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INTERNATIONAL DEVELOPMENT ASSOCIATION

PROJECT APPRAISAL DOCUMENT

ON A

PROPOSED CREDIT

IN THE AMOUNT OF SDR 10.4 MILLION  
(US\$15 MILLION EQUIVALENT)

TO THE

REPUBLIC OF DJIBOUTI

FOR A

PUBLIC ADMINISTRATION MODERNIZATION PROJECT

April 4, 2018

Governance Global Practice  
Middle East and North Africa Region

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## CURRENCY EQUIVALENTS

(Exchange Rate Effective as of February 28, 2018)

Currency Unit	=	Djibouti Franc (DJF)
DJF 177.00	=	US\$1
US\$1	=	SDR 0.69161554

## FISCAL YEAR

January 1 – December 31

## ABBREVIATIONS AND ACRONYMS

ANSIE	National Agency for State Information System ( <i>Agence Nationale des Systèmes d'Informations de l'Etat</i> )
API	Application Programming Interface
ASYCUDA	Automated System for Customs Data
ATI	Access to Information
CAF	Financial Application Center ( <i>Centre d'Application Financière</i> )
CERT	Computer Emergency Response Team
CFM	Citizen Feedback Mechanism
CGD	Customs Code ( <i>Code Général des Douanes</i> )
CGI	Tax Code ( <i>Code Général des Impôts</i> )
CNSS	National Social Security Fund ( <i>Caisse Nationale de Sécurité Sociale</i> )
CPS	Country Partnership Strategy
CSC	Citizen Service Center
DA	Designated Account
DGDDI	General Directorate for Customs and Indirect Taxes ( <i>Direction Générale des Douanes et des Droits Indirects</i> )
DGI	General Directorate for Tax ( <i>Direction Générale des Impôts</i> )
DGPF	General Directorate of Population and Family ( <i>Direction Générale de la Population et de la Famille</i> )
ESB	Enterprise Service Bus
EMP	Environmental Management Plan
FM	Financial Management
FO	Financial Officer
G2B	Government-to-Business
G2C	Government-to-Citizen
G2G	Government-to-Government
GDP	Gross Domestic Product
GET	Governance e-Transformation
GRS	Grievance Redress Service
GSMA	Global System for Mobile Communications Association
ICT	Information and Communication Technology
IDF	Institutional Development Fund
IFR	Interim Financial Report
IIAG	Ibrahim Index of African Governance
IMF	International Monetary Fund
IPF	Investment Project Financing

IRR	Internal Rate of Return
IT	Information Technology
M&E	Monitoring and Evaluation
NPV	Net Present Value
PCU	Project Coordination Unit
PDO	Project Development Objective
PKI	Public Key Infrastructure
PLR	Performance and Learning Review
PFS	Project Financial Statement
PP	Procurement Plan
PPA	Project Preparation Advance
PPSD	Project Procurement Strategy for Development
POM	Project Operational Manual
OGP	Open Government Partnership
RF	Results Framework
SAI	Supreme Audit Institution
SOE	Statement of Expenditure
TA	Technical Assistance
TIC	Internal Consumption Tax ( <i>Taxe Intérieure de Consommation</i> )
ToR	Terms of Reference
UIN	Unique Identifier Number
VAT	Value Added Tax
WDR	World Development Report
WGI	Worldwide Governance Indicators

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Country Director: Asad Alam

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Task Team Leader(s): Robert A. Yungu, Axel Rifon Perez





**BASIC INFORMATION**

Is this a regionally tagged project? No	Country(ies)	Financing Instrument Investment Project Financing
<input type="checkbox"/> Situations of Urgent Need of Assistance or Capacity Constraints <input type="checkbox"/> Financial Intermediaries <input type="checkbox"/> Series of Projects		
Approval Date 25-Apr-2018	Closing Date 30-Oct-2022	Environmental Assessment Category B - Partial Assessment
Bank/IFC Collaboration No		

**Proposed Development Objective(s)**

The PDO is to enable access to e-government and promote efficiency of selected revenue administration services.

**Components**

Component Name	Cost (US\$, millions)
Strengthening e-government foundation and institutional building	9.50
Tax and Customs Modernization	4.50
Project Management	1.00

**Organizations**

Borrower : The Republic of Djibouti

Implementing Agency : Secrétariat Général du Gouvernement



**PROJECT FINANCING DATA (US\$, Millions)**

<input type="checkbox"/> Counterpart Funding	<input type="checkbox"/> IBRD	<input checked="" type="checkbox"/> IDA Credit	<input type="checkbox"/> IDA Grant	<input type="checkbox"/> Trust Funds	<input type="checkbox"/> Parallel Financing
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Total Project Cost:  
15.00

Total Financing:  
15.00

Financing Gap:  
0.00

Of Which Bank Financing (IBRD/IDA):  
15.00

**Financing (in US\$, millions)**

Financing Source	Amount
IDA-62270	15.00
<b>Total</b>	<b>15.00</b>

**Expected Disbursements (in US\$, millions)**

Fiscal Year	2018	2019	2020	2021	2022	2023
Annual	0.04	1.05	1.75	3.70	5.73	2.72
Cumulative	0.04	1.09	2.84	6.55	12.28	15.00

**INSTITUTIONAL DATA**

**Practice Area (Lead)**

Governance

**Contributing Practice Areas**

Transport & Digital Development



**Climate Change and Disaster Screening**

This operation has been screened for short and long-term climate change and disaster risks

**Gender Tag**

Does the project plan to undertake any of the following?

a. Analysis to identify Project-relevant gaps between males and females, especially in light of country gaps identified through SCD and CPF

Yes

b. Specific action(s) to address the gender gaps identified in (a) and/or to improve women or men's empowerment

Yes

c. Include Indicators in results framework to monitor outcomes from actions identified in (b)

Yes

**SYSTEMATIC OPERATIONS RISK-RATING TOOL (SORT)**

Risk Category	Rating
1. Political and Governance	● Substantial
2. Macroeconomic	● Moderate
3. Sector Strategies and Policies	● Substantial
4. Technical Design of Project or Program	● Moderate
5. Institutional Capacity for Implementation and Sustainability	● Moderate
6. Fiduciary	● Substantial
7. Environment and Social	● Moderate
8. Stakeholders	● Moderate
9. Other	● Moderate
10. Overall	● Moderate



**COMPLIANCE**

**Policy**

Does the project depart from the CPF in content or in other significant respects?

Yes  No

Does the project require any waivers of Bank policies?

Yes  No

**Safeguard Policies Triggered by the Project**

**Yes**

**No**

Environmental Assessment OP/BP 4.01

✓

Natural Habitats OP/BP 4.04

✓

Forests OP/BP 4.36

✓

Pest Management OP 4.09

✓

Physical Cultural Resources OP/BP 4.11

✓

Indigenous Peoples OP/BP 4.10

✓

Involuntary Resettlement OP/BP 4.12

✓

Safety of Dams OP/BP 4.37

✓

Projects on International Waterways OP/BP 7.50

✓

Projects in Disputed Areas OP/BP 7.60

✓

**Legal Covenants**

**Sections and Description**

Annual Work Plans and Budgets, Schedule 2, Section I, C, 1. No later than November 30, in each calendar year, the Recipient shall prepare or cause to be prepared for the purpose of forwarding to the Association, a draft annual work plan and budget for the Project (including Training and Operating Costs) for the subsequent calendar year of Project implementation, of such scope and detail as the Association shall have reasonably requested.

**Sections and Description**

Project Monitoring, Reporting and Evaluation, Schedule 2, Section II. The Recipient shall furnish to the Association each Project Report not later than one month after the end of each calendar quarter, covering the calendar quarter.





**Conditions**

Type	Description
Effectiveness	The Recipient has adopted the Project Implementation Manual in accordance with the provisions of Section I.B. of Schedule 2 of the Financing Agreement.

**PROJECT TEAM**

**Bank Staff**

Name	Role	Specialization	Unit
Robert A. Yungu	Team Leader(ADM Responsible)	Sr. Public Sector Specialist	GGOMN
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Nagad Khaireh Allaleh	Team Member	Program Assistant	MNCDJ



**Extended Team**

Name	Title	Organization	Location
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DJIBOUTI  
PUBLIC ADMINISTRATION MODERNIZATION PROJECT  
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## I. STRATEGIC CONTEXT

### A. Country Context

- 1. Strategically located at the southern entrance to the Red Sea, Djibouti is a small country with a population estimated at 942,325 people (2016).** Djibouti is adjacent to the Mandeb Strait and the Suez-Aden canal, through which 10 percent of the world's oil exports and 20 percent of its commercial exports transit annually. It hosts several military and self-defense force bases<sup>1</sup> and has become the main sea-access route to landlocked Ethiopia. Djibouti draws significant rents from the military bases, which now account for 19 percent of total government revenues. Its economy has been expanding at a remarkable pace, estimated to have reached 6.5 percent in 2016 and 7 percent in 2017. Economic expansion has been fueled by debt-financed public investments in port modernization and transportation, particularly the railroad to Ethiopia, the construction of several new ports, and a water pipeline from Ethiopia. At the same time, external debt has accumulated very rapidly, currently standing above 80 percent of gross domestic product (GDP) from less than 50 percent in 2014.
- 2. Despite significant investments and remarkable economic growth, Djibouti is classified among the low human development countries, ranking 172 out of 188 countries in 2016<sup>2</sup>.** About 41 percent of the population is poor, and 23 percent live in extreme poverty. The unemployment rate has reached 39 percent. Among other indicators, life expectancy at birth is 62 years, below the world average of 71.5 years and least developed countries average of 63.3 years. Further, food insecurity affects 75 percent of rural households, and 17.8 percent of children under five years suffer from global acute malnutrition. The Gini index increased from 40 percent in 2002, to 44 percent in 2013.
- 3. Unlike many of its neighbors, Djibouti has remained relatively peaceful and stable in recent years.** There has been little progress, however, in transforming public institutions to become more accountable in delivering better results to its citizenry. There are underlying tensions between communities that could be exacerbated by high unemployment and poverty, exclusion, a flow of refugees from Yemen and Somalia, and threats from Al-Shabaab. Furthermore, Djibouti is vulnerable to extreme events, such as droughts and floods. These disturbances are increasing in frequency, adversely affecting the population, food security, the drinking water supply and irrigation, public health systems, environmental management, and overall lifestyle.
- 4. Significant improvements in governance and reforms to support a more inclusive and diversified private sector are key to unlocking the country's developmental potential.** As stated in the Government's development strategy Vision Djibouti 2035,<sup>3</sup> such reforms are critical to ensuring that the country reaches its full potential and becomes a logistics and commercial hub for the whole of East Africa Horn. However, Worldwide Governance Indicators (WGI) point to weak institutions that are unable to uphold the rule of law, posing significant challenges to government accountability. A lack of inclusive

<sup>1</sup> Countries that have military or self-defense force bases include China, France, Italy, Japan, and the United States.

<sup>2</sup> Human Development Index 2016

<sup>3</sup> Vision Djibouti 2035 targets a medium-term growth rate of 7.5–10 percent per year, tripling per capita income, and reducing unemployment. It includes five pillars: peace and national unity, good governance, economic diversification, human capital development, and regional integration.



processes around public policy making affects the Government's effectiveness in the delivery of key public services such as health and education.<sup>4</sup>

## B. Sectoral and Institutional Context

### *Governance, Institutional Building, and Service Delivery*

5. **The public administration is characterized by poor performance and a very weak delivery system.** Djibouti's public administration is relatively young. The country gained its independence from France in 1977. The postcolonial era was difficult as there were not enough qualified Djiboutian civil servants and good systems to ensure a successful transition. Djibouti ranks below most countries in the Human Development Index. There are also inequalities in access to basic services, education, health, nutrition, and labor markets. For example, in the education sector, achievements show inequalities along gender, geographic location, and wealth dimensions. Access to all education levels remains limited, affected by demand- and supply-side factors.

6. **To address the country's social and economic challenges that undermine its long-term stability, the Government has started implementing reforms to strengthen its institutional capacity and capabilities.** Djibouti has made significant improvements in targeting the private sector, yielding results in Doing Business indicators. In 2017, Djibouti was ranked among the top 10 reformers in the world, improving 17 places from 171 to 154. Regarding fiscal sustainability, the Government is moving forward with the implementation of key recommendations of the 2015 National Tax Conference.<sup>5</sup> Further, the Government focuses on reforming state-owned enterprise governance, taking steps to implement the Code of Good Governance, appointing new executive boards, and signing performance contracts with five public enterprises.

7. **Djibouti is reforming its public sector, but it continues to lag behind comparators on governance indicators.** According to the 2017 Ibrahim Index of African Governance (IIAG), the country scored 46.4 percent and was ranked 38 out of 54 countries in Africa, a deterioration of 0.15 percent compared to the average annual trend of the previous five years. Djibouti also fares poorly on the World Bank's WGI. For example, regarding voice and accountability, it ranks in the bottom 10 percent of the 214 countries ranked, reflecting limited interaction with citizens and businesses. Djibouti ranks in the bottom third of 214 countries regarding control of corruption, a significant drop from being above the 50th percentile in 2008. Further, Djibouti ranks in the bottom 20 percent on government effectiveness, indicating gaps in service delivery and the efficiency of the administration.

8. **To address these gaps, Djibouti is taking steps to adopt e-government.** With investment in e-government infrastructure ([www.egouv.dj](http://www.egouv.dj)), the Government has created a National Agency for State Information System (*Agence Nationale de Systèmes d'Informations de l'État*, ANSIE). Its goal is to modernize public administration and make it more efficient. It also plans an open data platform to increase access to information. According to the 2017 IIAG, Djibouti was ranked among the top 10

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<sup>4</sup> Vision Djibouti 2035 targets a medium-term growth rate of 7.5–10 percent per year, tripling per capita income, and reducing unemployment. It includes five pillars: peace and national unity, good governance, economic diversification, human capital development, and regional integration.

<sup>5</sup> International Monetary Fund Country Report No. 17/87, April 2017.



improvers in the participation subcategory for 2012–2016. This progress is notable considering a climb of 12 places from 46 in 2012 to 34 in 2016.

9. **A new window of opportunity for improved governance is opening in Djibouti.** The Government is committed to addressing migration, security, and institutional challenges. Djibouti has developed a law on assets declaration and all ministers and high-ranking public administration officials have already declared their assets. A right-to-information act is also under preparation. More support is required to help the Government maintain the momentum in the implementation of these reforms, as well in other critical reforms pertaining to procurement and the Supreme Audit Institution (SAI). The SAI has been issuing the General Audit Report, and the executive’s budget proposal is made public. The World Bank has been helping Djibouti strengthen procurement and the SAI through small Institutional Development Fund (IDF) operations. Continued support in these two areas will help strengthen accountability.

10. **Additional opportunities exist in the area of open government.** Djibouti is not yet eligible for membership in the Open Government Partnership (OGP) but has made progress on the eligibility criteria. When measured against OGP criteria on fiscal transparency, ATI, public official asset disclosures, and civil liberties, Djibouti has a score of only 17 percent, whereas the threshold for eligibility to OGP is set at 75 percent. Djibouti’s OGP eligibility score would be higher if recent reforms in the areas of asset disclosure, fiscal transparency, and ATI are taken into account. The Government is committed to substantially improving its score and eventually becoming an OGP member. Regarding the strengthening of assets declaration, in future, it will be critical to review and verify the truthfulness of declarations made. Currently, there are few methods and procedures for implementing verification. In addition, there is an absence of cooperation across public institutions.

#### *Setting up a Unique ID System to Improve Public Administration*

11. **Djibouti has several functional (or sector-specific) citizen registry systems with corresponding ID numbers that are not currently integrated; as such, there are inefficiencies in ensuring eligible citizens have access to services through better targeting, planning, and monitoring.** Safety net programs for poor families—or for access to schools, health centers, and financial services—are hindered by the lack of a reliable foundational ID system. A unique ID system would facilitate the interoperability of government registries and facilitate the registration and authentication of major life events, including births, marriages, and deaths. Importantly, it would also help establish a platform for an efficient and integrated services delivery system. Further, the development of a unique ID will empower women and girls, who are disproportionately affected by lack of official identification. The net enrollment ratio at secondary school stands at 37 percent for girls versus 45 percent for boys.<sup>6</sup> The labor force participation rate for women is 49.5 percent while it is 68.5 percent for men.<sup>7</sup> Only 8.8 percent of women have a bank account at a financial institution (16.6 percent for men).<sup>8</sup> The lack of information and awareness as well as missing key documentation such as birth certificates are major barriers for women and girls to obtain ID

<sup>6</sup> UNICEF (United Nations Children’s Fund). 2011. *MENA Gender Equality Profile, Status of Girls, and Women in Djibouti*.

<sup>7</sup> Labor force participation rate (age 15+, model International Labour Organization estimate), World Development Indicators 2017.

<sup>8</sup> World Development Indicators 2017 (latest data from 2011).



documents and thus, have greater access to services. Under the current ID system, only 44 percent of women have an ID compared with 56 percent for men.<sup>9</sup>

12. **The establishment of a foundational ID is a key priority for the Government as it is critical to ensuring the integrity and cost-effectiveness of public delivery systems.** For the moment, there are duplicative and nonintegrated ID systems, which result in high maintenance and transactional costs, fraud, poor quality, and limited access to services for the citizenry. Several ministerial departments—including Interior, Social Solidarity, Population, Security, and Civil Services—have different ID systems which are not interlinked or connected. Using a unique ID as a base for interconnection of registries can also support other services, such as tax administration, customs, and land management. Therefore, it is critical to coordinate the development of this unique ID with all stakeholders. This can be best achieved by leveraging experiences, capabilities, information collected, and possibly some technology resources. More generally, such an effort will require the optimization of all available resources.

13. **Djibouti needs a clearly defined and enforceable legal framework.** Various functional registries have been developed in the absence of a solid legal framework. There are no policy and legal frameworks to support biometrics or safeguard data privacy and sensitive personal data information, as well as electronic transactions. Thus, it is critical to enact enabling legislation and make it mandatory for all citizens and residents to participate in critical registries.

14. **The quality of ID systems depends on a number of design and technical factors and has profound implications for system cost, utility, and security.** This includes the organizational design of identity management; the choice of technology used for establishing uniqueness, the authentication infrastructure (that is, how IDs are used for verification at the point of a transaction), the form and type of token or credential (that is, different types of cards or the use of only numbers and biometrics), and the securing of databases against disaster and cyberattack. Hardware and software should comply with open standards to reduce costs, avoid vendor lock-in, and provide flexibility for future adaptation.

