



Project Information Document (PID)

Concept Stage | Date Prepared/Updated: 04-Nov-2020 | Report No: PIDC30812



BASIC INFORMATION

A. Basic Project Data

Country Djibouti	Project ID P174300	Parent Project ID (if any)	Project Name Djibouti-Addis Road Corridor (P174300)
Region MIDDLE EAST AND NORTH AFRICA	Estimated Appraisal Date Apr 23, 2021	Estimated Board Date May 31, 2021	Practice Area (Lead) Transport
Financing Instrument Investment Project Financing	Borrower(s) The Republic of Djibouti	Implementing Agency DPCR	

Proposed Development Objective(s)

The proposed PDO is to improve the quality and safety of transport and transit along the Djiboutian section of the Djibouti – Addis Ababa road corridor.

PROJECT FINANCING DATA (US\$, Millions)

SUMMARY

Total Project Cost	70.00
Total Financing	70.00
of which IBRD/IDA	70.00
Financing Gap	0.00

DETAILS

World Bank Group Financing

International Development Association (IDA)	70.00
IDA Credit	70.00

Environmental and Social Risk Classification
Substantial

Concept Review Decision
Track II-The review did authorize the preparation to continue



Other Decision (as needed)

B. Introduction and Context

Country Context

- 1. The Horn of Africa (HoA) has a geo-strategic position with regard to the Red Sea, the Arabian Sea, the Indian Ocean and the Gulf, and has important regional and international significance.** Five countries constitute the HoA: Djibouti, Eritrea, Ethiopia, Kenya and Somalia. With a population growth of 3 percent per year that is projected to double every 23 years, it is expected that the region would be among the fastest growing economies in Africa. There is considerable potential for the Horn to grow and transform its economy and deliver development results for its people. Given its locational advantages, the region is well positioned to supply both itself and the economies of the Gulf and South Asia with agricultural products and energy and is also considered as a strategic transit corridor to Central Africa (South Sudan and Tchad).
- 2. Poverty and inequality remain significant challenges in the HoA, though there has been improvement.** The ongoing economic crisis is projected to have a significant impact on reversing gains in poverty reduction – with Sub-Saharan Africa (SSA) likely to see between 25 to 40 million being pushed into poverty as per latest World Bank estimates taking into account COVID-19. Djibouti has 17 percent of its population living below the poverty line (2017). Vulnerability remains a key challenge and a driver of fragility due to conflict, natural disasters and shocks, and other household and community level vulnerability factors. In addition, the HoA faces additional development challenges: (i) maintaining strong growth and stable macroeconomic fundamentals; (ii) addressing competitiveness, infrastructure connectivity and investment climate; (iii) dealing with historical deficits in human development; (iv) addressing inequality and exclusion; and (v) promoting peace, stability and cooperation in the region.
- 3. Regional integration within the HoA presents a compelling case for expanding on the opportunities on offer, while simultaneously addressing some of the challenges.** Regional integration can help to accelerate the growth engine and strengthen the poverty elasticity of growth within a context of global uncertainties. A recent study on the impact of regional integration on inclusive growth found that “regional integration appears to hold greatest promise in reducing poverty”. Specifically, overall integration and the dimensions of trade and investment, money and finance, and institutional and social integration were found to be significant and robust drivers of poverty reduction, with an even more pronounced positive impact on lower-income countries. Integration can promote economic diversification, the competitiveness of countries and greater regional trade. Attention to filling critical regional infrastructure gaps along with ‘soft’ policy and regulatory reforms can also propel growth. The recent dialogue among the leaders has opened significant opportunities, including joint commitment by HoA countries to implement the Horn of Africa Initiative.
- 4. Djibouti is a small, highly urbanized, lower-middle-income economy that highly depends on its integration with HoA.** The country covers an area of 23,200 square kilometers and is home to a population of around one million people. The size of its economy limits its ability to diversify and increases its reliance on foreign markets, making it



more vulnerable to market downturns. The country does not have significant natural resources, and the arid climate makes agriculture of limited potential for growth and, as a result, Djibouti is completely dependent on imports to meet its food needs.

5. Rapid and sustained economic growth has accelerated in recent years, thanks to large public investments in transport and port infrastructure and activities to exploit the country's geostrategic location. Over 2013-2016, GDP growth averaged 8 percent and GDP per capita growth averaged 6.3 percent over the same period. However, the country has little diversification in its economy and its growth has been driven in large part by high debt-financed investment, estimated at 57 percent of GDP, on average, in 2015–2016, complemented by Foreign Direct Investment (FDI) inflows of roughly 9 percent of GDP over the same period. In addition, this growth has not been inclusive. There are still high levels of extreme poverty (with 17 percent living on less than US\$1.90 per day (in 2011 PPP terms) in 2019 based on the 2019 Djibouti Poverty Assessment), the majority of its working-age population is either unemployed, informally employed, or out of the labor force (unemployment is high at 39 percent) and human capital outcomes are generally low.

6. The economic situation of women remains challenging, especially in terms of attendance of secondary school, earning incomes equal to those of men in the labor market, and accessing inputs when working as small entrepreneurs¹. Those who are economically active tend to be engaged in petty trade activities in the informal sector, including the preparation and sale of food and handicrafts. The project will tackle the gender gap related to female labor participation and working conditions by improving conditions for their small border trade, and creating small businesses in selected areas along the corridor.

