



Program Information Document (PID)

Concept Stage | Date Prepared/Updated: 03-Aug-2020 | Report No: PIDC29489



BASIC INFORMATION

A. Basic Project Data

Country Djibouti	Project ID P174180	Project Name Djibouti COVID-19 Development Policy Financing (P174180)	Parent Project ID (if any)
Region MIDDLE EAST AND NORTH AFRICA	Estimated Board Date Sep 29, 2020	Practice Area (Lead) Macroeconomics, Trade and Investment	Financing Instrument Development Policy Financing
Borrower(s) Ministry of Economy and Finance in charge of Industry	Implementing Agency Ministry of Social Affairs		

Proposed Development Objective(s)

To support the coordination of the Government's response to the COVID-19 outbreak and the mitigation of its socioeconomic impacts

Financing (in US\$, Millions)

SUMMARY

Total Financing	35.00
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DETAILS

Total World Bank Group Financing	35.00
World Bank Lending	35.00

Decision

The review did authorize the preparation to continue

B. Introduction and Context

Country Context

1. **This proposed COVID-19 Development Policy Operation for the Republic of Djibouti seeks the approval of the Executive Directors to provide a credit of US\$35 million in FY21 to help the Recipient respond appropriately to the COVID-19 outbreak and cover an unanticipated financing gap that has arisen due to its impact on the economy.** This is a stand-alone operation aiming to contribute to the National Pact of Solidarity (GURMAD-DEERO), the Government's



strategic response to the COVID-19 outbreak through: (i) supporting the coordination of the Government's response to the COVID-19 outbreak and fostering transparency and (ii) ensuring continuity of selected basic social services and mitigating the socioeconomic impact of the COVID-19 outbreak on vulnerable households including refugees, and MSMEs.

2. **Djibouti is a highly urbanized small state hosting a large number of refugees and migrants living in refugee-like situations from neighboring countries.** More than 85 percent of the population lives in urban centers, particularly in Djibouti City where administrative services are located. Migration from neighboring countries has fueled urban growth and the expansion of slums—particularly in Balbala, which hosts about 300,000 people (roughly 30 percent of the population). According to the United Nations High Commission for Refugees (UNHCR), Djibouti is hosting close to 30,000 registered refugees and asylum seekers from Somalia, Ethiopia, Eritrea, and Yemen (about 3 percent of its population), mainly in two camps in the south of the country (Ali-Addeh and Hol Hol). In addition, the government has recorded around 150,000 people (about 15 percent of the population) living in refugee-like situations and sharing characteristics with refugees, though not registered with the UNHCR as refugees. Having left their countries for political, security, and climatic reasons, they have settled mainly in the urban slums of Balbala in Djibouti City.

3. **On the eve of the outbreak of the COVID-19 pandemic, Djibouti had achieved steady, albeit less inclusive, economic growth for two decades.** According to revised national accounts, real GDP¹ increased by an average of 4.8 percent per year from 1999 to 2019 and per capita GDP grew by 3 percent on average per year in the same period. This impressive growth performance was a clear break from the poor economic record of the 1990s² when real per capita GDP contracted by 4.2 percent on average per year between 1990 and 1998. At the dawn of its independence, power imbalances between different ethnic groups led to a civil conflict in 1991 between the government and a rebellion group. As peace was brokered in 1994, an equilibrium was found between parties in a power sharing agreement that contributed to bring and maintain peace in the ensuing two decades. Economic growth since 1999 has been driven by export of services, with transportation and logistics, telecommunication and banking sectors being the main contributors. In these three sectors, Djibouti's strategically leveraged the country's most valuable and significant asset in partnership with fast-growing and landlocked Ethiopia. On the social front, the share of population living with less than US\$1.90 2011 PPP a day was estimated at 17.1 percent in 2017, down from 22.7 percent in 2013³. The poverty gap also declined from 7.6 percent in 2013 to 5.7 percent in 2017. Even though the Gini coefficient declined from 44.1 in 2013 to 41.6 in 2017, regional disparity remains significant between Djibouti city and the rest of the country.

