: 83% (2013) Target: 89% (2017)</p> <p>Progress: Not achieved; baseline and target revised downward from national estimates based on monthly measurement in primary and secondary facilities</p> <p><i>1.3.3 Share of HIV-positive pregnant women receiving antiretroviral therapy according to protocol increased (%)</i></p> <p>Baseline: 12% (2013) Target: 37% (2017)</p> <p>Progress: On track (27.3% in 2014)</p>	<p>Strengthening Institutional Capacity and Management of the Education System (P123315)</p> <p>Education Access and Quality (P145323)</p> <p>Improving Health Sector Performance Project (P131194)</p> <p>Partners: WHO, UNICEF, UNFPA and WFP, as well as multilateral and bilateral organizations: AfDB, IsDB, AFD, USAID, and Italian Cooperation</p>
Revitalize and strengthen rural development and implement a	<ul style="list-style-type: none"> • Scarce water and agro-pastoral 	1.4 Increased access to basic infrastructure in disadvantaged rural and urban areas	Rural Community Development and Water Mobilization

Country Development Goals	Development Challenges addressed by CPS	CPS Outcomes and Indicators-Progress as of 2015	World Bank Group Program and Partners
policy of development of cities without slums	<p>resources in rural areas</p> <ul style="list-style-type: none"> Lack of access to water and roads in poor urban areas of Djibouti-Ville, specifically within Quartier 7 	<p><i>1.4.1 Number of rural households with more secure access to drinking water within a reasonable travel time (two hours roundtrip) increased in project areas (number)</i> Baseline: 1,026 (2013) Target: 2,350 (2017) Progress: Achieved (32 cisterns and 7 open reservoirs built)</p> <p><i>1.4.2 Number of income-generating activities financed by the project for women (%)</i> Baseline: 0% (2013) Target: 30% (2017) Progress: Achieved (23 income-generating activities for women out of a total of 47 implemented (49%))</p> <p><i>1.4.3 Share of properties in Quartier 7 within 50m of surfaced roads (including drainage and street lighting) increased (%)</i> Baseline: 50% (2013) Target: 80% (2017) Progress: Not achieved; new indicator added in line with project interventions</p> <p><i>1.4.4 Share of Quartier 7 residents of all age groups benefiting from improved community development subprojects and services increased (%)</i> Baseline: 10% (2013) Target: 30% (2017) Progress: Not achieved; new indicator added in line with project interventions</p> <p><i>1.4.5 Share of women among subproject beneficiaries in Quartier 7 (%)</i> Baseline: 0% (2013) Target: 50% (2017) Progress: Achieved (32% of Quartier 7 residents (of which 50% women) benefited from subprojects)</p> <p><i>1.4.6 Share of funded subprojects completed by women's associations (%)</i> Baseline: 0% (2015)</p>	<p>Project/ PRODERMO (P117355)</p> <p>Urban Poverty Reduction Project (P088876)</p> <p>Second Urban Poverty Reduction Project (P145848)</p> <p>Rural Community Development and Water Mobilization Project/ PRODERMO Additional Financing (FY16)</p> <p>DRDIP (FY16)</p> <p>Partners: IFAD, EU, FAO</p>