7. The country remains fragile and vulnerable to shocks, even if it exited the Fragility, Conflict and Violence (FCV) Harmonized List in FY21². Weak institutional capacity has so far limited the Government's ability to design and implement strong public policies and has thwarted the types of governance improvements that are needed to bolster private sector development. Djibouti ranks below the average for International Development Association (IDA) countries on rule-based governance, quality of public administration, and transparency, accountability, and on the Transparency International's 2015 Corruption Perceptions Index Djibouti ranks 99th out of 167 countries in the Country Policy and Institutional Assessment (CPIA) indicators. The fragility of its neighbors also spills into Djibouti, as the country has a long history of hosting refugees and migrants fleeing political and environmental crises, typically in poor areas, where their presence tends to worsen pre-existing issues.

8. The COVID-19 pandemic is having significant impact on the Djiboutian economy. As of November 2, 2020, the country has tested more than 8.4 percent of its population, confirmed 5,573 cases and 61 COVID-19 casualties. The socioeconomic impact of the crisis is particularly devastating as the pandemic has contributed to worsening the already precarious living conditions of vulnerable households with job loss, price shocks and other adverse factors. GDP growth contracted in 2020 for the first time in two decades and the extreme poverty rate at US\$1.90 per day is expected to increase from 14.5 percent in 2019 to 15.3 percent in 2020. COVID-19 is reversing fiscal consolidation efforts started in 2015. The COVID-19 pandemic is having severe spillover effects on the Government's fiscal situation. The overall fiscal deficit is expected to widen to 2.3 percent of GDP up from 0.5 of GDP in 2019 as a result of the fall of total revenue and COVID-19 related public expenditure. Thanks to budget support from the IMF and AfDB, the

¹ USAID, Gender Equality and Women's Empowerment in Djibouti, 2020.

² <https://www.worldbank.org/en/topic/fragilityconflictviolence/brief/harmonized-list-of-fragile-situations>



Central Bank reserve holdings are expected to increase slightly to 3.5 months of imports (excluding imports of goods and services related to free zone reexports). In April 2020, the government of Djibouti launched the "*Pacte de Solidarité Nationale*" a reference document framing its socioeconomic economic the response to the pandemic. The "pact" highlights the impact and financing needs of three priority sectors: health, social and economic measures.

Sectoral and Institutional Context

9. **Owing to its strategic location along a trade route connecting Africa, the Middle East, Europe and Asia, the transportation sector plays a critical role in Djibouti's economy as a 'land-linked' economy.** The project's corridor is part of the strategic positioning of Djibouti as a logistic services provider to Ethiopia through the Port of Djibouti, and to a lesser extent, the other landlocked East African countries. According to a White Paper published by the World Bank in 2019, the Port of Djibouti accounted for between 20 and 25 percent of the State's revenues, while supporting 6,500 direct jobs (equivalent to circa 25 percent of the 30,000 private sector jobs in the nation), and 6,000 indirect jobs. The port of Djibouti is located on one of the world's busiest shipping routes and is de facto main gate to the sea for Ethiopia. In 2012, the contribution of the transport and telecommunications sector to Djibouti's Gross Domestic Product (GDP) exceeded 27%³. Generally, the contribution of the transport and communication sector in other countries does not exceed 10% of GDP. The case of Djibouti is therefore quite unique in terms of the contribution of the sector. Djibouti's Vision 2035 predicts that the transport sector will still contribute 25% of GDP formation in 2035.
10. **In the landlocked country of Ethiopia, regional integration and international connectivity via economic and logistics corridors play an essential role in reducing isolation and supporting economic diversification.** The growing importance of the industrial and manufacturing sectors in the landlocked and densely populated country (112 million inhabitants in 2019) depends on its connectivity with international markets for its inputs and products. To that end, the country has invested in logistics and dry ports infrastructure along its corridor with Djibouti. Port of Djibouti currently handles about 95 percent of Ethiopian imports and exports while the port of Berbera and Port of Sudan handle respectively only 3 percent and 2 percent. The recent improvement in port and rail infrastructure in the Djibouti-Addis corridor makes it the most attractive corridor for Ethiopian traders. However, Djibouti's port and logistics sector will likely face additional competition from neighboring countries in the coming decade. Djibouti is a transit-based economy that highly depends on the flow of trade with Ethiopia, the interest of the latter being to diversify its partners, reason why Djibouti needs to reinforce and maintain its captive demand advantage through a good quality of service of the transit corridor.
11. **Djibouti is currently outperforming both Eritrea and Somalia in terms of logistics management, as measured by the World Bank's Logistics Performance Index (LPI).** However, the current comparative advantage over the other corridors (Berbera and Port Sudan in particular), in order to be maintained, must lead to actions to optimize the significant revenues derived from the current port complex. The high dependence of Djibouti's economy on revenues generated from the corridor transit services, and Ethiopia's need for reliable sustainable sea access to maintain the momentum of its recuperating economy, breed a conducive environment for the business communities and governments of both countries to come forward with greater urgency and commitment to develop the corridor further for a long-term use.

