Project Information Document (PID)

Concept Stage | Date Prepared/Updated: 23-Oct-2020 | Report No: PIDC29872

BASIC INFORMATION

A. Basic Project Data

Country	Project ID	Parent Project ID (if any)	Project Name
Djibouti	P174461		Djibouti Digital Foundations Project (P174461)
Region	**Estimated Appraisal Date**	**Estimated Board Date**	**Practice Area (Lead)**
MIDDLE EAST AND NORTH AFRICA	Mar 15, 2021	May 27, 2021	Digital Development
Financing Instrument	**Borrower(s)**	**Implementing Agency**	
Investment Project Financing	MEFIP -- Ministère de l'Economie et des Finances, Chargé de Industrie et de la Planfication	ANSIE -- Angence Nationale des Systemes de d'Information de l'Etat, Ministry of Communications, Posts and ICTs (MCPT) / Ministere de Communication, charge des Postes et	

Proposed Development Objective(s)

The project development objective is to assist the Government in creating a favorable environment for the introduction of competition and private sector investment, and to promote the adoption of digital skills and services.

PROJECT FINANCING DATA (US$, Millions)

SUMMARY

Total Project Cost	10.00
Total Financing	10.00
of which IBRD/IDA	10.00
Financing Gap	0.00

DETAILS

World Bank Group Financing

International Development Association (IDA)	10.00
IDA Credit	10.00

Environmental and Social Risk Classification	Concept Review Decision
Moderate	Track I-The review did authorize the preparation to continue

Other Decision (as needed)

Country Context

1. **Djibouti is a small, highly urbanized, lower-middle-income economy.** It covers an area of 23,200 square kilometers and is home to a population of around one million people. The size of its economy limits its ability to diversify and increases its reliance on foreign markets, making it more vulnerable to market downturns. With less than 1,000 square kilometers of arable land (0.04 percent of the country's total land area) and an average annual rainfall of only 130 millimeters, agriculture is severely limited and, as a result, Djibouti is completely dependent on imports to meet its food needs. Faced with successive droughts that have exacerbated food and water insecurity, the country's traditionally nomadic people have settled primarily in urban areas, and around three-quarters of the population lives in cities[1] - 58 percent in the capital, Djibouti-City, alone.

2. **Rapid and sustained economic growth has accelerated in recent years, thanks to large public investments in capital-intensive infrastructure and activities to exploit the country's geostrategic location.** Over the last few years, real GDP grow at more than 7 percent a year on average in 2014-2019 to reach a nominal GDP per capita exceeding US$3,667 in 2019[2]. This growth has been driven in large part by high debt-financed investment, estimated at 57 percent of GDP, on average, in 2015–2016, complemented by Foreign Direct Investment (FDI) inflows of roughly 9 percent of GDP over the same period. Several new investments allowed to modernize the country's infrastructure platform in transportation and logistics increasing attractiveness as a logistic centre, telecommunications and Information and Communication Technologies (ICT), housing, electricity, and water, combined with a modest upgrading of road infrastructure. Over the medium-term, economic performance was expected to continue to be stable, with growth forecast to average more than 8 percent per year during 2019-25; however real GDP growth, at constant market prices, is expected to decline -1.0 per cent in 2020[3] as a result of the COVID-19 pandemic.

3. **While the benefits of the steady economic growth have started to trickle down to Djibouti's citizens, growth has not been inclusive and has had limited effectiveness in eradicating poverty and unemployment as well as in empowering women, reflecting the dampening effect of high inequalities in social outcomes and significant spatial disparities.** Poverty remains widespread, with one out of six people (17 percent) living on less than US$1.90 per day (in 2011 PPP terms) in 2019 based on the 2019 Djibouti Poverty Assessment. The official unemployment plus under-employment rate remains high, at 47 percent in 2017, an increase compared to 39 percent in 2015. Extreme poverty is concentrated in the Balbala slums at the periphery of Djibouti-City or in rural areas where remoteness and dispersion

[1] Djibouti has one of the highest proportions of urban population in Sub-Saharan Africa.
[2] Djibouti was one of the fastest growing economies in MENA since 2000 on a per-capita basis, growing faster than typical (or median) economies at similar level of development.
[3] Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices.