Country Development Goals	Development Challenges addressed by CPS	CPS Outcomes and Indicators-Progress as of 2015	World Bank Group Program and Partners
		Target: 50% (2017) Progress: On track (implementation expected by 2017 under ongoing PREPUD 2 project)	
Strengthen the country's capacity to address disaster risks	<ul style="list-style-type: none"> • High vulnerability to climate change and natural disasters • Lack of information system on disaster risks and mitigation measures • No current platform for assessment and communication of natural disaster risk and vulnerability 	<p>1.5 Improved assessment of natural disaster risk and vulnerability</p> <p><i>1.5.1 Implementation of Comprehensive Approach to Risk Assessment in Djibouti and risk assessment platform in place</i> Baseline: No (2013) Target: Yes (2017)</p> <p>Progress: Not yet achieved; Comprehensive Approach to Risk Assessment in Djibouti (CARAD) was delivered but waiting for approval by council of ministers</p> <p><i>1.5.2 Recently established risk management platform being used to monitor sectoral vulnerabilities to natural hazards and shocks</i> Baseline: Not in use (2013) Target: Sectoral risk data being integrated into the platform by relevant ministries on an annual basis (2017)</p> <p>Progress: Not yet achieved; Contract has been terminated for unsatisfactory deliverable. This indicator will be dropped</p>	Disaster Risk Management Phase III (P149978) Natural Disaster Risk Assessment and Monitoring System (P119878) Partners: EU, FAO, WFP, UNDP, UNESCO, UNFPA, USAID, WHO
Pillar Two: Strengthening the Business Environment			
Improve the efficiency and effectiveness of the economy by modernizing and strengthening infrastructure	<ul style="list-style-type: none"> • Limited capacity to assess the commercial viability of geothermal energy • Tenuous financial viability of energy utility, despite high tariffs 	<p>2.1 Improved access to affordable electricity through stronger capacity to assess the commercial viability of geothermal resources, increased connections, and reduced energy utility losses</p> <p><i>2.1.1 Bank support to a full-fledged geothermal power generation feasibility study provided</i> Baseline: No (2013) Target: Yes (2017)</p> <p>Progress: On track</p> <p><i>2.1.2 Well test results independently reviewed and certified</i> Baseline: No (2013) Target: Yes (2017)</p>	Geothermal Power Generation Project (P127143) Power Access and Diversification Project (P086379) Partners: AFD, AfDB, EU, OPEC/OFID

Country Development Goals	Development Challenges addressed by CPS	CPS Outcomes and Indicators-Progress as of 2015	World Bank Group Program and Partners
		<p>Progress: Not achieved; this indicator will be dropped</p> <p><i>2.1.3 People provided with access to electricity by household connections</i> Baseline: 14,800 (2013) Target: 22,800 (2017)</p> <p>Progress: Achieved</p> <p><i>2.1.4 Electricity losses reduced due to the deployment of smart meters (% of total billed in selected 20 kv feeder)</i> Baseline: 12% (2013) Target: 3% (2017)</p> <p>Progress: Not achieved; this indicator will be dropped</p>	
Exploit opportunities in new technologies of Information and Communication (NTIC)	<ul style="list-style-type: none"> • No strategy in place to guide telecommunications sector development • Low penetration of mobile and Internet services • Low-quality broadband network • High connection and service costs 	<p>2.2 Program under development; expected outcomes to be identified in CPS Progress Report</p> <p>Progress: Project dropped</p>	
Promote a diversified and competitive economy with the private sector as its engine of growth	<ul style="list-style-type: none"> • Private sector growth is held back by the high cost of inputs such as labor, energy, and telecommunications • Despite high labor costs, worker productivity is low 	<p>2.3 Improved investment climate in selected areas</p> <p><i>2.3.1 Business start-up procedures streamlined (number of days)</i> Baseline: 37 days (2013) Target: 10 days (2017)</p> <p>Progress: On track (the number of days for business start-up has been reduced to 15)</p> <p><i>2.3.2 Number of days for the commercial chamber to issue a ruling in commercial litigation</i> Baseline: 400 (2013)</p>	<p>Governance for Private Sector Development Project (P146250)</p> <p>Governance ASA (FY17-18)</p> <p>IFC support for improving <i>Doing Business</i> indicators</p>

Country Development Goals	Development Challenges addressed by CPS	CPS Outcomes and Indicators-Progress as of 2015	World Bank Group Program and Partners
	<ul style="list-style-type: none"> • Major deficits in nearly all areas of governance—including public policy clarity and consistency, justice and security of property, and corruption management and accountability—have a dampening effect on investment • Absence of flexible, alternative, mid- to long-term financing models 	<p>Target: 60 days (2017)</p> <p>Progress: Not achieved; this indicator will be dropped</p>	<p>IFC support for introduction of leasing framework</p> <p>MIGA Guarantee for Doraleh Container Terminal</p> <p>Partners: IMF</p>