³ Source: Djibouti Vision 2035



12. **Another project reflecting the ever-increasing investment in the Djiboutian transportation sector is the new railway line opened in 2018.** The 756 km, standard gauge, single track, electrified and signaled railway line links Addis Ababa and the port of Djibouti. At present the average line's occupancy is far below potential (20 percent of the total capacity representing about 15 percent of total trade) due to a body of technical, policy and operational issues. For instance, while Djibouti port has launched several upgrades to improve the last mile railway connectivity in the port terminals, freight train operations along the line are regularly suspended due to shortage of rolling stock, safety issues and power shortages. Once the railway issues are addressed and the line used at its full capacity, it is estimated that it could support about 50 percent of total trade, leaving an important role to the road corridors.
13. **The road corridor represents the majority of transit to Ethiopia, however it suffers from sections in urgent need of rehabilitation which compromises the fluidity of trade between the two countries, creates delays and impacts the overall performance of the corridor.** There are currently 2 corridors in use: i) the “North Corridor”, a road through Djibouti, the Galafi border and Semera using the Route Nationale 1 (RN1) in Djibouti, with a total length of 214 km and an annual average daily traffic of 2,116 heavy vehicles, and ii) the “South Corridor”, a road through Djibouti, the Guelileh border, Dewele and Dire Dawa using the RN1 and then the RN5 in Djibouti, with a total length of 104 km. The current travel time on the Northern corridor is 3 days, whereas the travel time on the South Corridor is only 2.5 days. Both corridors are characterized by sections with poor road infrastructure, inefficient logistics and transport systems and high costs. In addition, the country’s transit and trade procedures require simplification.
14. **Several factors impact negatively the efficiency of the road corridor between Djibouti and Addis-Ababa:**
- **Infrastructure deficiencies:**
 - i. The road infrastructure along the corridors is in varying conditions. Some sections of the RN1 were upgraded with the support of the European Union in 2009, JICA and Saudi funds (ongoing). On the RN5 and RN19 (sections considered by the project), the road is in poor condition.
 - ii. The absence of parking and rest areas along the corridors and the narrow cross section result in congested sections due to trucks parked along the road, as well as road safety hazards.
 - **Road safety:**
 - i. Little data on road safety in Djibouti is available. Djibouti is a non-participating member in the road safety survey conducted by the World Health Organization.
 - ii. The two corridors - the “North Corridor” and the “South Corridor” – pass through several major cities, leading to risks for the more vulnerable users.
 - **Lack of appropriate maintenance of the infrastructure despite of the existence of a toll:**
 - i. Despite the existence of USD 20 toll and the institutional reform of the sector that created in 2013 the Road Agency (ADR) and in 2018 Djibouti Ports Corridor Road SA (DPCR) (see figure below), the road network suffers insufficient maintenance
 - ii. There is currently no axle load control. Therefore, trucks are often overloaded, especially bulk trucks. This leads to a quick deterioration of the road conditions.

