THE WORLD BANK
IBRD • IDA | WORLD BANK GROUP

FOR OFFICIAL USE ONLY

Report No: PAD00057

INTERNATIONAL DEVELOPMENT ASSOCIATION

PROJECT APPRAISAL DOCUMENT
ON A
PROPOSED CREDIT

IN THE AMOUNT OF SDR 11.5 MILLION
(US$15 MILLION EQUIVALENT)

TO THE

REPUBLIC OF DJIBOUTI

FOR A

DJIBOUTI AGRI-FOOD VALUE CHAIN DEVELOPMENT PROJECT

(P178836)
NOVEMBER 16, 2023

Agriculture and Food Global Practice
Middle East And North Africa

CURRENCY EQUIVALENTS

(Exchange Rate Effective October 31, 2023)

Currency Unit =	DJF
DJF178 =	US$1
US$1 =	SDR0.76095

FISCAL YEAR
January 1 - December 31

Regional Vice President:	Ferid Belhaj
Regional Director:	Meskerem Brhane
Country Director:	Stephane Guimbert
Practice Manager:	Marianne Grosclaude
Task Team Leader(s):	Eva Hasiner, Christian Berger

ABBREVIATIONS AND ACRONYMS

BAD	Banking Association of Djibouti *(Association des Banques de Djibouti)*
ADDS	Djibouti Agency for Social Development *(Agence Djiboutienne de Développement Social*)
ADN	Djibouti Agency for Standards and Quality *(Agence Djiboutienne des Normes et de la Qualité*)
AGF GP	Agriculture and Food Global Practice
AM	Accountability Mechanism
ANPI	National Agency for Investment Promotion *(Agence Nationale de Promotion des Investissements*)
ASA	Advisory Services and Analytics
AWPB	Annual Work Plan and Budget
BC	Benefit-Cost
BDS	Business Development Service
BP	Business Plan
BREFONS	Program to Build Resilience for Food and Nutrition Security in the Horn of Africa
CBA	Cost-Benefit Analysis
CCB	Climate Co-Benefits
CCD	Djibouti Chamber of Commerce *(Chambre de Commerce de Djibouti*)
CE	Citizen Engagement
CEC	Capital Endowment Contribution
CERD	Djibouti Study and Research Center *(Centre d'Etude et de Recherche de Djibouti*)
CLE	Center for Leadership and Entrepreneurship *(Centre de Leadership et d'Entrepreneuriat*)
CPF	Country Partnership Framework
CSA	Climate Smart Agriculture
DA	Designated Account
DRIVE	De-risking, Inclusion and Value Enhancement of Pastoral Economies in the Horn of Africa Project
EFA	Economic and Financial Analysis
EIRR	Economic Internal Rate of Return
E&S	Environmental and Social
ESCP	Environmental and Social Commitment Plan
ESF	Environmental and Social Framework
ESMF	Environmental and Social Management Framework
ESMP	Environmental and Social Management Plan
FAR	Djibouti Agri-food Value Chain Development Project (*Filières Agro-Alimentaires Résilientes*)
FCI GP	Finance, Competitiveness and Innovation Global Practice
FDJ	Djiboutian Franc *(Franc de Djibouti*)
FGPC	Partial Guarantee Fund for Credits (*Fonds de Garantie Partielle des Credits*)
FIRR	Financial Internal Rate of Return
FLW	Food Loss and Waste
FM	Financial Management
GAFSP	Global Agriculture and Food Security Program
GDP	Gross Domestic Product
GHG	Greenhouse Gas
GoD	Government of Djibouti
GoPro	Djibouti Governance for Private Sector Development and Finance Project
GP	Global Practice

GRM	Grievance Redress Mechanism
GRS	Grievance Redress Service
HoA	Horn of Africa
ICI	Inclusions, Connectivity, Institutions *(Inclusions, Connectivité, Institutions*)
ICM	Implementation Completion Mission
IDA	International Development Association (WB)
IFC	International Finance Corporation (WB)
IFR	Interim Financial Report
IPF	Investment Project Financing
IPMP	Integrated Pest Management Plan
IPSAS	Public Sector Accounting Standards
IRR	Internal Rate of Return
ISM	Implementation Support Mission
LANAA	Djibouti National Food Analysis Laboratory *(Laboratoire d'Analyse National de l'Approvisionnement Alimentaire*)
LMP	Labor Management Procedure
MAEPE-RH	Ministry of Agriculture, Water, Fisheries and Livestock, in charge of Halieutic Resources *(Ministère de l'Agriculture, de l'Eau, de la Pêche et de l'Élevage, chargé des Ressources Halieutiques*)
MCT	Ministry of Commerce and Tourism *(Ministère du Commerce et du Tourisme*)
MdD	Delegate Ministry in charge of Decentralization *(Ministère délégué chargé de la Décentralisation*)
M&E	Monitoring & Evaluation
MEFI	Ministry of Economy and Finance, in charge of Industry (*Ministère de l'Économie et des Finances, chargé de l'Industrie)*
ME	Ministry of Environment (*Ministère de l'Environnement*)
MENA	Middle East and North Africa
MFD	Maximizing Finance for Development
MFF	Ministry of Women and Family *(Ministère de la Femme et de la Famille*)
MBN	Ministry of National Budget (*Ministère du Budget National*)
MTR	Mid-Term Review
NDC	National Determined Contribution
NDP	National Development Plan
NPV	Net Present Value
OESRC	Operations Environmental and Social Review Committee
OPRC	Operational Procurement Review Committee
PCM	Private Capital Mobilization
PDA	Project Designated Account
PDO	Project Development Objective
PFS	Project Financial Statement
PIU	Project Implementation Unit
PNIASAN	National Program for Agricultural Investment and Nutritional Security, 2016-2020 (*Programme National d'Investissement Agricole et de Sécurité Alimentaire*)
PNAA	National Pact on Food and Agriculture *(Pacte National pour l'Alimentation et l'Agriculture*)
PO	Producer Organization
POM	Project Operational Manual
PPI	Public Private Investment
PPSD	Project Procurement Strategy for Development

PRODERMO	Djibouti Rural Community Development and Water Mobilization Project *(Projet de développement communautaire et mobilisation des eaux)*
PROLUC	Djibouti Emergency Locust Response Project *(Projet de Réponse d'Urgence de Lutte Antiacridienne)*
PSC	Project Steering Committee
PSW	Private Sector Window
PURCSA	Emergency Food Security Crisis Response Project (*Projet d'Urgence de Réponse à la Crise de Sécurité Alimentaire)*
RF	Results Framework
RFP	Request for Proposals (World Bank)
SAI	Supreme Audit Institution
SCAPE	Accelerated Growth and Employment Promotion Strategy, 2015-2019 (*Stratégie de Croissance Accélérée et de Promotion de l'Emploi)*
SEA/SH	Sexual Exploitation and Abuse and Sexual Harassment
SEP	Stakeholder Engagement Plan
SMEs	Small and Medium Enterprises
SOE	Statement of Expenditure
SP	Sub-project
SPD	Standard Procurement Document
SPSC	Sub-Project Selection Committee
STEP	Systematic Tracking of Exchanges in Procurement
TA	Technical Assistance
ToC	Theory of Change (Results Chain)
ToRs	Terms of References
TTL	Task Team Leader
UD	University of Djibouti (Université de Djibouti)
WBG	World Bank Group

TABLE OF CONTENTS

DATASHEET

BASIC INFORMATION

Project Beneficiary(ies)	Operation Name		
Djibouti	Djibouti Agri-Food Value Chain Development Project		
Operation ID	Financing Instrument	Environmental and Social Risk Classification	
P178836	Investment Project Financing (IPF)	Moderate	

Financing & Implementation Modalities

[ ] Multiphase Programmatic Approach (MPA)	[✓] Contingent Emergency Response Component (CERC)
[ ] Series of Projects (SOP)	[ ] Fragile State(s)
[ ] Performance-Based Conditions (PBCs)	[✓] Small State(s)
[ ] Financial Intermediaries (FI)	[ ] Fragile within a non-fragile Country
[ ] Project-Based Guarantee	[ ] Conflict
[ ] Deferred Drawdown	[ ] Responding to Natural or Man-made Disaster
[ ] Alternative Procurement Arrangements (APA)	[ ] Hands-on Expanded Implementation Support (HEIS)

Expected Approval Date	Expected Closing Date
11-Dec-2023	31-Dec-2028
Bank/IFC Collaboration	
No	

Proposed Development Objective(s)

The project development objective is to improve the competitiveness and the resilience of selected agri-food value chains in the areas targeted by the project

Components

Component Name	Cost (US$)
Public infrastructure and services for agri-food value chain development	10,400,000.00
Support to agri-food investment and access to financing	5,500,000.00
Project management	1,900,000.00
Contingent Emergency Response Component	0.00

Organizations

Borrower:	Ministry of Economy and Finance
Implementing Agency:	Ministry of Agriculture, Water, Fisheries, Livestock, in charge of Halieutic Ressources

PROJECT FINANCING DATA (US$, Millions)

Maximizing Finance for Development

Is this an MFD-Enabling Project (MFD-EP)?	Yes
Is this project Private Capital Enabling (PCE)?	Yes

SUMMARY

Total Operation Cost	**17.80**
Total Financing	**17.80**
of which IBRD/IDA	**15.00**
Financing Gap	**0.00**

DETAILS

World Bank Group Financing

International Development Association (IDA)	15.00
IDA Credit	15.00

Non-World Bank Group Financing

Counterpart Funding	1.00
National Government	1.00

Commercial Financing	1.80
Unguaranteed Commercial Financing	1.80

IDA Resources (US$, Millions)

	Credit Amount	Grant Amount	SML Amount	Guarantee Amount	Total Amount
National Performance-Based Allocations (PBA)	15.00	0.00	0.00	0.00	15.00
Total	**15.00**	**0.00**	**0.00**	**0.00**	**15.00**

Expected Disbursements (US$, Millions)

WB Fiscal Year	2024	2025	2026	2027	2028	2029
Annual	0.30	1.00	4.00	6.50	3.20	0.00
Cumulative	0.30	1.30	5.30	11.80	15.00	15.00

PRACTICE AREA(S)

Practice Area (Lead)

Agriculture and Food

Contributing Practice Areas

Finance, Competitiveness and Innovation; Water

CLIMATE

Climate Change and Disaster Screening

Yes, it has been screened and the results are discussed in the Operation Document

SYSTEMATIC OPERATIONS RISK- RATING TOOL (SORT)

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

POLICY 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

ENVIRONMENTAL AND SOCIAL

Environmental and Social Standards Relevance Given its Context at the Time of Appraisal

E & S Standards	Relevance
ESS 1: Assessment and Management of Environmental and Social Risks and Impacts	Relevant
ESS 10: Stakeholder Engagement and Information Disclosure	Relevant
ESS 2: Labor and Working Conditions	Relevant
ESS 3: Resource Efficiency and Pollution Prevention and Management	Relevant
ESS 4: Community Health and Safety	Relevant
ESS 5: Land Acquisition, Restrictions on Land Use and Involuntary Resettlement	Not Currently Relevant

ESS 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources	Relevant
ESS 7: Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities	Not Currently Relevant
ESS 8: Cultural Heritage	Relevant
ESS 9: Financial Intermediaries	Not Currently Relevant

NOTE: For further information regarding the World Bank's due diligence assessment of the Project's potential environmental and social risks and impacts, please refer to the Project's Appraisal Environmental and Social Review Summary (ESRS).

LEGAL

Legal Covenants

Sections and Description
No later than two (2) months after the Effective Date, the Recipient shall ensure that the MAEPE-RH, establishes and maintains, throughout the implementation of the Project, a Project implementation unit (PIU), with mandate, staffing and other resources satisfactory to the Association, including a coordinator, a monitoring and evaluation specialist, a financial management specialist, an environmental specialist, a social specialist, an accountant and a procurement specialist, all with experience and qualifications satisfactory to the Association

Conditions

Type	Citation	Description	Financing Source
Effectiveness	ARTICLE IV — EFFECTIVENESS; TERMINATION	The Recipient has prepared and adopted the POM in form and substance satisfactory to the Association	IBRD/IDA
Effectiveness	ARTICLE IV — EFFECTIVENESS; TERMINATION	The Recipient has prepared and adopted the ESMF in form and substance satisfactory to the Association	IBRD/IDA
Disbursement	Section III.B Withdrawal Conditions; Withdrawal Period	Under Category 2 until and unless (i) the Recipient has adopted the Capital Endowment Contribution Manual; in a form and substance acceptable to the Association, and (ii) at least one (1) Agri-Food	IBRD/IDA

		Investor has entered into a loan agreement with a commercial bank;	
Disbursement	Section III.B Withdrawal Conditions; Withdrawal Period	For Emergency Expenditures under Category (3), unless and until all of the following conditions have been met in respect of said expenditures: (i) (A) the Recipient has determined that an Eligible Crisis or Emergency has occurred, and has furnished to the Association a request to withdraw Financing amounts under Category (3); and (B) the Association has agreed with such determination, accepted said request and notified the Recipient thereof; and (ii) the Recipient has adopted the CERC Manual and Emergency Action Plan, in form and substance acceptable to the Association	IBRD/IDA

I. STRATEGIC CONTEXT

A. Country Context

1. **Djibouti is a lower middle income[1] and a highly urbanized country; its economy depends on its strategic geopolitical situation in the Horn of Africa (HoA) at the crossroads of continents;[2] it is essentially based on its port activity and the existence of foreign military bases.** Djibouti's Gross Domestic Product (GDP) per capita is US$3,180 (2023) which places the country in the lower middle-income group. Approximately 78 percent of the population lives in Djibouti city and small urban centers. Djibouti's port infrastructure serves as a transit facility for Ethiopian imports and exports; and the military bases[3] pay fees to use its territory for military activities. Prior to the COVID-19 pandemic, Djibouti's economic performance was strong. During 2015–19, Djibouti's average real growth in GDP reached 7.2 percent per year, driven by growth in transportation, logistics, telecom, and banking services essentially in response to the economic boom in neighboring Ethiopia.[4]

2. **In recent years, Djibouti's economy has been hit by adverse external shocks, but it is expected to recover gradually over the medium term.** Logistical tensions associated with Russia's invasion of Ukraine combined with soaring global prices, a severe drought in the HoA and sluggish Ethiopian demand, slowed GDP growth to 3.6 percent in 2022, down from 4.8 percent in 2021. Djibouti was also affected by floods, drought, and heat waves, which negatively impacted its economy and food security. Despite these shocks, the domestic demand remains sustained, as evidenced by continued double digit increases in energy consumption, construction activities and imports. Over the medium term the economy is expected to recover driven by the structural reforms to be undertaken as part of the National Development Plan (NDP) and a rebound in the Ethiopian demand for transport and logistics services. GDP growth is therefore projected to reach 4.7 percent in 2023 and to 6 percent in 2024.

3. **Djibouti's development has been unequal, with a large fraction of the population remaining below the poverty level; rural areas have lagged behind and display high poverty rates.** Poverty affects about 23 percent of Djiboutians[5] and is more pronounced among rural populations. In 2019, 17 percent of the population lived in extreme poverty, with less than US$1.90 per day[6]. Although inequality has been decreasing, it remains high, underscoring the fact that growth has not been inclusive. The regional distribution shows that extreme poverty is much lower in Djibouti city than in the rest of the country due to marked differences in welfare status. The extreme poverty rate in the regions is three times as high (45.0 percent) as in Djibouti city (13.6 percent)[7]. This is accounted by the fact that since Independence development policies have focused on urban areas, mainly Djibouti city despite the fact that the rural population still represents 22 percent of the entire population (2022)[8]. Support to rural areas has been piecemeal so far, and mainly consisted of small-scale assistance in the form of grants provided to subsistence farmers and herders with little longer-term sustainability

[1] See https://www.macrotrends.net/
[2] Djibouti has a land mass of 23,200 square kilometers and a population estimated at about 990,000 (2022).
[3] Military bases from France, Italy, the United States, Japan, China, Spain, and the North Atlantic Treaty Organization (NATO), as well as for other countries with forces supporting global anti-piracy efforts.
[4] Country Partnership Framework (CPF) for the period FY22-FY26, August 2021.
[5] *Macro Poverty Outlook for Djibouti: April 2023,* Macro Poverty Outlook (MPO) Washington, D.C.: World Bank Group.
[6] Challenges to Inclusive Growth: a Poverty and Equity assessment of Djibouti, World Bank, March 2019.
[7] Djibouti's Statistics Office: data from the Nationally representative Multi-Topic Household Consumption Survey completed in December 2017 (EDAM-IS 2017); reported by the WBG Poverty and Equity department.
[8] The rural population was close to 50 percent in the 1950s; it decreased dramatically thereafter to about 25 percent in the 1980s; it is now about 22 percent: UN Population Division, Urbanization Prospects (2022)

and poverty mitigation concerns. The rural sector is therefore lagging behind, with the result that rural poverty rates are much higher than that of Djibouti city[9].

4. **Djibouti's adaptation to climate change is of paramount importance.** Djibouti is one of the driest countries in the world and highly vulnerable to climate change. It has experienced severe drought conditions caused by rising seasonal temperatures and insufficient rainfall over the last three years[10]. The lack of rainfall in most of the country combined with high summer temperatures have greatly increased the degradation of vegetation and pastures and led to a rapid drop in the level of water tables in traditional wells and cisterns. The monthly average temperature is forecast to increase by 1.9°C by the 2050s and by as much as 5.4°C by the end of the century. In addition, climate change is expected to result in occasional flooding, increased aridity, decreased rainfall, and sea level rise[11].