Annex 4: Djibouti and the MDGs

MDG	Status in Djibouti
MDG 1: Halve between 1990 and 2015, the proportion of people who suffer from hunger	Underweight prevalence (under 5 years) 1989: 20% 2012: 29.8%
MDG 2: Ensure that by 2015, children everywhere will be able to complete a full course of primary schooling	Net enrollment 1990: 27.5% 2011: 59.4% 2015: 64.6% (Source: UN MDG Indicators) 2011: 45% (Source: MENFOP) Gross enrollment rate 2014: Primary 79% (Source MENFOP)
MDG 3: Eliminate gender disparity in primary and secondary education in all levels of education by 2015	Gender parity index for enrollment/attendance in primary and secondary education 2012: 0.9 (primary) 2012: 0.8 (secondary) 2014:0.9 (primary) 2014:0.8 (secondary)
MDG 4: Reduce by two-thirds between 1990 and 2015, the under-five mortality rate	Under-five mortality rate 1990: 122 2015: 65.3
MDG 5: Reduce by three quarters, between 1990 and 2015 the maternal mortality ratio	Maternal mortality ratio 1990: 517 2010: 275 2015: 229 (Source: UN MDG Indicators) 2012: 383 (Source: Djibouti Family Health Survey)
MDG 6: Have halted by 2015 and begun to reverse the spread of HIV/AIDS and malaria and other major diseases	HIV prevalence 2012: 0.1 (male) 2012: 0.3 (female) Percent of children under 5 with fever receiving anti-malarials 2009: 1% Percent of children under 5 sleeping under insecticide-treated bed nets 2008/09: 20%
MDG 7: Halve by 2015 the proportion of people without sustainable water access to safe drinking water and basic sanitation	Percent using improved drinking water sources 1990: 78% 2014: 90% Percent using improved sanitation facilities 1990: 66% 2015: 47%

Annex 5: Selected Results of World Bank Group Interventions in Djibouti

The Bank has been supporting Djibouti for more than 30 years in various sectors. Below are some selected results:

Health, Nutrition and Population: Two key priorities in Djibouti are lowering the Maternal Mortality Ratio and addressing child malnutrition. The World Bank is a key partner in supporting Djibouti's efforts to achieve these goals through improved delivery of quality health services to the poor and vulnerable. The current Improving Health Sector Performance project, financed by IDA, covering Djibouti Ville and 2 regions was supplemented with an AF from HRITF in FY15 and now covers all primary and secondary health facilities in the country. The project aims to improve the utilization of quality health care services for maternal and child health and communicable disease control programs and has thus far financed 321,304 outpatient consultations, 60,189 maternal and child health consultations, 21,226 preventives services consultation and 33,133 communicable disease consultations. The project has further linked with the Social Protection project to ensure sustainability of community based prevention activities and incentivize appropriate utilization of Maternal and Child Health services at the community level. The previous IDA-funded health project closed in 2010, and potentially contributed to a reduction in the Maternal Mortality Ratio from 546 to 383 deaths per 100,000 live births from 2002 to 2012. The under-five Mortality Rate was also reduced from 124 to 68 deaths per 1,000 live births between 2002 and 2012. Medically-assisted deliveries reached 87% in 2012, compared to 40% in 2002, and the proportion of children vaccinated against diphtheria, pertussis and tetanus before 12 months increased from 45 percent in 2002 to 93% in 2012. HIV/AIDS prevalence among young pregnant women (15 to 24 years old) decreased to 1.4% in 2010, compared to 2.9% in 2002. In addition, the total number of paramedics enrolled in the High Institute of Health Sciences increased to 1,098 students in 2012 compared to 515 students in 2008.

Social Protection: The World Bank is supporting Djibouti to build a productive social safety net (SSN) system. An innovative SSN project providing short-term employment in community-based labor-intensive work and supporting the improvement of nutritional practices among pregnant/lactating mothers and pre-school children was the center piece of the government's SSN strategy. The project, funded by a grant from the Japanese Social Development Fund and scaled-up with funds from the IDA Crisis Response Window and an additional IDA financing, has reached over 10,261 women and children who participated in the nutrition program and provided about 483,375 person-days of short term employment opportunities. The program contributed to diet diversification and improved nutrition practices among beneficiary households and has strengthened female empowerment. At project level, an integrated Management Information System covering the nutrition as well as the workfare component has been developed to ensure efficient implementation of the social safety net project in Djibouti. At the national level, the project has allowed to put in place a better targeting mechanism and is supporting the development of a social registry that will be used by multiple programs and stakeholders, creating a database containing socio-economic/demographic as well as biometric characteristics of the population to provide a unique ID to individuals for better service delivery and to target resources to the most needed.