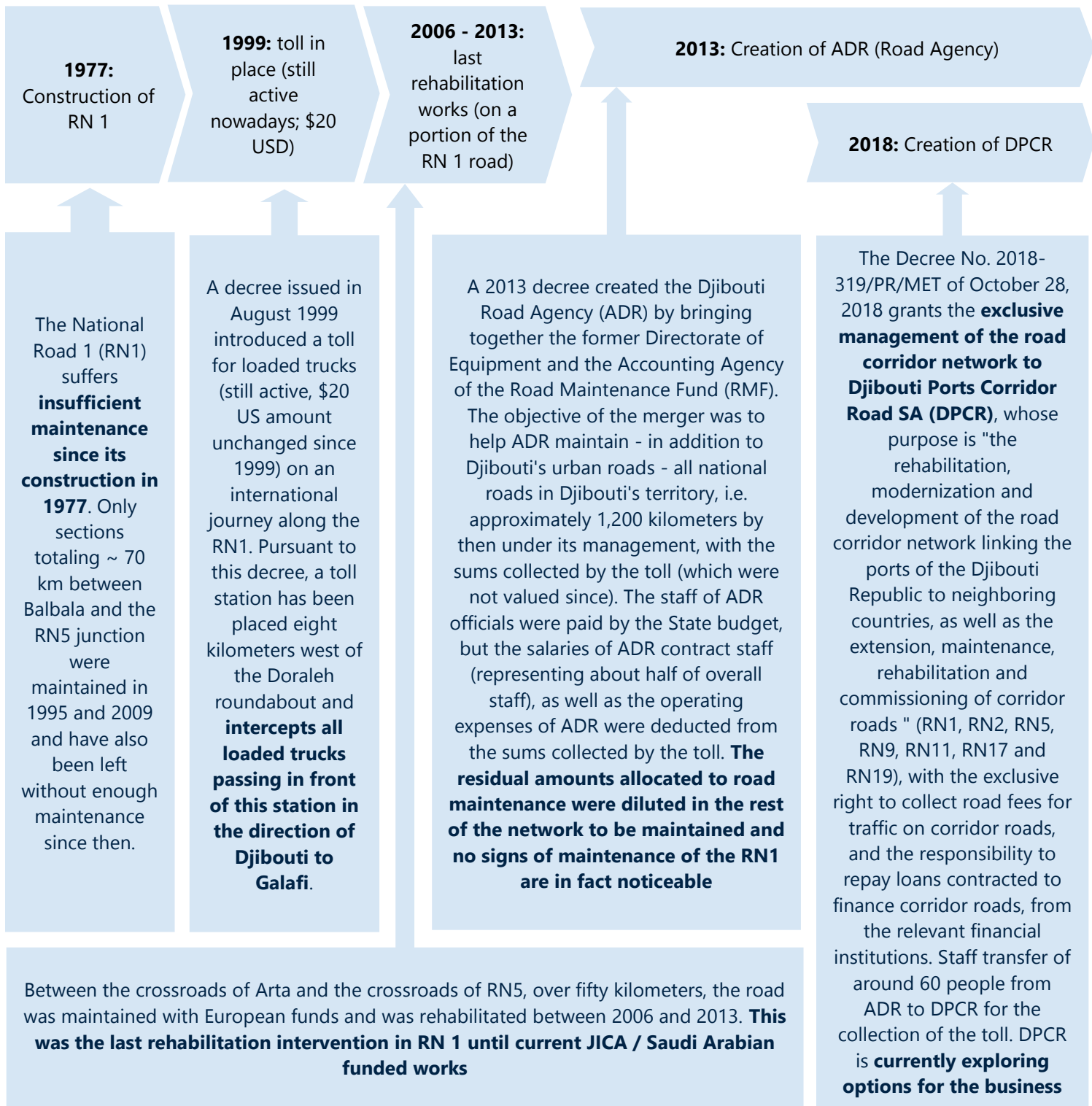


Figure 1: Djibouti corridors institutional arrangement

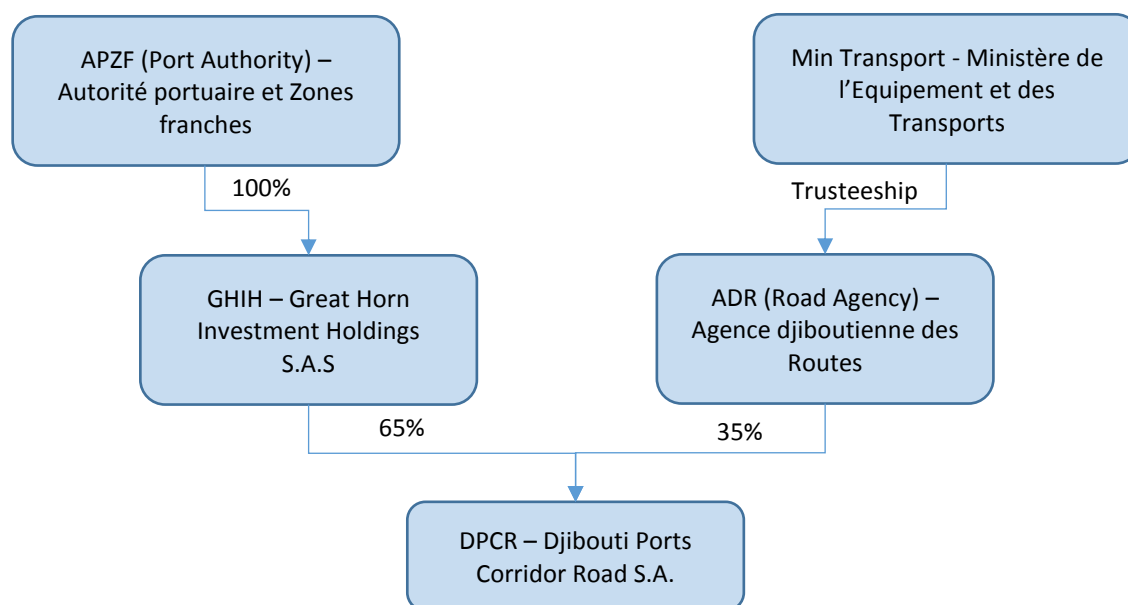


Figure 2: Djibouti Ports Corridor Road SA ownership

15. **Addressing the above factors of the corridor inefficiencies and safety would allow Djibouti to strengthen its position as a regional multimodal transport center.** In addition to having a high economic benefit, it is roughly estimated that road maintenance could generate jobs for several hundreds of low-skilled workers, which is a significant number given the small size of Djibouti’s labor market.
16. **In this context, there is an opportunity to (i) involve and incentivize the private sector to ensure a good quality of service for road operations and maintenance;** (ii) undertake a multimodal strategy and develop logistics services, as the aim of improving corridor performance requires modern transport and logistics services and better interface between maritime and road transport and containerization; (iii) improve transport services performance⁴; and (iv) better integrate landlocked areas.
17. **Road transport has long been identified as a major vector for the propagation of HIV/AIDS along the major transit corridors in Africa and more recently COVID-19.** While Djibouti and Ethiopia have national HIV/AIDS programs and COVID-19 national prevention measures, not all adequately target transport corridors and cross border issues. This means that the reported prevalence of HIV among truck drivers remains high and perception of increased risk in COVID-19 transmission greatly affects international road transport. Based on a study conducted by the Intergovernmental Authority on Development (IGAD) in 2013, predominant health problems reported by truckers along Djibouti -Addis Ababa road corridor are (i) STIs (sexually transmitted infections) (95.2 percent), HIV/AIDS (74.8 percent), and malaria (22.1 percent). Both Djibouti and Ethiopia have recognized the importance of transit traffic as a vector for the propagation of HIV/AIDS and COVID-19. Past experience with the implementation of a HIV/AIDS