are key constraints. Young people are particularly at risk of not getting a foothold in the labour market. While access to primary and secondary education has improved considerably over the last decade[4], the drop-out rate after primary school remains high and the literacy rate low, especially in rural areas. Most young people do not participate in the formal economy, and unemployment is estimated at more than 70 percent among those under the age of 30[5]. The supply of vocational training does not meet the growing demand. In addition, the training sector is characterized by low enrolment capacity and strong urban bias. Women's access to income-generating activities remains also limited, including due to low literacy rate for women, about 39.5 percent (compared to 60.1 percent for men) and falling to only 9 percent in rural areas, and low girls school enrolment rates and high economic inactivity. Only 19 percent of women are employed compared to 81 percent of men, increasing the number of Djiboutian women suffering from the effects of poverty[6]. Those who are economically active tend to be engaged in petty trade activities in the informal sector, including the preparation and sale of food and handicrafts.

4. **The country remains fragile and vulnerable to shocks, even if it exited the Fragility, Conflict and Violence (FCV) Harmonized List in FY21[7].** Weak institutional capacity has so far limited the Government's ability to design and implement strong public policies[8], and has thwarted the types of governance improvements needed to bolster private sector development. Djibouti ranks below the average for International Development Association (IDA) countries on rule-based governance, quality of public administration, and transparency, accountability, and on Transparency International's 2015 Corruption Perceptions Index Djibouti ranks 99th out of 167 countries in the Country Policy and Institutional Assessment (CPIA) indicators. In the 2019 *Doing Business* survey, Djibouti ranks 99th out of 190 economies, though it is among the top ten improvers. The fragility of its neighbors also spills into Djibouti, as the country has a long history of hosting refugees and migrants fleeing political and environmental crises, typically in poor areas, where their presence tends to worsen pre-existing issues. The impact of climate change and of the COVID-19 pandemic further exacerbates Djibouti's fragility. In accordance with Johns Hopkins University site, as of October 9, 2020, over 5,423 cases of COVID-19 had been recorded in Djibouti and over 61 deaths.[9]

5. **To operationalize its overarching long term vision for Djibouti's development (called *Djibouti Vision 2035* attached in Annex 3) approved in 2014, the Government of Djibouti (GoD) initially laid out a ten-year plan entitled *Strategy of Accelerated Growth and Promotion of Employment* (SCAPE) to be implemented in two phases of five-year each covering the periods 2015-2019 and 2020-2024.** The main goal under the first phase was to upgrade the profile of the economy with modernized infrastructure and reformed sectors for greater efficiency and effectiveness, with a focus on four key sectors for the economy – transport and logistics, telecommunications/ICT, tourism, and fishing. The second phase is based on three strategic pillars: social inclusion, connectivity, and regional integration. This second phase is expected to give an enhanced role to the private sector. In this context, and in accordance with the third pillar of *Djibouti 2035* to develop a diversified and competitive private sector driven economy, digital economy solutions (leveraging on Djibouti's being the landing site of eight major undersea fiber optic cables by virtue of its geographical location) developed under enhanced competition can boost innovation and pave the way for new opportunities for the region's educated youth by way of enhanced economic growth and better functioning domestic labor market.[10]

[4] The 2018 Systematic Country Diagnostic for Djibouti notes that gross enrollment rates are 89 percent for primary, 47.1 percent for secondary, and only 9.2 percent for tertiary education.

[5] Djibouti Support for Women and Youth Entrepreneurship (P165558), PAD.

[6] USAID, Gender Equality and Women's Empowerment in Djibouti, 2020.

[7] https://www.worldbank.org/en/topic/fragilityconflictviolence/brief/harmonized-list-of-fragile-situations

[8] Including in negotiating favourable contracts with foreign entities with strong interest in Djibouti's potential and strategic location.

[9] Data from the John Hopkins University site at: https://coronavirus.jhu.edu/.

[10] As described in the upcoming MNACE Flagship report (P168573), a radical shift toward the digital economy will provide a new social contract focused on using technology to empower the youth. Furthermore, a "New Economy Agenda" could foster private sector development by improving

Moreover, digital technologies and relevant digital policies are playing a key role through digital connectivity and essential digital solutions[11] to strengthen and accelerate the collective response to COVID-19.