Energy: The Bank supported Djibouti through the Power Access and Diversification Project (PADSE) which closed on December 31st, 2014. The objectives of the project were to: (i) increase access of underserved populations to electricity services; (ii) improve Electricité de Djibouti's (EDD) efficiency through execution of investment operations aimed at reducing EDD's electricity losses; and (iii) reduce the negative effects of drought on water pumping in both rural and urban areas by strengthening the country's power supply resilience to natural catastrophes, through the creation of High Fuel Oil (HFO) and diesel security stocks. Implementation of the project allowed 26,796 people to access electricity, essential social infrastructures have been electrified and 360 street lights have been installed in the poor neighborhoods of PK12 and Balbala through 7.3 km of primary distribution lines (920kV) and 19.7 km of secondary distribution lines (400/220V) and installation of 6 transformers (20kV/400V/200V). This parent project

enabled electricity access to 4% of the total population. Two AFs have been granted (Grant H5740 and Grant H7830) in order to complete the above objectives. The project also financed the piloting of smart metering, with 3,300 meters deployed, which allowed the provision of better quality services by EDD to its clients, while enabling the company to reduce its losses, increase its profitability and improve capacity to cover costs. Moreover, a regulation on security stocks was promulgated to ensure diesel availability for the additional water pumping needs of the poor rural population in response to the prolonged state of drought in the country. Based on the regulation, the security stocks financed by IDA will be used in the next 10 years for water pumping during the 3 driest months of the year, i.e. June, July and August.

Urban Development: With engagement since 1984, the World Bank has a long history supporting urban development in Djibouti. The Djibouti Urban Poverty Reduction Projects (DUPREP) I and II are innovative in their dual approach: infrastructure investment combined with social activities and institutional support. DUPREP increased basic economic and social infrastructure through the construction of four roads and associated drains, resulting in an increase of 48 percent of households within 50 m of surfaced roads. The infrastructure construction also contributed to the creation of over 50,000 person-days short-term jobs against a target of 20,000. The community benefits from regular solid waste collection by truck from the Djibouti municipality accessible on the roads built in Q7 through the project. Within Q7, several community facilities have been built including a Community Development Center (CDC), a health center, two sports fields and a children's garden. A number of literacy and post literacy, as well as vocational training courses were provided during the project implementation. The project also financed the preparation of Djibouti city urban master plan and contributed to capacity development in the Ministry of Housing and Urban Development. The ongoing DUPREP II is a follow-up to DUPREP which initiated the transformation process of Quartier 7. The main objective is to improve access to basic urban services in the neighborhood through support to infrastructure upgrading, institutional capacity and citizen engagement. DUPREP II has already been launched: (i) the DAOI of planned roads and associated drains have been launched; (ii) the expression of interest for both Djaga Bouldouq urban restructuring study and supervision of road works has been launched; and (iii) the urban and architectural study for Omar Gouled Central Square started. The project should soon start showing positive impacts among Quartier 7 residents and urban environment.

Rural Development: The ongoing Rural Community Development and Water Mobilization Project (PRODERMO, 2012-2017), is the first rural development project supported by the World Bank in Djibouti. It is also the first project in Djibouti to support small scale fisheries activities. The PRODERMO applies an innovative participatory approach to water and agro-pastoral resource management as well as to the development of small scale artisanal fisheries, where beneficiary communities play an integral role, with technical assistance from the project. PRODERMO contributed to: (i) the strengthening of the institutional framework through the constitution of 12 Local Steering Committees (including at least 2 women), 22 associations (among which 12 of women), 6 fishermen associations and 65 water management committees; (ii) the construction of 31 cisterns and 6 open reservoirs, with a total water mobilization capacity of 103,000 cubic meter for 1,601 household and 10,260 heads of livestock; (iii) 6,400 ha of grazing area set-asides, resulting in a 28% increase of the available grazing biomass; (iv) the selection of 32 income generating activities, (v) the organization of 3,121 training days of which 1,189 for women and (vi) the creation of more than 97,045 person-days of temporary work. More than 3,750 households benefited from the water mobilized so far and 160 fishermen are benefiting from the recently rehabilitated Ice unit, allowing better fish conservation and improved quality.