B. Sectoral and Institutional Context

5. **The agriculture sector has grown slowly but steadily in past years; potential sources exist that can boost sector growth**. The sector grew significantly (37 percent increase over the period 2013-21[12]) from a low base, spurred in part by existing economic opportunities for local agri-food products on the domestic market. The primary challenge for the national agri-food sector is to further increase production levels to take advantage of the market demand in Djibouti city, competing with imports from Ethiopia. Tapping the agri-food sector potential can be achieved through more efficient and climate sensitive production technologies and integration into more profitable marketing channels linked to Djibouti city and secondary city markets.

6. **Rural Djiboutian households are increasingly faced with food insecurity due to adverse climate and economic hardships, mainly as a result of prevailing drought conditions.** Moderate and severe food insecurity affect 37 percent of the rural households, as compared to only 9.7 percent of urban households, equivalent to an estimated 125,000 people (2022). The majority of households in rural areas have a high to very high share of expenditure spent on food, limiting their ability to meet other essential needs. A significant proportion of them face inadequate food consumption. In the absence of agricultural production, they are heavily relying on the market as the main source of food making them exposed to price fluctuations and increases. Overall, 40.8 percent or rural households adopt food coping strategies, including extreme livelihood coping strategies involving illegal activities, selling productive/ domestic assets, reduced expenditure on non-essential food items, and borrowing money or food[13].

7. **Capturing agri-food opportunities requires focusing investments on growth poles, where new climate smart and digital technologies should be introduced to increase competitiveness and innovation.** Agriculture production conditions in Djibouti are difficult: the scarcity of surface water, linked to limited precipitation (200 mm yearly on average), rocky terrain, high temperatures and reduced area of fertile soils, make it a challenge to tap Djibouti's crop and livestock development potential. The government is promoting a new rural development paradigm predicated on introducing new technologies that takes the above conditions into account and aims to concentrate investments in rural growth poles with higher economic potential to maximize the impact of scarce resources and to attract private investments. The new

[9] Djibouti's Statistics Office: data from the Nationally representative Multi-Topic Household Consumption Survey completed in December 2017 (EDAM-IS 2017); reported by the WBG Poverty and Equity department.
[10] In 2021, the average temperature recorded in Djibouti reached its highest value since 1981, with an increase of about +3.7°C compared to the values recorded during the 1981-2021 period.
[11] https://climateknowledgeportal.worldbank.org/sites/default/files/2021-04/15722-WB_Djibouti%20Country%20Profile-WEB.pdf
[12] World Bank National Account Data: Value added for Agriculture, Forestry and Fishing 2013-2021; GDP grew from DJF 1157 million in 2013 to DJF 1587 million in 2021 (37 percent increase) Central Bank of Djibouti, reported by Tradingeconomics.com
[13] Djibouti: Food Security and Nutrition Monitoring Survey (FSNMS), National Initiative for Social Development (INDS), April 2022

paradigm focuses on strategic investments to create an enabling environment for viable private sector activities centered around economic growth poles.

8. **Given the high demand for local fresh produce, partial substitution of food imports represents a substantial source of growth.** Ethiopia is the main source of supply of fresh produce, particularly of fruits and vegetables, for Djibouti city as well as the country's secondary city markets[14]. These imports are of fairly poor quality and command low prices. In this regard, local fresh produce is generally considered of higher quality and therefore strongly sought after by Djiboutian consumers. Hence, local production could substitute a part of these imports, especially by using high productivity technologies and adhering to basic quality norms, resulting in lower production costs and meeting quality and food safety expectations of consumers. A marketing strategy would consist of labeling products for quality and targeting organized distribution networks, notably supermarkets and military bases, who are keen to finding ways to support the local economy.

9. **Owing to the country's strong traditional knowledge in livestock production, improving the sector's production, processing and marketing represents a potential source of additional rural income.** Livestock represents 75 percent of Djibouti's agricultural GDP and 35 percent of Djiboutian exports (2018)[15]. It is a sector in which Djibouti has strong knowhow and experience. The domestic demand for meat and dairy, and derivative products is increasing. It is currently underserved and represents a lucrative outlet for local production. Livestock production should therefore be supported with an emphasis on improving productivity and quality as well as structuring the sector around processing and marketing hubs.

10. **The development of agri-food value chains requires establishing basic public infrastructure and services which are currently lacking; this should be better aligned with areas of growth potential.** Rural areas lack basic public infrastructure and services for agri-food sector development. These infrastructures and services relate to the need to procure water (e.g., boreholes and wells), be resilient to damage caused by extreme weather and climate change as well as to ensure connectivity to access markets; they also relate to civil works to clear arable land from rocks that prevent proper soil tilling and causes surface water runoff. Following the priorities outlined in the assessment of Djibouti's rural sector prepared with support from the Bank[16], the establishment of public infrastructure should prioritize areas that have growth potential as they can serve as growth poles, and in turn generate beneficial spillovers to surrounding areas. Growth poles would be considered areas where agri-food development is possible based on arable soil and water availability and with adequate access to markets (e.g., good rural roads).

11. **The country lacks adequate adaptation and promotion programs to transfer the latest innovative solutions and technologies.** The agri-food sector needs to make a technological leap forward to address the adverse production constraints that characterize the sector and support its adaptation to climate change. To facilitate the required technological advances in the sector, a necessary starting point would be consolidating the scientific, technical, and economic bases of production under Djiboutian conditions, having technical and economic references validated in the Djiboutian context, as well as model plans for profitable investments and guides of good practices. Additionally, the GoD should ensure the promotion of this knowledge through efforts to: (a) sensitize target stakeholders regarding new farming techniques to respond to climate change, economic organization, and entrepreneurship, including the requirements of food hygiene, quality control, timely supply; (b) inform producers about market demand and economic opportunities; and (c) disseminate successful in country and external experiences and support promoters of technically viable and financially attractive investment ideas.

[14] *Etude de l'Offre et de la Demande des Produits Agricoles Locaux et Importés à Djibouti*, Omar Simaneh Bouh, Mai 2023 ; of the 123,500 tons fresh fruits and vegetables consumed by Djibouti in 2021 about 104,000 tons or 84 percent came from Ethiopia
[15] National Institute of Statistics (*Institut National de Statistique de* Djibouti – INSTAD, Édition 2021)
[16] World Bank (2021): Approches innovantes pour promouvoir l'inclusion économique et la résilience des populations rurales de Djibouti.

12. **Djibouti's agri-food producers[17] are yet to be organized; and the country lacks a well suited legal and regulatory framework for the sector.** The regulatory framework for the socio-economic organization of the sector is not well established and also needs to be revised for the formal access to agricultural land. The issuance of authorizations to cultivate land in rural areas is cumbersome. A strengthened legal and regulatory framework for the sector would facilitate the activities of agri-food producers, processors and investors. Standardization and labeling efforts are still nascent in the sector. To better promote Djiboutian products, the country should strengthen technical, sanitary/phytosanitary and commercial standards, mainstream climate change considerations in regulations, and engage in a policy for quality certification (organic, halal, kosher, environmental labels, etc.) and the Djiboutian origin of products. Support is necessary to build the capacity of the public sector to promote change, including provision of adequate training and equipment for control of technical and quality standards.

13. **Rural entrepreneurs face difficulties in accessing commercial funding.** The financial inclusion of entrepreneurs is a sine qua non to promoting investment in the agri-food sector. In this regard, facilitating investment operations in the sector will require improving access to finance.[18] Although savings banks, commercial banks and Islamic finance institutions are represented in the regions, the agricultural sector is generally considered risky and the rural population lacks the guarantees necessary to access loans. Financial support is also provided through supplier credit or leasing practices, but these activities are limited in the agricultural sector. Commercial banks are interested in getting engaged in the agri-food sector yet lack the necessary knowledge of the sector.[19] To build on this interest it is necessary to support a shift towards bankable investments vetted by commercial banks, leasing companies or goods and services suppliers.

14. **Closing the gender gap in access to assets for women agri-food investors would unlock untapped potential in the rural economy.** Women play an important role in Djibouti's rural economy, particularly as producers in the fruit and vegetable value chains and caring for small ruminants. They are notably faced with impediment such as lack of technical and business skills, and limited access to financing and productive assets. According to the Women, Business, and the Law data for 2021[20], Djibouti does not currently have gender-equitable laws for asset ownership. Also, women's access to finance is limited. The Global Findex Data from 2013 shows that women are much less likely than men to own bank accounts at a financial institution or with a mobile service provider (9 percent vs 17 percent, respectively). Furthermore, only 33 percent of female-headed households own land or farm compared to 67 percent of male-headed households[21]. Gender-based legal restrictions related to asset ownership coupled with low literacy rates, family obligations and cumbersome administrative banking procedures further impact women's negotiating power and their ability to access and develop business plans. These constraints need to be addressed to offer women-owned businesses a level playing field with their male counterparts.

15. **The following main public and private institutions are involved in Djibouti's agri-food sector**: (i) *National Ministries*: they include the Ministry of Agriculture, Water and Fisheries in charge of Halieutic Resources (MAEPE-RH), responsible for the agricultural sector's day-to-day oversight and management, as well as other ministries, in particular the Ministry of Economy and Finance, in charge of Industry which provides oversight for financial and economic planning; other ministries are involved in key thematic areas such the Ministry of Women and Family (MFF) for gender affairs, and the Delegated Ministry in charge of Decentralization (MdD*)* for territorial development; (ii) *National mixed status entities*

[17] There are about 2080 agricultural farming units in Djibouti which cultivate about 1,620 ha and produce about 2,900 tons of products yearly (2020/21, INSTAD). Some producers are organized into cooperatives (a total of 49 in the country); but they are yet to be brought together into modern agricultural value chains.

[18] At present, 72 percent of Djiboutian households have no access to banking services and this situation is even more pronounced in rural areas, where self-financing capacities are also very limited.

[19] Exchanges with commercial banks during project preparation showed a strong interest of providing finance for the agri-food sector, following their expansion over the national territory.

[20] Women, Business and the Law, World Bank, 7th Annual Report, 2021.

[21] AFDB/UN Country Gender Profile: Djibouti, 2020.

with different mandates, for instance: support to private entrepreneurship in the agri-food investment, such as the National Agency for Investment Promotion (ANPI), Djibouti's Chamber of Commerce (CCD), the Center of Learning and Entrepreneurship (CLE) and the Djibouti Agency for Social Development (ADDS), as well as the Center for Study and Research (CERD) and the University of Djibouti (UD) in charge of research and education, and specialized agencies such as the Agency for Standards and Quality (ADN), and the National Laboratory for the Sanitary Inspection of Food Products (LANAA); and (iii) the Banking Association of Djibouti (*Association des Banques de Djibouti,* BAD), the member commercial banks[22], as well as the Partial Guarantee Fund for Investments (FGPI).

C. Relevance to Higher Level Objectives

16. **The proposed project is aligned with the World Bank Group (WBG) Country Partnership Framework (CPF) 2022-2026 for Djibouti** discussed by the Board of Executive Directors on September 23, 2021. The project reflects the WB's support for Djibouti to reduce poverty through the promotion of inclusive private sector-led growth, job creation, and human capital development. The project will tackle the country's challenges in the agri-food sector and help mobilize its potential to sustain growth and strengthen food security. As predicated under the CPF, the project would contribute to Maximizing Finance for Development (MFD) as it will develop risk sharing practices between the commercial banks and private investors in the agri-food sector.

17. **The planned national paradigm shift on rural development, with its attendant innovative dimensions, is spelled out in the Government's strategic documents**. The project would support: (a) the fourth pillar of the Accelerated Growth and Employment Promotion Strategy (*Stratégie de Croissance Accélérée et de Promotion de l'Emploi,* SCAPE)[23] on development of rural areas by addressing disparities between the capital and inner regions, building upon growth poles with some regional specialization. The first SCAPE Pillar also calls for the development of a "diversified and competitive economy, driven by the private sector"; (b) the National Program for Agricultural Investment and Nutritional Security (*Programme National d'Investissement Agricole et de Sécurité Alimentaire*, PNIASAN[24]), that lists the investments needed in the sector to promote agricultural production, including small farmer production, by strengthening the integration of value chains; and (c) the National Pact on Food and Agriculture (*Pacte National pour l'Alimentation et l'Agriculture,* PNAA) resulting from the Dakar 2 summit (January 2023)[25] that focuses *inter alia* on increasing production of fresh fruits and vegetables to substitute imports, improving goat meat and milk production, developing niche production such as palm date farming, and reducing post-harvest losses.

18. **The project is also aligned with the World Bank's Middle East and North Africa Climate Roadmap (2021-2025) and the Middle East and North Africa (MENA) Regional Gender Action Plan (FY18-23).** By focusing on the promotion of climate smart agri-food value chains and the enhancement of climate sensitive water resource management, the project will contribute directly to the first pillar of the WBG's MENA Climate Change Roadmap ("Food systems, water security and resilient natural capital"). With specific support to women led-businesses in the agri-food sector, the project is also aligned with the Gender Action Plan (FY18-23) and its focus on women's economic empowerment.

19. **Paris Alignment: The project is consistent with the country's Nationally Determined Contribution (NDC, 2016)[26].** Project activities will support some of the key climate mitigation strategies identified in the NDC and contribute

[22] Although they have expressed interest in the agri-food development commercial banks so far have had minimal involvement in the sector.
[23] The SCAPE is the main document that outlines Djibouti's overall development strategy for the years 2015-19.
[24] The PNIASAN is the main document that represents Djibouti's investment program for the country agriculture sector for the years 2016-20.
[25] République de Djibouti, Pacte national pour l'alimentation et l'agriculture : 'Nourrir l'Afrique : souveraineté alimentaire et résilience', Dakar 2, Janvier 2023
[26] Djibouti Nationally Determined Contribution (NDC) (2016)

to reducing Greenhouse Gas (GHG) emissions, potentially through the reduction of food loss and waste, expansion of solar powered technologies and energy efficient cold chain investments, higher carbon sequestration in soils, and increase in the efficiency of livestock rearing (camel and small ruminants), including improved manure management. The project will also support the NDC adaptation strategies through the introduction of new technologies in the agri-food sector which aim to reinforce the resilience of rural populations to climate change.

II. PROJECT DESCRIPTION

A. Project Development Objective

PDO Statement

20. The Project Development Objective (PDO) is to improve the competitiveness and the resilience of selected agri-food value chains in the areas targeted by the project.

PDO Level Indicators

21. Project progress towards achieving the PDO will be measured by the following indicators: (a) increase in sales of agri-food entrepreneurs in the targeted value chains; and (b) number of producers and agri-food entrepreneurs adopting climate smart agriculture technologies/practices; (c) number of producers and agri-food entrepreneurs reached with agricultural assets and services.

Project approach, scope and characteristics

22. **Supporting the Government's vision for the agri-food sector.** This vision is set on addressing the following development nexus: (a) food sovereignty for the country; (b) climate resilience of agri-food production; (c) employment generation, particularly for the youth; and (d) technology leap forward with emphasis on digital tools. Implementing the strategy will build on a programmatic approach for the agri-food sector to be supported by the donor community and private partners. This approach will need the coordination of potential partners. To that end, the Djibouti Agri-Food Value Chain Development Project (Projet des *Filières Agro-alimentaires Résilientes,* FAR) will: (a) prepare a strategic blueprint for the agri-food sector building on the Dakar 2 Pact documentation; (b) organize a round table to lay the groundwork for coordination of donor and private sector partners; and (c) develop an action plan based on the pledges and commitments made at the round table, including detailed institutional arrangements to move forward with the sector programming approach. FAR will act as a precursor to implementing the government strategy nexus and laying the groundwork for the participation of partners. The project will address in particular three key strategic thrusts that characterize the Government's new development vision for the sector: (a) support to the required technological leap through knowledge transfer and training to support productivity increase and climate resilience; (b) focus on bankable projects including participation of commercial financing institutions; and (c) leveraging complementary external financing sources. FAR's approach will be flexible with the possibility of adapting its course as project implementation unfolds, particularly at the Mid-Term Review stage.

23. **Value chains targeted.** FAR will focus as a priority on a limited number of value chains, *inter alia*: fruits and vegetables, small ruminants (milk and meat), egg production and fodder. These value chains were selected based on the following criteria: (a) production potential in the pre-selected growth poles, responding to FAR's development objective of raising productivity; and (b) climate smart characteristics adapted to Djibouti's rural soils, water scarcity and high temperature context to enhance climate resilience, responding to FAR's resilience objective. The project will also support investments in diversification value chains, such as honey and date production, agri-tourism, and medicinal and aromatic plants. Two of the above priority value chains will target mainly women agri-food investors: (a) vegetables which are

traditionally grown by women in their fields and home gardens; and (b) fodder production because it provides feed to small ruminants generally managed by women.[27]

24. **Growth poles targeted.** The project will be aligned with the Government's approach that concentrates efforts on growth poles having potential for the development of agri-food value chains. The growth poles selected are located in the following broader 'development zones' targeted as part of this approach: (a) Northern Zone: Tadjourah and Obock regions; (b) Southern Zone: Dikhil and Ali Sabieh regions; and (c) Central Zone: Arta region, as well as Djibouti city's peri-urban area. Three priority growth poles have been selected in these zones, i.e., (a) Northern Development Zone: Awdaa plain (500 to 1000 ha); (b) Southern Zone: Mouloud-Grand Bara-Hol Hol (500 to 1000 ha); and (c) Central Zone: PK25 Barrage de l'Amitié (200 to 300 ha). They were selected based on the following criteria: weather conditions, availability of land suitable for production, access to water, road connectivity and access to markets, presence of organized producer groups/cooperatives, presence of 'champion' farmers, and percentage of women and youth active in the agri-food sector. FAR will focus its infrastructure activities as a priority on these growth poles to create a favorable environment for the purpose of attracting investors and supporting their investment initiatives in the project-targeted value chains.