Sectoral and Institutional Context

Djibouti's Digital Paradox

6. **While the country has made significant inroads in establishing itself in the regional connectivity and data markets, the potential of Djibouti's ICT sector remains largely untapped domestically, which makes the country a digital paradox.** To achieve *Djibouti Vision 2035's* policy objectives, the GoD set up an ambitious *National Strategy for ICT Development* and adopted a ten-year ICT roadmap in 2014 (the *Integrated Strategic Plan 2014-2024*, or SSI), which aims to develop and to generalize access to ICT across the country. Djibouti has by now become an ICT gateway and a key digital conduit for data connectivity with its neighbors, with the country now linked via two cable landing stations[12]to at least nine submarine cables with links to Europe, East Africa, the Middle East, the Eastern Mediterranean and South Asia, putting it at a similar level of international connectivity as South Africa, and the creation of the Djibouti Data Centre (DCC), a Tier 3 data centre facility in Djibouti-City, launched in 2013, that serves as a major meeting point for submarine cable systems in the region, and the Djibouti Internet Exchange (DjIX). But service provision is restricted to the state-owned monopoly provider, Djibouti Telecom, and Djiboutians still do not benefit from generalized access to ICT across the country.

   - **Djiboutians do not fully benefit from the country's powerful infrastructure of submarine cables and data center, as the ICT sector is marked by incomplete coverage of the territory, relatively high prices and poor quality of service**. Consequently, access to telecommunications and internet services in the country remains limited (see Annex 3). The mobile broadband internet penetration (unique subscribers) was estimated to be just 11.3 percent in 2018 and is expected (based on GSMA industry forecasts) to reach 21.6 percent in 2021. A household survey conducted in 2018 by Djibouti Telecom and the Department of Statistics and Demographic Studies (DISED) reported that around 55 percent of individuals above 5 said having had access to the Internet in the last three months before the survey, virtually all of whom were accessing the Internet using mobile devices.[13] This indicator appears out of line with others for the country[14], but hints nevertheless to a large urban-rural digital divide as 71.3 percent of urban households reported having had access to the Internet in the last three months preceding the

productivity thanks to IT technologies, increasing market contestability thanks to digital platforms, reducing search and matching frictions in both product and labor markets, mitigating trust issues between economic actors as well as solving issues related to firms' access of capital.

[12] Djibouti Telecom has built the YAC A Cable Landing Station (YAC A CLS) and the Haramous Cable Landing Station (Haramous CLS).

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[13] Enquête Djiboutienne sur l'Accès et l'Utilisation des Technologies de l'Information (EDTIC), survey implemented by Djibouti Telecom and the Department of Statistics and Demographic Studies (DISED) in 2018.

[14] This survey, *Enquête Djiboutienne sur l'Accès et l'Utilisation des Technologies de l'Information et de la Communication* (EDTIC), is directly comparable to the last WBG-funded household survey, *Enquête Djiboutienne Auprès des Ménages* (EDAM4), implemented in 2017, as both surveys rely on the same sampling frame and sampling design. A rapid comparison between the two surveys highlighted some discrepancies. For instance, 10% of the households have a computer as per the EDAM4 survey, which compares to 32% that have a laptop computer and 17% that have a desktop computer as per the EDTIC survey. Moreover, while the EDAM4 survey does not provide a direct measure of telecom or internet usage, it collected data on household expenditures. During the last reference month, only 22% of the population reported expenditures on telecom bundles, and 16% on the purchase of cards for landline/mobile/transfer credit. Only 0.5% reported expenditures on internet connection fees (including cybercafe use) and 2% on internet subscription fees. These figures are only an imperfect proxy for 'users of telecom services' or 'users of internet services', as some households may be users but may not be frequent consumers (in which case they would not have purchased these items during the last reference month) or may access the services through the device and bundle of somebody else. However, these indicators appear out of line with the findings of the EDTIC survey, which documented that more than half of the population can be considered as users of internet services. This may cast doubt on the accuracy and reliability of the EDTIC survey.

survey versus only 0.7 percent of rural households. According to a 2019 international price comparison for broadband, Djibouti is the 161st most expensive country out of 197 economies surveyed in terms of broadband pricing[15]. This makes high-speed internet access unaffordable for all but the wealthiest inhabitants or firms. Finally, the performance of the domestic network is reportedly poor, as measured in speeds, in spite of the robust submarine cable connectivity. Ookla records an average fixed broadband speed in September 2019 of 13.84 Mbit/s, rating the country in 133rd place out of 175 economies ranked. Djibouti compares unfavorably, for instance, with Somalia at 15.96 Mbit/s, despite the fact that Somalia is connected with only one submarine cable compared to Djibouti's eight.