*e-government Foundation, Development of e-services, and Establishment of Citizen Service Centers*

15. **Considerable strengthening of the e-government capacities and capabilities is required to ensure the development of e-services through an interoperable digital platform.** Additionally, improving mobile broadband access, coverage, and affordability will be essential for effective e-service delivery. Specifically, it will help lay the foundations of a digital and modern public administration. Djibouti has invested heavily in eight submarine telecommunications cables that bring in considerable external revenues from the sale of Internet connections to several countries in eastern and southern Africa. However, access to high bandwidth has not yet translated into a modern public administration using information and communication technology (ICT) to deliver quality services to the people. The low coverage of mobile services—and especially mobile broadband services—limits citizen capacity to engage with the public administration by using ICT as a medium. Even though nearly 80 percent of the population lives in urban areas, mobile broadband covers only half of the population (around 53 percent according to the Global System for Mobile Communications Association [GSMA], as compared to around an average

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<sup>9</sup> Civil Registry, Statistics Office, General Directorate of Population and Family (DGPF), Djibouti 2017.





of 75 percent in the Middle East and North Africa).<sup>10</sup> Moreover, prices of mobile broadband are very high (according to GSMA, the price of mobile broadband is around US\$30 for 500 MB per month), compared to countries in the Middle East and North Africa.<sup>11</sup> With extreme poverty touching one-fifth of the Djiboutian population and the high cost of telecommunications, domestic access to Internet is very limited. This, in turn, leads to low engagement between citizens and the state. The proposed way forward to deal with these shortcomings is through the promotion and establishment of Citizen Service Centers (CSCs) to provide access to e-services. Getting assistance at CSCs would be especially beneficial for women, as only 10 percent of women have access to Internet.

**16. The Government recognizes the need to leverage e-government for public administration modernization, as well as for effective service delivery as evidenced by the creation of ANSIE and its positioning within the Office of the Presidency.** In using the e-government platform operated by ANSIE, the Government is seeking to improve the access to, and efficiency and quality of, public services. ANSIE plans to digitize and incorporate into the government portal most of the services that the Government provides to citizens. In this way, it will ensure transparent and accountable service delivery. So far, ANSIE has interconnected 15 out of the 16 sites of the ministries and agencies with fiber optic high-speed Internet within the administrative capital (*Cité ministérielle*). A powerful data center has been established and equipped and is fully operational. For the moment, Government information technology (IT) systems are duplicative, costly, and not interconnected. Thus, the goal for the authorities is to bring government systems under one integrated platform to reduce maintenance and operating costs, enhance systems security, and ensure the development of e-services. Data from government departments and institutions will be stored in a public cloud through the national data center, thereby reducing the need for the constant purchase of servers and operating licenses across the government. However, before any of these system changes can take place, the Government must provide the appropriate enabling environment, including: (a) establishing a legal framework for digital transformation and access to services; (b) reviewing and updating the e-government strategy; (c) improving institutional and technical capacities; and (d) focusing on program management, communications, and change management to include a process reengineering of systems and services to maximize the benefits of ICT investments and improve operational efficiency and effectiveness.

**17. In response to petitions about improving public services formulated by citizens to the President, authorities have initiated a reform program centered on Citizens Service Standards (*Declaration de Services aux Citoyens*).** Ministries are required to declare and provide information to citizens about available services, including costs, delivery times, required procedures and forms, and so on. So far, 9 out of 22 ministries have completed their declarations. Yet, few improvements in terms of reduced time and knowledge about available services have been registered. Deep-seated impediments for access to services remain. Hence, the Project will support significant public administration modernization efforts with regard to conducting business process reengineering, setting up an interoperable digital platform, developing e-

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<sup>10</sup> GSMA Report. The Middle East and North Africa region for GSMA and World Bank include different countries and estimates for Middle East and North Africa broadband coverage and penetration. The World Bank's list of countries could be even higher as Comoros, Mauritania, and Somalia (with the lowest penetration and access to Internet) are included in the Africa Region for the World Bank but not for GSMA.

<sup>11</sup> World Bank Report on Broadband Networks in the Middle East and North Africa: Accelerating High-Speed Internet Access <https://openknowledge.worldbank.org/handle/10986/16680>.



ID and e-services through interface with sector systems, building institutional capacity, and strengthening accountability.

18. **The Government is also seeking to increase access to services, particularly for the poor in remote or underserved areas, through the establishment of CSCs.** Currently, administrative services are provided in a fragmented manner, with citizens needing to go to multiple locations to obtain necessary documents and services. To reduce this burden and improve service delivery, the Government aims to establish CSCs to provide citizens with access to multiple e-services under one roof using a one-stop-shop model. As the current low level of broadband connectivity and the high cost of Internet access are barriers to the full adoption of e-services, CSCs will provide an important physical bridge between analog and digital service delivery by providing access to services and e-services through kiosks and assisted access terminals. Physical centers are considered a good practice in ensuring equitable access to services and providing citizens with a channel choice.

19. **Likewise, the right of all citizens to have access to information is fundamental for transparency and equitable access to services.** Limited access to information about government services leads to increased transaction costs for citizens, especially for those in remote areas who have to travel long distances to access services. The Government's responsibility is to provide information about services to all citizens and ensure that their rights and expectations are met. Establishing an integrated and interoperable digital platform and ensuring effective accountability systems—including citizen feedback loops—should lead to reduced transaction costs, as well as to improved access to and quality of services.

#### *Tax and Customs Management*

20. **The tax regime in Djibouti continues to be a serious impediment to service development and competitiveness.** Djibouti provides tax exemptions through the common law tax regime (Tax Code [*Code Général des Impôts*, CGI]), the Investment Code (IC), the Free Zone, externally financed development operations, and diplomatic privileges. To date, tax exemptions have not led to the expected corresponding investment and employment benefits. The CGI suffers from tax distortions and discretionary decision making. Under the IC, tax exemptions and other special tax regimes—including the free zone system and the regime for foreign military bases—reduce the tax base, create distortions to competition between economic operators, and lead to sizable revenue losses.<sup>12</sup> As noted in the 2015 National Tax Conference, the Free Zone law is very generous by international standards. Furthermore, trade with Djibouti is subject to tariffs through the internal consumption tax (*Taxe Intérieure de Consommation*, TIC)<sup>13</sup> and this rate is particularly high. Strengthening domestic resource mobilization systems should result in more fiscal space and less accumulation of public debt. As recommended in the World Bank's Tax Strategy Report (2017), the authorities should take immediate steps to review tax expenditures and exemptions, consolidate instruments by phasing out TIC and, instead, strengthen the value added tax (VAT) and excise taxes.

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<sup>12</sup> International Monetary Fund, Country Report No. 17/87, April 2017.

<sup>13</sup> Djibouti does not have a customs tariff in the strictest sense, but TIC serves a similar purpose as domestically produced goods are not subject to this tax. Djibouti's Most-Favored Nation tariff is estimated at 27.8 percent (World Trade Organization) as compared to 22.0 percent for an average Middle East and North Africa country, or 11.4 percent for a lower-middle-income country. TIC revenues fell from seven percent of GDP in 2000 to four percent of GDP in 2015. Despite the drop, the level is still high relative to that of countries competing against Djibouti, such as Mauritius, where tariffs account for only 0.3 percent of GDP (World Bank 2017).



Promoting the economic neutrality of the VAT with an effective and accelerated VAT refund process would make the system more attractive to investors.

21. **The authorities are taking the necessary measures to implement some key recommendations of the 2015 National Tax Conference,<sup>14</sup> but effective results are yet to materialize.** The 2016 budget included measures to streamline and simplify the tax structure. Key changes included the exemption of the lowest income earners from income tax, broadening of the capital gains tax on real estate, reduction of import license fees, introduction of a differentiated scale for company registration fees, revision of the stamp duty and licensing fees, and elimination of the excise tax on fruit and vegetable juices and carbonated beverages. The authorities also continued to gradually reduce TIC with the goal of eventually replacing it with the VAT and excise taxes. Further tax policy and tax administration measures are envisaged. These include the installation of cash registers in businesses subject to the VAT, the transfer of the management of the business license tax and local real estate taxes to the regional authorities, the appointment of customs commissioners to enable customs officers to focus on inspection work, the rapid processing of customs clearance procedures through the introduction of a risk analysis system, and the adoption of a code of ethics for customs personnel and an inspection charter. As agreed with IMF, the authorities are establishing a tax policy unit and a reform steering committee tasked with devising, promoting, and coordinating tax reforms. The success of all these reforms will be gauged by how well they are implemented and by how much additional domestic revenues are generated that can, in turn, be used to improve service delivery in priority sectors.

22. **Tax administration, particularly the General Directorate of Tax (*Direction Générale des Impôts, DGI*), does not have the necessary capacity to ensure effective implementation of tax policies and domestic resource mobilization.** So far, the DGI has not been successful in promoting tax fairness, curbing distortions and fraud, efficiently monitoring VAT refund claims, broadening the tax base particularly with regard to property taxes, and conducting systematic cross-checking between Tax and Customs information. The current administrative system is largely manual and involves excessive physical interaction between taxpayers and the tax administration, which increases opportunities for corruption. Indeed, the DGI does not have sufficient human resources and adequate information systems to support its operations. The workforce is small, with 170 staff, and only 7 higher-level managers (category A). Due to staff limitations and efficiency issues, services are more centered on a simple review of tax documents rather than on risk-based audit activity, which is critical for a modern tax administration based on self-assessment. DGI's information system (AGIR) does not have the necessary features for cross-checking information with Customs. It lacks modules to guide risk-based audits and management of VAT refunds and does not allow for online tax return filing and payments, and so on. Therefore, it is critical, as recommended during the 2015 National Tax Conference and in the World Bank Tax Strategy Report, to strengthen DGI's capacity.

23. **Strengthening of the General Directorate for Customs (*Direction Générale des Douanes et des Droits Indirects, DGDDI*) is equally important and central to increasing resource mobilization and**

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<sup>14</sup> Djibouti does not have a customs tariff in the strictest sense, but TIC serves a similar purpose as domestically produced goods are not subject to this tax. Djibouti's Most-Favored Nation tariff is estimated at 27.8 percent (World Trade Organization) as compared to 22.0 percent for an average Middle East and North Africa country, or 11.4 percent for a lower-middle-income country. TIC revenues fell from seven percent of GDP in 2000 to four percent of GDP in 2015. Despite the drop, the level is still high relative to that of countries competing against Djibouti, such as Mauritius, where tariffs account for only 0.3 percent of GDP (World Bank 2017).



**competitiveness.** Good performance by the customs administration is crucial for the recovery of import duties such as TIC and for the VAT. In 2015, 65.9 percent of VAT was collected by the DGDDI. Hence, there is a need to strengthen the DGDDI's information system (Automated System for Customs Data [ASYCUDA World]) and ensure the interface for effective cross-checking with the DGI's information system. Furthermore, the DGDDI continues to experience significant challenges with regard to the assessment of merchandise values and in improving clearance times. These challenges need to be addressed to ensure competitiveness and increased integration in the chain of international trade (for example, with China's New Silk Road).

24. **As the Government is called upon to quickly improve the efficiency of its tax and customs administration to increase fiscal space in the context of rising public debt, the development of e-Tax and e-Customs is also top priority for ANSIE.** The tax and customs administrations are plagued with inefficiencies, a low compliance rate, and limited revenue mobilization capabilities. Revenue forecasts based on the existing fiscal policy indicate that domestic revenues could fall to 17.3 percent of GDP in 2019, down from 19.3 percent in 2015. Strengthening tax administration and domestic resource mobilization systems should result in more fiscal space and less accumulation of public debt. Establishing e-Tax and e-Customs to ensure online filing and payment will require a thorough business process reengineering, digitalization, and upgrade of the tax and customs IT systems.

### C. Higher Level Objectives to which the Project Contributes

25. The proposed Project is aligned with the strategic goals of the World Bank Group (WBG) to end extreme poverty and boost shared prosperity in a sustainable manner, the World Bank Group's Djibouti Performance and Learning Review (PLR) (Report No. 104985-DJ) discussed by the Board of Executive Directors on May 31, 2016, which proposed adjustments to the WBG's Djibouti Country Partnership Strategy (CPS) FY2014–2018 (Report No. 83874-DJ) discussed by the Board of Executive Directors on March 14, 2014, and with the WBG's Middle East and North Africa Regional Strategy. The CPS rests on two pillars: (a) reducing vulnerability and (b) strengthening the business environment. The CPS emphasizes governance and its linkages to economic performance (such as policy reforms to boost growth) and governance and service delivery (such as strengthening accountability in basic service delivery chains). Furthermore, the CPS targets improvements in key areas of governance and accountability that affect the entire program, responding flexibly to emerging needs in line with lessons learned throughout program implementation. Empowering citizens to engage in well-informed public discussions around key development issues is seen as integral to the creation of an inclusive national debate and the building of sustainable coalitions for reform. Furthermore, the PLR proposes to align the CPS with the WBG's Middle East and North Africa Regional Strategy. The Project aims to strengthen public governance and service delivery, and supports the Middle East and North Africa Regional Strategy pillar on renewal of the social contract by opening avenues for citizen engagement, facilitated through the use of e-government reforms.



## II. PROJECT DEVELOPMENT OBJECTIVES

### A. PDO

26. The Project Development Objective (PDO) is to enable access to e-government and promote efficiency of selected revenue administration<sup>15</sup> services.

### B. Project Beneficiaries

27. The ultimate beneficiaries of the Project will be the citizens through improved access to services. The Office of the Presidency, the Ministry of Budget, the DGI, the DGDDI, the SAI (Court of Accounts), the Ministry of Interior, the State Secretary of Social Solidarity, and ANSIE are also main beneficiaries. Furthermore, the Project will benefit all ministries in managing their IT systems. These systems will become simpler and less costly through access to an interoperable and secure integrated digital platform. To help close the gender gap, the Project will seek greater involvement of women in the design and monitoring of project activities, conduct a feasibility study which will include recommendations for ensuring equity of access to women and vulnerable groups who may have different needs, conduct gender-sensitive outreach campaigns, and include gender-sensitive customer service training. Several project indicators will also be disaggregated by gender.

### C. PDO-Level Results Indicators

28. The expected outcomes of the Project are greater access to e-government and increased efficiency of revenue administration. The aim is to leverage a combination of policy reforms, ICT tools, change management and strengthening of skills with a focus on both the efficiency of government administration and access to services for citizens and businesses. The PDO-level results indicators are as follows:

- Percentage of population with a unique ID (disaggregated by gender)
- Percentage increase in VAT collection
- Time taken to clear Customs

29. Some key intermediary results indicators include

- Number of e-ID cards issued (disaggregated by gender);
- Share of tax returns filed electronically;
- Share of customs declaration filed electronically;
- Time to obtain a VAT refund;

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<sup>15</sup> Tax and Customs Administration.



- New Tax Administration Information System deployed;
- Upgrade of the Customs Administration Information System;
- Number of systems connected to the Government’s interoperable platform;
- Percentage increase of transactions initiated per CSC per year;
- Citizens involved in the design and delivery of e-services (disaggregated by gender); and
- Percentage of CSC users satisfied with provided e-services (disaggregated by gender).

30. Other process and output indicators will be monitored over the life cycle of the Project.

### III. PROJECT DESCRIPTION

#### A. Project Components

##### **Component 1: Strengthening e-government Foundation and Institutional Building (US\$9.5 million)**

31. The expected outcomes of this component are to establish a strong foundation and enabling environment for e-government and ensure that people, including vulnerable groups—people with disabilities, the poor, women, the elderly, ethnic minorities, and the rural population—have increased access to modernized services. This component consists of three interrelated subcomponents, including (a) the development of a digital platform and e-services, (b) the establishment of a CSC pilot, and (c) institution building. A gradual and phased approach will be pursued in the development and provision of e-services. Additionally, the Project will incorporate climate adaptation through services delivered by CSC.

##### ***Subcomponent 1.1. Development of a digital platform and e-services***

32. The expected outcome of this subcomponent is to establish a strong foundation and enabling environment for e-government. The development of e-government is critical for improving efficiency and transparency in the delivery of public services, as well as in enabling citizen feedback about the quality of services. The e-government platform will serve not only citizens (government-to-citizen [G2C]) but also businesses (government-to-business [G2B]) and will help facilitate better government-to-government (G2G) coordination. The development of e-services will follow a gradual approach to maximize the chances of success and adapt to the context. Hence, only a small number of e-services will be realized over the course of this Project, which will focus on establishing a strong foundation for e-government. Preliminary work will be done for future deployment of other e-services. The e-services targeted under the current phase include unique ID, tax filing, and customs filing. Future e-services may include criminal records, birth certificates, and renewal of driver licenses.

33. The component will support the creation of the e-ID (a unique electronic identifier system for citizens). This will involve issuing Unique Identifier Numbers (UINs) linked to biometric and biographic data, which will be collected in accordance with basic standards. This project component will finance the establishment of a foundational registry based on the UIN. This will be a digital biometric database



containing records for citizens and residents. This registry will allow for the authentication of unique identity and will be interoperable with other relevant registries and databases (for example, the social registry).

34. The proposed Project would finance the following activities:

- **Supporting the set-up of the legal, institutional, and organizational foundations for a sound digital administration**, including (i) reviewing and updating the e-government strategy; (ii) developing a legal and regulatory framework to support this transformation; (iii) building capacity for public servants, strategic communications and partnerships and project management; (iv) recruiting a firm to review current environment; (v) proposing a strategy and action plans, and (vi) undertaking capacity building activities to ensure knowledge transfer to ANSIE and throughout the administration.
- **Strengthening cyber security to ensure protection and trust**, including (i) developing a national cyber security strategy; (ii) developing a legal and regulatory framework; (iii) setting up a government center for monitoring, alerting and responding to computer attacks; (iv) implementing a public key infrastructure to safeguard the authenticity of transactions; (v) training of staff throughout the administration, inter-agency information-sharing private sector; and (vi) strengthening measures in online child protection.
- **Developing a government interoperable digital platform**, including developing an architecture; reviewing the existing systems and the acquisition and implementation the capabilities for: (i) creating and hosting services; (ii) interlinking services; (iii) routing messages, and (iv) transforming data.
- **Developing a foundational e-ID**, (i) technical assistance to develop legal and regulatory frameworks for data privacy; biometric procedures, and electronic transactions for e-ID; (ii) creation of UIN; (iii) creation of the foundational e-ID registry; (iv) acquisition and implementation of different software and hardware to support e-ID system implementation, its integration and data exchanges, including implementation of interfaces to systems and government services; (v) issuance of e-ID cards (200,000 citizens targeting 50 percent for women) and conduct of studies to determine a sustainable financing model for the ongoing production of ID documents; and (vi) communication, grievance redress, and citizen engagement.
- **Developing e-services**, including (i) extending and posting in the government portal the list of e-services; and (ii) business process reengineering and development of e-services.
- **Business process re-engineering**, including (i) comprehensive service analysis and procedural steps; (ii) monitoring and evaluation and reporting systems to measure the impacts of reengineering.
- **Strengthening change management**, including (i) development of change management strategy and action plan, and (ii) leadership training and institutional communication



- **Strengthening online publication of public procurement information and data**, including establishing a dedicated space for online procurement information.