4. **The ongoing COVID-19 outbreak is having significant economic financial and social impact on Djibouti.** The first case of coronavirus in Djibouti was confirmed on March 18, 2020. The patient arrived in Djibouti on March 14 and tested positive on March 17. As an early response, the Government suspended all in and out international passenger flights on March 18, 2020, closed schools and universities on March 23, and ordered a general lockdown starting from March 27, 2020. As of July 30, 2020, there were 5,081 confirmed cases of COVID-19 in Djibouti, and 58 deaths. The government started to gradually relax containment measures in May 2020 and reopened borders on July 15, 2020. With the disruption in global supply chains and the preventive social distancing measures implemented by the Government such as restriction on movement and gatherings, there will be constraints on both the supply and demand for goods and services which will slow economic growth. Under the baseline scenario, economic growth will slow to 1.3 percent representing a contraction by 1.9 percent of per capita GDP, the first time since the 2009.

5. **The proposed operation aims at supporting the government's response to the pandemic and the mitigation of its economic and social impacts** and enhancing the resilience of the population and the economy. The proposed operation

¹ With support from AFRISTAT, the World Bank Group (WBG) and the International Monetary Fund (IMF), the Government of Djibouti has revised of its national accounts, focusing on the period 2013-2017 and applying the general principles of the UN's Systems of National Accounts of 2008 (SNA2008), with 2013 as the base year. GDP was revised upward by 50 percent.

² Part of the period was marked with civil war which lasted from 1991 to 1994, resulting in thousands of fatalities.

³ The share of population living below the national poverty line was estimated at 42 percent in 2002 but data are not comparable with 2013 and 2017.



covers five policy areas namely: PFM and overall coordination, health, education, social protection, and MSMEs. These areas are consistent with the Government's GURMAD-DEERO as well as the World Bank Group's Country Partnership Strategy for FY20-25. The design of the series has incorporated lessons from previous development policy operations in time of emergency and considered findings of the Systematic Country Diagnostic (SCD). The operation will focus on a limited number of reforms included in the Pact of National Solidarity and geared to promote faster economic recovery critical to unlocking inclusive growth. This operation temporarily shifts focus away from agreed programmatic reforms to support targeted policies critically needed and financial relief in extremely challenging period.

Relationship to CPF

6. **The proposed operation is fully consistent with the previous WBG Country Partnership Strategy (CPS) and the proposed new Country Partnership Strategy (CPF) for FY20-25 prepared in collaboration with the MIGA and IFC and the regional MENA strategy.** Drawing from the lessons in implementing the CPS, the new CPF emphasizes the centrality of programmatic engagement in Djibouti including through Development Policy Financing (DPF) in coordination with other development partners. The new CPF proposes three pillars on Promoting Inclusive Growth, Human Development and Building Institutions, all of which are covered in the proposed operation. Other World Bank operations in health, education, social protection, private sector development and entrepreneurship, and governance are linked to the proposed operation and provide valuable support through Technical Assistance. The proposed operation includes two results indicators to promote female employment and business leadership. In addition, the ongoing Private Sector Diagnostic led by IFC will provide further insights to this operation. The diagnostic will identify key challenges and sectors that require deep analysis. The CPF anticipates development of a PPP framework starting with the affordable housing sector. IFC is consulting with the government to identify suitable locations to start implementation of the PPP arrangement in the affordable housing sector – including in the suburbs that host low income populations/refugees. IFC is coordinating with the Bank to support reforms in the ICT sector. Specific projects will include technical advice to government and sector level institutions to help them innovate and include the role of private sector. IFC is exploring infrastructure projects (renewable energy, ports, etc.) and where appropriate these projects will be under the PPP arrangement to crowd in private investors.