- **The performance of Djibouti's ICT sector lags behind peers in Sub-Saharan Africa (SSA) and the Middle East and North Africa (MENA).** In 2017[16], Djibouti ranked 158th out of 176 economies in the ICT Development Index (IDI) developed by the International Telecommunication Union (ITU), the last place among lower-middle-income (LMI) countries. More worryingly, the country had fallen in the rankings, from 130th out of 190 countries in 2010, which hints at the stagnation of Djibouti's digital ecosystem, by comparison to its peers which are increasingly taking advantage of the digital transformation. Another ranking provided by the United Nations Department of Economic and Social Affairs (UNDESA) provides a similar conclusion when evaluating the country's e-government: Djibouti was ranked 179th out of 193 countries in 2018[17], and its ranking has dropped since 2010. Overall, these rankings suggest that Djibouti's ICT sector is one of the least developed in SSA and MENA, and that the country is currently only capturing a small fraction of its potential for digital development. As documented by the MENATech Digital Economy benchmarking exercise[18] with more recent data, Djibouti performs poorly in all building blocks of the digital economy relative to the MENA average (see Annex 2 for detailed indicators).

[15] Available at: https://www.cable.co.uk/broadband/pricing/worldwide-comparison/

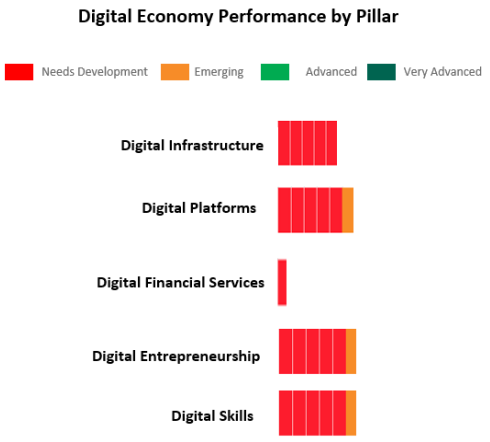
[16] The data for 2017 was published in the 2018 edition of the ITU's *Measuring the information society* report. Rankings were not published in the 2019 edition as the methodology changed.

[17] Data are from the UNDESA "eGovernment survey". The 2020 edition of the report no longer includes ratings, but it notes that Djibouti had graduated from low to middle ranking on the eGovernment Development Index (EGDI).

[18] The analysis provides benchmark information across each pillar presented in table and graph formats over a scale ranging from 0 to 10 under the following key values and respective color code: Value 7.5-10.0 very advanced (dark green) – Value 5.0 – 7.4 advanced (green); Value 2.5 -4.9 emerging (orange) ; Value 0-2.4 nascent (red). This analysis is completed with the country's standardized results across the datasets and compare them to the regional averages in each dataset. The number of indicators relevant for each digital economic pillar are 16 for the digital infrastructure, 22 for the digital platforms, 11 for the digital financial services, 7 for the entrepreneurship and 9 for the digital skills. The data includes the following MNA countries: Bahrain, Djibouti, Egypt, Iran, Iraq, Jordan, Kuwait, Lebanon, Libya, Morocco, Oman, Qatar, Saudi Arabia, Syrian Arab Republic, Tunisia, United Arab Emirates, West Bank and Gaza, and the Yemen Republic and covers the period 2014 to 2019.

Figure 1: MENATech Digital Economy Benchmarking - Djibouti Performance

Digital Economy Values (0-10)			
	Djibouti	MENA average	MENA average minus GCC
Pillar 1: Digital Infrastructure	1.87	5.01	4.17
Pillar 2: Digital Platforms	2.79	5.44	4.81
Pillar 3: Digital Financial Services	0.61	5.34	4.39
Pillar 4: Digital Entrepreneurship	2.68	4.18	3.55
Pillar 5: Digital Skills	2.87	4.68	3.86