35. Some of the key outputs include, but are not limited to, having appropriate e-government foundations, including strengthened infrastructure, a framework, interoperability and a platform, as well as having an e-ID in place, including governance and architecture defined, a comprehensive e-ID system and population registry established, and cards issued and distributed.

### ***Subcomponent 1.2. Establishment of a Citizen Service Center (CSC) Pilot***

36. The Project focuses on increasing citizen access to modernized services, including women and vulnerable groups—people with disabilities, the poor, the elderly, ethnic minorities, and the rural population. The new portal, which will soon be launched by ANSIE, already has a number of level 1 (information only) e-services to offer. The CSCs are envisaged as assisted access centers, where citizens can obtain information and apply for administrative e-services. The precise model of operations will be determined following a feasibility study planned for the first year of the Project.

37. The Project will support the establishment of at least one CSC pilot (located in Balbala and/or Djibouti-ville). The proposed location in Balbala also houses the subprefecture, the national police, an office of the General Directorate of Population and Family (DGPF), an office of the State Secretariat for Social Affairs, an office of the Court of Religious Affairs, and a building of the elected officials of the Balbala municipality. This would ensure high traffic to the CSC as citizens would also access many other government agencies. Funded activities include a feasibility study which will inform CSC design, training needs, and recommendations for ensuring equity of access to women and vulnerable groups, who may have different needs. The subcomponent also supports citizen engagement activities such as mechanisms to gather feedback on service quality and a gender-sensitive citizen outreach campaign to inform citizens about the CSC and available services. This will ensure women's involvement in the design and delivery of e-services and contribute to enhancing women's access to the modernized services. ANSIE will ensure that fast Internet connectivity and the required IT systems are provided.

38. A feasibility study for the CSC pilot is underway and will include recommendations on necessary requirements for a regulatory framework, identification of the range of services to be delivered, selection of key performance indicators and success criteria, and costing and financial models. The feasibility study will consider inclusion and equity of service delivery across groups. As such, it should identify gender aspects that meet the different priorities of men and women and identify mechanisms to ensure equal access of services by women and vulnerable groups.

39. The proposed Project would finance the following activities: (i) development of a legal and regulatory framework; (ii) selection of an operational model; (iii) site renovation including small civil works, furniture, and necessary office equipment; (iv) staff training; (v) monitoring and improvement of services; and (vi) citizen outreach.

40. This subcomponent will include training materials and capacity building to strengthen customer service, including training on gender-sensitive service delivery to enhance women's access to services and ensuring equity and human rights for all citizens.





41. Site renovation of CSC will use energy efficient building materials and equipment as part of mitigation climate co-benefits. Additionally, the subcomponent will support awareness raising through education about growing climate change issues, changing patterns of rains and floods, and emergency responses to these events as part of adaptation climate co-benefits.

42. The key output will include having an operational CSC facilitating increased access to public services by citizens. This includes having service-level agreements with ministries and agencies for ensuring accountable delivery of e-services to citizens.

### ***Subcomponent 1.3. Institutional Building***

43. The key outcome of this subcomponent is to increase transparency and accountability through institutional building and reforms. Success in e-government and public administration performance requires strong institutions to ensure transparency, participation, and accountability. The Government has initiated important institutional reforms regarding Access to Information (ATI), financial disclosure, procurement, and accountability—all of which need to be deepened and sustained.

44. The proposed Project would finance the following activities

- Supporting public data disclosure and access to information, including adoption of the access to information law.
- Strengthening the asset declaration and verification process, including (i) establishing of a database and electronic filing software; (ii) assisting in asset verification and investigation techniques; and (iii) developing a system of on-line filing of asset declarations.
- Strengthening the asset declaration and verification process, including (i) establishing of a database and electronic filing software; (ii) assisting in asset verification and investigation techniques; and (iii) developing a system of on-line filing of asset declarations.
- Enhancing public procurement to ensure value-for-money, including (i) revising the public procurement code; (ii) strengthening of the procurement commission; (iii) rationalizing the public procurement project management; and (iv) building capacity for private sector actors and oversight bodies.
- Building capacity of the supreme audit institution including (i) risk-based audit training, (ii) completion and filing of public accounts, and (iii) sharing of knowledge and experience with other supreme audit institutions in the region, (iv) support for the establishment of an electronic document management system.

45. This subcomponent will include communication and citizen engagement campaign about access to information.

46. Some of the key outputs will include the implementation of institutional reforms, including the right of access to information, the fight against corruption, public procurement, and citizen engagement.



### **Component 2: Tax and Customs Modernization (US\$4.5 million)**

47. This component will support the revision of various tax legislation for more coherent and efficient tax and customs administration. It will also ensure that tax and customs systems are upgraded and integrated, business processes are revamped, adequate training is provided, and a sound digital architecture for revenue collection is established. With the interoperable digital platform developed under Component 1, citizens and businesses will have access to online services, including e-Tax filling and e-Customs declaration. This should lead to lower compliance costs, increased operational efficiency, and higher revenue collection.

48. The proposed Project would finance the following activities:

- Revision of the tax and customs codes;
- Development of the manual of procedure for the DGI and DGDDI and staff training;
- Setting up the national tax conciliation commission;
- Support to the operationalization of the tax/customs training center;
- Strengthening of the VAT control and refund processes;
- TA to the tax policy unit;
- Acquisition and implementation of a new information system for DGI;
- Upgrade of the DGDDI's existing information management system and interface between DGI and DGDDI information system; and
- TA for the revision of the customs code, including the study on the harmonization of rates and the gradual replacement of the internal tax on consumption by VAT.

### **Component 3: Project Management (US\$1.0 million)**

49. The Project will support the establishment and operation of a Project Coordination Unit (PCU) located within ANSIE to support coordination and manage project implementation. Details of the implementation arrangements are outlined in annex 2. Activities will include (a) the development of annual work programs and corresponding Procurement Plans (PPs), (b) the management of fiduciary and monitoring activities, (c) the coordination of technical work and the provision of support services to the technical units within the relevant ministries, (d) the monitoring of and reporting on the implementation of the project's activities, (e) acquisition of office equipment and accounting software, and (f) the payment of the activities related to project coordination and monitoring, as well as project audit.



### B. Project Cost and Financing

50. **Credit amount; lending instrument; and project duration, cost, and financing.** The proposed Project will be financed by an Investment Project Financing (IPF) credit of US\$15 million. The expected duration of this operation is four years. Disbursement arrangements are detailed in annex 2.

Table 1. Project Cost and Financing by Component (US\$, millions)

Project Components	Project cost	IDA Financing	Percentage Financing
Component 1: Strengthening e-Government Foundation and Institutional Building	9.5	9.5	100
Component 2: Tax and Customs Modernization	4.5	4.5	100
Component 3: Project Management	1.0	1.0	100
<b>Total Costs</b>	15.0	15.0	100
<b>Total Financing Required</b>	15.0	15.0	100

51. **The breakdown of the project cost by expenditure and procurement types is as follows:** 72 percent on goods, 20 percent on consulting, 6 percent on non-consulting services and on operating costs, and 2 percent on works. Most of the spending on goods will be for the acquisition and deployment of (a) a new IT system for tax administration, (b) an interoperable digital platform, (c) a Public Key Infrastructure (PKI), and (d) an e-ID system. Consulting services will be related to feasibility studies, as well as training and the establishment of legal and regulatory frameworks that will underpin the e-government and various IT systems.

### C. Lessons Learned and Reflected in the Project Design

52. **The project design reflects important global lessons on institutional development and governance** as detailed in the 2017 World Development Report (WDR), as well as lessons on the digital transformation process as identified in the 2016 WDR. The 2017 WDR on Governance and Law identifies commitment, coordination, and cooperation as the three core functions of institutions that are needed to ensure that rules and resources yield the desired outcomes. These three key ingredients are well reflected in the project design. The Government has demonstrated a strong commitment through its own funding of a first-class data center and ICT infrastructure, including its stated objective to provide e-services more broadly to the population. Coordination of all these efforts and initiatives is being conducted at the center of government by the General Secretariat of Government that reports directly to the President. Regarding the establishment of the e-ID, a great deal of coordination is taking place among key stakeholders (Ministries of Interior, Social Affairs, Decentralization, and the Police) to build consensus and avoid duplication. The National Security Fund has deployed biometric cards for 79,000 individuals and has taken biographic and some biometric data for 281,317 beneficiaries. The State Secretary of Social Solidarity is building a social registry tied to biometric information and has registered 33,000 beneficiaries



supported by the Social Safety Net Project (P130138).<sup>16</sup> The experiences, capabilities, information collected, and possibly some of the technology resources will be leveraged to derisk the project and optimize the use of available resources. The same coordination effort between ANSIE and sector ministries is being followed in the development of e-services.

53. The theory of change, as presented through the Results Chain in annex 1, is that supporting institutional and capacity building on access to information, asset disclosure, transparency, and accountability—as well as putting in place a solid foundation of e-government (unique ID, cybersecurity, PKI, and so on) and modernizing revenue administration services—will increase access to services and reduce transaction costs. In addition, it will reduce opportunities for fraud by disintermediating the interactions between citizens, businesses, and civil servants. This will give more credibility to the commitment by the authorities to improve services, governance, accountability, and fight corruption. Furthermore, the provision of more information to the citizenry, public feedback about the quality of services delivered, and citizen interaction with the digital platform including public data disclosure (open data) will increase engagement and cooperation in the public service delivery system. This would ultimately contribute to greater legitimacy and stability.

54. **Tax and customs administration modernization.** The project design reflects lessons learned from the Independent Evaluation Group's Evaluation of World Bank Support and public sector reform, as well as tax and customs administration reforms in client countries. First, its objectives, scope, and activities are firmly anchored in the Government's reform plan, built on recommendations of the 2016 Tax National Conference. Second, the envisaged ICT systems upgrade is linked to e-government and digital development. Finally, tax administration reform frequently requires changes in the legal framework. To this end, the Project provides for support for the revision of the CGI.

55. **CSC and e-services.** The project design reflects key lessons learned through similar World Bank projects, including the Moldova Governance e-Transformation (GET) project, the Moldova Modernization of Government Services project, and the Albania Citizen Centered Service Delivery project. The GET project provided the key enablers and necessary framework to launch transactional e-services, including development of e-payment, digital signatures, notification systems, and an Enterprise Service Bus (ESB) to integrate IT systems. Today, Moldova has over 500 e-services available on its portal. Similarly, in Albania, the project highlighted the importance of business process simplification for increased efficiency, piloting of CSC to allow for learning and adaptation, and development of a short message service (SMS)-based Citizen Feedback Mechanism (CFM) to close the feedback loop. To date, the CFM system has reached over 187,000 citizens to solicit feedback regarding service delivery.

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<sup>16</sup> The Djibouti Social Safety Net Project is a World Bank-funded project, with an Additional Financing that also supports the Social Registry and National Social Protection Strategy. The registry currently contains information about 42,000 households, exceeding the target of 20,000. The collection of biometric data about these households has been launched and biometric information about 33,000 beneficiaries has been registered. The Djibouti Public Administration Modernization Project will be collaborating closely with the safety net project team. The Project will build on lessons learned from the enrollment and registration phase conducted by the Social Affairs Department.



## IV. IMPLEMENTATION

### A. Institutional and Implementation Arrangements

56. According to the Presidential Decree 2018-028 of January 11, 2018, a PCU has been created and established within ANSIE, which is part of the Presidency. ANSIE was established in 2015 by the Law 100/AN/15/7<sup>th</sup> L. Being at the center of government is a great asset for ANSIE. It will help ensure coordination with the concerned ministries and sectors, as well as effective project implementation. The PCU is already operational and is being staffed by a coordinator, a project manager, a financial management (FM) specialist, a procurement specialist, and a monitoring and evaluation (M&E) specialist. Additional capacity will be funded under the project management component. Specifically, it will provide targeted just-in-time assistance on specific areas such as the establishment of legal and regulatory frameworks on e-government, access to information, business process reengineering, the creation of the interoperable digital platform, the design and development of operational guidelines for the CSC pilot, and other tasks as needed. The Project Steering Committee will be chaired by the General Secretary of the Government and will include the Executive Secretary in charge of Administrative Reform, the General Secretaries of the Ministry of Finance and the Ministry of Budget, and the General Directors of the Tax (DGI) and the Customs (DGDDI) Administrations.

57. Implementation of project activities will be the responsibility of ANSIE/PCU, but ministries will take full ownership and leadership in the development of specialized sectoral information system and capacity-building programs.

- ANSIE will primarily manage the development and implementation of the e-government platform. However, for specialized systems such as e-ID, tax, or customs, ANSIE will merely play a coordinating role.
- Given that ANSIE does not have the required functional and technical know-how, project managers and their teams will be designated within the ministries to lead the development of specialized systems. The project managers will coordinate with ANSIE/PCU team and the Steering Committee to ensure the timely delivery of expected outputs.
- The DGPF in the Ministry of Interior will coordinate with all stakeholders, including Social Solidarity, Decentralization (municipality), and the National Police to ensure the development of a biometric unique ID and civil registry. Meanwhile, ANSIE will be responsible for the development of the e-ID system that will be incorporated into the e-government system to ensure interoperability and shared services.
- The tax administration modernization program will be systematically carried out by the DGI teams. For the development and implementation of the new IT system, an experienced and competent project manager will be designated to work with his/her team to ensure faster delivery of this critical system. The same approach will be followed for the upgrade and delivery of the SYDONIA system for the customs administration.



**B. Results Monitoring and Evaluation**

58. The project Results Framework (RF) is presented in section VII. The PCU/ANSIE is responsible for M&E of the project outcomes and intermediate indicators. The PCU will include a dedicated M&E expert who will produce annual reports, which will rely on administrative data and feedback from citizens.

59. Implementation support missions will report on project progress through Implementation Status and Results Reports, a midterm review, and at the completion of the project, through an Implementation Completion and Results Report. A midterm review is expected to take place in the third year of implementation.

**C. Sustainability**

60. The sustainability of this Project is underscored by the high levels of government commitment to the Project and its potential development impact. Making public administration more efficient and capable of providing better services to citizens requires a great deal of coordination, as well as business process reengineering, and change management. It also requires a government committed to reducing tensions, particularly from the unemployed youth, to avoid the kind of turmoil that is affecting some neighboring countries. The successful development of the unique e-ID can support sustainability through its use in the interoperability portal, linking information from multiple registries and enabling critical data exchange between agencies. The project’s incorporation of government-identified priorities has strengthened the counterpart’s ownership of the Project.

61. The outcomes and outputs generated by the Project are permanent system improvements and include capacity building; more efficient provision of government administrative and revenue services; improved access to services through digital platforms and physical locations; and changes to tax policy, the administrative framework, and business processes.

**D. Role of Partners**

62. The project design reflects feedback and inputs provided by development partners, including the IMF, the European Union, the United Nations Development Programme, and the French Development Agency during project preparation.

**V. KEY RISKS**

**A. Overall Risk Rating and Explanation of Key Risks**

**Table 2. Risk Category and Rating**

<b>Risk Category</b>	<b>Rating (H, S, M, or L)</b>
1. Political and Governance	Substantial
2. Macroeconomic	Moderate
3. Sector Strategies and Policies	Substantial
4. Technical Design of Project or Program	Moderate



Risk Category	Rating (H, S, M, or L)
5. Institutional Capacity for Implementation and Sustainability	Moderate
6. Fiduciary	Substantial
7. Environment and Social	Moderate
8. Stakeholders	Moderate
9. Other (resistance to change, sequencing, and so on)	Moderate
<b>OVERALL</b>	Moderate

63. **The overall risk to the project is rated Moderate.** Overall Moderate risk stems from seven risk categories rated Moderate and three risk categories rated Substantial. Strong government ownership and coordination, as well as close monitoring and implementation support by the World Bank’s team, would mitigate potential risks that might affect this Project. The likelihood of a negative effect on the achievement of the PDO is relatively low due to institutional arrangements and mechanisms of supervision, broad engagement, and the dialogue that have been put in place. Details and mitigation measures on three risk categories rated Substantial are below.

64. **Political and governance risks are rated Substantial due to the prevailing political economy challenges.** The Project’s focus on public administration modernization, taxation, and service delivery may be supported by the Government. However, there are vested interests within the public administration and business community that could forestall or delay reform implementation. The Project is expected to reduce human contact and opportunities for corruption through business process rationalization and digitalization. Therefore, strong resistance to this new order should also be expected. The Government’s demonstrated high commitment and expectations to meet project results are mitigating factors. Great coordination and consensus building were demonstrated during project preparation around sensitive and contentious issues regarding e-ID or tax policy. To counter vested interests and potential negative actions that seek to maintain the status quo, the Government is actively pursuing policy reforms on assets declaration, judicial issues, and transparency and accountability. Remarkable achievements on peace and security in a very volatile and conflict-prone region are also unmistakable signs of the Government’s political and institutional capacity.

65. **Sector and policy risks are rated Substantial.** Much of the success of the Project depends on greater Internet access by citizens, public institutions, and businesses. Sector and policy dialogue on telecommunications continues between the Government and development partners and may soon result in the adoption of a sectoral and policy reform program. In the meantime, this risk is mitigated using a pilot CSC to provide access to citizens. In addition, key line ministries have already been connected to high-speed fiber optic networks.

66. **Fiduciary risks are rated Substantial.** The fiduciary environment is very weak, and the risk that required procedures will be circumvented is real. Most of the institutions established to ensure oversight of governance functions—such as the State Inspector General, the SAI (Court of Accounts), the Anti-Corruption Commission, and the judiciary—are not adequately funded, and this undermines their effectiveness. The internal control mechanisms within the Government are also weak, and there is limited participation of, or contribution from, non-state actors. With the TA that is planned to boost procurement and auditing (support to the SAI), the Project will help mitigate some of the fiduciary risks. There will be



extensive training, a system upgrade, and elaboration of the Project Implementation Manual. When combined with the accountability strengthening agenda, these measures should have a real impact on the control of corruption and improvement of the fiduciary environment.

## VI. APPRAISAL SUMMARY

### A. Economic and Financial (if applicable) Analysis

67. The modernization of the public administration means that the potential benefits of the Project are substantial and varied. The Project is expected to bring numerous benefits to the public administration, the citizens, and businesses by reducing transaction costs, improving access to public services, reducing time to comply with taxes and customs requirements, and increasing efficiency gains—particularly in the tax and customs administration. Business process reengineering and digitalization will reduce the number of documents that users and taxpayers are required to obtain, as well as the time taken to access the service. Improved online services will also reduce travel and transaction costs. The implementation of online services will increase transparency and reduce opportunities for corruption. Other economic benefits include reduced operational, compliance, and clearance costs. Furthermore, the Project will generate significant positive externalities associated with the reuse of data.