C. Proposed Development Objective(s)

To support the coordination of the Government's response to the COVID-19 outbreak and the mitigation of its socioeconomic impacts

Key Results

7. **For the monitoring and evaluation of the operation 11 results indicators will be used.** They are: the publication of the COVID-19 high level Committee activity report (Results Indicator #1), the publication of the COVID-19 Emergency Fund External Audit report (Results Indicator #2), the amount of COVID-19 related extra-budgetary expenditure (Results Indicator #3), the number of clinical and non-clinical workers paid through the formal hazard payment system will be used as result indicator (disaggregated into two components by gender (Results Indicators #4 and #5), the number of hours of course of primary school offered by the remote education systems (Results Indicator #6) and the number of visits of the website offering the online course for college students (Results Indicator #7), the number of safety net programs (Results Indicator #8) and the number of displaced families receiving assistance in kind or in the form of cash transfers from the Government (Results Indicator #9), the number of MSMEs that have received financial support from the Emergency Fund (Results Indicator #10) and the number of MSMEs with female CEO that have received financial support from the Emergency Fund (Results Indicator #11).



D. Concept Description

8. **The program development objective of the proposed operation is to:** Support the coordination of the Government's response to the COVID-19 outbreak and foster transparency; mitigate the socioeconomic impact of the COVID-19 outbreak enhancing the resilience of the population and the economy. To achieve these objectives, the proposed operation focuses on two strategic pillars and five policy areas, targeting both the host communities and refugees. The choice of pillars and policy areas reflects a combination of factors, including economic and social impact mitigation potential, available analytical evidence to underpin reforms, current World Bank Group engagement (including complementarity with other World Bank projects), coordination with the IMF and other development partners, and the government's expressed priorities and reform momentum.

9. **This proposed operation is a stand-alone operation to support the implementation of the country's Pact of National Solidarity (GURMAD-DEERO).** Its aim is to contribute to the Government's response to the COVID-19 outbreak through: (i) supporting the coordination of the Government's response to the COVID-19 outbreak and fostering transparency and (ii) ensuring continuity of selected basic social services and mitigating the socioeconomic impact of the COVID-19 outbreak on vulnerable households including refugees, and MSMEs. The proposed operation covers five policy areas namely: PFM and overall coordination, health, education, social protection, and MSMEs. These areas are consistent with the Government's GURMAD-DEERO as well as the World Bank Group's Country Partnership Strategy for FY20-25. These policy areas also address the drivers of fragility and are aligned with the MENA enlarged strategy, supporting stability through renewing social contract, resilience for refugees and host communities, and recovery from the COVID-19 shock. The design of the series has incorporated lessons from previous development policy operations in time of emergency and considered findings of the Systematic Country Diagnostic (SCD). The operation will focus on a limited number of structural reforms included in the Pact of National Solidarity and geared to promote faster economic recovery critical to unlocking inclusive growth. This operation temporarily shifts focus away from the agreed programmatic reform agenda that includes telecom, energy and other traditional PFM type of reforms to support targeted policy critically needed and financial relief in extremely challenging period.

E. Poverty and Social Impacts, and Environmental, Forests, and Other Natural Resource Aspects

Poverty and Social Impacts

10. **The proposed operation is expected to have significant poverty and social impact.** The Government will conduct rapid household surveys between May 2020 and December 2020. The objective of the surveys is to understand and monitor the distributional impact of the COVID-19 pandemic on households. They will be implemented in the form of high frequency phone surveys over a period of 8-10 months, starting in May 2020 with basically a survey every two weeks. The surveys will be conducted on the same sample of households to create a panel of observations and to allow to optimally monitor trends. Quality control protocols will be developed to ensure real-time monitoring of all interviews.

Environmental, Forests, and Other Natural Resource Aspects

11. **The Association has assessed whether any specific policies supported by the proposed operation are likely to cause significant effects on the country's environment and natural resources.** Based on that assessment, a conclusion was reached that the policies supported by the proposed operation are not, in general, **likely** to lead to negative impacts, but the implementation of most of the proposed policies are neutral or may lead to positive impacts. However, some prior actions may lead to adverse environmental impacts if the required Environmental Impact Assessments (EIA) and mitigation plans are not prepared and implemented adequately.



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APPROVAL

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04-Aug-2020