25. **Mobilizing financing from private sector and development partners.** The project will finance the sub-projects of agri-food investors through financial contributions for approximately 50 percent of the capital. Investors will have to mobilize the other half of the capital through a personal contribution and a bank loan for a total amount of US$1.8 million. The project will also finance the preparation of feasibility studies for major national projects (notably Hanlé date palm plantations and the Friendship Dam irrigated area), which could be co-financed by the International Finance Corporation (IFC) and private sector investors up to US$10 million. A 0.5 hectare greenhouse will also be financed by the project for US$1.5 million. This financing could be supplemented by an additional financial contribution from the private sector of about US$6 million. Based on these assumptions the project could potentially mobilize additional private sector financing in the amount of US$16.0 million. In doing so, the project will (a) leverage private funding sources; and (b) serve as a platform to mobilize additional financing, including under partnerships to be established as part of the government Public-Private Investment (PPI) program.

26. **Supporting the preparation of a programmatic approach for the development of the agri-food sector.** The project will assist the Government in developing a programmatic approach for the development of the agri-food sector through the preparation of a strategic blueprint for the sector, to be followed by the organization of a round table and the preparation of a timebound action plan. In this respect, development partners, such as the African Development Bank and the United Nations Development Program (UNDP), consider FAR's approach to the agri-food sector as appropriate and timely, and wish to replicate it within their operations. The project will serve as a platform that would enlist the support of all interested donors through the programmatic approach. The mapping of donor interventions prepared by UNDP will be used as a tool to undertake the required coordination of activities at ground level.

27. **Supporting poverty reduction and food security.** The project will aim at reducing poverty through the generation of employment under its sub-projects and through civil engineering activities executed through labor intensive public work. The project will also focus on crops and animal husbandry activities that are likely to have a high impact on poverty alleviation as well as food security to the extent that the sub-projects will generate production for both the market and self-consumption.[28] For instance, fodder production will be supported by the project and subsequently improve the productivity of small ruminants (milk and meat). As women are the custodians of these animals, improved fodder

[27] Fisheries and aquaculture have not been retained as target value chains, despite their potential in certain coastal growth pole areas, because they are covered under other projects (notably the Bank-financed SFISH project); and regarding livestock a clear demarcation of activities has been agreed whereby the DRIVE project will cover activities downstream of production and in the transit corridor between Ethiopia and Djibouti-port, whereas FAR will target production activities in areas other than the transit corridor.

[28] For example, fodder production will enable herders to access better quality animal feed for small ruminants, which are the source of income for most of the poor including women as the main custodians of animals. Small ruminants serve to increase cash income and improve household welfare through enhanced self-consumption and improved nutrition.

production will positively affect household food security. Training activities will be tailored to address different skills level of female and male agri-food entrepreneurs and reach out to the poor giving them the required skills for better livelihood and income generation.

28. **Addressing climate resilience in rural areas.** FAR will promote climate resilience as it is imperative for producers to adapt to changing climate conditions if they are to generate adequate financial returns, i.e., it will facilitate producers' access to climate-smart technologies and practices (greenhouse production, water harvesting and saving, drip irrigation, use of solar energy, etc.), and support the introduction of more intensive production systems (for crops and livestock) expected to reduce GHG emissions per unit output compared to traditional production systems. As such the project will contribute to addressing the climate vulnerabilities faced by agri-food producers in Djibouti.

29. **Synergy and complementarity with existing operations within the WBG Djibouti portfolio.** FAR will build on the ecosystem established for private sector development under other Bank projects. In the livestock sector, special collaboration will be sought with the Bank-supported regional De-risking, Inclusion and Value Enhancement of Pastoral Economies in the Horn of Africa Project (DRIVE, P176517). This will be done by having the Center for Leadership and Entrepreneurship (*Centre de Leadership et d'Entrepreneuriat*, CLE, the agency in charge of DRIVE implementation) participate in FAR's sub-project selection committee and establishing a clear line of demarcation of their respective mandates[29] with regard to livestock value chain development. FAR will also be the logical extension of the Bank's ongoing Emergency Food Security Crisis Response Project (P178988) in that it is expected to contribute to the country's long-term food security goal. Finally, FAR will complement efforts by the IFC to attract private investment, by leveraging support for agri-food investors through productive alliances and/or Public Private Investments (PPIs) that qualify for its funding.

B. Project Components

30. The project will help the GoD operationalize its new rural development approach and its objectives in the agri-food sector. FAR will support the provision of a combination of services and infrastructure in and around growth poles to assist private operators, including farmers, to organize along viable value chains and develop financially attractive and environmentally sustainable enterprises. The project will (a) provide public goods and services to support agri-food value-chain development, through a rural infrastructure program (boreholes, land preparation and access roads) focusing on growth poles, the establishment of an adequate policy and regulatory framework, and the generation of knowledge and diffusion of innovations; and (b) support agri-food investors through assistance in formulating business plans, access to commercial financing, provision of complementary funding and implementation follow-up.

31. The project is an Investment Project Financing (IPF) operation with total cost of US$17.8 million, financed through a Credit of US$15 million from the International Development Association (IDA) and an expected contribution of beneficiary agri-food entrepreneurs of US$1.8 million as Private Capital Mobilization (PCM), and of the Government of Djibouti (GoD) of US$1million. In parallel, additional concessional resource mobilization is also expected through the IDA Private Sector Window. The project is a five-year IPF implemented by the Ministry of Agriculture, Water, Fisheries and Livestock, in charge of Halieutic Resources *(Ministère de l'Agriculture, de l'Eau, de la Pêche et de l'Élevage, chargé des Ressources Halieutiques*, MAEPE-RH) in close coordination with other institutions.

32. The project is structured into four components formulated as follows: (a) *Component 1*: Public infrastructure and services for agri-food value chain development (IDA US$10.0 million); (b) *Component 2*: Support to agri-food investment and access to financing (IDA US$3.6 million); (c) *Component 3*: Project Management (IDA US$1.4 million); and (d) *Component 4:* CERC (US$0.0 million). The description of the four components is presented below; detailed activities are

[29] In the livestock sector, DRIVE covers activities downstream of production located in the transit corridor between Ethiopia and Djibouti port, whereas FAR covers activities at the production level outside the corridor.

in Annex 2, and operational modalities will be detailed in the Project Operational Manual (POM), which will be an effectiveness condition.

33. **Sequencing and internal coherence of project activities.** Component 1 and 2 will be implemented in close liaison to promote value chain development and reinforce the project internal coherence. Under Component 1, FAR will support a program of public infrastructure investments intended to establish the basic operational conditions to attract investors in the targeted growth poles. In tandem, Component 1 will provide for the targeted rural population: (a) information campaigns focused on presenting the targeted value chains and related FAR activities; and (b) generic training sessions on responding to agri-food sector challenges in Djibouti. These activities will be national in scope and undertaken with the support of a technical assistance team. The result will be the sensitization and training of a large pool of rural entrepreneurs (including farmers) out of which potential investors could be identified to benefit from Component 2. In parallel, a Technical Assistance (TA) team will be recruited under Component 2 to identify potential agri-food investors, provide customized support for business plan preparation and implementation support.

Component 1: Public infrastructure and services for agri-food value chain development (US$10.4 million: IDA US$10.0 million, Government US$0.4 million)

34. Component 1 aims at improving the enabling environment for agri-food value chains development, with a focus on areas with growth potential. It would finance: (i) climate proof and energy efficient public infrastructure, as well as related feasibility studies; (ii) strengthening of the regulatory and institutional framework of the agri-food sector, including mainstreaming climate change considerations; and (iii) generation and diffusion of innovation related to new technologies and markets for the benefit of agri-food SMEs, individual producers, producer organizations (POs) and cooperatives for improving national production and building climate resilience.

35. Component 1 will have three sub-components:

a) *Sub-Component 1.1: Public infrastructure (IDA: US$6.5 million).* The project will finance (i) an energy efficient and climate-proof public infrastructure program[30] focusing on access to water and land preparation (including boreholes and wells equipped with solar pumping systems, rural roads rehabilitation, and stone removal on arable land)[31] destined to support climate smart investments in agricultural land development and crop cultivation; it will focus on areas identified as growth poles; and (ii) related feasibility studies for projects included in the Government's PPI program, with a particular focus on the Hanlé date palm estate, the irrigation scheme downstream to the Barrage de l'Amitié, and the demonstration greenhouse in Damerjog.

b) *Sub-Component 1.2: Regulatory and institutional framework (IDA: US$1.0 million).* This subcomponent will finance the following activities: (i) improving the regulations and the institutional framework for the formal organization of the agri-food sector[32]; (ii) providing support to land tenure services[33]; (iii) elaborating and adopting sanitary norms for the agri-food commodities to reduce food waste, and loss and increase competitiveness[34]; (iv) developing procedures and specifications for quality labelling of agri-food products (organic, halal, country of origin, etc.); and (v) supporting the programmatic approach in the agri-food sector

[30] The climate-proof infrastructure is designed, built and operated in a way that anticipates, prepares for, and adapts to changing climate conditions. E.g., the design of the sub-projects will take into account the increasing flood frequency, sea level rise, etc.

[31] IDA financing of the public investment program is estimated at US$6.7 million (including related studies) out which: 69% for access to water, 25% for arable land preparation, 4% for access roads. The climate smart demonstration greenhouse under sub-component 1.3 amounts to US$1.5 million IDA financing. The land preparation through stone removal reduces water run off drastically and allows better water infiltration and thus aquifer recharge. The rehabilitation of rural roads contributes to increased climate resilience by building stone-paved side ditches and improving water harvesting.

[32] This will for example include revising the status of agricultural cooperatives and introducing regulations for economic organization of value chains.

[33] This activity will assist the land registration authorities to issue authorizations to agri-food investors to access arable land.

[34] The reduction of food loss and waste (FLW) will result in the reduction in GHG emissions; it is estimated that regulatory work in the agri-food sector could contribute up to 1/3rd reduction in FLW.

by organizing a round table of donors and preparing the attendant strategic blueprint and action plan as well as the related monitoring and evaluation. The above will be done through technical assistance. In addition, the project will provide equipment (including solar powered ones), and training to the Djibouti National Food Analysis Laboratory (*Laboratoire d'Analyse National de l'Approvisionnement Alimentaire*, LANAA) and the Djibouti Agency for Standards and Quality (*Agence Djiboutienne des Normes et de la Qualité,* ADN).

c) *Sub-Component 1.3: Innovation support (IDA: US$2.5 million).* This sub-component will finance: (i) the collection of innovative solutions and Climate Smart Agriculture (CSA) practices and technologies adapted to the Djibouti agri-food sector as a response to the ongoing climate change impacts; (ii) their promotion among agri-food businesses through various media; (iii) nation-wide generic training programs on CSA (including mitigating plant and animal vulnerability to novel diseases and pests), sustainable entrepreneurship and market opportunities, quality standards and food loss and waste (FLW) reduction; and (iv) the establishment of a demonstration greenhouse[35] in Damerjog as a PPI. It will encompass working with specialized public bodies in charge of research, knowledge development and investment opportunity analysis (such as: Djibouti Study and Research Center/*Centre d'Etude et de Recherche de Djibouti*, CERD; University of Djibouti/*Université de Djibouti*, UD; National Agency for Investment Promotion*/Agence Nationale de Promotion des Investissements,* ANPI; and Djibouti Chamber of Commerce*/Chambre de Commerce de Djibouti*, CCD) and providing basic technical training for producers and rural entrepreneurs.

Component 2: Support to agri-food investment and access to financing (US$5.5 million: IDA US$3.6 million, Government US$0.1 million and Beneficiaries US$1.8 million)

36. Component 2 aims at providing (i) support to agri-food investors[36] in the development and implementation of bankable and climate-informed business plans, and support to financial institutions to improve their knowledge of the agri-food sector and develop financial tools adapted to the sector, and (ii) financing resources tailored to the needs of agri-food investors. It will have two sub-components:

a) Sub-Component 2.1 Support to business plans and advisory services (IDA: US$1.8 million).

(i) *Support to business plans*. A Technical Assistance (TA) team will be recruited to provide upstream advisory services to potential investors who will benefit from project support. The team will identify and select these potential investors through coaches based in the growth poles. These coaches will work in close liaison with the trainers in charge of the generic training sessions organized under Component 1. They will provide training and technical assistance to the selected investors in the preparation and implementation of climate-informed business plans, help them establish contact with financial institutions and provide follow-up support for one year after sub-project approval[37]. As part of the coaching, training on entrepreneurship will be provided by CLE to all beneficiaries. The sub-component will result in a portfolio of financially viable and climate-informed agri-food investment sub-projects receiving funding from financial institutions, and subsequently being eligible for co-financing by the project through a Capital Endowment Contribution (CEC) (see Sub-Component 2.2); and

b) *Support to financial services providers.* This activity will provide training and technical assistance to commercial banks on risk analysis and adaptation of financial products in the agri-food sector with a specific focus on climate

[35] The demonstration greenhouse will be equipped with the latest technologies available for controlled-environment climate resilient agriculture, including digital energy-saving applications

[36] The project-supported agri-food entrepreneurs are operators all along the targeted value chains from production to release of products on the market. The focus will be essentially producers (individually or as part of producer organizations), but also off-takers and marketing agents (including transporters, warehouse service providers, cold chain/logistics operators) and upstream service providers (for fertilizers, seeds, tools and machinery, livestock services); beneficiaries may be organized in productive alliances based on contractual arrangements.

[37] Climate-informed business plans will take into considerations the climate vulnerabilities and mainstream the climate change adaptation and mitigation considerations in project design. Financing the business plan will be contingent upon incorporating climate smart investments/activities.

smart investments. The project will finance a multi-purpose pool of expertise available on demand that will serve the above needs. *Sub-component 2.2: Sub-project Capital Endowment Contribution (IDA: US$1.8 million)*. This sub-component will finance CEC grants to complete the financing plan of the sub-projects selected. These grants will complement the investor's own down payment on one hand, and the commercial bank loan, or equivalent financial source, on the other hand. The CEC will be released only when other financial sources are secured. It is estimated that the project will finance about 80 climate-informed investment sub-projects across the targeted value chains. The percentages of the CEC will vary (from 45 percent to 55 percent) depending on the size of sub-project investment; for female agri-food investors the CEC will be 10 percent higher than for their male counterparts. The average investment proposal is estimated at a cost of US$45,000. Details of funding windows, thresholds and ceilings will be presented in the POM.

Component 3: Project Management (US$1.9 million: IDA US$1.4 million and Government US$0.5 million)

37. This component will finance the daily project implementation activities. The project will finance the operations of a Project Implementation Unit (PIU) at the MAEPE-RH, including a Project Coordinator, and staff dedicated to administrative and fiduciary management, technical tasks, Environmental and Social compliance, communications and Monitoring and Evaluation (M&E)[38]. It will also finance a Grievance Redress Mechanism (GRM) that will enable project beneficiaries to voice their concerns and demands.

Component 4: Contingent Emergency Response Component (CERC) (US$0.00)

38. This component will include a Contingent Emergency Response Component (CERC), designed to provide a swift response in the event of an eligible crisis or emergency, defined as "an event that has caused, or is likely to imminently cause, a major adverse economic and/or social impact associated with natural or man-made crises or disasters". No financing allocation is made for this activity which will be funded as required from other components as the need arises through reallocation of proceeds from the IDA credit.

Summary of project costs

39. Table 2 below presents a summary of project costs by financing sources. The IDA credit in the amount of US$15 million is funding 84.3 percent of the entire project costs. The beneficiary contribution, corresponding to the individual down payment and the commercial credit for sub-projects, amounts to 10.1 percent of total costs, whereas the government contribution is estimated at 5.6 percent of total costs.

Table 2: Summary project costs

Component / Sub-component	IDA	Beneficiaries	Government	Total cost
	US$ Million			
Component 1 - Public infrastructure and services for agri-food value chain development				
SC 1.1 - *Public infrastructure services and feasibility studies*	6.5	-	0.2	6.7
SC 1.2 - *Regulatory and institutional framework*	1.0	-	0.1	1.1
SC 1.3 - *Innovation support*	2.5	-	0.1	2.6
Sub-total	10.0	-	0.4	10.4
Component 2 - Support to agri-food investment and access to financing				
SC 2.1 – *Support to business plans and advisory services*	1.8	-	0.1	1.9
SC 2.2 – *Sub-project capital endowment*	1.8	1.8*	-	3.6**
Sub-total	3.6	1.8	0.1	5.5

[38] FAR to the extent possible will share services with other project PIUs of the MAEPE-RH to obviate the need for the Ministry to employ all PIU staff on a full time basis.

Component 3 – Project management	1.4	-	0.5	1.9
Component 4 – CERC	0	0	0	0
Total	**15.0**	**1.8**	**1.0**	**17.8**

*Includes beneficiary down payment and commercial loan; it is referred to in the data sheet as "Unguaranteed Commercial Financing".**Includes FAR's CECs financed by IDA and beneficiary contribution financed by individual down payment and bank loan.