68. From the financial point of view, the Project is expected to generate additional budgetary revenues through increased collection of taxes and customs proceeds, as well as revenues related to the issuance of e-ID cards and other e-services that will be developed later (including driver licenses, criminal records, and so on). The methodology and calculations of the economic and financial analysis for the key deliverables of this Project (e-ID, tax administration modernization, and customs administration modernization) are presented in annex 4. Table 3 presents a summary of the economic and financial analyses using a 10 percent discount rate and 10-year project life cycle.

Table 3. Summary of Economic and Financial Analysis

Key Deliverables	Economic Analysis		Financial Analysis	
	NPV (US\$, thousand)	ERR	NPV (US\$, thousand)	IRR
e-ID	18,677.00	11%	1,256.00	17%
Tax Administration Modernization	41.30	85%	39.64	90%
Customs Administration Modernization	8.60	97%	2.80	69%

Note: ERR= Economic rate of return; IRR= Internal rate of return; and NPV= Net present value.

### B. Technical

69. The Project builds on experiences gained during project preparation and implementation of similar projects and studies in other countries and regions. It also builds on the e-government program already initiated by the Government through ANSIE, which includes a powerful data center, an e-government platform, fiber optic interconnection, and high-speed Internet in 15 out of 16 sites at the ministries and agencies within the administrative capital (*Cité ministérielle*). The program for the establishment of a National Identification Number to be used for all services is under way. Furthermore,





ANSIE is working closely with the tax administration, the health sector, justice, and the Ministry of Interior to develop their information systems and improve e-services access for the citizens.

70. The Project will bring the requisite expertise and TA to better structure ANSIE and ensure the delivery of e-services and access to citizens. Institutional and staff capacity will be addressed in those institutions where services are selected for reengineering and digitalization.

### **C. Financial Management**

71. The proposed Project will be implemented in line with standard World Bank policies for project implementation. ANSIE is an autonomous administrative public institution related to the Presidency. It will be responsible for project management, including FM and accounting. The FM assessment conducted during appraisal rated the FM risk, as a component of the fiduciary risk, as Substantial. The following risks are identified: (a) ANSIE has an accounting software used to record the daily transactions; however, the software does not accommodate the FM requirements of the World Bank; (b) currently, ANSIE has limited human resource capacities; it also lacks experience in implementing World Bank-financed projects; (c) ANSIE has a financial and accounting manual specific to its operations, but it does not address the requirements of the World Bank; and (d) ANSIE is an autonomous public institution and falls under the audit regime of the SAI. The SAI has a limited role in auditing public institutions and has no experience in auditing World Bank-financed projects. The SAI may not specifically audit the project as part of ANSIE's operations, which would provide limited assurance on the use of project funds.

72. The proposed mitigating measures are as follows. First, ANSIE will recruit a financial officer (FO), who will handle the FM aspects of the Project. The World Bank will provide the necessary training regarding the World Bank's FM procedures. Second, ANSIE will acquire accounting software specific to the requirements of the project. It will use the software to record the daily transactions and produce the unaudited interim financial reports (IFRs). The format of the IFRs will be agreed upon with the World Bank. The IFRs will be submitted to the World Bank no later than 45 days after the end of each quarter. Third, for the Project, ANSIE will develop a Project Implementation Manual which will contain an FM chapter describing in detail the FM procedures, including internal controls. It will also contain information about the detailed roles and responsibilities between ANSIE and various stakeholders. Fourth, ANSIE will contract with an independent external auditor to devise terms of reference (ToR) acceptable to the World Bank to audit the project financial statements (PFS). With the proposed mitigating measures, ANSIE meets the FM requirements as per the World Bank Policy and Bank Directive for IPF. The residual FM risk rating would be Moderate.

73. A single, segregated Designated Account (DA) in U.S. dollars will be opened at a commercial bank in Djibouti, as acceptable to the World Bank. Payments and withdrawals of eligible expenditures will be accompanied by supporting documents or statement of expenditure (SOE) following the applicable procedures and the World Bank's Disbursement Handbook. ANSIE will be responsible for submitting replenishment requests monthly. All requests for withdrawals should be fully documented, maintained, and made available for review by the World Bank and project auditors. All disbursements will be subject to the terms of the Financing Agreement and to the procedures defined in the Disbursement Letter.

74. The general accounting principles for the Project will be as follows: (a) project accounting will cover all sources and uses of project funds, including payments made and expenses incurred; Project



accounting will be based on cash accounting, and (b) project transactions and activities will be separated from other activities undertaken by ANSIE.

75. The Project financial reporting will include the following:

- (a) **Unaudited IFRs.** The IFRs should include data on the financial situation of the project. ANSIE will produce the IFRs every quarter and submit them to the World Bank within 45 days at the end of each quarter. These reports should include:
  - (i) A statement of funding sources and uses for the period covered and a cumulative figure, including a statement of the bank project account balances;
  - (ii) A statement of use of funds by component and expenditure category;
  - (iii) A reconciliation statement for the DA;
  - (iv) A budget analysis statement indicating forecasts and discrepancies relative to the actual budget; and
  - (v) A comprehensive list of all fixed assets.
- (b) **Yearly PFSs.** These reports should include:
  - (i) A cash flow statement;
  - (ii) A closing statement of financial position;
  - (iii) A statement of ongoing commitments;
  - (iv) Analysis of payments and withdrawals from the grant account; and
  - (v) A complete inventory of all fixed assets acquired under the Project.

IFRs and PFSs will be produced based on the accounting system and submitted for an external financial audit.

76. ANSIE will be responsible for preparing periodic reports and maintaining the project bookkeeping. It will produce annual PFSs and quarterly unaudited IFRs.

77. The PFSs will be audited annually and will cover all aspects of the Project, uses of funds, and committed expenditures. The audit will also cover the financial operations, the internal control and FM systems, and a comprehensive review of the SOEs. The annual audit report will include (a) the auditor's opinion on the Project's annual financial statements, (b) a Management Letter on the project internal controls, and (c) a limited yearly review opinion on the IFRs. The annual reports will be submitted to the World Bank within six months from the closure of each fiscal year.



**D. Procurement**

78. All goods, works and services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in the “World Bank Procurement Regulations for Borrowers under Investment Project Financing” dated July 2016 and revised in November 2017 (“Procurement Regulations”), and the provisions of the PP. The Borrower and the Project Implementing Entity shall ensure that the Project is carried out in accordance with the provisions of the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 and revised in January 2011 and as of July 1, 2016 (“Anti-Corruption Guidelines”).

79. The project procurement activities will be centralized in ANSIE under the umbrella of the Secretary General of the Government, with close technical involvement of other project beneficiaries. A procurement assessment was conducted from December 2017 to February 2018. During appraisal, it was complemented by the Procurement Risk Assessment and Management System (P-RAMS) and Project Procurement Strategy for Development (PPSD). The assessments reviewed the organizational structure and functions, experience, staff skills, procurement cycle management, control systems, and record keeping. The assessment found that ANSIE has limited capacity with regard to World Bank procurement procedures. In addition, complex contracts related to IT systems (including consultants) will be procured with this financing. Hence, procurement at this stage is assessed as high risk. However, this would be updated to Substantial once the associated risk mitigation measures are implemented. The main risk factors and the associated mitigation measures are summarized in table 4.

**Table 4. Risk and Mitigation**

<b>Risk</b>	<b>Mitigation Measure</b>	<b>Time Line</b>
Lack of clarity about procurement accountability and decisions between ANSIE and the National Commission of Public Procurement under the Secretary of the Government	Ensure that the project organizational chart clarifies accountability for procurement decision making at all steps of the procurement process.	Completed
Limited experience of ANSIE in World Bank procurement procedures	Appoint a dedicated procurement staff member at ANSIE. The person will be appropriately trained and mentored.	Completed
Procurement aspects not covered in ANSIE’s administrative regulations	Ensure procurement aspects (clarifying procurement processes and applicable regulations, contract management, and ethical standards) are covered in the Project Implementation Manual.	Before effectiveness.
Inadequate record keeping and document management system	Establish a separate and strengthened procurement record and document management system dedicated to the project. The World Bank guide on filing and archiving procurement documents	Continuous



Risk	Mitigation Measure	Time Line
	would be used as a reference.	
Delays in procurement processes and reviews	ANSIE to anticipate and prioritize the scheduling of procurement commissions related to the project.	Continuous
Lack of familiarity with the New World Bank Procurement Framework	Training on the new procurement regulations for borrowers.	Completed in December 2017
Definition of technical specifications for sophisticated IT required by the Project	ANSIE to request/hire TA from other Government departments or external sources.	Continuous

80. Despite these risks—and given the fact that ANSIE is under the umbrella of the Secretariat of the Government that is also in charge of the National Procurement Commission—the project is expected to benefit from smooth procurement implementation and priority in the review of procurement processes. It is also anticipated that no contract would require the review from the Operational Procurement Review Committee or involve the use of negotiations or competitive dialogue.

81. In addition, there will be no need for hands-on expanded implementation support from the World Bank, apart from close project supervision and capacity building. The World Bank will support procurement implementation on a regular basis with a formal supervision mission every six month (alongside other project team members) and an annual post-procurement review. As part of the PPSD, a PP for the first 18 months of the project was agreed upon with the World Bank. During implementation, the PP will be updated in agreement with the project team, as required. This will be done, at least annually, to reflect actual project implementation needs and improvements in institutional capacity.

82. In February 2018, the PPSD was completed by the client with support from World Bank. Its report was sent to the World Bank on February 12, 2018. In particular, the report highlighted a total of 41 contracts (one contract for small works, 12 for goods and IT, 28 for consultant services) in the amount of US\$12,789,000 (with 72 percent for goods and IT). The PPSD, based on a cost-risk analysis, revealed four critical IT contracts (tax, interoperability, National ID, PKI) to be monitored closely with requisite assistance from technical experts.

**E. Social (including Safeguards)**

83. The Project will benefit the citizens of Djibouti with improved access to public services. Citizen engagement, social inclusion, transparency, and accountability are integrated into the project design. The CSC pilot will support e-service delivery in poor neighborhoods and communities.

**F. Environment (including Safeguards)**

84. **The Project is categorized as B for Environmental Assessment.** Minor refurbishment of government offices in the context of the establishment of the CSC pilot has triggered Environmental Assessment - OP/BP 4.01. These environmental impacts are essentially related to the management of nonhazardous and hazardous solid wastes, the generation of noise, fugitive dust, and sanitary wastewater discharges. Other impacts are related to occupational and community health and safety. A Checklist



Environmental Management Plan (EMP) of rehabilitation has been prepared by the client and will be implemented by selected contractors to manage these risks and impacts. This check list EMP will be integrated to tender documents. The Checklist EMP has been reviewed and approved by the World Bank and was disclosed to the public ANSIE website and World Bank external website on March 21, 2018.

#### **H. World Bank Grievance Redress**

85. Communities and individuals who believe that they are adversely affected by a World Bank-supported project may submit complaints to existing project-level grievance redress mechanisms or to the World Bank's Grievance Redress Service (GRS). The GRS ensures that complaints are promptly reviewed in order to address project-related concerns. Project-affected communities and individuals may submit their complaints to the World Bank's independent Inspection Panel which determines whether harm has occurred, or could occur, as a result of World Bank non-compliance with its policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to the World Bank's attention, and Bank Management has been given an opportunity to respond. For information on how to submit complaints to the World Bank's corporate Grievance Redress Service (GRS), see <http://www.worldbank.org/en/projects-operations/products-and-services/grievance-redress-service>. For information on how to submit complaints to the World Bank Inspection Panel, see [www.inspectionpanel.org](http://www.inspectionpanel.org).



**VII. RESULTS FRAMEWORK AND MONITORING**

**Results Framework**

**COUNTRY : Djibouti**

**Public Administration Modernization Project**

**Project Development Objectives**

The PDO is to enable access to e-government and promote efficiency of selected revenue administration services.

**Project Development Objective Indicators**

Indicator Name	Core	Unit of Measure	Baseline	End Target	Frequency	Data Source/Methodology	Responsibility for Data Collection
<b>Name:</b> Percentage of population with unique ID		Percentage	0.00	50.00	Quarterly	ANSIE/PCU will create and maintain a e-ID registry which will initially be populated via a mass enrollment campaign and by leveraging the work and data gathered by the national social security fund and the social registry. The percentage of population with unique ID is obtain by dividing total recipients of e-ID to total population.	ANSIE/PCU and the General Directorate of the Population at the Ministry of Interior.



Indicator Name	Core	Unit of Measure	Baseline	End Target	Frequency	Data Source/Methodology	Responsibility for Data Collection
Percentage of women with unique ID		Percentage	0.00	50.00			

**Description:** Percentage of population who have received a unique ID number (of which women). A key component for building a government interoperable digital platform and increase citizen access to services is to have a unique ID. Building and increasing the number of unique ID will ensure a larger access to services. Since the e-ID system will take two years to be built, the plan is to have the enrollment to take place in year 3. So, no quantifiable results till December 2020. e-ID numbers are for whole population whereas e-ID cards which will generally be issued for adults.

<b>Name:</b> Time taken to clear Customs		Days	8.00	6.00	Annual	Customs administration statistic report and World Bank Doing Business data on Trading across Borders.	Customs administration (DGDDI) and ANSIE/PCU
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**Description:** Customs clearance delay is defined as the average of time at the export and import to comply with Customs requirements. Using upgraded information system and risk-based verification system would reduce the time for complying with customs requirements and thus reduce cross bordering costs.

<b>Name:</b> Percentage increase of VAT collection		Percentage	0.00	12.00	Yearly	Tax Administration annual statistical report and Budget execution law	ANSIE/PCU and Tax Administration (DGI)
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**Description:** Change of total VAT collection compared to previous year. Efficient information systems, better training, auditing, reporting, and effective tax policy would allow an improvement of VAT collection. In 2017, VAT collection (both from Tax and Customs) amounted to US\$77.1 million. This amount will be used as baseline.



**Intermediate Results Indicators**

Indicator Name	Core	Unit of Measure	Baseline	End Target	Frequency	Data Source/Methodology	Responsibility for Data Collection
<b>Name:</b> Number of e-ID cards issued		Number (Thousand)	0.00	200.00	Annual	DGP in the Ministry of Interior will be in charge of providing e-ID and will keep track of data pertaining to this indicator. ANSIE will be another source of data since each e-ID card will reference to the aggregated and integrated e-ID database that will be created and managed by ANSIE.	DGF/Ministry of Interior and ANSIE/PCU
Number of e-ID cards issued to women		Number (Thousand)	0.00	100.00			
<p><b>Description:</b> Physical e-ID cards that will be requested and issued to adult citizens. This intermediate indicator is linked to the percent of population with unique ID outcome indicator. A total of 200,000 e-ID cards are expected to be issued at the end of the project. As the new e-ID system would take two years to be built, issuance of e-ID cards would only occur starting year 3.</p>							
<b>Name:</b> Percentage increase of transactions initiated per Citizen Service Center (CSC) per year		Percentage	0.00	15.00	Annual	CSC pilot will provide statistic data on transactions initiated and/or completed.	ANSIE/PCU and CSC pilot





Indicator Name	Core	Unit of Measure	Baseline	End Target	Frequency	Data Source/Methodology	Responsibility for Data Collection
<p><b>Description:</b> This indicator will measure the percentage increase in the average number of transactions initiated and/or completed at the pilot CSC established in Year 2 of the project. A transaction is any type of service that a CSC provides, that is, providing information to citizens, processing applications on citizens' behalf and delivering services. Baseline will be established at the end of Year 2 after CSC has been established.</p>							
<b>Name:</b> Citizens involved in the design and delivery of e-services		Number	0.00	300.00	Annual	Data on citizen participation will be collected through list of participants to meetings and workshops organized by ANSIE/PCU during the different phases of the development, testing, and launching of e-services including e-ID.	ANSIE/PCU
Number of women involved in the design and delivery of e-services		Number	0.00	100.00	Annual	Data on women participation in meetings and workshops related to the development of e-services	
<p><b>Description:</b> Citizens participation through online or workshop consultations. This indicator is critical to ensure citizen engagement and feedback.</p>							
<b>Name:</b> Share of tax returns filed electronically		Percentage	0.00	20.00	Annual	DGI statistic reports	DGI and ANSIE/PCU
<p><b>Description:</b> Portion of taxpayers who complete and electronically file tax return with the Tax Administration (DGI). This intermediate indicator should reflect improved</p>							



Indicator Name	Core	Unit of Measure	Baseline	End Target	Frequency	Data Source/Methodology	Responsibility for Data Collection
efficiency and efficiency of DGI, and thus more tax collection. It is linked to the VAT collection outcome indicator. First result will happen in year 3 after the e-Tax system has been built.							
<b>Name:</b> Share of customs declaration filed electronically		Percentage	0.00	20.00	Annual	Statistic reports of the Customs Administration (DGDDI)	ANSIE/PCU and DGDDI
<p><b>Description:</b> Portion of importers and exporters who obtain, prepare, and electronically submit documents during transport, clearance, inspections, and port or border handling. This intermediate indicator is linked to the Time taken to clear customs outcome indicator. The upgrade of the Customs IT system and development of e-customs declaration would take 18 months, so the first results are expected at the end of year 2.</p>							
<b>Name:</b> Number of systems connected to the Government's interoperable platform		Number	0.00	10.00	Annual	e-government platform	ANSIE/PCU
<p><b>Description:</b> Several ministerial and public information systems will connect and be linked to the e-government platform through the ESB and unique ID. Systems that are envisaged to be connected include: tax, customs, justice, birth certificate, driver's license, education, health, and budget.</p>							
<b>Name:</b> Time to obtain a VAT refund		Weeks	50.00	30.00	Annual	Doing Business Report	Tax Administration and ANSIE
<p><b>Description:</b> Time taken to obtain refund on VA. The baseline per the 2018 Doing Business report is 50 weeks for Djibouti. The target is to bring the delay down to 30 weeks at the end of the project. This intermediate indicator is linked to the VAT collection outcome indicator.</p>							