Source: World Bank Group 2020

7. **Djibouti has not yet liberalized its telecommunications/ ICT market, and the lack of competition is one of the main reasons for the digital paradox as Djibouti Telecom's strategy is outward-oriented and has not been conducive to expanding broadband access and use in the domestic market.** The Djibouti ICT sector remains one of the last two monopoly telecommunication sectors in the world, along with Eritrea. Djibouti Telecom, a state-owned enterprise (SOE), enjoys a monopoly on first, middle and last-mile connectivity[19], providing all ICT services in the country (including fixed telephony, mobile services, and broadband)[20]. Djibouti Telecom sells much of its submarine capacity on the international market[21] with one of the lowest IP transit prices on the continent at US$ 1.08 per Mbit/s, mainly to Ethiopia, banking on the country's geostrategic position to become a reliable supplier of connectivity between the Middle East and Africa for global communications carriers. Unfortunately, this approach has not been matched by efforts to serve the domestic market. Djibouti Telecom's bandwidth is not widely offered to consumers and businesses locally, leaving the domestic market in short supply. Besides, Djibouti Telecom focuses most of its investment on purchasing international capacity (via connections to a large number of submarine cables), while investments to expand and upgrade the national backbone have been limited. The absence of competition has directly impeded the development of the domestic telecommunications/ICT market, in terms of both coverage and technology, by deterring investment in the domestic market including by specialized operators (e.g. Internet Service Providers) and stifling service delivery and innovation. This has also impacted the access and quality of services offered, and the model has not allowed unleashing the country's full digital potential. The *status quo* also has an equity and distributional impact: the lack of competition contributed to high prices of connection and services, and, as per simulations carried out under a recent WBG study, the introduction of competition in the telecommunications sector would generate important gains in welfare among current users of telecommunications services[22].

[19] The presence of the state monopoly does not appear to be justified by public interest objectives such as promoting universal access, since, as discussed above, some parts of the country, especially in the north, are largely underserved.
[20] Djibouti Telecom's operations are built around three business segments: fixed telephony, mobile (GSM, W-CDMA, LTE) and internet access (IP, data and ADSL networks).
[21] Source Telegeography 2020. Weighted median monthly IP Transit price per Mbit/s for a 10 GigE ranges from US$1.08 in Djibouti to US$7.87 in Kampala, Uganda.
[22] Decoster, Xavier; Ibarra, Gabriel Lara ; Mendiratta, Vibutti ; Santacroce, Marco. 2019. Welfare Effects of Introducing Competition in the Telecom Sector in Djibouti. World Bank Group.

8. **Overall, the potential of the telecommunications/ICT sector to be an engine of domestic economic growth and employment has not been sufficiently exploited.** Although the ICT sector contributes up to 7 per cent of GDP[23], this is coming mainly from sale of international internet capacity and landing station fees and has not grown since 2010. Similarly, the sector makes only a limited contribution to job creation (less than 0.6 percent of the working population), though it does provide jobs to 1,800 salaried employees at Djibouti Telecom[24].

An urgent need for Djibouti to establish the foundations of the country's Digital Economy

9. **Djibouti's current telecommunications/ICT market structure is holding back the emergence of a vibrant, inclusive and safe digital economy in the country, putting the country at risk of being left behind in digital transformation.** Private sector development continues to be constrained by high costs for key factors of production, including telecommunications and broadband, to such an extent that ICT in Djibouti can be considered a structural obstacle rather than a competitive advantage. Two service offerings, in particular, are essential for the operation of businesses – unmetered, high-speed broadband and availability of leased lines to provide digital connections among a company's various physical sites (intranet). For both products, Djibouti has been ranked consistently among the most expensive countries in the MENA region by the Arab Regulators Network (AREGNET)[25]. High ICT prices, coupled with the poor performance of the ICT sector characterized by limited coverage beyond urban areas and poor quality of service, slow firms' operations and limit their expansion and job creation. As another example, Djibouti Telecom's monopoly has also constrained the development of a national payments system in the country as the prices that are being charged, for transaction costs and for a Central Bank subscription to the network, are considered too high. Djibouti Telecom's monopoly has also held back innovation, with a mobile money service being introduced only in 2020, more than a decade after other African economies, such as Kenya and Tanzania. Such fundamental financial infrastructure – another pivotal building block for a digital economy – is thus held hostage by this situation.