C. Project Beneficiaries

40. Direct beneficiaries will be rural and peri-urban households involved in the agri-food sector, either individually or through producers organizations, and related entrepreneurs at various stages of the supply chains (at production level, but also downstream and upstream of production regarding activities such as input supply, logistics, food processing and distribution). This includes beneficiaries involved in both permanent and seasonal agri-food activities. Direct beneficiaries will also include participants benefiting from the generic training sessions. Indirect beneficiaries will include village and peri-urban dwellers across Djibouti at large who take advantage of project spillover effects from infrastructure, training and communication, promoters of agri-food facilities who will invest in value chains supported by the project, and government agencies with responsibility in the agri-food sector.

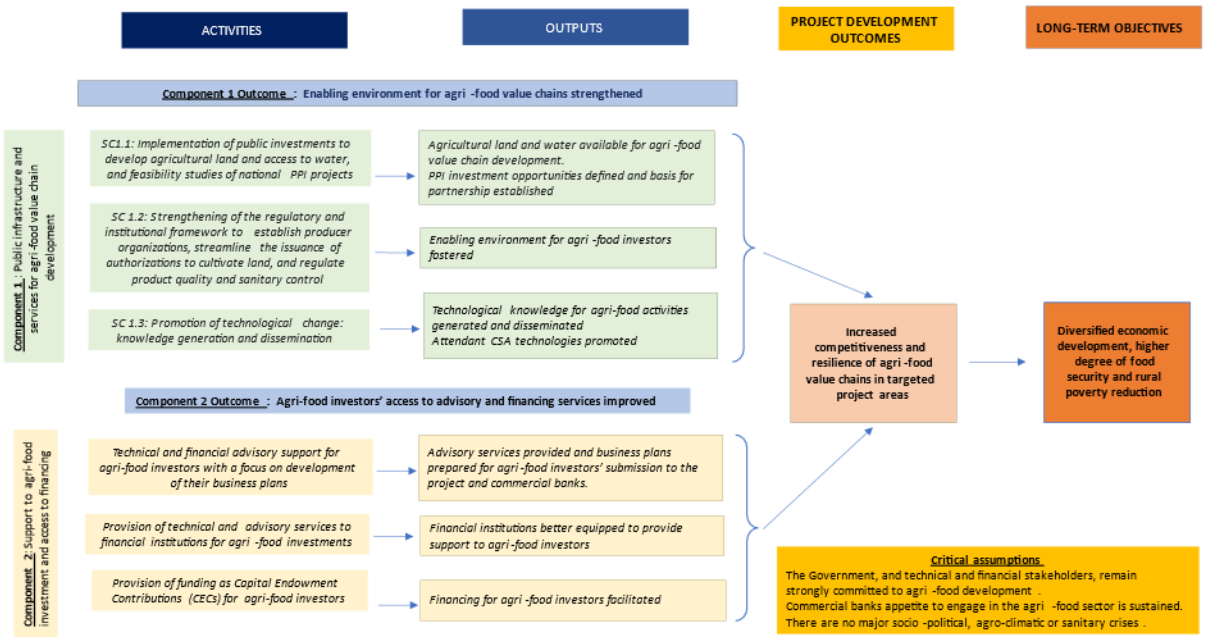
41. **Addressing the gender gap.** The project will pay special attention to reducing the gaps that women face in developing and managing a business initiative in the agri-food sector (see para 14). To this end, the project will ensure that communication, awareness-raising and training activities will reach out to women as a priority, and that women's expressions of interest to be part of the cohorts selected for support under Component 2 will be given special consideration vis-a-vis those of their male counterparts. This will be done by paying due attention to women's specific circumstances that explain why they may be discriminated against. The coaches in charge of the selection of the cohorts of candidates for business plan support and CEC funding under Component 2 will do so by particularly heeding women's requests. Instructions to that effect will be included in the CEC Operations Manual. The project will also provide special assistance to women for the development of bankable business plans to increase their chance for accessing funding from banking institutions. Their difficulty in accessing finance will be eased by a 10 percent lowering of personal down payment requirement for women to access funding of sub-projects; this will imply increasing the project-provided CEC grant by ten percent. The gap in access to land will be mitigated by providing assistance to women in their application for land use authorization. The project's impact on women will be monitored as part of the project's M&E activities, including through the indicator *"Number of women-led sub-projects benefitting from a 10 percent reduction on their personal down payment".*

D. Results Chain

42. The Theory of Change (ToC) underlying project design presents the pathway from planned interventions to intended outcomes. The project aims at: (a) improving the competitiveness of agri-food value chains, by creating an enabling environment for climate smart agri-food sector investments through the provision of basic rural infrastructure and services, the establishment of an adequate policy and regulatory framework, and the collection of data and diffusion of innovations; and (b) increasing the resilience of agri-food value chains by supporting agri-food entrepreneurs through assistance in the formulation of bankable agri-food investments, adoption of climate smart technologies, access to commercial financing, and provision of complementary funding. Reaching the above objectives will enable the project to contribute to the country's long-term goals of diversifying the economy, strengthening food security and reducing rural poverty. The critical assumptions underlying project implementation are that: (a) the Government, as well as its partners and stakeholders, will continue being strongly engaged in the implementation of the new development strategy for the

agri-food sector; (b) commercial banks will continue to be interested in the agri-food sector; and (c) there will be no major external shocks or crises, either of a political, sanitary or environmental nature during project implementation.

Figure 1: Project Theory of Change



E. Rationale for Bank Involvement and Role of Partners

43. **Rationale for Bank involvement.** The WB is uniquely positioned to provide support to the agri-food sector, as it has a long-standing experience of the sector in Djibouti and can bring to bear its regional and global knowledge. Additionally, the WB has strong convening powers with other donors and stakeholders in Djibouti and coordinated donor support to the preparation of the new rural development approach. The World Bank Agriculture and Food (AGF) GP will work closely with other Global Practices (GPs) in support of this project, especially the Water GP and Finance Competitiveness and Innovation (FCI) GP, as well as the IFC as regards private sector regulatory framework and specific large investment operations.

44. **Role of external partners.** Following the recommendation provided by the Advisory and Analytics (ASA*)* report entitled *Djibouti Innovative Integrated Approaches to Sustainable Rural Livelihoods* (P178129), which were endorsed by the Ministry of Economy and Finance, in charge of Industry (*Ministère de l'Économie et des Finances, chargé de l'Industrie,* MEFI), the project will act as a platform to align donor funding on the new rural development approach. The project will therefore closely collaborate with other external development partners with a view to implementing a consistent agri-food value chain development approach. For instance, the AfDB-financed Program to Build Resilience for Food and Nutrition Security in the Horn of Africa (BREFONS) is providing business development and micro finance services to micro investors, henceforth complementing FAR's focus on SMEs and regular commercial banking. Overall, FAR will build on investments by other external donors to implement its public investment program and optimize synergies across donor interventions. FAR will take advantage of the mapping prepared by UNDP on activities of external partners across the national territory. Finally, FAR is piloting a new approach for private sector investment in the agri-food sector, which the GoD expects to be supported by other donors in the future.

45. **Role of IFC.** While FAR focuses on supporting agri-food investors, there are larger investors who are interested in working in the sector. IFC's interventions complements FAR's support by providing both advisory services, and possibly financing large investors. Three pathways could be considered: (i) upstream advisory services for the purpose of preparing investment initiatives under its own financing; (ii) support to commercial banks providing financing to SMEs in the agri-food sector; and (iii) assistance to scale up government-proposed PPI initiatives in the agri-food sector. In addition to IFC, the project could seek the mobilization of additional resources from the Bank-administered Global Agriculture and Food Security Program (GAFSP) and the IDA Private Sector Window (PSW) program.

F. Lessons Learned and Reflected in the Project Design

46. **The project builds on the specific lessons learned from World Bank project implementation in Djibouti's rural sector.** These lessons are based on the following past or current Bank projects involved in rural development and private sector promotion: (i) the Rural Community Development and Water Mobilization Project (*Projet de développement communautaire et mobilisation des eaux,* PRODERMO, P117355), (ii) the Djibouti Emergency Locust Response Project (PROLUC, P173702), (iii) the Emergency Food Security Crisis Response Project (PURCSA, P178988), (iv) the Support to Women and Youth Entrepreneurship Project (closing June 30, 2023), (v) the Djibouti Micro, Small and Medium Enterprises Project; and (vi) the DRIVE project (P176517).

47. **The project draws on the lessons from the Bank's analytical work regarding Djibouti**, notably the ASA *Innovative Integrated Approaches to Sustainable Rural Livelihoods* (P172744) to promote the economic inclusion and resilience of rural population[39], as well as sector diagnostics and value chain analyses. It also capitalizes on the course of action proposed by IFC to unlock private sector investment by addressing issues affecting the country's enabling environment through hands-on advisory work with both government and private sector clients to develop and implement regulatory reforms[40]. The project will work with IFC to provide support to the GoD to seek partners and consider funding for the PPIs and other large private agricultural investment initiatives.

48. **The project design benefits from the large World Bank experience in fostering private investment with the use of Capital Endowment Contributions/matching grants and other financial incentives[41].** Lessons learnt from the evaluation of Capital Endowment Contribution programs indicate that having a broad sector approach, supporting underlying sub-project design with TA activities, offering coaching and mentoring to investors, and supporting their access to finance, are key success factors[42]. The lessons indicate also that given the cash-flow constraints experienced by rural producers at the investment phase, the CEC should cover a substantial fraction of investment costs given the dearth of other available external funding, and rural women should receive preferential treatment in that respect.

III. IMPLEMENTATION ARRANGEMENTS

A. Institutional and Implementation Arrangements

49. **The project will be implemented by the MAEPE-RH with the project institutional and implementation arrangements organized along a three-tiered structure**. This Ministry has adequate experience to implement FAR as it

[39] *Approches Innovantes pour Promouvoir l'Inclusion Économique et la Résilience des Populations Rurales*, République of Djibouti, May 2021
[40] See work on agribusiness support services by IFC's Creating Markets Advisory (CMA) and Manufacturing, Agribusiness and Services (MAS) teams.
[41] The World Bank, 2016. 'How to Make Grants a Better Match for Private Sector Development'. Washington, DC
[42] The World Bank, 2017. Agriculture Finance Note: Lessons Learned from World Bank Projects Using Matching Grants. Washington, DC

has already successfully implemented various Bank-supported operations, such as PROLUC (P173702) and PRODERMO (P117355). The three-tiered project implementation structure is presented below (see Annex 1 for details). The POM and CEC manuals will also provide further details on institutional and implementation arrangements.

50. **Project implementation Unit (PIU):** located at the MAEPE-RH, the PIU will be responsible for the day-to-day project management and liaison with external project interlocutors namely the World Bank as well as other relevant ministries, in particular MEFI, MFF, and MdD. In addition, the project will implement selected activities in close liaison with the national entities in charge of entrepreneurship and support to agri-food investment, notably CLE, ANPI and CCD. The PIU will be staffed with key personnel and headed by a Project Coordinator (see Annex 1, Figure 2). The mutualization of staff and responsibilities between the PIUs established for various projects at the MAEPE-RH will be sought where possible. The establishment of the PIU is a dated covenant within two months of project effectiveness. The project seeks to support a gradual transfer of PIU responsibilities to staff of the MAEPE-RH.

51. **Project Steering Committee (PSC):** chaired by the MAEPE-RH, the PSC will comprise the key ministries and public and private entities involved in project activities, including MEFI, the Ministry of National Budget (MBN), Ministry of the Environment (ME), MFF, MdD, ANPI, CLE, and CCD. Its main function is to give overall strategic implementation guidance to project management, so that project implementation conforms with the requirements of the Financing Agreement and operational modalities as defined by the POM.

52. **Sub-Project Selection Committee (SPSC):** the SPSC will be the key body to vet and approve the sub-project proposals presented for financing under Component 2. It will be chaired by the MEFI Minister and its membership will include MAEPE-RH, as well as the main entities involved in agri-food sector development in Djibouti, i.e., CLE, ANPI, CCD and the Djibouti Agency for Social Development *(*ADDS), as well as the Banking Association and the FGPC. The PIU will provide the secretariat of the committee.

B. Results Monitoring and Evaluation Arrangements

53. **The PIU will be responsible for project M&E arrangements**. It will have a dedicated M&E specialist overseeing data collection and processing; this specialist will ensure that data are accurate and available subject to data privacy rules. Under the M&E system, data will be collected on a semester basis to inform the Results Framework (RF), as well as periodically as part of the specialized evaluation surveys. Random visits will be organized to implementation sites (including sub-project sites) and to meet beneficiaries to verify the accuracy of the data. This will apply to all training activities and CEC beneficiaries. The M&E specialist will prepare semestrial progress reports and aggregate them into a comprehensive Annual Report; s/he will also organize base line and respective follow-up surveys, prepare a Mid-Term Review and a Completion Report at project closure to take stock and evaluate results, draw lessons and inform activity implementation and future operations; the complete report will include a *bona fide* efficacy or efficiency analysis, as well as an ex-post Environmental and Social Impact Assessment. Guidelines for M&E activities will be consigned in a separate M&E section to be included in the POM.

54. As part of data collection, the project will establish a 'customized iterative beneficiary monitoring' system to provide specific answers to key operational questions which may arise during the project implementation. The project's RF includes indicators specific to citizen engagement, addressing the gender gap and performance of the GRM.

C. Sustainability

55. **Macro level.** The overwhelming sustainability factor is creating an enabling environment in the agri-food sector, in terms of physical facilities, regulatory measures, and adaptation and diffusion of appropriate technologies. Financial

sustainability will be achieved based on the resulting capacity of the Government to generate fiscal space and save foreign exchange through the development of the agri-food sector. Another element to achieve sustainability with regard to public investments, is the highly participatory consultation process that will be followed in reaching out to potential investors. The final important factor is maintenance of good governance and political stability; these factors currently characterize the socio-political context in Djibouti and are expected to continue to prevail.

56. **Micro level.** The sustainability of development outcomes at the grassroots is largely predicated on the success of the public investment program under Component 1 and the project-supported sub-projects under Component 2. The public investment program will focus on three pre-selected growth poles, where it is expected to create an enabling environment to attract investors and support their investment initiatives. FAR will set the stage of the sustainability of the program by ensuring that it is tailored to the circumstances characterizing the growth poles and that it responds to the needs of investors in terms of access to water, land preparation and connectivity. A characterization study will be conducted to identify needs in terms of the facilities to better equip the growth poles; and contractors with the required expertise, including knowledge of the local circumstances, will be hired to implement the civil works and amenities. To lay the groundwork for the sustainability of sub-projects, FAR will provide support to agri-food investors in terms of technological advances adapted to the rural Djibouti context. FAR will also provide the required funding to investors to help finance initial investment to cover their negative cash-flow, as well as to cover maintenance expenditures until they reach steady state and generate the expected positive net returns. The quality of TA to beneficiaries will be key to set the stage for investors to achieve sustainable financial outcomes. The sub-project selection process will also be critical in identifying and retaining the most promising investors and avoid misallocation of funds and elite capture. The subsequent vetting process and release of financing by commercial banks will give additional assurance that investment files are sound, and support to implementation for a period of one year will further help in obtaining sustainable results.

IV. PROJECT APPRAISAL SUMMARY

A. Technical, Economic and Financial Analysis (if applicable)

Technical appraisal

57. **The project focuses on addressing technical issues which hamper investment productivity in the agri-food sector in the face of climate change**. The project will support the introduction and diffusion of new technologies that would set the stage for the technological leap required to address the particularly harsh production conditions in Djibouti. Advanced technologies from other countries will be introduced and adapted, and Djiboutian producers already active in the sector will be enlisted as ‘champions’ to further elaborate and diffuse such technologies. In doing so, the project will address the risks of increased temperatures and droughts, exacerbated by climate change. It will reflect solutions to these issues by supporting sub-project initiatives and business plans that use CSA and energy-efficient approaches through investments in solar panels and energy saving structures for storing, processing and transportation intended to curb GHG emissions and food waste and loss, among others. Areas of particular focus will be climate-control cultivation practices (greenhouse cultivation), climate-smart approaches enabling to save on water use which is the overriding critical factor (e.g., boreholes, water harvesting and storing, drip irrigation, etc.) and the use of digital approaches to organize production and allow accurate weather forecasts. One of the selection criteria for incorporation of sub-projects into FAR portfolio is their embodiment of innovative and climate-smart approaches to address productivity and environmental objectives.

Economic and Financial Analysis (EFA)

58. **Financial evaluation**: Sub-project activities will yield a highly positive financial profitability: (a) *Financial Internal Rate of Return* (FIRR): the FIRRs for the model sub-projects analyzed are in the range of 11 to 41 percent; this figure is a multiple of the reference long-term capital interest rate in Djibouti of eight percent per year and denotes a solid intrinsic profitability of the proposed project-supported productive activities; and (b) *Net Present Value* (NPV): the NPV is well above the sub-project investment costs by factors of three to five. This means that investors will be well compensated for the risks associated with agri-food activities in the context of Djibouti and will have ample resources to pursue/expand their initiatives when the initial phase of implementation of their investments comes to completion.

59. **Economic evaluation**: The analysis shows substantial economic returns for the country: (a) *Economic Internal Rate of Return* (EIRR): the project EIRR is estimated at 18.2 percent, i.e., a multiple of the shadow cost of external borrowing for the country estimated at seven percent; and (b) *Net Present Value* (NPV): the NPV amounts to US$37.2 million vs. a project economic cost in current terms of US$16.4 million. The sensitivity analysis of the results shows that the project basic economic profitability is robust as far as increase in costs, decrease in benefits and drop in the uptake of technologies by economic agents are considered. However, the profitability is quite sensitive to the time frame of implementation, and particular attention will have to be paid to adhering to the planned implementation schedule.