4 The World Bank developed a Performance Assessment Framework for Policymakers for trucking that could be used in the project: indicators such as the ones presented on page 53 could be adopted by DPCR and the public authorities to track performance and gather data. <https://openknowledge.worldbank.org/bitstream/handle/10986/34204/Trucking-A-Performance-Assessment-Framework-for-Policymakers.pdf?sequence=4&isAllowed=y>



component in regional transport project financed by the World Bank⁵ has proved that a regional approach to the issue can have a substantial impact on reducing the prevalence of the disease and raising awareness.

Relationship to CPF

18. **The project supports the WBG’s priorities for Djibouti and is aligned with the new Country Partnership Framework (CPF).** The project recognizes the 2018 Systematic Country Diagnostic (SCD) and is aligned with the new Country Partnership Framework (CPF), currently under preparation, which covers the period FY21-25, and which will deepen the WBG’s engagement to help Djibouti leverage gains from its infrastructure investments by creating jobs, improving productivity, enhancing human capital, and strengthening the capacity of the state to deliver quality public services. The draft CPF proposes two pillars: (i) supporting human capital, inclusive and private sector-led growth and job creation and economic transformation by fostering private investment and entrepreneurship; and (ii) strengthening the role and capacity of the state to deliver services, promote inclusion and modernize public. The project will support both pillars by (i) creating jobs, supporting private-led growth in the infrastructure sector and all private producers by facilitating trade and market access with increased connectivity along the corridor and by contributing to increase human capital with the road safety improvement and health-related interventions (HIV/AIDS and COVID-19 prevention), and most importantly (ii) increase the quality of transport services along the corridor.
19. **Ensuring safe transport, ensuring food and goods supply, creating jobs, are part of the Pillar III of the World Bank Group COVID-19 response and recovery.** This project will contribute to create jobs with the infrastructure construction work, which is labor-intensive. The project will also reinforce the security of food and goods supply chains, both within Djibouti but also at the regional level by reinforcing Ethiopia’s connectivity. The project will also mitigate COVID-19 impacts by creating short-term and longer-term employment opportunities.
20. **The project supports Djibouti’s Government’s national development plan entitled *Strategy of Accelerated Growth and Promotion of Employment (SCAPE)*** covering the periods 2015-2024 aimed at operationalizing the country overarching long-term vision (*Djibouti Vision 2035*). The main goal under the first phase of the Strategy is to upgrade the profile of the economy with modernized infrastructure and reformed sectors for greater efficiency and effectiveness, with a focus on four key sectors for the economy – transport and logistics, telecommunications/ICT, tourism, and fishing. The second phase is based on three strategic pillars: social inclusion, connectivity, and regional integration. This second phase is expected to give an enhanced role to the private sector.

Relationship to Regional strategies

21. **The project is aligned with the objectives the Horn of Africa’s initiative.** Consistent with the Ministerial Communique launching the HoA Initiative⁶, the overall objective of the HoA Initiative is to rapidly develop the sub-region by facilitating regional integration and cooperation among the five HoA countries. The project will directly contribute to Pillars 1 and 2 of the HoA initiative, namely (i) Pillar 1: “An Interconnected Horn”, that focuses on implementing cross-

⁵ Abidjan-Lagos Trade and Transport Facilitation Program

⁶ Communique of October 2019, following Side Event During the World Bank Annual Meetings



border regional infrastructure projects including transport corridors; and (ii) Pillar 2: “More Trade, More Growth, More Jobs”, that focuses on trade and economic integration.

22. **The project supports one of the four priority corridors of the HoA initiative.** The Djibouti-Addis Ababa is an economic corridor of the Regional infrastructure network of the HoA and gives importance to transforming transport and logistics corridors into economic corridors by easing transport of goods and people and providing incentives to stakeholders to trade and engage in various economic activities along the corridors.