Indicator Name	Core	Unit of Measure	Baseline	End Target	Frequency	Data Source/Methodology	Responsibility for Data Collection
<b>Name:</b> New Tax Administration Information System deployed		Yes/No	N	Y	Annual	Development and deployment of a new information system for the Tax Administration	Tax Administration - DGI
<p><i>Description:</i> The new Tax Information System that will be acquired and deployed should be more integrated with other government information systems and include new required functionalities such e-tax filling. It should help the Tax Administration to be more efficient and be better at monitoring its operations including VAT collection and refund. This intermediate indicator is linked to the VAT collection outcome indicator.</p>							
<b>Name:</b> Upgrade of the Customs Administration Information System		Yes/No	N	Y	Annual	Customs Administration (DGDDI)	DGDDI and ANSIE
<p><i>Description:</i> Upgrade and introduction of new modules to improve statistics treatment and inspection of imported and exported merchandises. This intermediate indicator is linked to the customs clearance delay outcome indicator.</p>							
<b>Name:</b> Percentage of Citizen Service Center users satisfied with provided e-services		Percentage	0.00	40.00	Annual	Citizen Service Center statistical reports and questionnaire data from e-government portal	Citizen Service Centers and ANSIE
Percentage of women CSC users satisfied with provided e-services		Percentage	0.00	40.00			



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Indicator Name	Core	Unit of Measure	Baseline	End Target	Frequency	Data Source/Methodology	Responsibility for Data Collection
<p>Description: This indicator measures beneficiary feedback of e-services provided by Citizen Service Center. There will be built-in short questionnaire requesting feedback from citizens after requesting or using a service online. Data on citizen satisfaction will not be available for the first two years while e-services are being developed and citizen service center is being piloted.</p>							



**Target Values**

**Project Development Objective Indicators**

Indicator Name	Baseline	YR1	YR2	YR3	YR4	End Target
Percentage of population with unique ID	0.00	0.00	0.00	25.00	50.00	50.00
Percentage of women with unique ID	0.00	0.00	0.00	25.00	50.00	50.00
Time taken to clear Customs	8.00	7.50	7.00	6.50	6.00	6.00
Percentage increase of VAT collection	0.00	0.00	4.00	8.00	12.00	12.00

**Intermediate Results Indicators**

Indicator Name	Baseline	YR1	YR2	YR3	YR4	End Target
Number of e-ID cards issued	0.00	0.00	0.00	50.00	200.00	200.00
Number of e-ID cards issued to women	0.00	0.00	0.00	25.00	100.00	100.00
Percentage increase of transactions initiated per Citizen Service Center (CSC) per year	0.00	0.00	0.00	10.00	15.00	15.00
Citizens involved in the design and delivery of e-services	0.00	50.00	100.00	200.00	300.00	300.00
Number of women involved in the design and delivery of e-services	0.00	10.00	50.00	75.00	100.00	100.00



Indicator Name	Baseline	YR1	YR2	YR3	YR4	End Target
Share of tax returns filed electronically	0.00	0.00	0.00	10.00	20.00	20.00
Share of customs declaration filed electronically	0.00	0.00	0.00	10.00	20.00	20.00
Number of systems connected to the Government's interoperable platform	0.00	0.00	1.00	6.00	8.00	10.00
Time to obtain a VAT refund	50.00	45.00	40.00	35.00	30.00	30.00
New Tax Administration Information System deployed	N	N	N	Y	Y	Y
Upgrade of the Customs Administration Information System	N	N	N	Y	Y	Y
Percentage of Citizen Service Center users satisfied with provided e-services	0.00	0.00	0.00	10.00	40.00	40.00
Percentage of women CSC users satisfied with provided e-services	0.00	0.00	0.00	10.00	40.00	40.00



ANNEX 1: DETAILED PROJECT DESCRIPTION

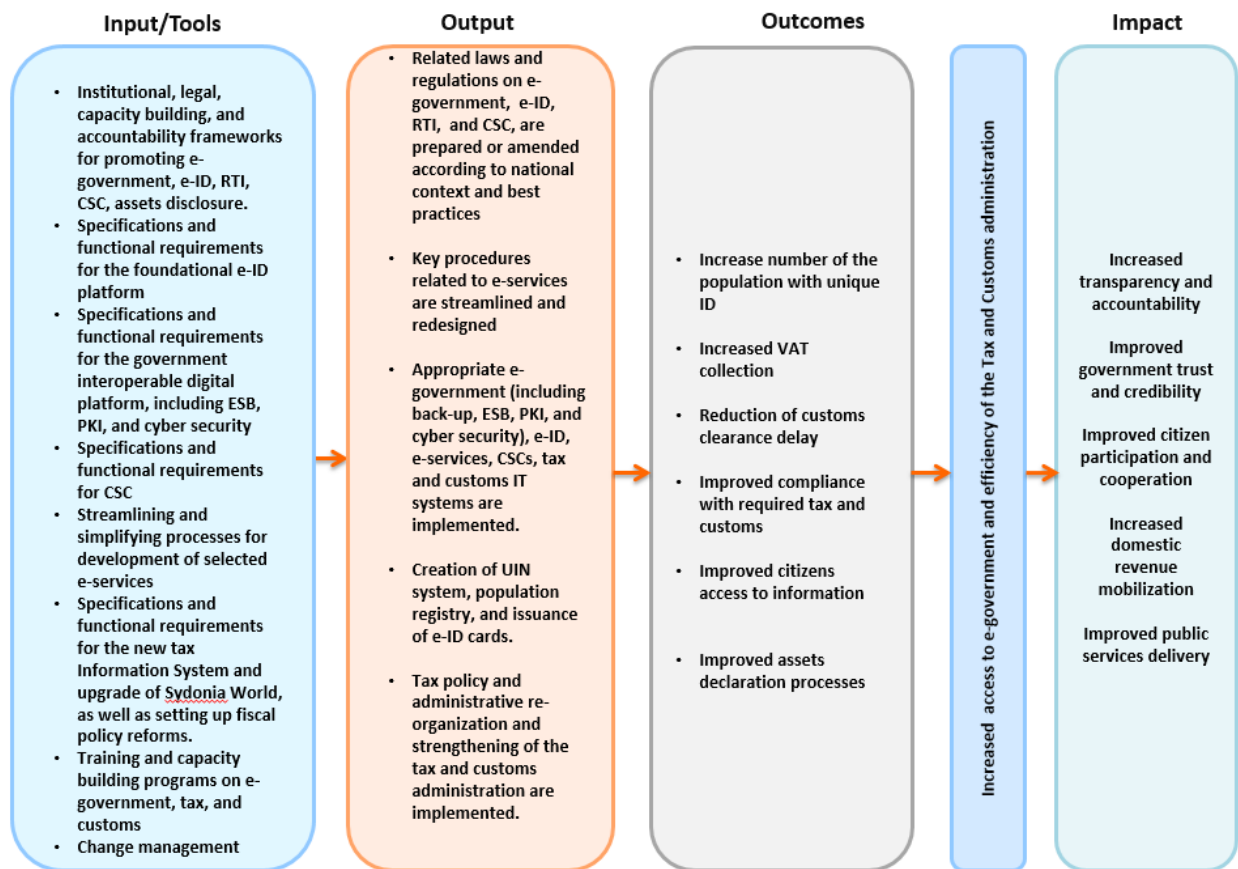
DJIBOUTI: Public Administration Modernization Project (P162904)

1. The PDO is to enable access to e-government and promote efficiency of selected<sup>17</sup> revenue administration services. The Project consists of three strategically linked and mutually reinforcing components: Component 1 - Strengthening e-government Foundation and Institutional Building, Component 2 - Tax and Customs Modernization, and Component 3 - Project Management.

2. The expected outcomes of the Project are greater access to e-government and more efficient revenue administration services. The aim is to leverage a combination of policy reforms, ICT tools, greater transparency, change management, and a strengthening of skills with a focus on both the efficiency of Government administration and access to services for citizens and businesses.

3. The underlying theory of change is presented in figure 1.1.

Figure 1.1. Results Chain



<sup>17</sup> Tax and customs administration.



## Component 1: Strengthening e-government Foundation and Institutional Building (US\$9.5 million)

### *Subcomponent 1.1: Development of a digital platform and e-services*

4. The development of e-government is critical to improve the efficiency and transparency in the delivery of public services, as well as to enable citizen feedback on the quality of services. The e-government platform will serve not only citizens (G2C), but also businesses (G2B). It will also facilitate better G2G coordination. The development of e-services will follow a gradual approach to maximize the chances of success and adapt to the context. Hence, only a small number of e-services will be realized over the course of this Project, which will focus on establishing a strong foundation and enabling environment for e-government. Preliminary work will be done for future deployment of other e-services. The e-services targeted under the current phase include unique ID, tax filing, and customs filing. Future e-services may include criminal records, birth certificates, and renewal of driver's licenses.

5. The e-government component seeks to achieve these objectives through the following envisaged activities: (a) support for the establishment of legal and institutional frameworks, as well as strategy and action plans for digital development; (b) strengthening of the e-government infrastructure, particularly the backup data center; (c) development of an interoperable platform, which will include an ESB (for example, authentication and user access register, data exchange and management, payment interface, and notification service); (d) development of the e-ID unique identifier system for citizens, which will be integrated with the civil and people registries, driver licenses, and so on; (e) strengthening of the cyber security capabilities, especially building a Computer Emergency Response Team (CERT) and a PKI to secure digital transactions; (f) development of a Government e-services portal; and (g) and supporting public data disclosure (open data). An in-depth business process reengineering will be conducted before the development of e-services to ensure that they are optimum and cost-effective. Furthermore, considerable change management efforts will be made to facilitate the adaptation and ownership by all actors and stakeholders involved in the digital transformation of the public administration.

6. **Setting the legal, institutional, and organizational foundations for a sound digital administration.** Djibouti does not yet have a legal framework for digital development, and existing institutional and technical capacities are weak. This component will support ANSIE in leading the vast work of digital transformation of the administration. Support will include a review and update of the e-government strategy, development of a legal and regulatory framework to support this transformation, capacity building for public servants, strategic communications and partnerships, and project management. To this end, the project will provide for the recruitment of a firm to review the current environment, propose a strategy and action plans, and undertake capacity-building activities to ensure knowledge transfer to ANSIE and throughout the administration.

7. **Implementing the capabilities for creating and hosting services including securing backup functionality for the data center.** In addition to the data center that is relatively well equipped, ANSIE will rent space and store its data as backup within the Djibouti Telecom Data Center. This is a three-tier carrier (the first in East Africa) and serves as a data center for many international clients, including Facebook. Djibouti Telecom is building a four-tier data center as part of the Smart Africa initiative of the African Union. Indeed, Djibouti has been designated to serve as the data center hub for the continent.





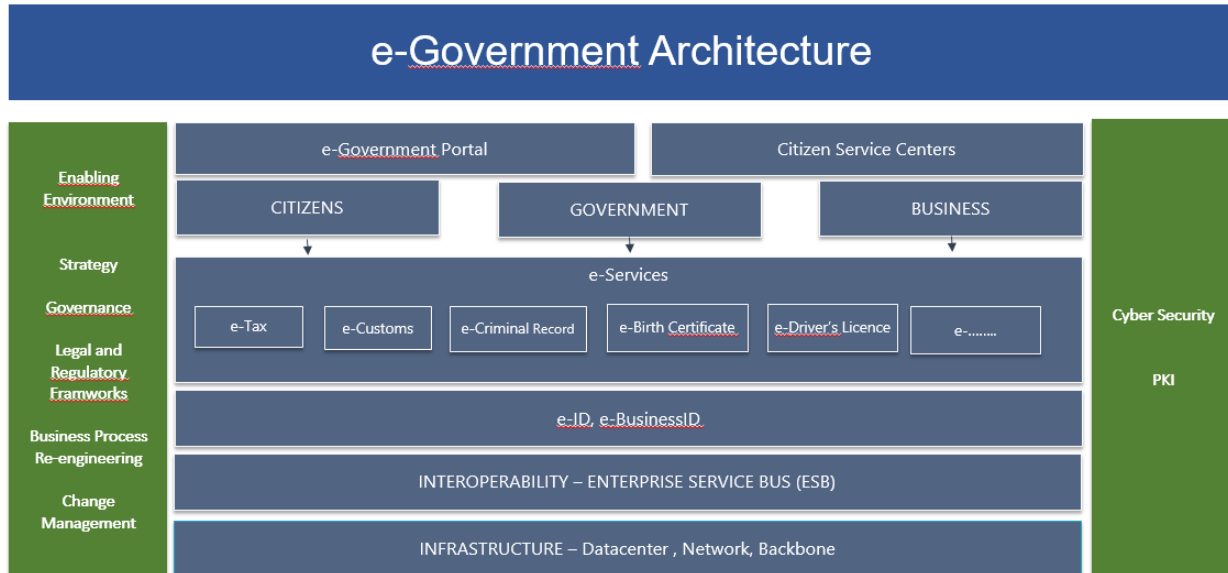
8. **Strengthening cyber security to ensure protection and trust.** Djibouti aspires to become a regional transport and e-commerce hub, which requires a world-class cyber security protection capability. The project will support cyber security through (a) the development of a National Cyber Security Strategy; (b) the development of a legal and regulatory framework; (c) the establishment of a Government center for monitoring, alerting, and responding to computer attacks by CERT; (d) the implementation of PKI to safeguard the authenticity of transactions; (e) the training of staff throughout the administration, as well as interagency information sharing, including with the private sector; (f) support for Djibouti's participation in international organizations; and (g) strengthening measures in online child protection.

9. **Development of a Government interoperable digital platform, including the ESB and Application Programming Interfaces (APIs).** Currently, ANSIE does not have an interoperable digital platform with the ESB for the provision of shared applications and digital services. Government systems are duplicative, costly, and not interconnected. The proposed platform seeks to bring Government systems under one integrated platform to reduce maintenance and operating costs, enhance system security, and ensure the development of e-services. The ESB allows data sharing on different transport formats and protocols. It is an integral part of e-government that would allow for the secure exchange of data, as well as the consistency of different databases and Government registries. Specifically, the Project will fund the development of a digital platform architecture, including a review of the existing systems, and the acquisition and implementation of capabilities for creating and hosting services, interlinking services, routing messages, and transforming data.

10. **Development of e-services.** In parallel with the development of the digital platform, the establishment of e-services for citizens will also be pursued and included in the Government's e-services portal. The Project will support the following activities: (a) extension and posting in the Government portal level one and/or two e-services; and (b) business process reengineering and development of level 3 and/or level 4 e-services. The list of e-services level 1 and/or level 2 currently available at the Djibouti e-government portal is provided in annex 5. After the establishment of a robust e-government interoperable platform, the focus will then shift to the development of type three and possibly type four e-services. Priority will be given first to the most requested services; other e-services will follow, including those that will cater to businesses. Some of the most requested digital services include birth certificates, criminal records, tax payments, driver's licenses, national ID cards, and passports. In the first phase of this project, the focus will be on e-ID, e-Tax, and e-Customs. Before the development and deployment of e-services, it is imperative to streamline the related processes and modes of operation to eliminate any inefficiency.



Figure 1.2. e-government Architecture



Source: ANSIE.

11. **Development of foundational e-ID, a unique electronic identifier system for the entire population.** The e-ID provides technological identification solutions to uniquely identify and accredit a person so that his/her identity can be affirmed and verified in a safe and unambiguous manner by electronic means for delivery of services in all sectors, including health, education, and so on. The system guarantees (a) ease of interaction with e-government; (b) access to different levels of services (police, medical services, banks, and so on); (c) fast ATI; and (d) security. The foundational e-ID system<sup>18</sup> shall be robust in that it can ensure the uniqueness of the assigned UINs and have the necessary technical and legal underpinnings to function reliably, while effectively safeguarding personal data. The system is also inclusive, such that all individuals in the country have access to a UIN that will identify them for life. Newborns are issued a UIN at birth. In addition, it is foundational, in that it is linked by design and practice to the civil registry and can be used by functional registers for deduplication and authentication purposes. Finally, the system can facilitate access to services for individuals in the public and private sectors by reliably authenticating a person’s identity.

12. **An assessment of legal and regulatory frameworks for establishing a robust foundational ID system has revealed critical gaps.** There are no policy and legal frameworks to support biometrics or to safeguard data privacy and sensitive personal data information, as well as electronic transactions.

<sup>18</sup> Foundational identification systems are designed to provide Government-recognized credentials (for example, digital ID numbers, paper/plastic/laminated cards, smart cards, digital certificates, mobile IDs, and so on) that can be used as a proof of identity. These systems include registration of individuals and the collection of biometric and other demographic data. They are often built as part of civil registration systems, which then communicate with other registries, such as those for social protection, health, education, financial services, population, and/or travel. Good practice is for these numbers to be randomly generated and not linked with any data pertaining to nationality or citizenship. This is a means of supporting inclusivity. However, foundational ID systems require a robust legal and institutional framework to effectively safeguard and govern how personal data are protected, managed, and shared among agencies. Such a framework is also necessary to uphold sovereignty, individual privacy, nondiscrimination, and inclusion.



Currently, the civil status information is scattered; it should be grouped under a unique authority (that is, the DGPF). Biometric procedures should be expressly reflected in the texts. Laws and decrees should also be enacted for data privacy and electronic transactions.

**13. Technical assessments of the existing main ID systems (civil registry, social security, and safety net) have revealed some good achievements in terms of enrollment, technical, and procedural capabilities that this new ID project should reuse and capitalize on.**

- The DGPF, which is in charge of the civil registry, issues national ID cards with biographic and scanned biometric information. The national ID card includes a picture and scanned pictures of 10 fingerprints of the beneficiary. The digitization process started in 2007, and in 2014 important upgrades took place that allowed administrative processes to be treated online. The population registry has more than 300,000 individuals in its database. The DGPF has also scanned all identity cases and related identity documents to issue an identity card from 1954 to 2011. The processes for data entry, data verification, ID printing, and quality assurance after printing are in place.
- The national social security fund (*Caisse Nationale de Sécurité Sociale, CNSS*) issues biometric IDs to all of its beneficiaries in the form of a smartcard, which has a unique identifier. The biometric information includes a photo and four fingerprints of the main beneficiary and pictures of the children. The CNSS has a thorough process for issuing such IDs. It includes biographic information, a copy of the national ID, and so forth. A bureau with five full-time employees has been tasked with gathering this information and verifying it. This unit also has a mobile capability to facilitate registering beneficiaries. Another five-person office is responsible for registering the biometric data and printing the social security cards. So far, they have issued 78,408 biometric cards and have a registry of 281,317 beneficiaries. These beneficiaries include the children of primary beneficiaries. This card is actively used to authenticate people when seeking services in hospitals and clinics. In this context, card readers at hospitals and clinics are installed to confirm eligibility to access services. The CNSS has also built a sophisticated business intelligence capability based on these IDs. They are able to generate real-time statistics on their production capability, as well as utilization of services based on these IDs.
- In the past year, the Safety Net Program at the Ministry of Social Affairs has started an initiative to register poor people using biometric information of beneficiaries, which includes pictures and fingerprints of 10 fingers. The ID printed is a simple card with biographic information and a picture. A total of 33,000 beneficiaries have been enrolled and 7,000 families have been registered. Key program challenges include (a) the availability of the whole family to be able to enroll them; (b) difficulties in taking fingerprints for labor workers due to extended hand usage; and (c) difficulties in taking superior quality pictures during rural enrollment, as the environment is very dusty. At present, biometric information is not used except for the picture for authentication because it is difficult to use biometrics in a rural setting where communication and card readers are not available.

