

## INTEGRATED SAFEGUARDS DATA SHEET

### CONCEPT STAGE

**P146250**

Report No.: 84360

**Date ISDS Prepared/Updated: January 29, 2014**

#### I. BASIC INFORMATION

##### A. Basic Project Data

Country: Republic of Djibouti	Project ID: P146250
Project Name Governance and Growth Support Project	
Task Team Leader: Djibrilla Issa	
Estimated Appraisal Date: December 2013	Estimated Approval Date: Mai 2014
Managing Unit: MNSF1	Lending Instrument: IF
Sectors: General Industry and Trade (50 percent), Marketing and trade (20 percent); Tourism (15 percent), Central Government Administration (20 percent)	
Themes: SMEs (20 percent), Regulation and competition policy (30 percent), Other financial and private sector development (30 percent), Legal institutions for a market economy (20 percent)	
IDA Allocation (US\$m.):	2.00
TRUST FUND	1.50
IFC	1.00 (TBC)
<u>BORROWER</u>	<u>(TBD)</u>
<u>BENEFICIARY</u>	<u>1</u>
Total	TBD

##### B. Project Objectives

1. The Project Development Objective is to help improve selected aspects of Djibouti's business environment and support enterprises in selected sector/industries.

##### Project Beneficiaries

2. The ultimate beneficiaries would be SMEs, government and private sector institutions in charge of PPD and investment climate reform.

### C. Project Components

3. The project would have the following two components:

**Component 1: Governance and Investment Climate Reform (US\$2.5million of which IDA US\$1million for the commercial court; US\$1million from the IFC (TBC) for the one stop shop, and TA to streamline tax and customs regimes, and TF US\$0.5million from the First initiative for the access to finance TA)**

4. Activities under this component will support reforms which could be easy to implement and have a quick impact on the business environment and thus assist the Government in meeting its objective of promoting competitiveness and encouraging private investment. Activities would include:

**(a). Commercial Court.** The project could provide legal and institutional support to the Ministry of Justice for the establishment/strengthening of a Commercial Court in the capital city and for improving the Business and Collateral Registry (RCCM) through Technical assistance, training and goods to the court.

**(b). Public Private Dialogue for Doing Business and investment climate reforms.** The project could provide support to establish a public-private dialogue for the formulation and implementation of investment climate reforms by providing the necessary support to carry out diagnostic studies for PPD and technical assistance to implement needed reforms.

The project support would focus on reforms to improve the business environment in selected areas including: (i) Establishment of a one-stop shop for business creation; (ii) Paying taxes with technical assistance to streamline tax and customs regimes to reduce the frequency of tax payments and create transparency and predictability of the tax system; and (iii) Protecting investors in areas such as investor-state dispute settlement and guarantees against and compensations in case of expropriation.

5. These activities will be supported by IFC funding and technical assistance.

**(c). (c). Access to finance: Through TA financed by the First initiative in the following areas:**

6. **Guarantee facility (\$250,000 FIRST Initiative TF):** provide TA to the MEF and the CBD to define and validate the architecture and form of governance of the fund, draft its legal and regulatory framework; develop its operational and administrative procedures support capacity building of guarantee staff and outreach activities. Funding alternative for the capitalization of guarantee mechanism are allocations from the Government's *Fonds de Developpement Economique de Djibouti* (FDED) which manages US\$30 million lines of credit obtained from donors.

7. **Financial Infrastructure development (\$250,000 FIRST Initiative TF):** TA would be provided to the CBD in improving the safety and efficiency of its financial infrastructure along the following two main sub-components:

**(i). Setting up a central public credit registry:** provide TA to the CBD to develop a Credit Reporting System master plan using the General Principles for Credit Reporting Systems, developed by the World Bank as the organizing framework, a prerequisite for the implementation in a later stage of a credit registry compliant with international standards. This would be followed by the drafting of appropriate legal and regulatory framework, technical assistance for modernization and centralization of relevant databases and the development of an oversight framework.

**(ii). National Payment system:** finance studies for the definition of the architecture, the development of the legal and oversight framework for the payment system and consultation with financial sector participants. The additional hard and software financing (RTGS servers, telecom equipment, servers etc.)

would be provided by CBD and the Government. This Government contribution to be included in the project funding will be defined during project preparation.

**Component 2: Investment Promotion and enterprises development (US\$1.5million of which US\$1million from IDA for the matching grant, US\$0.5million from PPIAF for the PPP framework, and US\$0.5million from the FPD Competitive Industries Program for the ANPI and PPD)**

8. This component would support (i) Gov't efforts for investment promotion to allow private sector participation in sector/industries identified through its *Agence Nationale de Promotion des Investissements (ANPI)* and (ii) provide Business Development Services (BDS) to SME's to support enterprise development primarily in the identified industries/sectors possibly through a matching grants program if resources availability permits.