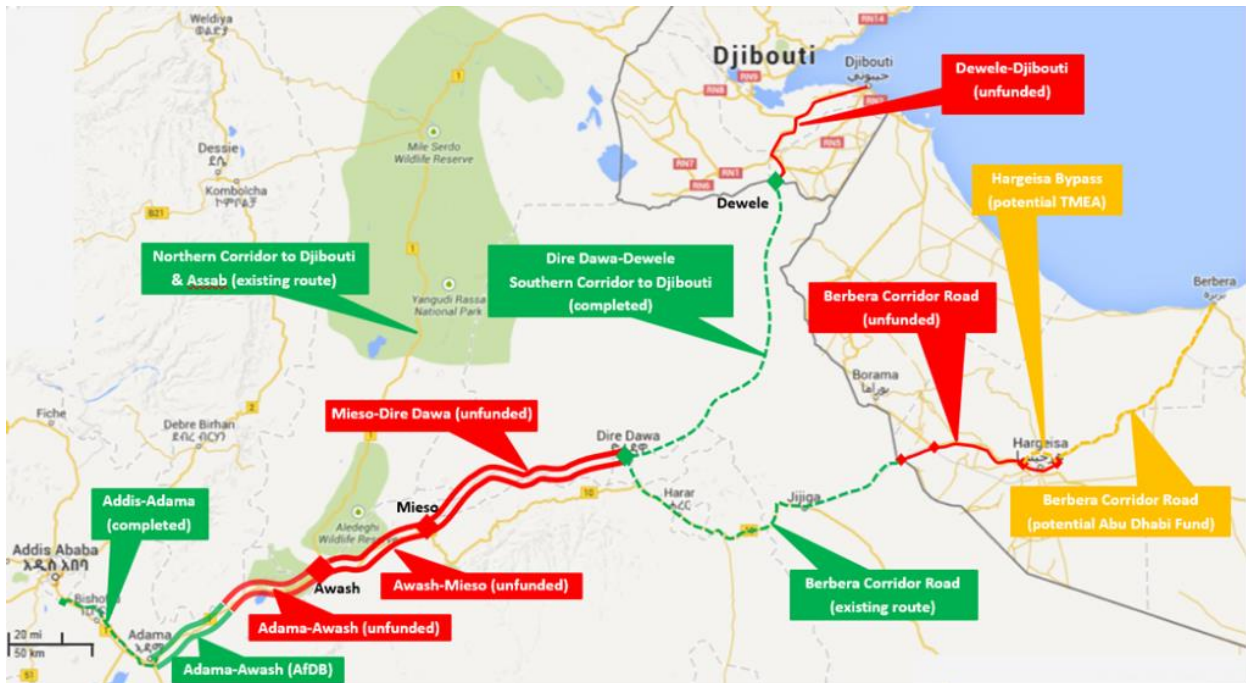


Figure 3: Priority corridors from/to Addis-Ababa of the HoA Initiative

23. **Djibouti also benefits from interventions by other international donors.** In the transport sector, recent interventions from the European Union, the JICA, and Saudi funds focus on the “North Corridor”. The European Union recently rehabilitated a section on the southern part of the RN1. JICA and Saudi funds are currently updating the RN1 starting from the Ethiopian border. Construction works financed by JICA have started recently. Discussions to define the Saudi interventions are ongoing. The suggested project to be financed by the WBG will complement other donors’ interventions and ensure Djibouti a second door towards Ethiopia. See Annex 1 for details on sections financed by other donors.

24. **The project is also aligned with the enlarged MENA regional strategy and more specifically with the MENA infrastructure strategy.** Based on three guiding principles, Smart and Green, Inclusive and Sustainable, the MENA Infrastructure Strategy has three pillars: (i) enhance national and regional connectivity to integrate regional and global supply chains, (ii) accelerate inclusive transition towards Low Carbon Economy and Digital Economy and (iii) strengthen enabling environment and mobilize private sector resources to maximize development impacts. The project will support pillars (i) and (iii).



25. **The project also fully supports the recent Bank’s Regional Integration and Cooperation Strategy for the period 2018-2023 in Africa which Priority 1 is: “Generate economic dynamism along regional economic corridors”.** This priority focuses on selected transnational economic corridors where integration could be realized, and where financing for regional physical infrastructure connectivity would be complemented by policy reforms to address barriers to value addition and facilitate greater trade. Such approach would include creating an enabling environment for private sector to invest along these corridors, thus responding to the regional integration priorities of countries and the expectations of the private sector in terms of connecting and growing markets.

Relationship to other World Bank Group projects

26. **The project is prepared in close coordination with World Bank investments in Ethiopia.** On the Ethiopian section of the corridor, Addis-Ababa – Dewele is 663 km long of which 298 km are already built or under procurement. The project will be complemented by the Ethiopia Transport Corridor Project (P174485) under preparation with a similar timeline.
27. **The proposed project will also be informed by a number of ongoing analytical exercises.** These include i) a pre-feasibility study funded by PPIAF currently ongoing (P172970), and ii) a trust-fund, MOLO, dedicated to support the development of the rail sector, intermodality issues and coordination with Ethiopia. The pre-feasibility study funded by PPIAF aims to support the Government of Djibouti in the identification of a viable road corridor and help in its early-stage preparation for market. The Consortium hired to conduct this study is expected to conclude the work by Q2 FY21. Moreover, the WBG will update during FY21 the Infrastructure Sector Assessment Program (“InfraSAP”) for Djibouti (P175364).

C. Proposed Development Objective(s)

The proposed PDO is to improve the quality and safety of transport and transit along the Djiboutian section of the Djibouti – Addis Ababa road corridor.

Key Results (From PCN)

28. The expected results are the improvement of transport and transit services, the reduction of the general costs of transport, creation of jobs especially for women, and improvement of road safety along the corridor.
29. *Improvement of the quality of transport and transit* will be measured by (i) the truck travel time along the corridors (including at Djibouti port, at border, on the road, and idle time); (ii) costs savings, to be derived from shorter transit time and reduced uncertainties and (iii) number of jobs created by new road maintenance contracts and economic opportunities along the corridor, of which women beneficiaries. Women will be targeted, inter alia, by improving conditions for their small border trade, and creating small businesses in selected areas along the corridors.
30. *Improvement of the safety of transport* on the corridor will be measured by (i) decreased number of crash fatalities and serious injuries and (ii) increased awareness of truckers and vulnerable population along the corridor of HIV/AIDS and COVID-19 prevention measures and testing.