**14. The support for the development of the foundation e-ID system is a major priority for the Government, which has to deal with a large inflow of migrants fleeing conflict situations and social unrest**

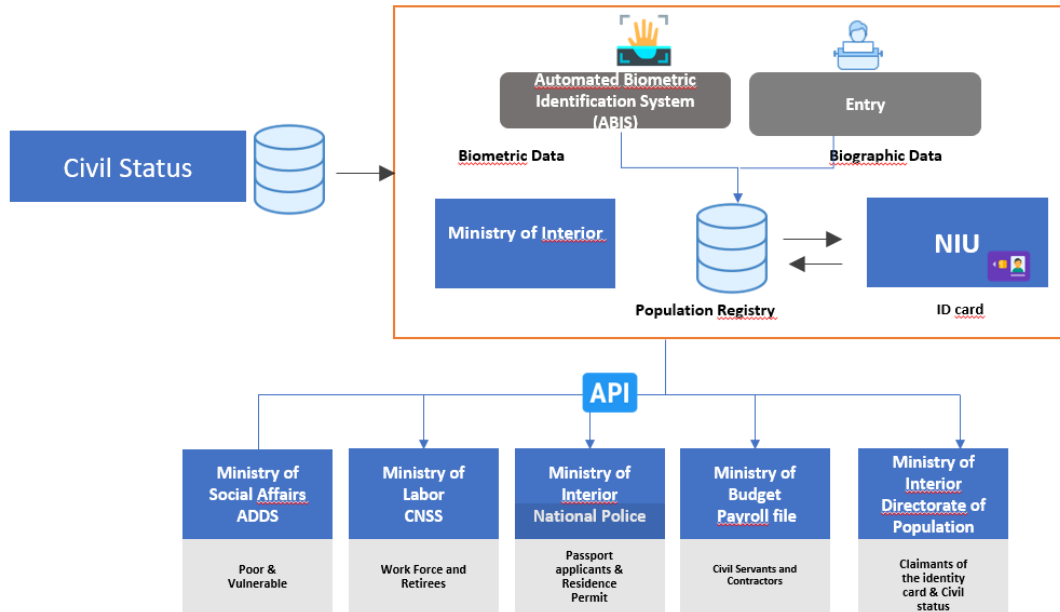


in neighboring countries. To achieve this objective and ensure a comprehensive and robust e-ID system, the following activities will be carried out:

- (a) **Creation of the UIN.** This will support the creation of the e-ID. It will be based on the UIN linked to biometric and biographic data, which will be collected in accordance with basic standards.
- (b) **Creating a population (foundational) registry.** This component will finance the establishment of a population registry based on the UIN. It will be digital biometric database containing records for all persons in the country. This registry will allow for the authentication of unique identity and will be interoperable with other relevant registries and databases (for example, in developing the interface with the social registry). The registry will initially be populated through a mass enrollment campaign and by leveraging the work and data gathered by the CNSS and the social registry.
- (c) **Acquisition, design, and implementation of e-ID system.** This will finance the UIN generation system, various software and hardware to support e-ID system implementation, as well as its integration and data exchanges, including implementation of interfaces to systems and Government services (for example, the social registry, the civil and people registries, as well as for driver licenses, criminal records, passports, and so on).
- (d) **Issuance of 200,000 e-ID cards.** This will finance the design of a system for production of e-ID cards, as well as studies to determine a sustainable financing model for the ongoing production of ID documents. At the time of enrollment in the population registry, individuals will be issued a low-cost preliminary credential. This will serve as a proof of enrollment and will facilitate the future delivery of other credentials, such as national ID cards.
- (e) **Communications, grievance redress, and citizen engagement.** An awareness-raising campaign outlining rights and responsibilities will be developed and made publicly available. The design of the e-ID would also include the development of a grievance redress mechanism to collect and respond to beneficiary issues with the implementation and rollout of the national ID system.



Figure 1.3. Development of e-ID architecture



Source: ANSIE.

Note: ADDS = Djibouti Agency for Social Development; API = application programming interface; NIU = national identification number.

15. **Business process reengineering.** The objective is to redesign the selected e-services targeted under this Project. The following activities will be carried out: (a) a comprehensive service analysis including legal, technical, administrative, and procedural steps containing links and required IT systems and changes; (b) 'to-be' process maps and a work plan for reengineering services; (c) creation of service standards for each service; (d) development of supporting documents to implement the 'to-be' maps; and (e) M&E, as well as reporting systems to measure the impacts of reengineering.

16. **Change management.** The implementation of this Project will bring about significant changes to how citizens access Government services—and how the administration provides its services—and what competencies are needed to do so. Many paper-based services will become obsolete, including their associated manpower. The core components necessary to ensuring the success of the proposed transformations include proper program oversight, a sound regulatory framework, process reengineering, impact analysis, communications, governance, and capacity building. The following activities will be financed: (a) development of a change management strategy and action plan and (b) leadership training and institutional communications.

17. **Online publication of public procurement information and data.** Before a robust e-procurement system can be developed, it was agreed to capitalize on the existing e-government capacity by establishing a dedicated space for online procurement information. This could include notices with expressions of interest, calls for tenders, contract awards, decisions made, and so on.



*Subcomponent 1.2: Establishment of Citizen Service Center (CSC) Pilot*

18. **One of the Project goals is to ensure that women and vulnerable groups—people with disabilities, the poor, the elderly, ethnic minorities, and the rural population—have increased access to modernized services.** The feasibility study will examine the differences in service needs and gaps that affect the equity of service access, particularly by women and vulnerable groups who may have different needs and expectations about service delivery. Therefore, the feasibility study will identify mechanisms to ensure equal access of services by women and vulnerable groups. Women’s increased access to modernized services will be measured by the indicator ‘Percentage of women with unique ID’, as a key component for building a Government interoperable digital platform and increasing citizen access to services is to have a unique ID. Building and increasing the number of women with a unique ID will ensure their larger access to services.

19. **The CSCs are based on the one-stop shop principle of service access, that is, providing multiple services through a single window.** The CSCs are envisaged as assisted access centers, where citizens can obtain information and apply for administrative e-services. The precise model of operations will be determined following a feasibility study planned for the first year of the project.

20. **Given the limited budget of the Project and the time needed for e-services development, the focus will be on establishing and testing at least one CSC pilot** (located in Balbala and/or Djibouti-Ville). The findings from the feasibility study will inform the pilot CSC location, as well as the design and operational model that will be tested and adapted over time. The proposed location in Balbala also houses the subprefecture, the national police, an office of the DGPF, an office of the State Secretariat for Social Affairs, an office of the Court of Religious Affairs, and a building of the elected officials of the municipality of Balbala. This would ensure high traffic to the CSC as citizens access these other Government bodies.

21. **This subcomponent will support the feasibility study, renovations and refurbishment of existing infrastructure, training materials and capacity building for staff, and citizen engagement activities.** Civil works will use energy-efficient building materials and equipment. Citizen engagement is critical to introducing the concept of e-services and CSC, as well as to gathering public feedback on service quality. To this end, this subcomponent will support a gender-sensitive citizen outreach campaign to inform citizens about CSC and available services. In addition, a CFM will be developed to solicit information about service quality and efficiency from the user perspective. Furthermore, CSC will support awareness raising through education about growing climate change issues, changing patterns of rains and floods, and emergency response to these events.

22. **CSC will centralize public services in one location and provide online and face-to-face services for citizens who do not have access to existing public service locations or mobile broadband.** At least one CSC will be piloted in either Balbala or Djibouti-Ville. Building on the results of the feasibility study, the Project will support the design and refurbishment of existing infrastructure to house the CSC. The model for Djibouti will draw on lessons from other countries such as Albania, Brazil, Greece, and/or Russia that have implemented similar CSCs. The planned approach will be informed by the feasibility study. The study will evaluate the potential to use assisted access terminals where citizens can obtain information online and assistance to access e-services.



23. **The establishment of CSC requires several important steps**, including (a) the development of a legal and regulatory framework; (b) the selection of an operational model; (c) site renovation, including small civil works, and the purchase of furniture and necessary office equipment; (d) staff training; (e) monitoring and improvement of services, including the development of a CFM; and (f) citizen outreach. TA and various study tours will be organized to support the process of designing and operating CSC.

*Subcomponent 1.3: Institutional Building*

24. **Successful institutional reforms are critical to ensuring improved efficiency and transformation of the public administration.** The achievement of the objectives for both e-government and the modernization of the tax and customs administration depends greatly on the effective implementation of institutional reforms, including the right of ATI, the fight against corruption, public procurement, and citizen engagement. The authorities have made the commitment to pursue institutional reforms and want to be supported in this effort. Indeed, it is worth noting that important initiatives have already been initiated by the Government regarding asset declaration, the fight against corruption, and ATI. There appears to be a strong commitment by the authorities at the highest level to work with the World Bank to implement these fundamental reforms. Hence, the authorities are now open to OGP eligibility, which is quite feasible given that Djibouti has undertaken certain important initiatives on asset declarations, open data, and transparency. The newly established Commission for the Prevention and Fight against Corruption is functional, although it requires substantial capacity strengthening.

25. **Drafting of the Access to Information Law.** Significant TA will be provided as part of the establishment and improvement of the Access to Information Law. Indeed, it is important and useful for citizens to freely request any kind of public information, including the type of public services to which they are entitled, as well as reports on the conduct of business by public officials. The right of ATI as well as the public data disclosure policy through open data, will make a significant contribution to improving governmental transparency and participation of citizens in public life. A Tunisian model is being proposed for the drafting of an organic law on the right of ATI. The necessary legal assistance will be mobilized for the preparation of the bill, as well as a study trip to Tunisia.

26. **Strengthening of the asset declaration and verification process.** All members of the Government, as well as managers of most companies and public institutions, have already declared their assets. However, the publication of these statements in the Official Gazette, as provided by law, has not yet been done because the verification process is not complete. To strengthen the asset declaration and asset disclosure program for public officials, TA will be provided in the following areas: (a) establishment of a database and electronic filing software (currently, the system is manual), (b) assistance in asset verification and investigation techniques, and (c) development of a system of online filing of asset declarations.

27. **Enhancing public procurement to ensure value for money.** Procurement reform is essential to ensuring that the procurement of goods and services is conducted in a transparent and competitive manner. As such, it should contribute to effectively improving the quality of services provided to citizens, as well as the fight against corruption. The Project will support (a) the revision of the public procurement code, (b) the strengthening of the procurement commission, (c) the rationalization of the public procurement project management, and (d) capacity building for private sector actors and oversight bodies.



28. **Capacity building of the SAI to ensure accountability.** The Court of Accounts, the country's SAI, plays a leading role in promoting good governance. With the support of the World Bank's IDF and other development partners, the Court of Accounts significantly increased its capacity, allowing it to undertake essential actions such as the regular publication of annual reports, the development of the code of ethics, and participation in the fight against illicit financial flows. The Project will continue to support the Court of Auditors through several activities, including risk-based audit training, the completion and filing of public accounts, and the sharing of knowledge and experience with other SAIs in the region.

### **Component 2: Tax and Customs Modernization (US\$4.5 million)**

29. **Component 2 seeks to improve the efficiency and effectiveness of the DGI and the DGDDI, with a view toward generating more domestic resources, as well as increasing the competitiveness of the Djiboutian economy.** Most of the activities under this component are based on the recommendations of the June 2015 National Tax Conference and the World Bank's 2017 Diagnostic Study on Taxation. A common diagnostic finding is that Djibouti's tax system continues to seriously hamper the development of services and competitiveness. Djibouti grants tax exemptions through (a) the tax code, (b) the investment code, (c) the free zone, (d) the operations of international organizations, and (e) diplomatic privileges. To date, tax exemptions have not led to the corresponding investment and employment benefits. Tax exemptions and other special tax regimes, including the free zone system and the foreign military base regime, reduce the tax base, distort competition between economic operators, and lead to significant revenue losses. To address this situation, it was agreed to proceed with a tax code revision, policy reforms, and capacity building.

30. As part of the improvement of the tax and customs administration, the following activities are envisaged: (a) the revision of the tax and customs codes; (b) the development of the manual of procedure for the DGI and DGDDI; (c) staff training; (d) the setting up of the national tax conciliation commission; (e) support for the operationalization of the Tax/Customs Training Center (CAF); (f) the strengthening of the VAT control and refund processes; (g) the acquisition and implementation of a new information system for the DGI; (h) the upgrade of the DGDDI's existing information management system (ASYCUDA World) to ensure, among other functionalities, e-Customs declarations and payments; (i) the interface between the DGI and DGDDI information system; and (j) TA for the revision of the customs code, including the study regarding the harmonization of rates and the gradual replacement of the internal tax on consumption by VAT. Before the development and deployment of the new tax IT system, as well as the upgrade of the customs IT system, detailed business process reengineering of the two administrations will be conducted.

31. **Development of e-Tax and e-Customs.** The Tax and Customs systems will be updated and revised to take advantage of the interoperable digital platform developed under Component 1. Specifically, it will integrate the e-ID for all citizens filing and enable citizens and businesses to have access to online services, including e-Tax filing and e-Customs filing.

32. The revision of CGI and the Customs Code (CGD). As part of the revision of the CGI, the following changes are envisaged:





- (a) A transfer to the CGI of certain provisions currently contained in the CGD (CGD contains provisions on VAT and excise duties). In this respect, it was agreed to return to normal practice by moving them from the CGD to the CGI.
- (b) The correction of fiscal distortions related to the derogations with the inclusion of the tax incentives of derogating regimes in common law (in particular, through digressive amortization and tax credits)

**Component 3: Project Management (US\$1.0 million)**

33. The PCU will be established within ANSIE to coordinate and manage the implementation of the Project. Details of the implementation arrangements are outlined in annex 2. Activities will include (a) the development of annual work programs and corresponding Procurement Plans, (b) the management of fiduciary and monitoring activities, (c) the coordination of technical work and the provision of support services to the technical units within the relevant ministries, and (d) the monitoring of and reporting on the implementation of the Project's activities. The Project will provide the necessary funding for the acquisition of office equipment and accounting software, as well as for the payment of the activities related to project coordination and monitoring and project audit

34. **The breakdown of the project costs in terms of expenditure and procurement types is as follows:** 72 percent on goods, 20 percent on consulting, six percent on non-consulting services and operating costs, and two percent on works. Most of the spending on goods will be for the acquisition and deployment of (a) a new IT system for the tax administration, (b) an interoperable digital platform, (c) PKI, and (d) an e-ID system. Consulting services will be related to feasibility studies, as well as training and the establishment of legal and regulatory frameworks that will underpin the e-government and various IT systems.



Table 1.1. Estimated Cost and Planning

Component / Activities	Estimated costs	2018																								2019				2020				2021				2022	
		Q1		Q2		Q3		Q4		Q1		Q2		Q3		Q4		Q1		Q2		Q3		Q4		Q1		Q2											
		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul							
<b>E-government foundation and institutional building</b>	<b>9,500,000</b>																																						
Development of a digital platform	2,450,000																																						
Setting the legal and institutional frameworks, strategy and action plans	50,000																																						
Ensuring strong data center back-up	200,000																																						
Strengthening cyber security including strategy, CERT, KPI, legal framework, and training	1,200,000																																						
Setting the Enterprise Service Bus (ESB)	1,000,000																																						
Development of e-services	200,000																																						
e-government portal posting of level 1 and 2 e-services	75,000																																						
Development of level 3 and 4 e-services	125,000																																						
Development of e-ID	5,850,000																																						
Setting the legal and regulatory framework for e-ID	50,000																																						
Acquisition, design, and implementation of e-ID system	5,350,000																																						
Massive enrollment of the population	450,000																																						
Development of e-Business ID	100,000																																						
Business Process Reengineering and Change Management	100,000																																						
Development of Citizen Service Centers	300,000																																						
Institutional Development	500,000																																						
Drafting of the Access to Information Law and capacity building	100,000																																						
Support for procurement reforms and capacity building	150,000																																						
Support to the Court of Accounts for strengthening accountability	150,000																																						
Support to the Anti-Corruption Agency for strengthening Assets Declaration	100,000																																						
<b>Tax and Custom Administration Modernization</b>	<b>4,500,000</b>																																						
Tax Administration Modernization	3,600,000																																						
Acquisition and implementation of a new IT system	3,500,000																																						
Tax policy, administrative re-organization, and capacity building (VAT, audit, etc.)	100,000																																						
Customs Administration Modernization	500,000																																						
Sydonia World IT System Upgrade	500,000																																						
Support to the Financial Application Center	400,000																																						
<b>Project Management</b>	<b>1,000,000</b>																																						
Hiring of experts and technical assistants	400,000																																						
communication	60,000																																						
Operating expenses	300,000																																						
Acquisition of furniture, equipment, and software	100,000																																						
Training and mission	100,000																																						
Financial audit	40,000																																						

Source: ANSIE staff.

35. Feasibility studies and the establishment of institutional and legal frameworks will first be undertaken. It is expected that the development and deployment of key ICT systems for e-government, e-ID, and the tax administration will take at least two years to be completed.