60. **Environmental externalities.** Project interventions will result in a net carbon sink. The reduction of net GHG emissions is integrated into the EFA by using an economic value for carbon pricing with a high and low case scenario following the guidelines of the World Bank in *Guidance Note on Shadow Price of Carbon in Economic Analysis*. The net reduction in GHGs was calculated by using the FAO's Ex-Ante Carbon-Balance Tool (EX-ACT). The GHG analysis indicates that, over the period of 20 years (implementation phase five years, capitalization 15 years), the project yields a small amount of carbon sequestration of -399 tCO_2e. Under the high price of carbon scenario, the EIRR for the entire project is 18.23 percent, and the NPV is approximately US$37.6 million, and under the lower carbon price scenario, the EIRR is 18.21 percent and the NPV is US$37.4 million.

61. **Paris alignment.** The operation is aligned with the goals of the Paris Agreement on both adaptation and mitigation. On mitigation, all activities are universally aligned. Public infrastructure under Subcomponent 1.1., including boreholes and wells equipped with solar pumping systems and rural roads rehabilitated, will not contribute to GHG emissions or deforestation. Providing land tenure services is also not expected to lead to deforestation in the long term given the terrain of the project area. Other activities under Subcomponent 1.2. (improving regulatory and institutional framework for formal organizations, elaboration and adoption of sanitary norms for agri-food commodities to reduce food loss, and providing technical assistance also do not hinder the low carbon development pathway. Subcomponent 1.3. will support climate smart agriculture, which will actively contribute to a reduction in GHG emissions. Component 2 supports climate-smart business plans (BPs) for crop and livestock production using CSA approaches; these BPs will reduce the GHG emissions intensity through energy-efficient investments. On adaptation, the operation's activities are exposed to impacts of identified climate risks (see para 4). Risk reduction measures are integrated to maintain risks at a low/acceptable level: public infrastructure is climate proofed and the delivery of other activities under Component 1 is not materially at risk from climate-related events. Similarly, Component 2 supports climate-responsive business plans and addresses changes in temperature, heat stress, and droughts impacting crop yields, animal husbandry and food availability. This will ensure business sustainability. A special emphasis will also be placed on monitoring activities for climate resilience in particular determining how improving access to water and CSA technologies can build the resilience of climate vulnerable groups.

B. Fiduciary

(i) Financial Management

62. The proposed project will be implemented in accordance with the World Bank's policies and procedures which are standard for the implementation of IPFs. The MAEPE-RH through the PIU will be responsible for project implementation including fiduciary matters. The MAEPE-RH has set in place several implementing units for earlier World Bank-financed projects such as PROLUC (P173702) and PRODERMO (P117355), which are now closed. Their performance has generally been moderately satisfactory.

63. A financial management (FM) assessment of the MAEPE-RH was conducted. Based on this assessment, the financial management risk, as a component of the overall fiduciary risk, was rated as Substantial. With the proposed mitigation measures, including an acceptable financial management system for the PIU, the FM residual risk is estimated as Moderate (refer to Annex 1 for more details about the risks and mitigating measures).

64. The PIU will prepare the following documents: (i) a POM which will include a detailed FM chapter about the roles and responsibilities of all stakeholders; (ii) an Annual Work Plan and Budget (AWPB) which will be in line with the procurement plan; the AWPB will include all components as per the Financing Agreement; it will be submitted no later than January 15 of each fiscal year; and (iii) the periodic project financial reports which will include Interim Unaudited Financial Reports (IFRs) and annual Project Financial Statements (PFSs). The Project financial statements will cover all aspects of the project implementation, such as the use of funds and expenditures incurred; they will be audited annually. The annual reports will be submitted to the World Bank within six months of the end of each fiscal year together with the auditing opinion.

(ii) Procurement

65. **Scope of procurement and capacity.** The project will be implemented through the PIU that will be established within MAEPE-RH two months after the effectiveness date. The PIU will include a procurement officer having experience of Bank project implementation procedures. As per the project procurement strategy for development (PPSD) and procurement plan, the planned procurement-related activities are relatively small in value (mostly below US$500,000 per contract with only two relatively high value contracts works of US$0.9 million and US$1.5 million); and their procurement will be mainly conducted on the national market for goods and works. Procurement procedures for sub-projects will be handled directly by project beneficiary agri-entrepreneurs; these procedures will be simplified to take into account their limited capability.

66. **Procurement risk.** The procurement risk is Substantial at project appraisal stage and it will be further assessed during project implementation. The major risk that exists is the MAEPE-RH’s lack of technical and procurement capacity in preparing quality procurement documents, particularly for works contracts. Risk mitigation measures include: (i) enhancing the procurement and technical capacity in the PIU by assigning qualified technical experts dedicated to the project; and (ii) improving and anticipating procurement planning and sequencing of activities specific to this project. Other procurement risk factors and associated mitigation measures are highlighted in Annex 1.

C. Legal Operational Policies

Legal Operational Policies	Triggered?
Projects on International Waterways OP 7.50	Yes
Projects in Disputed Area OP 7.60	No

67. OP 7.50 is applicable to this Project because the activities will involve the use of groundwater from aquifers connected to the Awash River/Lake Abbe system, Afar Aquifer and the Weima River and its tributaries, which are shared by Djibouti, Ethiopia and Eritrea. The exception to the riparian notification requirement according to paragraphs 7(a) and (b) of the Policy apply. Activities are limited to upgrading and modernization of existing, small-scale schemes which will not adversely change the quantity and quality of water flows to other riparians. The Terms of Reference for the envisaged feasibility studies will require the assessment of any riparian issues. The exception to the notification requirement was approved by the Regional Vice-President of the MENA Region on October 22, 2023.

D. Environmental and Social

68. **The project is assessed to have a Moderate overall environmental and social risk**. The project main environmental and social risks and impacts include risks related to civil works associated with the improvement of rural basic infrastructures. The TA activities will support the strengthening of the regulatory and institutional framework of the agri-food sector thus contributing to the enabling environment for agri-food business resilience. Other environmental risks/ impacts are also linked to water and energy consumption, hygiene and food safety requirements, land and water management, the use of pesticides, manure and veterinary waste management. Social risks are mostly associated with beneficiary selection and eligibility criteria for project activities related to technical assistance, including poorly designed process, elite capture, lack of transparency and potential for exclusion of poor or vulnerable individuals from the project, risks associated with child and migrants working in the agriculture sector, through the financing of agricultural investment initiatives. The project will not entail any major civil works or induce labor influx. The project has been screened for Sexual Exploitation and Abuse/ Sexual Harassment (SEA/SH) risks, which are rated as low.

69. In order to manage the risks listed above, the MAEPE-RH has prepared a first draft of the Environmental and Social Management Framework (ESMF) that will apply to all project activities, and outlines: (a) the screening procedures to select and assess the environmental and social (E&S) risks of the civil works to be financed under Component 1 or the sub-projects to be financed under Component 2; (b) the E&S mitigation measures, such as Environmental and Social Management Plans (ESMPs); (c) a list of E&S clauses to be included in the bidding documents; (d) an E&S supervision checklist; (e) the Code of Conduct for all direct project workers; (f) the grievance mechanism; (g) the feedback tools from consultations; (h) the E&S Capacity Building requirement for MAEPE-RH staff and the beneficiaries under Component 2. The ESMF also includes an exclusion list with activities that might lead to substantial impacts on critical habitats, biodiversity or ecosystems, sub-projects that require land acquisition, or trades for which environmental and social risks are difficult to manage, such as tanneries and a due diligence to assess the risks of child and forced labor. Finally, the ESMF also outlines the eligibility criteria for benefitting from the Capital Endowment Contribution and from technical assistance activities, and how this information will be communicated to potential beneficiaries/applicants. The preparation and adoption of the ESMF is an effectiveness condition.

70. The project will ensure that consultancies, studies, capacity building, training and any other TA activities are carried out in accordance with the relevant requirements of the Environmental and Social Framework (ESF). Any outputs from the TA activities, including, any E&S assessments, shall also be consistent with the ESF. These requirements are captured in the Environmental and Social Commitment Plan (ESCP) as well as requirements to build the capacity of the

regional institutions on the ESF. The ESMF which include Labor Management Procedures (LMP) has ensured proper consultation with project beneficiaries and is accompanied by a Stakeholder Engagement Plan (SEP).

V. GRIEVANCE REDRESS SERVICES

71. **Citizen Engagement.** The project will be beneficiary oriented. It will use three pathways to conduct the citizen engagement (CE) activities. The first CE pathway involves the required consultations with all beneficiaries during the entire project life cycle. This was done during preparation and appraisal through the ESF assessment in particular; it will be pursued during implementation and closing through the customized iterative beneficiary monitoring system. Consultation activities with regard to the project's specific activities; regular feedback will be provided to beneficiaries regarding consultation results to close the feedback loop. The second CE pathway is the GRM: the project will establish an effective and efficient GRM with the capacity to receive and respond on time to grievances. The third CE pathway considered involves collecting, recording, and reporting on inputs received from beneficiaries through beneficiary satisfaction surveys. The project will explore ways to get beneficiaries involved in the administration of these surveys, including securing their collaboration, providing them with oversight responsibilities and giving them the attendant resources and decision-making powers, particularly in the context of such activities as the strengthening of producer organizations and the development of business plans. The corresponding beneficiary feedback indicators in the RF will be "direct beneficiaries expressing satisfaction with the project" and "grievances addressed within a four-week period" The SEP will elaborate in detail on the proposed CE approaches.

72. **Grievance Redress Service (GRS).** Communities and individuals who believe that they are adversely affected by a project supported by the World Bank may submit complaints to existing project-level grievance mechanisms or the Bank's GRS. The GRS ensures that complaints received are promptly reviewed in order to address project-related concerns. Project affected communities and individuals may submit their complaint to the Bank's independent Accountability Mechanism (AM). The AM houses the Inspection Panel, which determines whether harm occurred, or could occur, as a result of Bank non-compliance with its policies and procedures, and the Dispute Resolution Service, which provides communities and borrowers with the opportunity to address complaints through dispute resolution. Complaints may be submitted to the AM at any time after concerns have been brought directly to the attention of Bank Management and after Management has been given an opportunity to respond. For information on how to submit complaints to the Bank's Grievance Redress Service (GRS), visit http://www.worldbank.org/GRS. For information on how to submit complaints to the Bank's Accountability Mechanism, visit https://accountability.worldbank.org

VI. KEY RISKS

73. **The overall risk to project implementation is rated Substantial**: (a) *Technical Project Design* risk is rated Substantial on the following bases: (i) direct support to private entrepreneurs in the agri-food sector is a departure from the past policies in the rural sector; this risk will be mitigated *inter alia* through technical assistance supporting agri-food entrepreneurs to prepare bankable business plans; and (ii) in order to be successful the project will require a leap forward in terms of advanced technology; this risk will be mitigated by promoting the use of innovations; (b) *Institutional Capacity for Implementation and Sustainability:* the risk is Substantial due to the limited experience of implementing entities; to mitigate this risk the project will provide institutional support to partner entities, through specialized TA services and a strong PIU; (c) *Fiduciary*: the risk is Substantial owing to the fact that the project will involve the negotiation and implementation of complex contracts, including infrastructure works and technical assistance contracts; the risk will be reduced by providing strong PIU expertise to bring to bear on the related activities; (d) *Stakeholders*: the rating is

Substantial due to the following: (i) weak organization of value chains; this risk will be mitigated by appropriate measures to be taken during project implementation to address flaws in the regulatory framework regarding farmers' organizations in the agri-food sector, and (ii) possible reluctance of financial institutions to lend to the agri-food investors; this risk will be mitigated by providing TA assistance to commercial banks to acquire better knowledge of the agri-food sector; and (e) *other risks*: insufficient interest and capacity of investors to prepare bankable sub-projects; this risk will be mitigated by providing TA support to agri-food entrepreneurs to prepare solid bankable sub-projects.

Risks are Moderate regarding political/ governance, economic and sector strategies and policy matters, as well as environmental and social impact considerations: (i) the country's macro political situation, as well as the general governance outlook, are considered satisfactory, and should not impact negatively on project implementation; (ii) general strategies and policies in the agricultural sector in Djibouti are on the right track as indicated in the last Bank ASA report (2021) on the rural sector[43]; and (iii) a Summary Climate and Disaster Risk Screening Report has been completed for the project, which rates the climate hazard and disaster risk as Moderate; in addition, given the small size of FAR-financed sub-projects their social and environmental footprint is expected to be minimal and easily taken care through appropriate measures; the measures to be adhered to will be included in the POM

[43] The Government is heeding the World Bank ASA recommendations to focus on growth poles and shifting the development paradigm to supporting viable private SMEs through Capital Endowment Contributions as opposed to supporting broad socio-economic development through micro-projects and cash transfers.

VII. RESULTS FRAMEWORK AND MONITORING

PDO Indicators by PDO Outcomes

Baseline	Period 1	Period 2	Period 3	Period 4	Closing Period
Increased competitiveness of agri-food value chains in project targeted areas					
Increase in sales of the agri-food investors in the targeted value chains (Percentage)					
Dec/2023	Dec/2024	Dec/2025	Dec/2026	Dec/2027	Dec/2028
0	0	0	15	25	30
Increased resilience of agri-food value chains in project targeted areas					
Producers and agri-food investors adopting climate smart agriculture technologies/practices (Number)					
Dec/2023	Dec/2024	Dec/2025	Dec/2026	Dec/2027	Dec/2028
0	0	0	200	0	640
➢Of which youth (Percentage)					
0	0	0	30	0	30
➢Of which women (Percentage)					
0	0	0	30	0	30
Producers and agri-food investors reached with agricultural assets or service (Number)					
Dec/2023	Dec/2024	Dec/2025	Dec/2026	Dec/2027	Dec/2028
0	0	250	500	1000	1500
➢Of which women (Percentage)					
0	0	30	30	30	30
➢Of which youth (Percentage)					
0	0	30	30	30	30

Intermediate Indicators by Components

Baseline	Period 1	Period 2	Period 3	Period 4	Closing Period
Public infrastructure and services for agri-food value chain development					

Area equipped with public infrastructures developed/rehabilitated for agri-food investment (Hectare(Ha))					
Dec/2023	Dec/2024	Dec/2025	Dec/2026	Dec/2027	Dec/2028
0	0	0	20	50	100
Legal/regulatory instruments for the agri-food sector revised/updated/developed (Number)					
Dec/2023	Dec/2024	Dec/2025	Dec/2026	Dec/2027	Dec/2028
0	0	0	2	4	6
Training days on sustainable agri-food system (Number)					
Dec/2023	Dec/2024	Dec/2025	Dec/2026	Dec/2027	Dec/2028
0	0	960	1920	2880	3840
➢Of which for women (Percentage)					
0	0	30	30	30	30
➢Of which for youth (Percentage)					
0	0	30	30	30	30
Support to agri-food investment and access to financing					
Business plans developed with project support (Number)					
Dec/2023	Dec/2024	Dec/2025	Dec/2026	Dec/2027	Dec/2028
0	0	0	25	70	100
➢Of which by women (Percentage)					
0	0	0	30	30	30
➢Of which by youth (Percentage)					
0	0	0	30	30	30
Subprojects financed by the Project (Number)					
Dec/2023	Dec/2024	Dec/2025	Dec/2026	Dec/2027	Dec/2028
0	0	10	40	80	80
➢Of which for women (Percentage)					
0	0	30	30	30	30
➢Of which for youth (Percentage)					
0	0	30	30	30	30
Sub-project beneficiaries who have implemented 80 percent of their business plan (Number)					
Dec/2023	Dec/2024	Dec/2025	Dec/2026	Dec/2027	Dec/2028
0	0	0	20	55	80
➢Of which women (Number)					
Dec/2023	Dec/2024	Dec/2025	Dec/2026	Dec/2027	Dec/2028
0	0	0	6	16	24

➢Of which youth (Number)					
Dec/2023	Dec/2024	Dec/2025	Dec/2026	Dec/2027	Dec/2028
0	0	0	6	16	24
Private capital mobilization (Amount(USD))					
Dec/2023	Dec/2024	Dec/2025	Dec/2026	Dec/2027	Dec/2028
0	0	225000	900000	1800000	1800000
Share of business plans incorporating CSA technologies or practices for climate adaptation and/or mitigation (including FLW) (Percentage)					
Dec/2023	Dec/2024	Dec/2025	Dec/2026	Dec/2027	Dec/2028
0	100	100	100	100	100
Women-led sub-projects benefitting from a 10 percentage reduction on the personal down payment (Number)					
Dec/2023	Dec/2024	Dec/2025	Dec/2026	Dec/2027	Dec/2028
0	0	0	6	16	24
Project management					
Grievances addressed within 4 weeks period (Percentage)					
Dec/2023	Dec/2024	Dec/2025	Dec/2026	Dec/2027	Dec/2028
0	100	100	100	100	100
Direct beneficiaries expressing satisfaction with the Project (Percentage)					
Dec/2023	Dec/2024	Dec/2025	Dec/2026	Dec/2027	Dec/2028
0	0	0	75	0	75
Contingent Emergency Response Component					
Time required for the government to start releasing the CERC funds (Weeks)					
Dec/2023	Dec/2024	Dec/2025	Dec/2026	Dec/2027	Dec/2028
0	4	4	4	4	4