D. Concept Description

- 31. The proposed project is part of global initiative for regional integration in the HoA. The project will be designed around three components (1) improvement of the road and border infrastructure along the southern corridor on the Djiboutian section to Addis-Ababa via Dewele (2) development of a “smart and safe” corridor and (3) Establishment of performance-based contract for operation and maintenance of corridors in Djibouti and project management. The preliminary assessment indicates a total estimated project cost of around US\$70 million. This cost does not consider compensation linked to involuntary settlement or compensation of populations.
- 32. Co-financing with other donors, Djibouti Port Authority or private sector participation will be determined during project preparation to fill in the US\$25 million and accordingly IDA allocation of resources amount the project components.
- 33. The project components are detailed as follows, based on information at this stage:

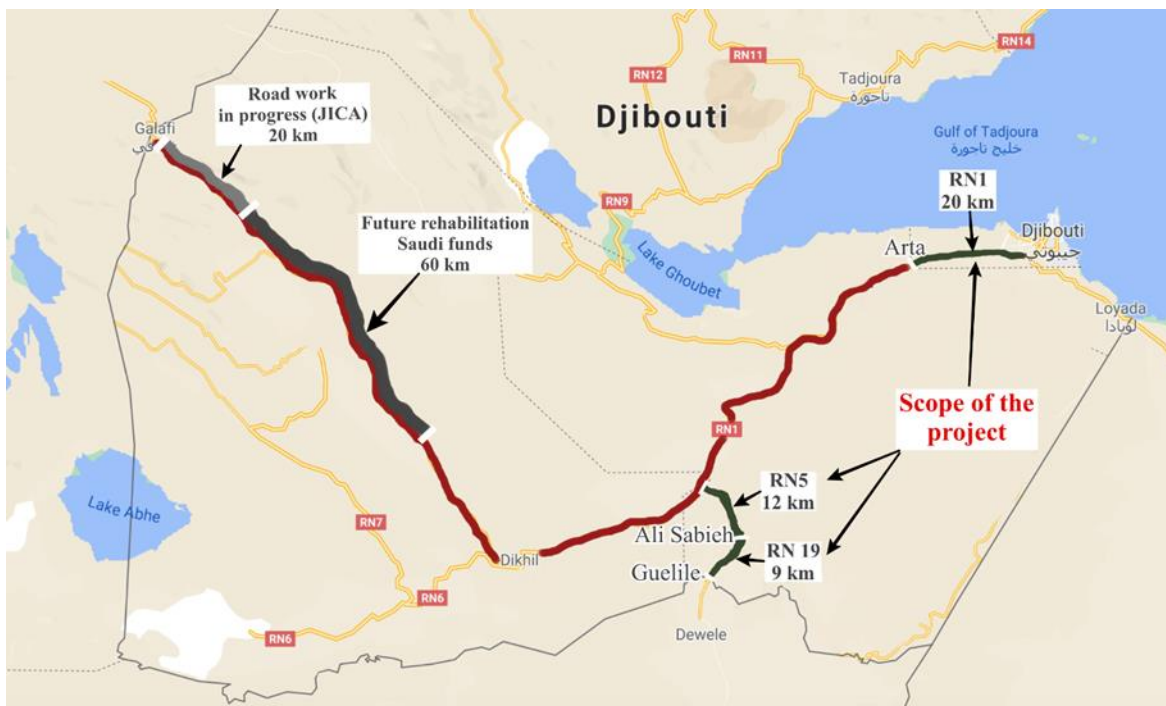


Figure 4: Scope of the project

Component 1: Improvement of road and border infrastructure (estimated costs: USD 60 million)

- 34. A technical study funded by PPIAF (P172970, ongoing), undertook a comparative assessment at prefeasibility level of 3 road corridors between Djibouti and Addis-Ababa, namely (i) the northern corridor, along the RN1 214 km, currently the most used by trucks (2,116 heavy veh/day) under rehabilitation with support from other donors, (ii) the southern corridor along the RN1, RN5 and RN19 via Dewele, of 104 km and (iii) a greenfield corridor of 89 km along the railway line. Preliminary results, based on traffic forecast and rehabilitation cost estimates, showed at that the second corridor has the highest economic returns. Final results are expected in November 2020.
- 35. This Component will finance the following activities:



- (i) Rehabilitation and upgrade of road sections along the southern road corridor from Djibouti to Addis-Ababa on:
 - RN5 12 km: heavy rehabilitation from RN1 to Ali Sabbieh
 - RN19 9 km: geometrical improvements of the existing road to address road safety issues
 - RN1 21 km from Djibouti to Guelile: address punctual deteriorations and geometrical improvements of the existing two-lane from outside Djibouti city (PK12) to Arta (PK30) to address congestion and road safety issues.
 - Work will include drainage facilities and walking infrastructure and crosswalks in urban/settlement areas along the corridor.
- (ii) Parking and rest areas at key points along corridor (location TBD during preparation).
- (iii) Refurbishment or development of border post facilities at Guelile (procedures that determine the needs TBC during preparation).