Annex 6: Findings of the Country Opinion Survey

From February to May 2015, 304 stakeholders of the WBG in Djibouti were invited to provide their opinions on the WBG's work in the country by participating in a country opinion survey. A total of 191 stakeholders, including representatives from government, civil society organizations, and the private sector, participated in the survey (with a response rate of 63 percent).

Findings of the FY15 Country Opinion Survey demonstrate a number of shifts in attitudes since the last survey was fielded in Djibouti in FY12. Opinions of how the WBG operates on the ground have improved in a range of important areas, and concerns about specific development issues have also shifted.

- **Overall context:** Two thirds of this year's respondents believe that their country is headed in the right direction. Perceptions of key development priorities in Djibouti have shifted since FY12. While poverty reduction and education were perceived as the top concerns of opinion leaders in FY12, this year's findings suggest that respondents identify public sector governance/reform, health, social protection, and jobs as the most important development priorities in the country.
- **Operating on the ground:** Perceptions of how the WBG operates on the ground in several areas have improved significantly since FY12. For instance, ratings for the WBG's inclusiveness, accessibility, flexibility, responsiveness, and staff preparedness are significantly higher this year. Views of the WBG's relevance, alignment, and how realistic its program is also improved. Although "slowness and complexity" continue to be two of the greatest weaknesses of the WBG, stakeholders' ratings for the speed of the WBG's disbursement and approvals significantly increased.
- **Results and effectiveness:** Both the WBG's overall effectiveness in Djibouti and the extent to which the WBG's work helps to achieve development results in the country received significantly higher ratings this year than FY12. Compared to FY12, perceptions of the WBG's effectiveness in a number of sectors also improved significantly, including gender, economic growth, jobs, social protection, and private sector development.
- **Knowledge and financial services:** Knowledge products/services have emerged as the most effective development instruments in Djibouti this year. Perceptions of how well the WBG meets Djibouti's needs for knowledge services and how much the knowledge work contributes to the country's development results improved significantly. It is noteworthy, however, that ratings for the timeliness of the WBG knowledge work and activities decreased significantly this year.
- **Donor coordination:** Survey findings suggest that there is still room for improvement on the part of the WBG in the area of donor coordination, as poor donor coordination is perceived as the second greatest cause of slow or failed WBG-assisted reforms in Djibouti.
- **Local presence:** While the WBG's formal local presence seems to have contributed to the more positive views of the WBG, there is still demand for increased local presence of the WBG in the country. Most stakeholders surveyed (74 percent) believe that the WBG should have more local presence in order to be an even more effective development partner in Djibouti.
- **Communication:** It is worth noting that while respondents said that they get most of their information about development from the web and newspapers, they reported that they would most prefer to receive information from the WBG through conferences and seminars. In FY12, more than half said they would prefer receiving information from the WBG from the website.