Monitoring & Evaluation Plan: PDO Indicators by PDO Outcomes

PDO Indicators

PDO Outcome 1: Increased competitiveness of agri-food value chains in project targeted areas	
Increase in sales of agri-food entrepreneurs in the targeted value chains (Volume)	
Description	Average percentage increase in sales volume of the agri-entrepreneurs supported by the project in the targeted value chains and as a result of project support; disaggregated by women and youth
Frequency	Yearly
Data source	Sub-projects data collected by the PIU/MAEPE-RH (with the support of TA)
Methodology for Data Collection	Direct data collection of the financed sub-projects
Responsibility for Data Collection	PIU/MAEPE-RH

PDO Outcome 2: Increased resilience of agri-food value chains in project targeted areas	
Producers and agri-food entrepreneurs adopting climate smart agriculture technologies/practices (Number)	
Description	Number of direct beneficiaries supported by the project who adopted climate smart technologies or practices; disaggregated by women and youth. CSA is defined as approaches in agriculture that aim to: (i) sustainably increase agricultural productivity and incomes; (ii) adapt to and build resilience to climate change; and (iii) reduce and/or remove greenhouse gas emissions, where possible. These three objectives are referred to as the CSA pillars.
Frequency	At mid-term and end-of-project
Data source	Surveys conducted by the PIU/MAEPE-RH
Methodology for Data Collection	Surveys of entrepreneurs, cooperatives, associations etc., who benefitted from Project support
Responsibility for Data Collection	PIU/MAEPE-RH
Producers and agri-food entrepreneurs reached with agricultural assets or services (Number)	
Description	Number of direct beneficiaries that benefitted from agricultural assets and services supported by the project; disaggregated by women and youth
Frequency	Every 6 months
Data source	Data collected by the PIU/MAEPE-RH
Methodology for Data Collection	Collection of data from direct project beneficiaries of activities/services supported by the Project
Responsibility for Data Collection	PIU/MAEPE-RH

Intermediate Indicators by Components

Component 1: Public infrastructure and services for agri-food value chain development	
Area equipped with public infrastructures developed/rehabilitated for agri-food investment (Hectare)	
Description	Area developed/rehabilitated for agri-food investments (access to water, connectivity, and land preparation) with project support
Frequency	Yearly
Data source	Documentation of the PIU/MAEPE-RH
Methodology for Data Collection	Site visits
Responsibility for Data Collection	PIU/MAEPE-RH
Legal/Regulatory instruments for the agri-food sector revised/updated/developed (Number)	
Description	Number of legal/regulatory documents revised/updated/developed for the agri-food sector with Project support, such as (1) organization of cooperatives, 2) economic organization of value chains, 3) food quality standards, 4) sanitary standards, 5) issuance of land use authorizations, and 6) quality labelling.
Frequency	Yearly
Data source	Documentation of the PIU/MAEPE-RH, ADN, LANAA
Methodology for Data Collection	Regulatory documents finalized with project support
Responsibility for Data Collection	PIU/MAEPE-RH
Training days on sustainable agri-food system (Number)	
Description	Trainings (in number of days) on CSA practices and technologies; food safety and food loss and waste reduction; access to market, entrepreneurship, etc. organized with Project support; disaggregated by women/youth. CSA is defined as approaches in agriculture that aim to: (i) sustainably increase agricultural productivity and incomes; (ii) adapt to and build resilience to climate change; and (iii) reduce and/or remove greenhouse gas emissions, where possible. These three objectives are referred to as the CSA pillars.
Frequency	Every 6 months
Data source	Documentation of TA and PIU/MAEPE-RH
Methodology for Data Collection	Training attendance lists
Responsibility for Data Collection	PIU/MAEPE-RH, TA

Component 2: Support to agri-food investment and access to financing
Business plans developed with project support (Number)

Description	Number of business plans developed with project support; disaggregated by women and youth
Frequency	Every 6 months
Data source	Documentation of TA, reports of the SPSC
Methodology for Data Collection	PIU collect and check data from TA
Responsibility for Data Collection	PIU/MAEPE-RH, TA
Sub-projects financed by the Project (Number)	
Description	Number of subprojects financed by the Project, disaggregated by women and youth beneficiaries.
Frequency	Every 6 months
Data source	Documentation of TA, SPSC meetings reports
Methodology for Data Collection	Review of the reports from TA/SPSC/information from Banks
Responsibility for Data Collection	PIU/MAEPE-RH, TA
Sub-project beneficiaries who have implemented 80 percent of their business plan (Number)	
Description	Number of sub-project beneficiaries who have implemented 80 percent (in value) of their business plan; disaggregated by women and youth
Frequency	Yearly
Data source	Documentation of TA
Methodology for Data Collection	Data collected from agri-food investors that received the CEC by the Project
Responsibility for Data Collection	PIU/MAEPE-RH, TA
Private capital mobilization (US$)	
Description	Amount (in US$) of private capital mobilized (both contributions by beneficiary and commercial bank or equivalent by the Project
Frequency	Yearly
Data source	Documentation of TA
Methodology for Data Collection	Data collected by TA
Responsibility for Data Collection	PIU/MAEPE-RH, TA
Share of business plans incorporating CSA technologies or practices for climate adaptation and/or mitigation (including FLW) (Percentage)	
Description	All the business plans submitted for financing by the Project, will incorporate incorporating CSA technologies or practices for climate adaptation and/or mitigation. CSA is defined as approaches in agriculture that aim to: (i) sustainably increase agricultural productivity and incomes; (ii) adapt to and

	build resilience to climate change; and (iii) reduce and/or remove greenhouse gas emissions, where possible. These three objectives are referred to as the CSA pillars.
Frequency	Yearly
Data source	Documentation of TA
Methodology for Data Collection	Data collected by TA
Responsibility for Data Collection	PIU/MAEPE-RH, TA
Women-led sub-projects benefitting from a 10 percentage reduction on the personal downpayment (Number)	
Description	Women-led sub-projects benefitting from a 10 percent reduction on their personal downpayment
Frequency	Yearly
Data source	Documentation of TA
Methodology for Data Collection	Data collected by TA
Responsibility for Data Collection	PIU/MAEPE-RH, TA

Component 3: Project management	
Grievances addressed within a four week period (Number)	
Description	Complaints received through the established Grievance Redress Mechanism are addressed
Frequency	Every 6-months
Data source	Project's Grievance Redress Mechanisms databases
Methodology for Data Collection	GRM, Support missions, site visits
Responsibility for Data Collection	PIU/MAEPE-RH, TA
Direct beneficiaries expressing satisfaction with the Project (Percentage)	
Description	Percent of direct beneficiaries expressing satisfaction with the Project; disaggregated by women and youth
Frequency	At mid-term and end-of-project
Data source	Surveys conducted by the PIU/MAEPE-RH
Methodology for Data Collection	Surveys of direct project beneficiaries
Responsibility for Data Collection	PIU/MAEPE-RH

Component 4: Contingent Emergency Response Component

Time required for the government to start releasing the CERC funds (Number)	
Description	Four-week target for the Government to start the release of funds for an eligible crisis/emergency with starting being the date when funds available at the MEFI.
Frequency	Triggered only in case of CERC activation
Data source	Report crisis management agency designated by the Government
Methodology for Data Collection	Consultation of the report
Responsibility for Data Collection	PIU/MAEPE-RH

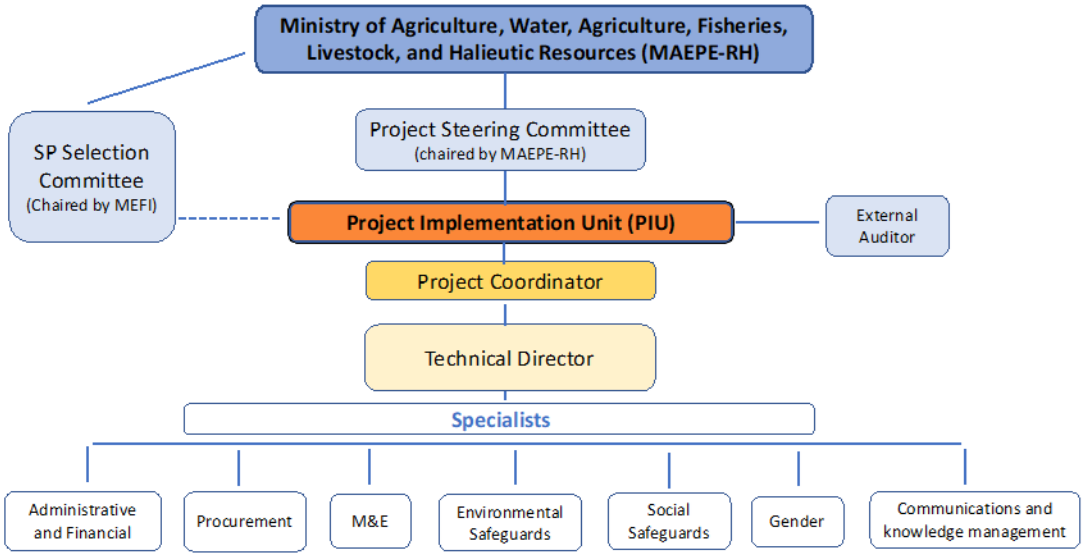
ANNEX 1: Implementation Arrangements and Support Plan

COUNTRY: Republic of Djibouti
Djibouti Agri-Food Value Chain Development Project

I. INSTITUTIONAL AND IMPLEMENTATION ARRANGEMENTS

1. Figure A1.1 below depicts FAR's overall organizational arrangements.

Figure A1.1 Overview of FAR's Organizational Arrangements



Project Implementation Unit (PIU)

2. Located at the MAEPE-RH, the PIU will report to the General Secretary of the Ministry and serves as focal point for the Project and liaison with external project interlocutors namely the relevant ministries and the World Bank. The PIU will be staffed with key personnel as illustrated in Figure A1.1 and will be responsible for the day-to-day project management, including: (a) Budget: preparation and implementation of the Annual Work Plan and Budget; (b) Technical: overseeing the implementation of contracts and agreements under the FAR, as well as sub-project implementation; (c) M&E: organize data collection to inform the project's RF and administer periodic special surveys to evaluate the project impact; (d). Safeguards: ensuring that the project safeguard requirements are duly complied with; and (e) Communication/ Knowledge management including ensuring that project activities are well understood by potential beneficiaries and facilitating two-way communications between the project and

beneficiaries. The PIU will be responsible for issuing six-monthly Progress Reports and comprehensive Annual Reports. The PIU's detailed responsibilities and composition (including the ToRs of the core staff) will be described in the POM. Sharing of services between the PIUs established for various projects at the MAEPE-RH and the FAR PIU will be sought after so that certain PIU positions will only be occupied part-time. The establishment of the PIU will be a dated covenant within two months of project effectiveness.

Project Steering Committee (PSC)

3. The PSC will be chaired by the MAEPE-RH and will comprise the key ministries and public and private entities involved in project activities, including the MEFI, MFF, MdD, ANPI, CLE, and CCD. Its overall function is to give overall strategic implementation guidance to project management, so that project implementation conforms with the requirements of the Financing Agreement and operational modalities as defined by the POM. It will approve the main activities for the period under consideration and ensure that they are aligned with the PDO. This will be done through the PSC's major task of vetting and approving the AWPB. The PSC will also consider and approve the main orientations governing project implementation in terms of project technical and financial execution. Finally, the PSC will address any major technical, financial and socio-environmental issues raised during project implementation and ensure that due communication is established on these issues with project constituencies.

4. The PSC will meet twice yearly and whenever a meeting is needed to address specific issues. The FAR's PIU will provide secretarial assistance to the PSC. The detailed modalities governing the operation of the PSC will be provided in the POM. The preparation and adoption of the POM is an effectiveness condition.

Sub-Project Selection Committee (SPSC)

5. The SPSC will be the key body to vet and approve the sub-project proposals presented for financing under Component 2 of FAR. It will be chaired by the Minister MEFI and its membership will include: MAEPE-RH, together with all entities involved in agri-food development in Djibouti, i.e. CLE, ANPI, CCD and ADDS, as well as the Banking Association and the FGPC. The CEC manual will define the modalities for the implementation of the sub-component, including eligibility criteria. Priority will be given to sub-projects related to the targeted value chains and located in the selected growth poles where the FAR -financed public infrastructure will be implemented. The TA firm to be recruited to identify eligible investors and support the preparation of business plans will assist in the submission of sub-projects for SPSC approval.

6. The SPSC will typically meet every semester once the project has attained the steady state activity level, or more often as may be justified by the level of sub-project activities. The PIU will take responsibility for the secretariat of the committee. The CEC manual will list the detailed modalities governing the operation of the CEC, such as the decision steps and modus operandi of the SPCS and the sub-project selection criteria to be adhered to. The preparation of the CEC manual is a disbursement condition for Sub-Component 2.2.

II. FINANCIAL MANAGEMENT

7. **Fiduciary risk.** The MAEPE-RH's Financial Management (FM) assessment was conducted by the Bank FM team as part of project preparation. Based on this assessment, the FM risks, as a component of fiduciary risk, were rated as Substantial. The following risks were identified: (a) complexities of the project activities which include funding of an array of goods and services such as infrastructure works,

technical assistance and grants to agri-food investors; (b) the MAEPE-RH does not have a full financial management team ready to work on the proposed project as they also work for other Bank and external-funded projects; (c) the accounting software (Ciel Compta) that MAEPE-RH uses does not meet the requirements of Bank projects; (d) MAEPE-RH must adapt its financial and accounting processes and manuals specifically to project operations to meet the requirements of the Bank; and (e) the Supreme Audit Institution (SAI) mandated to audit public institutions including MAEPE-RH has limited human capacity.

8. **Risk mitigation measures**. The following mitigation measures are proposed to address the above weaknesses: (a) dedicate to the project a full time Financial Officer and team who will have experience in executing Bank financed project; (b) customize the existing financial software to adhere to Bank requirements; (c) Interim Financial Reports (IFRs) will be submitted to the World Bank no later than 45 days after the end of each quarter; and (d) the PIU will contract an independent external auditor under Terms of Reference (ToRs) acceptable to the Bank, to audit the Project Financial Statements (PFSs). and (e) the PIU will develop a POM containing a chapter on financial management; similarly it will develop a CEC manual that will detail the CEC disbursement conditions and modalities. With the proposed mitigation measures, the PIU will be able to meet financial management requirements, and the consequent FM residual risk will be Moderate.

9. **Financial Management Arrangements**[44]. The PIU will prepare an AWPB aligned with the procurement plan and attendant disbursement plan. The AWPB will include all components as per the Financing Agreement and will be submitted by no later than January 15 of each fiscal year. The PIU will also be responsible for preparing Project financial reports that will include unaudited Interim Financial Report (IFRs) and annual Project Financial Statements (PFSs).

10. Capital Endowment Contributions: the investors benefiting from the CEC will need to maintain a minimum acceptable arrangement in financial management which will include simplified recording of transactions and production of simplified periodical financial statement, the content and format of the reports will be agreed upon and included in the CEC Manual The investors will need to open a bank account to receive the funds from the project. The investors will be supported and guided by the TA firm to be recruited under the project in terms of compliance with the financial management requirement and will submit the simplified periodical statements to the PIU. The financial statement will be audited by the external auditor recruited for the project.

11. The project financial statements will be audited annually by an independent external auditor. They will cover all aspects of the project implementation, and attendant use of funds and expenditures incurred. The audit will also cover financial operations, internal control and financial management systems, as well as a full review of the statements of expenditures.

Governance and corruption

12. Fraud and corruption can negatively impact project resources, which in turn negatively impacts project results. The proposed fiduciary arrangements, including the use of a ring-fenced system and current on-going project staff, a POM with a detailed FM chapter, and reporting, audit and review arrangements, should address the risks of fraud and corruption that could have a material impact on project results.

[44] The proposed project will be implemented in accordance with the World Bank's policies and procedures which are standard for the implementation of IPFs.

III. DISBURSEMENT

13. Project funds will be disbursed out of the Project Designated Account (PDA) established at a commercial bank as is the case for other Bank-funded projects. The PIU will prepare periodically withdrawal requests to replenish the PDA account. The account will be subject yearly to an external audit.

14. The PDA will serve to make payments for all eligible project expenditures including the payment of the Capital Endowment Contributions (CECs) to project-supported investors. The CECs will be disbursed as agreed in the contractual arrangements between the investors and FAR. The funds will be transferred directly from the PDA account to the investors' accounts with the cooperating commercial banks after these have issued the loans as mandated in the agreed disbursement procedures. The commercial banks will not be involved as financial intermediaries in the CEC disbursement transactions, and hence the ESS9 requirement will not be triggered.

IV. PROCUREMENT

15. **Procurement documents**[45]. The World Bank's latest Standard Procurement Documents (SPDs) will be used for procurement of goods, works, and non-consulting services while approaching both the international and national market as in application for other projects of the country portfolio. For the selection of Consultants, the World Bank's Standard Request for Proposals (RfP) shall be used. When other national procurement arrangements (other than national open competitive procurement) are applied by the Borrower (such as request for quotations/shopping or direct contracting), such arrangements will be consistent with the World Bank's Core Procurement Principles and ensure that the World Bank's Anti-Corruption Guidelines and Sanctions Framework, as well as contractual remedies set out in the project's Financing Agreement apply. Procurement procedures will give due attention to quality aspects.

16. **Project Procurement Strategy for Development (PPSD) and procurement plan**. The PPSD and procurement plan, prepared by the Client with support from the World Bank shows that procurement will involve: (a) consulting services for technical assistance; (b) some civil works mainly for the public investment program under Component 1; (c) small goods including vehicles, computers and office furniture. Most of these procurement activities are suited for the national market, including procurement by CEC beneficiaries which will be done directly by them following simplified procurement procedures. Only some consultant services are expected to need to approach the international market. The initial procurement plan prepared for the first 18 months identified 36 contracts in total amount of about US$6 million. There are no procurement activities that require complex arrangements or review by Operational Procurement Review Committee (OPRC).