Component 2: Development of a Smart and Safe corridor (estimated cost: USD 5 million):

36. This Component will include the following activities:

- (i) Infrastructure and systems to ensure fluidity of freight movement on the corridor:
 - Integration of information systems between road, rail and border control agencies
 - Installation of cameras, real-time traffic monitoring mechanisms, and smart road infrastructure to protect the trucks traveling along the corridor and support the beneficiary population.
 - Acquisition and installation of weighbridges (possibly with weigh-in-motion filter prior to the weighbridge) at key locations (TBD, during preparation) along the corridors to reduce overloading and thus contribute to the preservation of the road network.
 - Improvement of clearance process through green channels and risk management will include: TA, provision of training for customs agents, logistics service providers and traders on risk management, establishment of trusted trader programs, and ethics and compliance.
- (ii) Support the development of a safe and inclusive corridor:
 - Elaboration of a road safety strategy, awareness raising among communities along the corridor, and strengthening vehicle inspection mechanisms and load weight enforcement.
 - Formulation, documentation and execution of programs of activities aimed at reducing the impact of HIV/AIDS and preventing the spread of HIV infection among communities established and/or operating along the corridor. This will also include awareness of gender-based violence.
 - COVID-19 prevention campaign targeting the corridors' users
 - Literacy training for truck drivers and local communities
 - Support to women small businesses in selected areas along the corridors (TBC)

Component 3: Establishment of performance-based contract for operation and maintenance of the corridor and operational support (estimated costs: USD 5 million):

37. This component will support finding a mechanism for sustainable operation and maintenance of the corridor exploring private sector investment possibilities (as it could complement the sources of financing). Various options will be analyzed and the decision on the type of contract will rely on (i) the level to which the country is ready to involve the private sector and (ii) the results from the financial models and market sounding currently ongoing in the PPIAF funded study to understand the market interest and capacity depending on the proposed scope. This important feedback will allow to define if the Rehabilitation Works should be included in the contract or be carried out in advance under a



separate “standard” civil works contract. This decision also depends on the obligations and risks allocation that the GoD considers relevant to transfer to a private partner, in a cost-effective manner. The private contractor should be entitled to implement an axle load control system, based on the legislation and in cooperation with local police authorities, and should contribute to the other component 2 objectives that would be included in its scope of work.

38. From a maximizing finance for development perspective, while the participation of the private sector in the operations and maintenance through a performance based approach is essential to ensure a sustainable asset, the eventual participation of the private operator into the financing of the project will depend on (i) the length and corridors / sections of intervention under the PBC, (ii) the confirmation of the total financing needs, (iii) the available co-financing options, in particular through other multilateral development banks and (iv) the GoD’s choice on the role expected for the private sector to play (O&M only, O&M + civil works, O&M + civil works + financing). The critical consideration relates to both the availability and the reliability of revenues’ cash flows for private sector participation, in a context where (i) the existing toll revenues are to be used by DPCR for maintenance of several road corridors but also to repay loans contracted for the construction of new sections and (ii) the need to eventually complement the toll revenues with funding from the Port Authority. An arbitrage on the use of the toll revenues between DPCR and the private partner and between the different road corridors will be required.

39. This Component will finance the following activities:

- (i) Technical assistance up to transaction advisory to support the mobilization of a private sector firm for the operations and maintenance of the road project under a Performance-based contract (PBC) approach, through (i) definition of the perimeter of the PBC and role of the private sector (length and sections of the road network to fall under the contract); confirmation of the rehabilitation and upgrading tasks that would fall under the PBC, if applicable; definition of the service level); (ii) technical studies and (iii) PBC structuring and tendering.
- (ii) Institutional strengthening and capacity-building on road PBC, through (i) assistance in designing the institutional monitoring framework for the PBC contract and (ii) capacity building to DPCR, ADR and the recently created PPP Unit on PBC approaches and fiscal management linked to PBC.
- (iii) Project and Corridor management including corridor performance monitoring and reporting; PMUs operating costs; and the competitive hiring of consultants, as needed, for support in project implementation.

Legal Operational Policies	Triggered?
Projects on International Waterways OP 7.50	No
Projects in Disputed Areas OP 7.60	No
Summary of Screening of Environmental and Social Risks and Impacts	

Most environmental and social risks and impacts associated with the project are limited to the construction phase. These include possible erosion and run-off to water bodies during earthworks, occupational and community health and safety including temporary traffic blockages and traffic safety, limited loss of vegetation, pollution from construction (dust, noise



and vibration, wastewater, solid wastes and used oil), use of construction materials such as soil, gravels, and water consumption for the construction, possibility of irrigation or drainage channel blockages, poor working conditions, occupational health and safety risks, waste increase, land acquisition leading to economic and physical displacement, potential incidents of sexual exploitation and abuse. The project however also entails risks that span across the operational phase, such as road safety risks. Given the above and the fact that the risks are mostly limited to the construction phase, site-specific and can be mitigated in a predictable manner, the environmental and social risks and impacts are rated as substantial.

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APPROVAL

Task Team Leader(s):	Anne Cecile Sophie Souhaid
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Approved By

Country Director:	Janette Uhlmann	11-Dec-2020
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