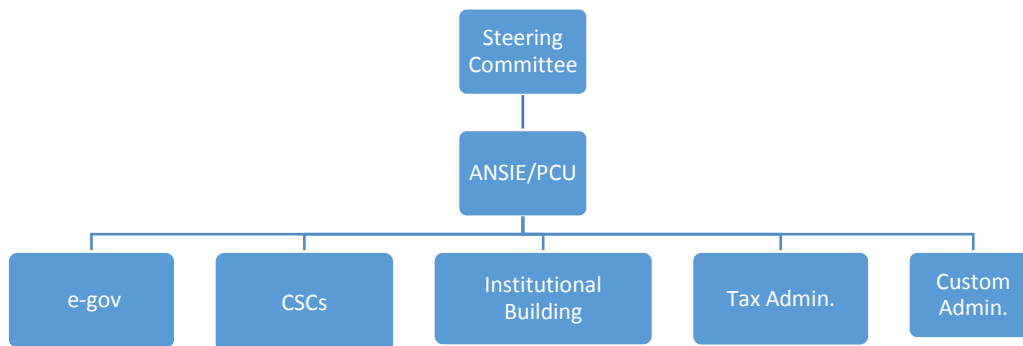
## ANNEX 2: IMPLEMENTATION ARRANGEMENTS

### DJIBOUTI: Public Administration Modernization Project (P162094)

#### Project Institutional and Implementation Arrangements

1. **Project implementation will be undertaken collaboratively** by the Steering Committee, the PCU under the leadership of ANSIE (ANSIE/PCU),<sup>19</sup> and focal points in each of the participating ministries and entities. Implementation of activities will be the responsibility of ANSIE/PCU. However, the ministries will take full ownership and leadership in the development of a specialized sectoral information system and capacity-building programs.
2. ANSIE will primarily manage the development and implementation of the e-government platform and the CSCs. However, for specialized systems such as e-ID, e-Tax, or e-Customs, ANSIE will merely play a coordinating role. Project managers will be designated within ministries to lead the development of specialized systems. The DGPF in the Ministry of Interior will coordinate with all stakeholders, including the Ministry of Social Affairs, the National Social Security Fund, the National Police, and the Ministry of Decentralization (Municipality) to ensure the development of a biometric unique ID and comprehensive population registry. Meanwhile, ANSIE will be responsible for the development of the e-ID system that will be incorporated into the e-government for validation and interoperability and shared services. The DGI teams will take the lead in the development and implementation of the new IT system, as will be the case for the DGDDI in the upgrade of their IT system. Implementation of various capacity-building programs on tax, customs, e-government, access to information, asset declarations, procurement, accountability, and so on will be followed by designated focal points assigned in the beneficiary ministries.

Figure 2.1. Project Implementation and Reporting Lines



3. **Steering Committee.** To ensure adequate coordination between the ministries involved in the Project, a Steering Committee composed of representatives of the main ministries and agencies involved in the Project will be instituted to support overall project monitoring. This committee will be chaired by

<sup>19</sup> According to the Presidential Decree 2018-028 of January 11, 2018, a PCU was created and established within ANSIE.



the Secretary General of the Government or his/her representative. The Project Steering Committee shall be responsible for, among other things, overall guidance of the Project; overall approval of the annual work programs and the PPs; follow-up on the project's implementation progress; approval of all reports for the Project (including project reports, IFRs, and audit reports); recommendations for mitigation measures, when necessary; and support to ministries and agencies involved in project implementation.

4. **Project Coordination Unit.** The PCU will have FM and other organizational responsibilities, as well as responsibilities for M&E. The PCU will report to ANSIE General Secretary and will conduct overall project implementation coordination by (a) preparing annual work programs for the approval of the Steering Committee, (b) hiring the consultants and firms, (c) monitoring and evaluating the work performed under the Project by ministries and agencies involved in project implementation, (d) preparing consolidated technical and financial project reports, and (e) ensuring that the lessons and skills derived from project implementation are disseminated to the ministries and agencies involved in project implementation.

5. **Communications.** For this Project, the PCU will develop a communications strategy and plan based on the information needs of different stakeholder groups. The messages will be tailored to the information needs of particular stakeholder groups and will be delivered using appropriate media. Different tools will be considered, including press releases, the Internet, newsletters, workshops, discussion groups, radio, and television.

6. **Project Implementation Manual.** The PCU shall, with the assistance of the participating ministries, implement the Project in accordance with an operational manual satisfactory to the World Bank (the Project Implementation Manual [PIM]). The manual shall include, among other things, (a) the performance indicators described in the RF; (b) the procedures for implementing and monitoring of the Project; (c) the procurement and financial requirements of the Project; (d) the roles and responsibilities of each ministry; (e) the Project chart of accounts, internal controls, reporting procedures, and the format of the unaudited IFRs; and (f) grievance mechanisms.

### **FM Assessment**

1. The FM team reviewed the FM arrangements at 'ANSIE'. ANSIE has never implemented a World Bank-financed project and lacks experience in World Bank FM procedures.

2. Based on the results of the assessment, the FM risk, as a component of the fiduciary risk, is rated Substantial. With the proposed mitigating measures, ANSIE will be responsible for the FM requirements as per Bank Policy and Directive for IPF. It will be required to have an acceptable FM system. The residual FM risk rating would be Moderate.

3. In view of the risks identified and the weaknesses observed, the overall FM risk is deemed to be Substantial. The following risks are identified: (a) ANSIE has an accounting software used to record the daily transactions, however, it does not accommodate the FM requirements of the World Bank, (b) currently, ANSIE has limited human resource capacities and also lacks experience in implementing World Bank-financed projects, (c) ANSIE has a financial and accounting manual specific to its operations, but does not address the requirements of the World Bank, and (d) ANSIE is an autonomous public institution, and falls under the audit purview of the SAI. The SAI has a limited role in auditing public institutions and



has no experience in auditing World Bank-financed projects. The SAI may not specifically audit the Project as part of ANSIE operations, which would give limited assurance about the Project's use of funds.

4. Based on the risks, the following mitigating measures have been agreed upon to reduce the FM risk level and have an adequate FM system in place: (a) ANSIE will recruit an FO who will handle the FM aspects of the Project. The World Bank will provide the necessary training to the FO regarding World Bank FM procedures; (b) ANSIE will acquire an accounting software specific for the purpose of the Project and will use the software to record the daily transactions and produce the unaudited IFRs; the format of the IFRs will be agreed upon with the World Bank, and the IFRs will be submitted to the World Bank no later than 45 days after the end of each quarter; (c) for the purpose of the Project, ANSIE will develop a POM which will contain an FM chapter describing in detail the FM procedures, including internal controls; and (d) ANSIE will contract with an independent external auditor using ToRs acceptable to the World Bank to audit the PFSs. The auditor will prepare an audit report and management letter. The Project will submit the annual audit report and management letter to the World Bank no later than six months after the end of each fiscal year.

#### **FM and Disbursement Arrangements**

5. **Staffing.** A PCU will be established at ANSIE, which will comprise a project coordinator, an FO, and a procurement specialist. The FO will handle the FM aspects of the Project and will report to the project manager. The World Bank will provide the necessary training to the FO regarding World Bank FM procedures.

6. **Internal control.** For this Project, ANSIE will prepare a POM, which will define the roles, functions, and responsibilities for the implementing agency. The POM will contain a separate FM chapter detailing the FM and accounting procedures and will also include internal controls procedures.

7. **Budgeting.** ANSIE prepares its budget on an annual basis and it forms part of the overall budget. The consolidated budget of ANSIE is prepared after receiving inputs from the various departments. ANSIE will prepare a separate annual budget and disbursement plan for the purpose of the Project. The budget will be prepared on an annual basis and submitted to the World Bank in November/December of each year covering the subsequent year. The disbursement plan will cover each fiscal year and will be divided by quarter and submitted with the quarterly unaudited IFRs. ANSIE will monitor the variances in the disbursement plan and provide justification for any major divergences.

8. **Project accounting system.** ANSIE will acquire accounting software for the Project. It will use the accounting system to record daily transactions and produce the unaudited IFRs. The project FO is responsible for preparing the IFRs before their transmission to the project coordinator for approval. Periodic reconciliation between accounting statements and the IFRs will also be done by the FO.

9. The general accounting principles for the Project are as follows: (a) project accounting will cover all sources and uses of project funds, including payments made and expenses incurred, (b) the International Public Sector Accounting Standards cash basis will be followed, and (c) all transactions related to the Project will be entered into the accounting system.



10. Disbursements made from the Project DA will also be entered into the Project accounting system. Project transactions and activities will be separated from other activities undertaken by ANSIE. The IFRs summarizing the commitments, receipts, and expenditures made under the Project will be produced quarterly using the templates established for this purpose. The Project chart of accounts will be in compliance with the classification of expenditures and sources of funds indicated in the Project cost tables, as well as with the general budget breakdown in addition to the POM. The chart of accounts should allow for data entry to facilitate the financial monitoring of project expenditures by component, subcomponent, and category.

11. The Project financial reporting includes quarterly IFRs and yearly PFSs. IFRs should include data on the financial situation of the Project, including

- (a) A statement of cash receipts and payments by category and component; and
- (b) Accounting policies and explanatory notes including a footnote disclosure on schedules: (i) 'the list of all signed contracts per category' showing contract amounts committed, paid, and unpaid under each contract; (ii) a reconciliation statement for the balance of the Project's DA; (iii) a statement of cash payments made using SOEs; (iv) a budget analysis statement indicating forecasts and discrepancies relative to the actual budget; and (v) a comprehensive list of all fixed assets.

12. The IFRs should be produced by ANSIE every quarter and sent to the World Bank within 45 days from the end of each quarter. The PFS should be produced annually. The PFS should include (a) a cash flow statement; (b) a closing statement of financial position, (c) a statement of ongoing commitments, (d) an analysis of payments and withdrawals from the Project's account, (e) a statement of cash receipts and payments by category and component, (f) a reconciliation statement for the balance of the Project's DA, (g) a statement of cash payments made using the SOE basis, and (h) the yearly inventory of fixed assets acquired under the Project.

13. **Flow of funds.** Payment shall require three signatures: the Director of ANSIE, the Director of the External Financing Department at the Ministry of Finance, and the Director of the Debt Department at the Ministry of Budget. Funds will be transferred from the World Bank based on withdrawal applications submitted by the Project. The funds will be channeled from the World Bank through the single segregated DA in U.S. dollars opened at a commercial bank in Djibouti acceptable to the World Bank. Advances from the IDA account will be disbursed to the DA and used for project expenditures.

14. **Audit of the PFSs.** An annual external audit of the PFSs will cover the financial transactions, internal controls, and FM systems. It will also include a comprehensive review of SOEs.

15. An external auditor will be appointed according to a ToR acceptable to the World Bank. The audit should be conducted in accordance with international auditing standards. The auditor should produce (a) an annual audit report including his/her opinion on the Project's annual financial statements, (b) a management letter on the project internal controls, and (c) a limited review opinion of the IFRs on a yearly basis. The annual reports will be submitted to the World Bank within six months from the closure of each fiscal year and the limited review opinion will be submitted to the World Bank along with the yearly audit report. ANSIE will ensure that the recruitment of the external auditor will be done three months after



project effectiveness. This will enable the auditor to start field work early to deliver the audit report and management letter within the deadlines, thereby avoiding any delays in this regard.

16. **Flow of information.** ANSIE will be responsible for preparing periodic reports on project implementation progress, as well as on both physical and financial achievements. These reports will be based on project activity progress (by component and expenditure category), including technical and physical information reported on a quarterly basis.

17. ANSIE will maintain the project bookkeeping and will produce an annual PFS and quarterly IFRs.

**Table 2.1. Summary of Actions to be Taken**

Actions	Indicative Time Line
Recruit a project FO	By project effectiveness
Prepare an FM chapter as part of the Project Implementation Manual detailing the FM and accounting procedures	Before effectiveness
Acquire accounting software	Before project effectiveness
Hire an external auditor with ToRs acceptable to the World Bank	After project effectiveness

**Disbursements**

18. The IDA funds will be disbursed according to the World Bank guidelines and should be used to finance project activities. The proceeds of the Project will be disbursed in accordance with the traditional disbursement procedures of the World Bank and will be used to finance activities through the disbursement procedures currently used, including Advances, Direct Payments, and Reimbursements accompanied by appropriate supporting documentation (summary sheets with records and/or SOEs) in accordance with the procedures described in the Disbursement Letter and the World Bank's 'Disbursement Guidelines'. The ceiling of the project DA is set at US\$750,000. The IFRs and the PFSs will be used as financial reporting mechanisms and not for disbursement purposes. The minimum application size for direct payment and reimbursement will be equal to 20 percent of the ceiling advance. However, payments against contracts procured through International Competitive Bidding or Direct Contracting will be made only through Direct Payment and/or Special Commitments irrespective of the payment amounts.

**Table 2.2. Allocation of the Credit Proceeds**

Category	Amount of the Credit Allocated expressed in SDR	Percentage of Expenditures to be Financed (inclusive of taxes)
(1) Works, goods, non-consulting services, consulting services, training and workshops, incremental operating costs, and audits financed by the project	9,400,000	100
(2) Refund of Preparation Advance	1,000,000	Amount payable pursuant to Section 2.07 (a) of the General Conditions
Total amount	10,400,000	



## **DA**

19. On behalf of ANSIE, the Department of External Financing will open a segregated DA in a commercial bank in Djibouti acceptable to the World Bank in U.S. dollars to cover the project's share of eligible project expenditures. The ceiling of the DA will be US\$750,000 of the Credit amount. ANSIE will be responsible for submitting monthly replenishment applications with appropriate supporting documentation.

## **SOEs**

20. SOEs will be used for requests for reimbursements and for reporting eligible expenditures paid from the DA.

21. For requests for direct payments, records evidencing eligible expenditures, for example, copies of receipts and copies of suppliers' invoices above the minimum application size, will be used.

## **Governance and Anticorruption**

22. Fraud and corruption may affect the project resources, thereby negatively affecting project outcomes. The World Bank Financial Management Specialist worked closely with the project's task team leader, as well as the project's consultants and developed an integrated understanding of possible vulnerabilities and agreed on actions to mitigate the risks. The proposed fiduciary arrangements, including the POM with a detailed FM chapter, and reporting and auditing and review arrangements are expected to address the risks of fraud and corruption that are likely to have a material impact on project outcomes.

23. **Supervision plan.** The FM of the project will be supervised by the World Bank in conjunction with its overall supervision of the project and conducted at least thrice a year.

24. **Supporting documentation and record keeping.** All supporting documentation will be obtained to support the conclusions recorded in the FM assessment.





### **ANNEX 3: IMPLEMENTATION SUPPORT PLAN**

#### **DJIBOUTI: Public Administration Modernization Project (P162904)**

- 1. The strategy and approach for Implementation Support has been tailored to strengthen existing structures and ongoing programs.** The project builds on ANSIE's and ministries' capacity and capabilities for the coordination and execution of activities. Implementation of project activities will be the responsibility of ANSIE/PCU, but ministries will take full ownership and leadership in the development of specialized sectoral information system and capacity-building programs. ANSIE will primarily manage the development and implementation of the e-government platform. However, for specialized systems such as e-ID, tax, or customs, ANSIE will merely play a coordinating role. The DGPF in the Ministry of Interior will coordinate with all stakeholders, including Social Solidarity, Decentralization (municipality), and the National Police to ensure the development of a biometric unique ID and civil registry. Meanwhile, ANSIE will be responsible for the development of the e-ID system that will be incorporated into the e-government system to ensure interoperability and shared services. The tax administration modernization program will be systematically carried out by the DGI teams. For the development and implementation of the new IT system, an experienced and competent project manager will be designated to work with his/her team to ensure faster delivery of this critical system. The same approach will be followed for the upgrade and delivery of the SYDONIA system for the customs administration. The Implementation Support Plan (ISP) will specifically focus on the following areas and activities:
- 2. Technical support.** The Government was advised to group the procurement of TA services and IT equipment into a few number of contract processes, all submitted to Bank ex-ante control, and relying on transparent and competitive procedures. From the inception of the operation, the client project team will be coached and provided with the necessary training by the Bank project team.
- 3. Procurement implementation support by the World Bank will include:** (a) providing detailed guidance on the Bank's Procurement Guidelines, (b) reviewing procurement documents and providing timely feedback to the ANSIE/PCU, and (c) monitoring procurement progress against the Procurement Plan.
- 4. Financial Management implementation support by the World Bank will include:** (a) providing training to the ANSIE/PCU's financial management unit and the project team, and (b) reviewing the Project's financial management system and its adherence to the PIM, including but not limited to, accounting, reporting and internal controls.
- 5. General Supervision inputs.** There will be two formal missions per year complemented by sector specialist as needed. In addition, team members based in the country office and at headquarters will provide day to day supervision of all operational aspects, as well as coordination with the client and among Bank team members.
- 6. Mid-Term Review.** A mid-term review will be conducted 18 months after effectiveness of the project by the World Bank team to assess the progress of the project and eventually adjust the project design.



7. **Fiduciary requirements and inputs.** Training will be provided by the World Bank’s financial management and procurement specialists before commencement of project implementation. The World Bank team will continue to support the ANSIE/PCU to identify capacity building needs to strengthen overall project implementation, with an emphasis on fiduciary aspects. Both the team’s financial management and the procurement specialists are based in the country office allowing for timely support. Formal supervision of project implementation and financial management will be carried out semi-annually or as needed, while procurement supervision will be carried out on a timely basis as required by the client.

8. **Monitoring and Evaluation.** Implementation support to the ANSIE/PCU will be required to ensure due diligence and technical quality of the M&E activities of the project components.

9. The main inputs and focus in terms of support to implementation is summarized in table 3.1 below:

**Table 3.1. Implementation Support Inputs**

<b>Time</b>	<b>Focus</b>	<b>Skills Needed</b>	<b>Staff weeks estimate</b>
First 12months	Procurement training (two sessions)	Procurement specialist	2
	Technical and procurement review of the bidding documents	Procurement specialist PFM specialist	2 2
	FM training and supervision	FM specialist	2
	Dialogue with client & team leadership	TTL	6
	E-government	E-government Specialist	4
	Tax and Custom	Tax and Custom Specialist	4
12-48 months	Financial management disbursement and reporting	FM specialist Disbursement specialist	3 3
	Change management	Change management specialist	2
12-48 months	Project supervision coordination & technical and sector	TTL	12
	Change management	Change management specialist	2



## ANNEX 4: ECONOMIC AND FINANCIAL ANALYSIS

### DJIBOUTI: Public Administration Modernization Project (P162904)

1. Both the financial and economic benefits are considered in the analysis, but they are calculated and reported separately. The economic analysis of the Project considers the direct benefits and costs associated with changes in economic welfare arising from the Project. The financial analysis considers whether the Project generates fiscal revenues that are higher than the cost of the Project in discounted and real terms. Some benefits and costs of the Project can be easily quantified, whereas others are more difficult to measure.
2. The economic and financial analysis will separately assess project outputs including (a) the e-ID, (b) tax administration modernization, and (c) customs administration modernization.

#### Development of the e-ID

3. Approximately 30 percent of citizens have national ID cards. In the absence of a widespread unified ID system, multiple ID cards are accepted as validation methods, including driver's licenses, social security cards, and passports—which can be costly. This multi-identification system creates loopholes and missed opportunities for targeting populations who are in urgent need of public services. With the development of the e-ID, transaction costs will be dramatically reduced. It is expected that in the two years from effectiveness, there will be a unique ID for both national identity (*Carte Nationale d'Identité*) and social security (Caisse Nationale de Sécurité Sociale). Other existing ID systems, such as for passports and driver's licenses, will continue to exist, but the verification process through interaction with the national ID system will vastly improve the situation and enable significant cost reductions. The current charges for acquiring the national identity and the social security card are, respectively, US\$15 and US\$0. The costs for a driver's license and passport are, respectively, US\$50 and US\$90. There is a lack of an interoperable system for verification of IDs. The new verification system will lead to a reduction in time, travel, and transaction costs. Potential opportunities for mistakes and fraud will also be reduced. It is expected that all citizens and residents (1 million people) will receive an e-ID, but only 200,000 unique e-ID cards that will be delivered over the course of the project. The ID cards will continue to be issued and distributed after the project and will eventually cover the entire population. The cost for acquiring an e-ID is estimated at US\$10. The variable revenue generated from using the e-ID for transactions between public administration and citizens or corporations is conservatively set at an average of two transactions per month or a US\$0.05 (DFJ 100) fee per transaction.