Annex 7a: Djibouti IDA Portfolio as of March 2016

Project Name	Source	Approval Date	Signing Date	Effectiveness date	Original Closing Date	Revised Closing	Net Comm Amt (\$m) Amt	Tot Disb (\$m)	Tot Undisb Bal (\$m) Bal*	% Undisbursed
Rural Community-Driven Development & Water Mobilization Project	IDA	06/14/2011	08/25/2011	01/19/2012	05/31/2017	5/31/2017	8.83	6.10	2.30	25.5
Geothermal Power Generation Project	IDA	06/05/2013	10/13/2013	07/02/2014	12/31/2018	12/31/2018	6.00	0.10	5.50	91.3
Strengthening Institutional Capacity and Management of the Education System Project	IDA	06/12/2012	08/21/2012	01/15/2013	08/31/2017	8/31/2017	6.00	2.10	3.40	56.7
Improving Health Sector Performance Project	IDA	04/02/2013	04/21/2013	07/11/2013	12/31/2018	12/31/2018	7.00	3.50	3.10	44.2
Crisis Response – Social Safety Net Project	IDA	06/12/2012	08/21/2012	01/10/2013	09/30/2016	9/30/2018	10.00	5.30	4.00	40.2
Governance for Private Sector Development Project	IDA	06/23/2014	11/06/2014	03/12/2015	12/31/2019	12/31/2019	2.00	0.20	1.60	79.2
Second Urban Poverty Reduction Project- PREPUD II	IDA	05/14/2014	07/23/2014	12/19/2014	06/30/2019	6/30/2019	5.60	0.78	4.41	78.7
Total							45.43	18.08	24.31	53.51

*Undisbursed balance takes into account the loss of value of the US dollar against the IDA allocation referenced currency.

Annex 7b: Djibouti Portfolio of Recipient- and Bank-Executed Trust Funds as of March 2016

Fund Name	Source	TF Active date	TF Effec. Disb. Date	TF Closing Date	TF End. Disb. Date	Grant Amount (\$m)	Total Disbursements (\$m)	Fund Balance (\$m)
PPP Program Support (BE)	PPIAF	10/15/2015	08/16/2015	6/30/2016	10/31/2016	0.50	0.03	0.47
Access to Quality Education Project SPN (BE)	EFASE	12/10/2013	12/06/2013	12/31/2017	4/30/2018	0.40	0.21	0.19
Access to Quality Education Project (RE)	EFASE	05/06/2014	04/13/2014	6/30/2017	12/31/2017	3.80	0.50	3.30
Geothermal Power Generation Project (RE)	GEFIA	11/25/2014	07/02/2014	12/31/2018	6/30/2019	6.04	0.00	6.04
Geothermal Exploration Project (RE)	ESMAP	07/03/2014	07/02/2014	6/30/2018	12/31/2018	1.10	0.00	1.10
Professionalization and Capacity Building of Public Procurement (RE)	IDF	06/20/2014	04/28/2014	4/28/2017	9/28/2017	0.35	0.07	0.28
Strengthening Accountability for Efficient and Transparent Public Expenditure (RE)	IDF	07/21/2014	07/17/2014	4/2/2017	9/2/2017	0.33	0.07	0.26
Piloting Legal Aid Services to the Poor in Djibouti (BE)	JSDF	11/12/2014	09/26/2014	9/25/2016	1/25/2017	0.05	0.00	0.05
Djibouti Improving Health Sector Performance Project (RE)	HRBF	08/11/2015	07/27/2015	12/31/2018	6/30/2019	7.00	0.65	6.35
Djibouti HRITF BE SPN (BE)	HRBF	05/05/2015	04/29/2015	12/31/2018	4/30/2019	0.48	0.10	0.38
Djibouti - Early Childhood Nutrition, Health and Development (BE)	SIEF	01/29/2013	01/28/2013	10/31/2016	2/28/2017	0.29	0.23	0.05
Enhancing Income Opportunities in Djibouti Project (RE)	JSDF	08/27/2015	08/20/2015	5/20/2019	11/20/2019	2.73	0.40	2.33
Enhancing Income Opportunities (BE)	JSDF	09/04/2015	05/20/2015	5/20/2019	9/20/2019	0.27	0.01	0.25
Improving Youth Well-being and Opportunities in Djibouti by Reducing Qat Consumption (BE)	MNXTA	04/27/2015	05/01/2015	9/1/2016	1/1/2017	0.36	0.18	0.18
Disaster Risk Management Country Program Phase III (BE)	GFDRR	02/28/2014	02/27/2014	6/30/2016	10/31/2016	0.80	0.75	0.05
Total						24.5	3.20	21.28

DJIBOUTI

- SELECTED CITIES AND TOWNS
- ⊙ REGION CAPITALS
- ⊛ NATIONAL CAPITAL
- ~ RIVERS
- MAIN ROADS
- RAILROADS
- REGION BOUNDARIES
- - - INTERNATIONAL BOUNDARIES



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