17. **Procurement capacity and risk assessment**. The project will be implemented by the PIU of the MAEPE-RH that will be established with staff having experience of procurement procedures in implementing other World Bank-financed projects. The PIU will be adequately staffed with a procurement officer. Key procurement risks identified during project preparation include (a) inadequate technical and procurement capacity in preparing quality procurement documents, particularly for works contracts; (b) limited contract management capacity;(c) inadequate coordination with agri-food entrepreneurs on sub-projects; and (d) flawed use of contract management module of Systematic

[45] Procurement will be carried out in accordance with the World Bank's 'Procurement Regulations for IPF Borrowers'. All documents are available on the World Bank external website: www.worldbank.org/procurement/standard documents.

Tracking of Exchanges in Procurement (STEP). Some of the risk mitigation measures will be: (a) enhancing the procurement and technical capacity in the PIU by assigning qualified technical experts dedicated to works related activities; (b) improving contract management capacity; (c) close follow up and coordination of sub-projects; (d) providing procurement training including training on STEP; and (e) improving and anticipating procurement planning and sequencing of activities specific to this project. The overall procurement residual risk is rated "Substantial".

V. STRATEGY AND IMPLEMENTATION SUPPORT PLAN

18. **Core implementation support missions**:

a) *Implementation Support Missions* (ISMs). The World Bank Task Team will conduct regular semi-annual implementation support missions to review overall FAR implementation performance and progress toward the achievement of the PDO. The appropriate technical expertise will be mobilized whenever needed especially with regard to new technologies that are required to address the technical challenges of agriculture in Djibouti, e.g., climate smart techniques, water conservation, use of appropriate practices for land clearing, etc. Adequate project M&E will also be carefully supported;

b) *Mid-Term Review* (MTR). A MTR will be carried out mid-way in the implementation phase. It will include a comprehensive assessment of the progress in achieving FAR's PDO results as laid out in the Results Framework. The MTR will also serve as a platform for revisiting design issues that may require adjustments to ensure satisfactory achievement of the project's objectives; and

c) *Implementation Completion Mission* (ICM). At the close of the project, the World Bank will carry out a special implementation completion review to assess project results and outcomes and draw lessons from its implementation.

19. **Technical Assistance Missions.** Implementation support will include technical support from the World Bank, and possibly other technical service providers for critical aspects of the project, such as ensuring proper financial management/ procurement, as well as for monitoring social and environmental safeguards. The objective of the technical support will be to help the national project team to take up good practices and to resolve implementation bottlenecks as they are identified during ISM missions. Technical assistance will include training support for PIU staff; help to finalize manuals; and review of terms of reference for required studies and technical support missions.

ANNEX 2: Detailed Project Description

COUNTRY: Republic of Djibouti

Djibouti Agri-Food Value Chain Development Project

PROJECT OBJECTIVES AND SCOPE

1. **Project Development Objective.** The Project Development Objective (PDO) is '*to improve the competitiveness and the resilience of selected agri-food value chains in the areas targeted by the project*'. The project follows a broad approach to agri-food sector development with a focus on selected growth poles and targeted value chains, taking into account the need to combine the provision of critical public goods and services to support value chain development and tailored support to investors to achieve results. This will be done with a focus on advanced technologies making possible the required productivity increase to successfully address agriculture challenges, addressing environmental and climate constraints which are especially harsh in the context of rural Djibouti.

2. **Project long term objectives**. The long-term objectives which govern project design (per the Theory of Change) relate to the following national priorities for agri-food sector development supported by IDA: (i) improving the country's food security situation, including by substituting food imports (90 percent of foodstuffs are imported, mainly from Ethiopia); (ii) diversifying the economy and supporting growth poles based on regional agricultural potential; and (iii) reducing rural poverty.

3. **Project scope.** The project will address the critical constraints faced by agri-food value chains with a focus on growth poles where infrastructure investments will be concentrated. The public investment program for the development of infrastructure services (access to water, land preparation, and connectivity to markets) will focus as a priority on the three regional growth poles that have potential for agri-food value chain development with the purpose of attracting investors (see Box A2.1). The other activities aiming to improve the enabling environment for value chain development (enhancement of the regulatory and institutional framework, and awareness campaigns and training) will serve the targeted value chains and potential investors nationwide. The private support program (support to potential investors for the development of their business plans and access to funding) will be nationwide in scope as well, i.e., potential investors will be eligible without restriction across the entire national territory to the extent they respond to the selection criteria, develop bankable business plans and secure access to commercial bank funding.

> **Box A2-1: Growth poles and value chains** (see details in Appendix A2-1)
> The Government's strategy is to concentrate efforts (such as infrastructure support) on 'growth poles' that have potential for the development of agri-food value chains with the purpose of attracting investors in these growth poles. The following development zones are targeted as part of the government strategy on the basis of their agri-food potential: (i) Northern Zone: Tadjourah and Obock regions; (ii) Southern Zone: Dikhil and Ali Sabieh regions; and (iii) Central Zone: Arta region, as well as Djibouti city peri-urban area. Table A2-3 presents the selected growth poles within the above-mentioned zones, and their potential and challenges for the project-targeted value chains. The growth poles were selected based on the following main criteria: weather conditions, availability of land suitable for production, access to water, road connectivity and access to markets, presence of organized producer groups/cooperatives, presence of 'champions' already producing, and percentage of women and youth active in the agri-food sector.

PROJECT DESCRIPTION

4. The project is structured in two technical components, a project management component, and a Contingent Emergency Response Component (CERC) formulated as follows with corresponding IDA financing: (a) *Component 1*: Public infrastructure and services for agri-food value chain development (US$10.0 million); (b) *Component 2*: Support to agri-food investment and access to financing (US$3.6 million); (c) *Component 3*: Project Management (US$1.4 million); and (d) *Component 4:* CERC (US$0.0 million). The description of the four components is presented below; detailed activities are in the project files, and operational modalities will be provided in the Project Operational Manual (POM).

5. **Sequencing and internal coherence of project activities.** Component 1 and 2 activities will be implemented in close liaison to ensure that their activities are adequately synchronized and reinforce the project internal coherence. Under Component 1, FAR will support a program of public infrastructure investments intended to establish the basic operational conditions for value chain development with a focus on the targeted growth poles. Furthermore, Component 1 will undertake sensitization campaigns focused on presenting the targeted value chains and related FAR activities to the larger public as well as nation-wide generic training sessions. These nation-wide activities will be undertaken quickly following project inception with the support of a TA team. In addition, another TA team will be recruited under Component 2 comprising 'coaches' in each region. These coaches will identify potential investors among the pool of training participants under Component 1 as well as outside of the pool training participants that are eligible for business development support and could eventually qualify for subsequent financial support under the project.

Component 1: Public infrastructure and services for agri-food value chain development (US$10.4 million of which IDA US$10.0 million and Government US$0.4 million)

6. Component 1 aims at creating an enabling environment for the development of agri-food value chains, in terms of climate proof and energy efficient infrastructure, regulatory measures, and adaptation and diffusion of the technologies required to address the harsh production conditions. This will be done through public intervention facilitating the development of agri-food investments specifically for those supported by the project under Component 2, as well as to respond to the need to develop potentialities under the government growth pole approach. Component 1 will be implemented by the PIU at the MAEPE-RH through various contracts and/or agreements with both public entities and private firms.

Sub-component 1.1: Public infrastructure services and feasibility studies (US$6.7 million of which IDA US$6.5 million and Government US$0.2 million)

7. Sub-Component 1.1 will finance public investments that aim at supporting the selected growth poles that have potential, as well as the Public Private Investments (PPIs) earmarked for funding in the national investment program. They will also aim to serve the needs of FAR investors supported under Component 2.

8. Sub-Component 11.1 consists of two interrelated activities:

a) *Public investment program*: This activity focuses on the critical public investments intended to attract and facilitate the value chain activities in the growth poles and the establishment of Public-Private Investments (PPIs), namely: (i) 13 boreholes to get the irrigation water required to cultivate plants and raise animals (including solar pumping systems)[46]; this water will be pumped from underground aquifers and stored above ground, as precipitations in rural Djibouti are

[46] Investments in boreholes will be based on hydrological studies and only conducted if sustainable water usage is guaranteed.

extremely low and runoff is high; (ii) 6.5 km of rural roads and tracks to connect production areas to the feeder road network and onward urban markets; and (iii) 40 hectares of land preparation (stone removal, and construction of fences with the stones); and

b) *Background studies*: This activity focuses on (i) feasibility studies and preparation of national projects (in particular the PPIs for phoeniciculture (date production) in Hanlé, irrigated perimeter of the Barrage de l'Amitié, and the demonstration greenhouse at Damerjog); and (ii) background studies for the characterization of the selected growth poles (with focus on hydrogeological and soil analysis aspects) to address climate change impacts; part of these studies will be undertaken domestically, potentially by such entities as CERD in collaboration with the University of Djibouti and external partners**.**

Sub-Component 1.2: Regulatory and institutional framework (US$1.1 million of which IDA US$1.0 million and Government US$0.1 million)

9. Sub-Component 1.2 aims to improve the public regulatory framework of the agri-food sector so that it is better tailored to address the needs of private investors in the sector, and to strengthen key associated institutions involved in the agri-food sector. Sub-Component 1.2 consists of two activities.

10. *Revision and development of the regulatory framework*. This sub-component focuses on the provision of Technical Assistance (TA) for the following activities: (a) improving the regulatory and institutional framework for the formal organization of the agri-food sector[47]; (b) providing support to land tenure services[48]; (c) elaborating and adopting sanitary norms for agri-food products to reduce food waste and loss and increase competitiveness[49]; and (d) developing procedures and specification for quality labelling of agri-food products (organic, kosher, country of origin, etc.). The above will be done through technical assistance.

11. *Strengthening of FAR's partner institutions*. This activity is intended to provide Technical Assistance, equipment and training in the field of food safety and quality norms for two institutions: (a) the Djibouti Agency for Standards and Quality (*Agence Djiboutienne des Normes et de la Qualité,* ADN), for the quality labelling strategy for agri-food products of domestic origin; and (b) the National Laboratory for the Analysis of Food Supply (*Laboratoire d'Analyse National de l'Approvisionnement Alimentaire*, LANAA) for the sanitary control of agri-food products.

12. *Supporting MEFI's programmatic approach to the agri-food sector.* The project will finance the development of a programmatic approach to the sector development by: (a) preparing a strategy blueprint building on the Government's development vision for the sector as outlined in the Dakar 2 Pact documents; (b) organizing a round table to lay the groundwork for coordination of donor and private sector partners; and (c) developing an action plan based on the pledges and commitments made at the round table, including detailed institutional arrangements to move forward with the sector programming approach, as well as the related monitoring and evaluation. In addition, the project will finance a study

[47] This would, for example, include revising the status of agricultural cooperatives and introducing regulations for economic organization of value chains.
[48] This activity will focus on assisting the land registration authorities to issue authorizations to agri-food investors to access arable land.
[49] The reduction of food loss and waste (FLW) will result in the reduction in GHG emissions; it is estimated that regulatory work in the agri-food sector could contribute up to 1/3rd reduction in FLW.

to identify the possibilities that the FAR PIU would share services with other PIUs existing at the MAEPE-RH.

Sub-Component 1.3: Innovation support (US$2.6 million of which IDA US$2.5 million and Government US$0.1 million)

13. Sub-component 1.3 will finance the collection of data on agricultural innovations in Djibouti's agri-food sector and the innovation adoption process by Djiboutian producers, off takers and processors. It responds to the need to introduce the required advanced technologies to address the harsh production conditions that characterize rural and peri-urban Djibouti. Sub-component 1.3 has two broad activities.

14. *Collection of data on innovations.* The activity aims to collect and analyze data on technological innovations already existing in the country (e.g., through the MAEPE-RH, national specialized entities and/or 'champions' who are already operational and have had the wherewithal and capacity to experiment), and to gather information on relevant innovations from other countries adapted to the Djibouti context. To this end, the project will (a) collect appropriate data on innovations, for instance from suppliers on greenhouse technology (this will be used both to select the suitable technology for the demonstration greenhouse in Damerjog, see Appendix A2-2, and for investors interested in acquiring similar equipment), from the 'champions' on practices they have used on their farms, and/or from the University of Djibouti currently being supported by the Japan International Cooperation Agency (JICA) on a 10 ha plot granted within the perimeter of the Friendship Dam; and (b) facilitate exchanges with other countries, in particular to obtain knowledge, and adapt this knowledge to the Djibouti context, regarding innovations such as greenhouse cultivation, controlled-environment agriculture more generally, efficient water use techniques, or digital solutions to agriculture production for building climate resilience and improving productivity.

> ***Box A2.2 Demonstration greenhouse in Damerjog.*** The objective of the demonstration greenhouse is to introduce suitable agricultural techniques to address the climatic conditions of Djibouti which limit vegetable production to a four-month season with low yields due to water quality and high temperatures, as well as low technical capacity of producers. It will have the following purpose: (i) control of climatic conditions; (ii) introduction of new production systems, by providing irrigation, fertilization and soil management techniques; (iii) introduction of new plant varieties; (iv) control of the size and quality of agricultural products. The demonstration greenhouse will include the following elements: (i) physical structure, i.e., a greenhouse adapted to local climatic conditions, equipped with environmental control, irrigation and lighting systems, with several cultivation zones; (ii) a training center; (iii) a laboratory; and (iv) an exhibition area. The demonstration greenhouse will be operated under a public-private cooperation agreement. The modality of this partnership will be defined by a multidisciplinary study regarding the dimensions of productive infrastructures, managerial capacities and the roles and responsibilities of the public and private parties.

15. *Diffusion of innovations.* This activity will start by an awareness-raising phase, i.e., presentation to the general public of development opportunities in the agri-food sector, climate vulnerability and FAR-targeted climate resilient value-chains specifically. It will take place first at the national level using the national broadcasting media (newspapers, radio, internet) and then at the regional level through more targeted information workshops. This phase will be coordinated by the PIU, with external assistance as required. As a follow-up, stakeholders will be invited to express their interest.

16. In addition, a nation-wide generic training campaign will be supported, on various subjects, including climate-smart agriculture, sanitary and quality of products, entrepreneurship, business

management, accounting, etc. This training will be provided for instance with the support of CERD in conjunction with the University of Djibouti, as well as using the project-financed demonstration greenhouse in Damerjog. The above training cycle will be sanctioned by the issuance of a Certificate of Capacity. The coaches to be recruited under Component 2 will participate in the training. This training is expected to contribute to the identification by the coaches sub-project leaders potentially eligible for support to develop their business plans.

Component 2: Support to agri-food investment and access to financing (US$5.5 million, of which IDA US$3.6 million, Beneficiaries US$1.8 million and Government US$0.1 million)

17. Component 2 aims at developing a portfolio of agri-food sub-projects along the project-targeted value chains by both providing investors with support to develop their business plans and by granting them tailored funding to implement their sub-projects. Agri-food investors under Component 2 will also greatly benefit from the enhanced operational environment created under Component 1, including through the public investment program. Component 2 will be implemented through the PIU at the MAEPE-RH with the support of an external technical assistance team in close liaison with financial institutions.

Sub-Component 2.1: Support to business plans and advisory services (US$1.9 million, of which IDA US$1.8 million and Government US$0.1 million)

18. Sub-Component 2.1 aims at supporting sub-project preparation by agri-food investors and assistance for their funding. It will have two attendant activities: (a) supporting the development and implementation of investors' climate-informed business plans; and (b) strengthening the knowledge and understanding of the agri-food sector for the benefit of commercial banks' and other financial service providers, and assistance to them in the design of specific instruments to address the financing and operational needs of the sector while taking into account the associated risks linked to climate-vulnerability.

19. *Support to business plans.* This activity is intended to help potential agri-food investors in developing their business plans, submitting these plans to FAR's SPSC and commercial banks' loan committees, and implementing the related sub-project activities following approval and release of the commercial loan and FAR's Capital Endowment Contribution (CEC). This activity will finance a Technical Assistance (TA) partner under a delegated execution contract with the objective of assisting investors throughout the process of designing their sub-projects, submitting them to SPSC and then to the credit committees of commercial banks, and providing subsequent technical support for one year during sub-project implementation. The investors' business plans will consist of two parts such as material (goods and equipment) and immaterial/soft items (training, securing of permits and authorizations, acquisition of software). As part of their business plans the investors will include specialized technical training tailored to the needs of their sub-projects, in particular through specific modules on digital and climate-smart production techniques. The TA team will use an appropriate software program to process investors' business plan proposals.[50] It will assist the project-supported agri-food entrepreneurs[51], and the PIU for the Monitoring and Evaluation (M&E) of sub-project implementation, for the one-year period of technical support following the release of the Capital Endowment Contribution (see detailed steps to

[50] Such a software program is the Ruralinvest program developed by FAO for processing SME investment sub-projects.
[51] The FAR targeted agri-food entrepreneurs are producers in the selected value chains, and all other actors upstream (input and equipment suppliers) and downstream of production (offtakers, processors, transporters, cold chain operators, service providers, etc.) to the extent they meet eligibility criteria.

be followed in Appendix A2-4). The agri-food entrepreneurs will receive the CEC funding directly on their own bank accounts. They will procure directly the goods and services they need for their sub-projects. The TA team will only assist them in the specification of their contractual documents upon request as needed.