#### *Economic Analysis*

4. **Direct benefits and costs associated with the development of the e-ID.** Economic benefits include (a) increased Government savings and efficiency as a result of the digital platform and business process reengineering, (b) reduced transaction costs and time for the users, and (c) an increased number of citizens/residents that will obtain the ID and have more access to public services.



**Table 4.1. Summary of Economic Analysis (US\$, thousands)**

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	
<b>Costs</b>												
Direct Project Costs	100.0	1,800.0	2,100.0	1,000.0	800.0							
Operating Costs						60.0	60.0	60.0	60.0	60.0	60.0	
<b>Total Costs</b>	<b>100.0</b>	<b>1,800.0</b>	<b>2,100.0</b>	<b>1,000.0</b>	<b>800.0</b>	<b>60.0</b>	<b>60.0</b>	<b>60.0</b>	<b>60.0</b>	<b>60.0</b>	<b>60.0</b>	
<b>Benefits</b>												
Reduced Costs of the National Identity and Social Security programs						200.0	250.0	350.0	550.0	750.0	925.0	
Time saving for ID issuance						100.0	150.0	250.0	350.0	450.0	450.0	
Reduced cost of acquiring ID						1,000.0	1,000.0	1,000.0	1,000.0	1,000.0	1,000.0	
<b>Total Benefits</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,300.0</b>	<b>1,400.0</b>	<b>1,600.0</b>	<b>1,900.0</b>	<b>2,200.0</b>	<b>2,375.0</b>	
<b>Net Benefits</b>	<b>(100.0)</b>	<b>(1,800.0)</b>	<b>(2,100.0)</b>	<b>(1,000.0)</b>	<b>(800.0)</b>	<b>1,240.0</b>	<b>1,340.0</b>	<b>1,540.0</b>	<b>1,840.0</b>	<b>2,140.0</b>	<b>2,315.0</b>	
<b>NPV</b>												<b>\$186.77</b>
<b>IRR</b>												<b>11%</b>

*Financial Analysis*

5. The financial benefits associated with the development of the e-ID include revenues generated from the issuance of ID cards, as well as transaction fees from citizens and corporations for digital identification/authentication.

**Table 4.2: Summary Financial Analysis (US\$, thousands)**

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	
<b>Costs</b>												
Direct Project Costs	100.0	1,800.0	2,100.0	1,000.0	800.0							
Operating Costs						60.0	60.0	60.0	60.0	60.0	60.0	
<b>Total Costs</b>	<b>100.0</b>	<b>1,800.0</b>	<b>2,100.0</b>	<b>1,000.0</b>	<b>800.0</b>	<b>60.0</b>	<b>60.0</b>	<b>60.0</b>	<b>60.0</b>	<b>60.0</b>	<b>60.0</b>	
<b>Revenues</b>												
Number of ID cards		5.0	45.0	50.0	90.0	140.0	140.0	140.0	140.0	140.0	110.0	
Revenue: fee for issuing ID cards \$10		50.0	450.0	500.0	900.0	1,400.0	1,400.0	1,400.0	1,400.0	1,400.0	1,100.0	
Revenue: digital identification fees: \$0.025 per transaction (2 per month)		3.0	27.0	30.0	54.0	84.0	84.0	84.0	84.0	84.0	66.0	
<b>Total Revenues</b>	<b>-</b>	<b>58.0</b>	<b>522.0</b>	<b>580.0</b>	<b>1,044.0</b>	<b>1,624.0</b>	<b>1,624.0</b>	<b>1,624.0</b>	<b>1,624.0</b>	<b>1,624.0</b>	<b>1,276.0</b>	
<b>Net Benefits</b>	<b>(100.0)</b>	<b>(1,742.0)</b>	<b>(1,578.0)</b>	<b>(420.0)</b>	<b>244.0</b>	<b>1,564.0</b>	<b>1,564.0</b>	<b>1,564.0</b>	<b>1,564.0</b>	<b>1,564.0</b>	<b>1,216.0</b>	
<b>NPV</b>												<b>\$1,256.00</b>
<b>IRR</b>												<b>17%</b>

**Tax Administration Modernization**

6. The Project will enable the DGI to reengineer its business processes and expand the use of e-government, including electronic filing of tax returns. Modernized procedures will facilitate information exchange across tax administration and raise its productivity. This will improve the effectiveness and efficiency of tax collection. Economic benefits include (a) increased operational efficiency and reduced administrative costs of the tax administration and (b) reduced compliance costs for the taxpayer through simplified tax administration procedures and improved taxpayer services. Financial benefits consist of increased revenue performance resulting from expanding tax bases, both in terms of inclusion of additional tax payers and more transactions coming into the tax system (enhanced voluntary tax compliance and better risk management).



*Economic analysis*

7. Key assumptions include (a) increased operational efficiency of the DGI and (b) reduced compliance costs for taxpayers.

8. **Increased operational efficiency of the DGI.** Current operating costs (excluding capital expenditures) of tax collection are currently in the range of 0.50 percent of collected revenue. The project-supported activities including business process reengineering, the IT system upgrade, and staff training are expected to raise productivity and lower administrative costs relative to tax revenues. The assumption is that the Project will result in a reduction in the operating cost ratio of about 25 percent phased in over the years 2022–2028 of the project life. This would yield a sustainable reduction in the ratio of cost to collected revenue in the range of 0.25 basis points.

**Table 4.3. Operating Costs**

\$US million	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
<b>Collected Taxes</b>	<b>135.74</b>	<b>148.71</b>	<b>161.40</b>	<b>175.23</b>	<b>188.06</b>	<b>201.53</b>	<b>216.02</b>	<b>231.63</b>	<b>248.42</b>	<b>266.51</b>	<b>285.98</b>
Operating Cost Ratio/Collected Tax	0.2										
Increased Operational Efficiency					0.18	0.17	0.16	0.15	0.14	0.13	0.12
Operating expenses (w/o project)					37.61	40.31	43.20	46.33	49.68	53.30	57.20
Operating expenses (w/ project)					33.85	34.26	34.56	34.74	34.78	34.65	34.32
<b>Savings</b>					<b>3.76</b>	<b>6.05</b>	<b>8.64</b>	<b>11.58</b>	<b>14.91</b>	<b>18.66</b>	<b>22.88</b>

9. **Reduced compliance costs for taxpayers.** For the taxpayers, the major economic benefits include a reduction in the time to comply with taxes and the time spent on dealing with tax inspections. The latter will be achieved mainly through a strengthened compliance risk management mechanism and the fact that tax inspectors would now need to spend less time on gathering and processing information, as well as doing surveillance during field audits. The 2015 Doing Business Report provides a baseline for the average time needed to comply with taxes. The indicator is reported for a hypothetical medium-size company, which needs, on average, about 82 hours per year (or approximately 10 days) to comply with major types of taxes and contributions in Djibouti. The indicator can be subdivided further into the time needed to comply with the corporate income tax (30 hours or 3.75 days per year), labor taxes (36 hours per 4.5 days), and consumption taxes (16 hours per 2 days).

**Table 4.4. Compliance Costs**

Type of taxpayer	Number	Days 2018	Days 2022	Days 2023	Days 2024	Days 2025	Days 2026	Days 2027	Days 2028
Personal income taxpayers	3,224	4.5	4.25	4.2	4.15	4.1	4.05	4.025	4
Corporate income taxpayers	470	3.75	3.5	3.4	3.3	3.2	3.1	3.2	3
Value added taxpayers	320	2	1.9	1.8	1.7	1.6	1.5	1.4	1.3
Individual taxpayers	9,940	4.5	4.25	4.2	4.15	4.1	4.05	4.025	4
<b>Total active taxpayers</b>	<b>13,954</b>								
Average Accountant (s) - \$US	80								
Total compliance cost - \$US		4,931,240	4,656,000	4,597,024	4,538,048	4,479,072	4,420,096	4,394,968	4,358,560
<b>Reduction of compliance costs - \$US</b>			(275,240)	(334,216)	(393,192)	(452,168)	(511,144)	(536,272)	(572,680)



**Table 4.5. Summary of Economic Analysis**

\$US million	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Reduction of Compliance Costs					0.28	0.33	0.39	0.45	0.51	0.54	0.57
Savings on Operating Expenses					3.76	6.05	8.64	11.58	14.91	18.66	22.88
<b>Total inflows</b>					4.04	6.38	9.03	12.03	15.42	19.19	23.45
<b>Outflows</b>											
Investment (IDA)	0.15	1.00	1.50	0.60	0.25						
Incremental Operating Costs						0.35	0.35	0.35	0.35	0.35	0.35
<b>Total outflows</b>	0.15	1.00	1.50	0.60	0.25	0.35	0.35	0.35	0.35	0.35	0.35
<b>Net Cash Flow</b>	<b>(0.15)</b>	<b>(1.00)</b>	<b>(1.50)</b>	<b>(0.60)</b>	<b>3.79</b>	<b>6.03</b>	<b>8.68</b>	<b>11.68</b>	<b>15.07</b>	<b>18.84</b>	<b>23.10</b>
NPV											\$41.30
IRR											85%

*Financial Analysis*

10. Financial benefits are generated through increased revenue performance resulting from expanding tax bases, both in terms of inclusion of additional tax payers and more transactions coming into the tax system (enhanced voluntary tax compliance).

**Table 4.6. Summary of Financial Analysis (US\$, millions)**

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
<b>INFLOWS</b>											
GDP (US million)	2,294.0	2,528.0	2,760.0	3,014.0	3,291.0	3,587.2	3,910.0	4,261.9	4,645.5	5,063.6	5,519.3
Revenues/GDP ratio	16.9	17	17.1	17.2	17.5	17.8	18.1	18.4	18.7	19	19.3
Tax revenue	135.74	148.71	161.40	175.23	188.06	201.53	216.02	231.63	248.42	266.51	285.98
<b>Tax revenue increase</b>						13.47	14.50	15.60	16.80	18.08	19.47
<b>OUTFLOWS</b>											
Investment (IDA)	0.15	1.00	1.50	0.60	0.25						
Incremental Operating Costs						0.35	0.35	0.35	0.35	0.35	0.35
<b>Total outflows</b>	0.15	1.00	1.50	0.60	0.25	0.35	0.35	0.35	0.35	0.35	0.35
<b>Net Cash Flow</b>	<b>(0.15)</b>	<b>(1.00)</b>	<b>(1.50)</b>	<b>(0.60)</b>	<b>(0.25)</b>	<b>13.12</b>	<b>14.15</b>	<b>15.25</b>	<b>16.45</b>	<b>17.73</b>	<b>19.12</b>
NPV											\$39.64
IRR											90%

**Customs Administration Modernization**

*Economic Analysis*

11. Some of the major economic benefits of customs administration modernization include a reduction in administrative costs, a reduction in compliance costs, and a reduction in customs clearance. Better customs clearance procedures and lower trader costs would provide dynamic benefits through enhanced competitiveness, which will, in turn, result in faster export growth. According to the 2018 Doing Business survey, the average border compliance cost (import and export) is estimated at US\$1,077. With the IT system upgrade, customs inspection will become more targeted and efficient, leading to a reduction in compliance costs. The Project is expected to reduce the clearance time by 25 percent. In addition, the number of customs declarations for both imports and exports will significantly improve.



**Table 4.7. Summary of Economic Analysis (US\$)**

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	
Reduction of Compliance Costs (\$US,000)					1.26	1.26	1.26	1.26	1.26	1.26	1.26	
Savings on Operating Expenses (\$US,000)					1.20	1.20	1.20	1.20	1.20	1.20	1.20	
<b>Total inflows</b>					2.46	2.46	2.46	2.46	2.47	2.47	2.47	
<b>Outflows</b>												
Investment (IDA) (\$US,000)	0.10	0.15	0.50	0.15	0.10							
Incremental Operating Costs (\$US, 000)						0.01	0.01	0.01	0.01	0.01	0.01	
<b>Total outflows</b>	0.10	0.15	0.50	0.15	0.10	0.01	0.01	0.01	0.01	0.01	0.01	
<b>Net Cash Flow (\$US,000)</b>	<b>(0.10)</b>	<b>(0.15)</b>	<b>(0.50)</b>	<b>(0.15)</b>	<b>2.36</b>	<b>2.45</b>	<b>2.45</b>	<b>2.45</b>	<b>2.46</b>	<b>2.46</b>	<b>2.46</b>	
<b>NPV</b>												\$8.60
<b>IRR</b>												97%
Number of declarations (0.05% annual growth)	234,008	234,125	234,242	234,359	234,476	234,594	234,711	234,828	234,946	235,063	235,181	
Border Compliance Export (\$US)	944											
Border Compliance Import (\$US)	1209											
Avg Compliance Cost (\$US)	1077											
Compliance w/o project (\$US,000)	252	252	252	252	252	253	253	253	253	253	253	
Avg Compliance Cost w/ project (\$US) -- 0.05% reduction	1071											
Compliance w/ project (\$US,000)	250.65	251	251	251	251	251	251	252	252	252	252	

*Financial Analysis*

12. The financial benefits of customs administration modernization include a larger share of total imports subjected to the statutory import duties (that is, less smuggling); improved coordination between the DGI and DGDDI, leading to enhanced enforcement; and improved refund audits related to the administration of the VAT and income tax. The imports-to-GDP ratio stands at 52.4 percent and is expected to reach 61.5 percent by 2028.

**Table 4.8. Summary of Financial Analysis (US\$)**

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	
<b>INFLOWS (\$US,000)</b>												
Customs revenue	184.5	184.9	185.4	185.8	186.3	187.2	188.2	189.1	190.1	191.0	192.0	
<b>Customs revenue increase</b>		0.46	0.46	0.46	0.46	0.93	0.94	0.94	0.95	0.95	0.96	
<b>OUTFLOWS (\$US,000)</b>												
Investment (IDA)	0.10	0.15	1.50	0.10	0.10							
Incremental Operating Costs						0.01	0.01	0.01	0.01	0.01	0.01	
<b>Total outflows</b>	0.10	0.15	1.50	0.10	0.10	0.01	0.01	0.01	0.01	0.01	0.01	
<b>Net Cash Flow (\$US,000)</b>	<b>(0.10)</b>	<b>0.31</b>	<b>(1.04)</b>	<b>0.36</b>	<b>0.36</b>	<b>0.92</b>	<b>0.93</b>	<b>0.93</b>	<b>0.94</b>	<b>0.94</b>	<b>0.95</b>	
<b>NPV</b>												\$2.80
<b>IRR</b>												69%



ANNEX 5: LIST OF E-SERVICES LEVELS ONE AND/OR TWO AVAILABLE AT THE DJIBOUTI E-GOVERNMENT PORTAL

Djibouti: Public Administration Modernization Project (P162904)



<p><b>Identité - Famille</b></p> <ul style="list-style-type: none"> <li>Prise en Charge</li> <li>Certificat de Résidence</li> <li>Autorisation de l'Accompagnement</li> </ul> <p>Plus</p>	<p><b>Santé et Social</b></p> <ul style="list-style-type: none"> <li>Prestation Familiale</li> <li>Pharmacie de garde</li> <li>Pension de Retraite</li> </ul> <p>Plus</p>	<p><b>Éducation</b></p> <ul style="list-style-type: none"> <li>Obligation scolaire</li> <li>Ecole secondaire</li> </ul> <p>Plus</p>
<p><b>Habitat - Logement</b></p> <ul style="list-style-type: none"> <li>Permis de Clôture</li> <li>Permis de Remblai</li> <li>Permis de Construire Simplifié</li> </ul> <p>Plus</p>	<p><b>Transports</b></p> <ul style="list-style-type: none"> <li>Permis de conduire</li> <li>Modification d'un véhicule</li> <li>Changement d'immatriculation d'un véhicule</li> </ul> <p>Plus</p>	<p><b>Justice</b></p> <ul style="list-style-type: none"> <li>Justice des mineurs</li> <li>Juridictions</li> <li>Acteurs de la justice</li> </ul> <p>Plus</p>
<p><b>Économie et Finance</b></p> <ul style="list-style-type: none"> <li>Création d'entreprise</li> <li>Investir à Djibouti</li> </ul> <p>Plus</p>	<p><b>Étrangers</b></p> <ul style="list-style-type: none"> <li>Renouvellement d'autorisation de travail</li> <li>Demande d'autorisation de travail</li> <li>Carte d'Identité Etrangère</li> </ul> <p>Plus</p>	<p><b>Loisirs et Cultures</b></p> <ul style="list-style-type: none"> <li>Sites Touristiques</li> </ul> <p>Plus</p>



**DERNIERS SERVICES AJOUTÉS**

Obligation scolaire  
2018-03-01

Les différents permis de conduire (Publié le : 15/10/2017)

Le permis à Djibouti (Publié le : 15/10/2017)

**LIENS UTILES**

- Présidence de la République
- ANSIE





Category	Services	Category	Services
<b>IDENTITY - FAMILY</b>	Birth certificate	<b>HABITAT AND HOUSING</b>	Authorization of road works
	Civil marriage certificate		Demolition permit
	Death certificate		Certificate of general compliance
	National Identity Card		Simplified Building Permit
	Passport		Backfill Permit
	Life certificate		Building Fence Permit
	Record of Assimilation	<b>TRANSPORT</b>	Vehicle registration certificate
	Accommodation certificate		Car sticker
	Administrative certificate		Vehicle registration
	Legislation		Change of vehicle registration
	Legalization		Vehicle modification
	Power of Attorney		Driver's license
	Parental Authorization	<b>JUSTICE</b>	Legal assistance
	Parental Authorization of a minor		Bulletin number 3
	Certified Copy of a Diploma		Judiciary actors
	Authorization of the accompaniment		Jurisdictions
Financial support	Juvenile Justice		
<b>HEALTH AND SOCIAL</b>	Family benefits	<b>ECONOMY &amp; FINANCE</b>	Business Creation
	Retirement pension		Investing in Djibouti
	All-night pharmacy		
<b>EDUCATION Secondary School</b>	Schedule of secondary schools	<b>FOREIGNERS</b>	Identity Card for Foreigners
	Security of goods and students		Work Permit request
	Attendance and absenteeism		Work Permit Renewal
	Baccalaureate reform		
	Baccalaureate registration		
School requirements			