9. The Bank prepared a report on Growth Model in Djibouti in 2012. As part of this study, the Bank conducted an assessment of sectors and provided inputs on a long list of industries/sectors. There are industries/value chains which have strong potential and for which Djibouti has/can develop a competitive advantage.

10. These industries/values chains include (i) the tourism sector which is certainly one of the most promising in terms of job creation; (ii) the fisheries sector that employs about 2,600 people, and with an untapped maritime resources, with an exploitable potential estimated at more than 30,000 tons and with strong and growing domestic market demand; (iii) the ICT sector; and (iv) the transport and logistics sector which is the backbone of Djibouti's economy.

11. The project's intervention could help increase the incentive to invest in these industries/sectors with high potential for growth and employment by improving the competitiveness of strategic clusters.

**a. Investments promotion in identified industries/value chains**

12. This component would support Gov't efforts for investment promotion to allow private sector participation in sector/industries identified through its *Agence Nationale de Promotion des Investissements (ANPI)*.

13. The project could (i) finance analytical work that will focus on narrowing to down (to two or three) the high potential industries and sectors identified in the 2012 report mentioned above, moving from broader industry comparisons to increasingly detailed market analytic, help validate the recommended clusters through a structured Public Private Dialog (PPD) and design a reform program for identified clusters through a structured PPD; (ii) support the Gov't efforts in attracting private sector investment in the selected sectors through ANPI.

14. The assistance to ANPI could include institutional support for the implementation of a business plan that spells out the technical assistance and training requirements for the Agency; equipment necessary for the of ANPI to make it capable to provide requested services to local and foreign companies operating or wishing to settle in Djibouti; TA to assist the Government in developing investment opportunities, in attracting private investors and by designing a Public Private Partnership (PPP) legal and institutional framework and hiring transaction advisors for structuring PPP transactions in the selected industries.

**b. Business Development Services to SME's in identified industries**

15. The project will provide Business Development Services (BDS) to SMEs in the identified industries through a matching grant program. The objectives of the matching grant are (i) to help firms increase labor productivity and enhance competitiveness and (ii) help SME's to develop linkages with larger firms operating the identified industries or be service providers to these industries (e.g. logistic operators in the port, fishermen, good and service providers to major hotels/resorts in the tourism industry etc.).

**Component 3. Project management. (0.5million)**

16. This component will provide support for project implementation. The project will be managed on day-to-day basis through a Project Implementing Unit (PIU) and ANPI (supported under the enterprise development and investment promotion sub component). A steering committee will provide oversight to the project implementation. Financing to be provided for the PIU may include: equipment, consultant compensation, operating costs, organizational and systems development, training, capacity building and technical assistance.

## II SAFEGUARD POLICIES THAT MIGHT APPLY

The project is classified as Category C.

<b>Safeguard Policies Triggered by the Project</b>	Yes	No
Environmental Assessment (OP/BP 4.01)	[ ]	[x ]
Natural Habitats (OP/BP 4.04)	[ ]	[ x]
Pest Management (OP 4.09)	[ ]	[x ]
Indigenous Peoples (OP/BP 4.10)	[ ]	[x ]
Physical Cultural Resources (OP/BP 4.11)	[ ]	[x ]
Involuntary Resettlement (OP/BP 4.12)	[ ]	[ x]
Forests (OP/BP 4.36)	[ ]	[ x]
Safety of Dams (OP/BP 4.37)	[ ]	[ x]
Projects on International Waterways (OP/BP 7.50)	[ ]	[x ]
Projects in Disputed Areas (OP/BP 7.60) *	[ ]	[ x]

## IV. SAFEGUARD PREPARATION PLAN

### A. Social (including safeguards)

31. The project, by the nature of its development objective, brings together a diverse group of stakeholders and beneficiaries, consisting of investors, SMEs, business owners, with diverse and sometime conflicting interests. As the project is primarily offering technical assistance and capacity building, with no infrastructure, the social impacts of the project are largely expected to be positive.

**B. Environment (including safeguards)**

**32.** The project is considered to be a Category C as it will primarily finance technical assistance and capacity building activities.

**V. APPROVALS**

<i>Signed and submitted by:</i>	
<b>Task Team Leader:</b>	<b>Djibrilla Issa</b>
<i>Approved by:</i>	
<b>Regional Safeguards Coordinator:</b>	<b>Maged Hamed</b>
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