20. *Advisory services.* This activity consists in the provision of technical assistance for commercial banks and other financial entities involved in FAR's sub-project investment portfolio, to help them get a better knowledge and understanding of the agri-food sector and its vulnerability to climate change. This will include: (i) risk assessment and development of financial instruments tailored to the needs of agri-food investors in the context of rural or peri-urban Djibouti, and (ii) better knowledge of cutting-edge technologies tailored to the Djibouti rural environment including climate smart and digital technologies.

21. **Sub-Component 2.2: Sub-project Capital Endowment Contribution (US$3.6 million, of which IDA US$1.8 million and Beneficiaries US$1.8 million)**

22. Sub-component 2.2 aims at providing funding to FAR targeted investors who meet pre-set selection criteria, leading to the release of the FAR Capital Endowment Contribution. The investors are expected to need financial support for the implementation of their climate-informed sub-projects both to improve their profitability outlook, to build climate resilience, and give them the wherewithal to cope with possible negative start-up cash-flows.

23. *Sub-project selection process.* The main selection requirement will be that the sub-project displays a positive return and is financially sustainable; other criteria will be that sub-project design provides climate change adaptation and mitigation benefits, additional job opportunities, embodies the required innovations that will allow for the technology leap needed to circumvent production hurdles, and that the sub-project complies with environmental and social safeguards, including climate sensitive technologies that will address climate constraints. Selection criteria will be defined in the Project Operational Manual (POM). The POM will also establish a negative list of activities that FAR will not finance. In selecting sub-projects, priority will be given to those projects focusing on the pre-selected growth poles and value chains targeted under the project. However, the FAR portfolio will remain open, in the sense that sub-projects will be accepted nationwide to the extent that they meet the selection criteria.

24. It is expected that approximately 80 agri-food investors will receive the Capital Endowment Contribution (CEC) from FAR following the approval of their business plans by the SPSC. In the livestock sector, special collaboration will be sought with the Bank-supported regional DRIVE project (P176517) with regard to the selection of investment operations through the CLE facility established under this project. As far as sub-project eligibility is concerned, a clear line of demarcation will be specified with regard to the respective mandates of the DRIVE (P176517) and the FAR projects, with DRIVE (P176517) focusing on downstream service activities (transport, health services, quarantine, etc.) linked to livestock exports in the corridor linking Ethiopia and the Djibouti Port, and FAR focusing on growth poles and value chain development.

25. *Number of sub-projects, implementation schedule and total cost*. The average sub-project cost has been estimated at US$45,000. Regarding the schedule of implementation, no sub-project is planned for the first year of the project given the lead time required for technical support activities prior to financing these sub-projects. Sub-projects will be developed based on demand; thus, the number per sub-sector/value chain and the corresponding costs are indicative; the portfolio will remain open to sub-projects if they qualify. The total cost of the sub-projects amounts to approximately US$3.6 million,

including the capital contribution from IDA estimated at approximately US$1.8 million or 50 percent of the total amount.

26. *Capital Endowment Contribution.* The release of the Capital Endowment Contribution (CEC) to the investor hinges on the validation of the business plan by the SPSC, the prior payment by the investor of his/her downpayment and the signing a loan by the investor with a commercial bank (or possibly leasing and/or equivalent supplier credit arrangements). The sub-project investors will take responsibility for their own private procurement along the lines of their approved business plans. FAR's CEC will be disbursed directly to the investor' account at the commercial bank where s/he would have been given the complementary loan. The release of the CEC funds may be made in tranches following the agreed procurement arrangements with providers of goods and services.

27. *Sub-project funding categories*. The FAR CEC will be issued under three windows (see Table A2.1) corresponding to three levels of investment potentially envisaged. A condition of eligibility of a sub-project to the SPSC will be an investment size between US$15,000 and US$200,000. Such limits are established because the project targets agri-food investors with the corresponding twofold consideration: (a) FAR will not finance micro sub-projects at community level but individual or producer group sub-projects over the critical size of investment estimated at US$15,000; and (b) similarly, the upper limit for the sub-project investment is set at US$200,000 bearing in mind that in the context of Djibouti an investment beyond that cost would be considered a large investment.

28. The sub-project financing plan will necessarily include a bank loan (or equivalent in leasing or supplier credit) estimated at 35 percent (indicative), the remainder being mobilized through the personal contribution (10 to 20 percent) and the CEC (45 to 55 percent) depending on the investment category. There will be a preferential rate for women, young people and other vulnerable people (e.g., refugees) of 10 percent point reduction for the individual contribution compensated by a 10 percent point increase in the CEC. The CEC will be the source of last resort funding that should enable investors to close the financing gap of their business plans following the release of the bank loans.

Table A2-1: Sub-project funding per investment categories

Investment Category	Category 1	Category 2	Category 3
Investment Minimum – Maximum (US$)	**15,000 – 24,999**	**25,000 – 49,999**	**50,000 – 200,000**
Personal contribution*	10%	15%	20%
Bank loan or equivalent**	35%	35%	35%
FAR's Capital Endowment Contribution	55%	50%	45%
Total Financing Plan	100%	100%	100%

*A preferential treatment of 10 percent less for the personal contribution would be granted to women, young people and other vulnerable groups. **For example, "leasing" or "supplier credit" for equipment.

Component 3: Project Management (US$1.9 million, of which IDA US$1.4 million and Government US$0.5 million)

29. Component 3 aims at giving MAEPE-RH the means and wherewithal to manage the project according to generally accepted good management practices. Indeed, the Ministry is a small entity with corresponding limited access to budget resources. Without adequate project financial support, it would have insufficient capacity in particular to recruit the core PIU staff and comply with Bank requirements.

30. The project will be implemented by MAEPE-RH, which will set up for that purpose a Project Implementation Unit (PIU). The project will cover most the PIU's equipment and operating expenditures, including staff costs. The PIU will include the following core staff (see Organizational structure in Annex

1): a project coordinator overseeing the entire project management, a technical director, an administrative and financial officer, a procurement officer, a Monitoring & Evaluation specialist, an environmental specialist and a social safeguards specialist, as well as a gender specialist[52]. For the above-mentioned management activities the PIU will rely on TA providers for specialized expertise in fields such as civil engineering, agronomy, training and other specialized thematic areas supported under specific component activities.

Component 4: Contingent Emergency Response Component (CERC) (US$0.00)

31. The component will include a Contingent Emergency Response Component (CERC), designed to provide a swift response in the event of an eligible crisis or emergency, defined as "an event that has caused, or is likely to imminently cause, a major adverse economic and/or social impact associated with natural or man-made crises or disasters". No allocation is made for this activity which will be funded as required from other components as the need arises through reallocation of proceeds.

[52] To the extent possible the FAR PIU will share services with other PIUs at the MAEPE-RH, so that not all core staff will be required to work full time for FAR.

Appendix A2-1: Characteristics of targeted growth poles

32. Within the framework of FAR, three agri-food growth poles were selected in the country's three development zones. The growth pole selection was based on specific criteria regarding the potential for the development of the agri-food sector, bearing in mind that specific investments and measures are needed to overcome challenges related to irrigation water, market accessibility and farming practices.

Growth pole selection criteria

33. The main following selection criteria were used to select the growth poles to be targeted (see Table A2-3):

- Weather conditions
- Availability of land suitable for production
- Access to water
- Road connectivity and access to markets
- Presence of organized producer groups/ cooperatives
- Presence of 'champion' producers already in production
- Percentage of women and youth active in the agri-food sector

Development zones and selected growth poles

34. The following three growth poles have been selected for FAR priority intervention under the public investment program (Sub-Component 1.1) in the three country 'development zones'.

Central Development Zone (peri-urban Djibouti city and Arta region)

- Growth pole selected: PK 25 Barrage de l'Amitié (200 to 300 ha available)
- Opportunities: This growth pole benefits from a variety of soils suitable for growing different crops. The proximity of Djibouti city facilitates access to markets, and road infrastructure is well developed.
- Challenges: Cautious management of water resources is necessary, as well as resilience measures to address climate challenges.

Northern Development Zone (Tadjourah and Obock regions)

- Growth pole selected: Awdaa plain (500 to 1,000 ha available)
- Opportunities: Surface water and underground aquifers available for crop irrigation. Important livestock potential.
- Challenges: Road infrastructure requires improvements to reach mountainous areas. Drought resilience measures are essential.

Southern Development Zone (Dikhil and Ali-Sabieh regions)

- Growth pole selected: Mouloud-Grand Bara-Hol Hol (500 to 1,000 ha available)
- Opportunities: The presence of wadis allows for agricultural irrigation. Women and youth are heavily involved in agriculture particularly vegetables.
- Challenges: Road infrastructure requires improvements to facilitate product distribution. The desert climate requires adapted cultivation techniques.

Table A2-3: Detailed characteristics of the growth poles selected under FAR

Dvpt. zones	Growth poles	Land availability	Access to water	Presence of producer groups/ cooperatives	Road infras.	% of women and youth	Climatic conditions	Access to market	Climate smart agriculture practices
Central Zone: Peri-urban Djibouti-city and Arta region	PK 25 Barrage de l'Amitié, Ambouli - Doraleh; Douda-Atar-Damarjog ; Wéa-PK51	300 ha of arable land: Sandy soils suitable for growing market gardening and fodder crops; alluvial soils suitable for growing fruit trees and vegetables are found along the wadis, Leptosols on the plateaus.	Agricultural land distributed in the Douda, Damerjog and Arta watersheds; The irrigated lands in this sector are located 200-300 m from the coast; Existence of underground aquifers which store water. Extraction of water from these groundwater tables by deep drilling and wells 10 to 15 meters deep for agricultural irrigation. Requires careful management of water resources to avoid depletion or degradation of water quality.	Marketing of their products, group purchase of agricultural inputs, and pooling of resources and knowledge	Well-developed road infrastructure due to proximity to Doraleh Port; Easy access to local and urban markets in Djibouti City	Strong involvement of women and young people in agriculture and livestock breeding	Winter growing practices: During the cool season from October to April, temperatures drop and humidity levels increase; Potential for greenhouse agriculture	Easy access to markets; Proximity to Djibouti city.	Development of drip irrigation system; Cultivation of varieties resistant to salinity and drought; Need to strengthen resilience measures in the face of climate challenges.

Northern Zone: Tadjourah and Obock regions	Awdaa plain, Coastal plain de Tadjourah; Toha-Randa-Garassou ; Magaleh ; Wéïma-Guirori ; Plaine de Doda ; Médého-Oulma-Assassane ; Bissidirou	530 ha of arable land: Sandy soils, favorable for market gardening and mountain fruit growing systems	Presence of groundwater: The coastal plain of Tadjourah, as well as the other areas mentioned, also have underground aquifers. Irrigation through wells 10 to 15 meters deep; Water from wells is pumped with small pumps into the shallow aquifer and brought to the plot with the surface irrigation method	Joint acquisition and use of inputs, joint use and management of agricultural installations, equipment and tools	Need to improve road infrastructure to facilitate product distribution Access to local markets and urban areas.	Strong involvement of women and young people in agriculture and livestock breeding;	Favorable climate for certain crops, but dependent on precipitations; Micro-climate in mountainous areas; Potential for irrigation;	Proximity to local markets, notably Tadjourah. Need to strengthen accessibility to markets for mountainous areas (Toha and Magaleh);	Development of drip irrigation system; Introduction of solar pumps; Need to adopt drought resilience measures;
Southern Zone: Dikhil- and Ali-Sabieh regions	Mouloud-Grand Bara-Hol Hol, Doudoublalé-Assamo ; Dourreh-Ali-Addéh ; Mouloud-Harrou ; Cheikayto-Gami ; Gobaad ; Hanlé	670 ha of arable land: Availability of interior valleys where the soils are loamy, favorable for agriculture; Presence of valleys where important agropastoral areas and gardens develop. The area of As-Eyla and Hanlé are two sectors of significant agricultural production of respectively 343 ha and 120 ha in total. Agricultural land is widely distributed on the terraces of the large basins of Wadi Gobaad and Wadi Hanle	Availability of interior valleys fed by wadis; Underground springs or precipitation in the surrounding mountains can feed the valleys and enable agricultural irrigation	Joint acquisition and use of inputs, joint use and management of installation, equipment and agricultural tools; agricultural tools	Need to improve road infrastructure to facilitate product distribution Access to local markets and urban areas	Strong involvement of women and young people in agriculture and livestock breeding	Desert climate requiring adapted cultivation techniques; Potential for irrigation	Proximity to local markets, including Dikhil and Ali-Sabieh. Need to strengthen accessibility	

		with a cultivated area of 0.5 to 1 ha per farm.							

Appendix A2-2: Description of the demonstration greenhouse of Damerjog

35. The establishment of the demonstration greenhouse is a key element of FAR aimed at promoting good agricultural practices, irrigation efficiency, the quality of agricultural products and the control of climatic conditions. It will serve as a valuable resource for producers in the agri-food sector and will constitute a concrete example of the benefits of modern and sustainable agriculture.

36. **Objectives of the demonstration greenhouse.** The main objective is to introduce agricultural techniques to curb the climatic conditions of Djibouti which limit vegetable production to a four-month season with low yields due to water quality and low technical capacity of producers. In particular, the demonstration greenhouse aims to show the benefits of creating a controlled environment to simulate and optimize climatic conditions for crop growth. This includes regulating temperature, wind, lighting humidity and soil humidity. The demonstration greenhouse will serve as a model to demonstrate climate-smart agriculture techniques for farmers who can adopt and adapt these techniques on their own farms to increase productivity and extend crop cycles. In particular, the demonstration greenhouse will contribute to the (a) introduction of new production systems (irrigation, fertilization, soil management); (b) introduction of new plant varieties; and (c) control of quality of agricultural products.

37. **Structure of the demonstration greenhouse**. The demonstration greenhouse will include the following elements: (a) physical Structure: A demonstration greenhouse adapted to local climatic conditions, equipped with environmental control, irrigation and lighting systems, designed to simulate various climates and growing environments; (b) cultivation zones: Several cultivation zones, each dedicated to a specific variety of agricultural plants. These areas will serve as practical examples for visitors; (c) training center: An educational space where farmers, entrepreneurs and students can participate in training on innovative agricultural practices; (d) laboratory: A laboratory equipped for soil, water and crop analysis, providing accurate data on growing conditions; (e) exhibition area: A space where agricultural products harvested in the demonstration greenhouse will be displayed and evaluated.

38. **Operation of the demonstration greenhouse.** The demonstration greenhouse will be operated under a public-private investment (PPI) arrangement. The modality of this partnership will be defined by a multidisciplinary study on the dimensions of productive infrastructures, managerial capacities, and the roles and responsibilities of the public and private parties.

Appendix A2-3: Decision-making process for FAR's Capital Endowment Contribution

39. This appendix describes the key steps in the decision-making process for the release of the Capital Endowment Contribution from FAR under Component 2. These steps are indicative of the process with no timetable attached.

40. The condition for the release of the CEC is that the investor obtains a loan from a commercial bank (or possibly a leasing contract and/or an equivalent supplier credit). A Technical Assistance (TA) partner will be recruited by the Project Implementation Unit (PIU) to assist investors throughout the process of designing their sub-project and accompanying business plan, to submit it to FAR and the commercial bank, and to provide support during the first semester of sub-project implementation.

41. **Step 1: Identification of potential investors.** The sensitization campaigns and generic trainings conducted in the five regions under Component 1, as well as the identification work of regionally based coaches (as part of the TA) under Component 2, will lead to the identification of investors potentially eligible for FAR support in the various targeted value chains.

42. **Step 2: Preparation of business plans.** With the help of the dedicated TA team recruited to support the FAR sub-project portfolio development process, the eligible investors prepare Business Plans (BPs), including the identification of funding sources, for their sub-projects to be submitted to the Sub-Project Selection Committee (SPSC).

43. **Step 3: Review by FAR's SPSC.** The selection committee reviews the individual sub-project business plans (BPs) against the criteria defined in the POM and decides whether to accept or reject it. If the BP is accepted, FAR issues a "letter of eligibility" for the FAR's CEC. The investor is then considered eligible for this CEC under the condition that s/he obtains the loan from the commercial bank and releases her/his deposit. If the SPSC rejects the proposed business plan, the investor may revise its BP with the assistance of the TA team and resubmit the revised version to the SPSC for additional review.

44. **Step 4: Commercial Bank Credit Committee.** The business plan approved by the SPSC is submitted to the Credit Committee of the commercial bank to which the investor applies. A positive decision by this committee enables the investor to complete his/her financing plan. If the decision of this committee is negative, the investor may revise his BP and resubmit it to FAR's SPSC and the commercial bank's Credit Committee.

45. **Step 5: Completion of the financing plan.** The investor pays her/his deposit, which allows the commercial bank to approve his/her loan and FAR to approve the Capital Endowment Contribution. Financial resources are henceforth available subject to compliance with fiduciary, safeguard and other conditions of loan/ grant effectiveness.

46. **Step 6: Sub-project implementation and monitoring & evaluation.** The responsibility for the procurement of goods and services is with the investor who signs the attendant contractual arrangements with services and goods providers. The Technical Assistance team provides support for the specification of the contractual documents as needed upon the investor's request. With TA guidance, the investor contacts suppliers and assumes responsibility for subsequent procurement activities. Funds are disbursed in tranches as per operational procedures described in the POM. The TA team provides support for the implementation of the sub-project for a period of one year following the granting of the CEC. The

PIU assumes responsibility for M&E activities related to the sub-project throughout the implementation of the SP until the end of FAR implementation period.

Figure A2-1: Decision-Making Steps for Release of the FAR's Capital Endowment Contribution