   - **The availability of digital skills in the country is limited**. Djibouti now recognizes digital skills as a basic requirement, along with literacy and numeracy skills. But training in *basic digital skills* on a large scale is urgently needed, as the vast majority of Djiboutians are not familiar with ICT tools and systems and have not acquired the basics needed to use digital technologies. Underpinning the development of digital skills are basic foundational skills that include literacy and numeracy, and the challenge starts in the school age years where access and quality are major challenges. The lack of *intermediate and advanced digital skills* is also an obstacle to the growth of Djibouti's ICT sector and digital economy, as well as the ability to retain talented staff who may be tempted to seek work abroad. ICT firms are in high demand for specialized engineers and technicians trained in coding, cyber security, etc., as well as new managerial skills centred on flexibility and innovation. Expanding the use of ICT, digital learning and skills development is a key pillar of the Ministry of Education and Professional Development (MENFOP)'s reform effort. This is at the early stages requiring additional investment to reach scale and especially schools in remote areas. A few other initiatives also aim to develop digital skills, such as the Center for Technology and Innovation for Development, through its Code for Youth project, or Women ICT Djibouti; however, these programs are as yet unable to reach scale due to limited resources and requires the GoD to develop an action plan.

[23] Decoster, Xavier. Realizing the Digital Potential of the Republic of Djibouti. 2017. World Bank Group.
[24] Data for 2017, provided by Ministry of Communications, in charge of Posts and Telecommunications.
[25] One of the most comprehensive ICT pricing benchmarks for the MENA region is issued by the Telecom Regulatory Authority of the Kingdom of Bahrain, which commissions and coordinates a yearly study on behalf of AREGNET, based on the cost of purchasing "baskets" of telecommunications services. The latest study was published in 2016 and allows MENA countries to compare their price levels.

- **Djibouti's financial sector has begun its transition to digital, yet the use of digital financial services remains marginal**. With support from the World Bank Group, Djibouti is in the process of establishing a national payment system which is expected to go live in February 2021. Djibouti Telecom has launched in June 2020 D-Money, a new Digital Mobile Money service. This new service allows users to carry out digital money transfers and payments directly from mobile phones. The country's main banking institutions also offer their customers the possibility of managing their accounts via the internet or transferring money electronically. Similarly, Djiboutian households can pay their water and electricity bills online. The Central Bank has launched a major modernization project that should significantly facilitate the digitization of current financial operations and transactions. However, several factors prevent the uptake of these services, including limited mobile and internet penetration, insufficient institutional and technical capacity, and users' reluctance to use such services because of concerns about the security of transactions and personal data protection[26].

- **The ICT entrepreneurial ecosystem remains nascent**. With the creation of the One-Stop Shop, adoption of a commercial code, reductions in the cost of registering a business, a new civil code (the first since the country became independent), and amendments to the fiscal code to reduce the costs of starting a business and registering property, doing business in Djibouti has significantly improved in recent years. The government has also announced the establishment of a guarantee fund to provide more funding for digitally enabled start-ups, as well as the creation of a Leadership and Entrepreneurship Centre. While the impact of these initiatives is yet to be assessed, the digital sector is struggling to attract investors and stimulate innovation. The main barriers to digital entrepreneurship appear to include: skills, infrastructure, and various aspects of the business environment. A dynamic and competitive digital business environment is also essential. Energizing the business environment includes addressing issues related to entry and exit barriers, business creation (and closure), access to finance, bankruptcy regulation and legislation, data and privacy and security regulation, market fragmentation—especially for online and/or ICT-enabled services.[27]

10. **Reforms to strengthen the telecommunications/ICT sector and make high-quality ICT services available at affordable prices have been long pending, but the GoD has taken recently concrete steps towards addressing the sector bottlenecks in a rapidly evolving regional environment, with the set-up of a sector regulator.** The telecommunications market opening moves currently being undertaken in Ethiopia might spur greater efforts from the GoD to liberalize the telecommunications market in Djibouti. The GoD commissioned in 2019 UNDP to prepare a roadmap ("Feuille de Route"), the three main conclusions were 1) to open the market to competition, 2) to increase the readiness of DT to face competition through partial privatization, and 3) to setup the sector regulator[28].

    - **A multi-sector regulator has been established in December 2019 and its operationalization is supported by WB technical assistance[29].** As early as 2004, a law was passed to establish a regulator – the Djiboutian Agency for the Regulation of Telecommunications (Agence Djiboutienne de Régulation des Telecommunications, ADRT)[30]. A commitment to establishing a sectoral regulator was also included in the 2014 SSI. It is only in December 2019 that a law establishing the Djiboutian Multisector Regulatory Authority (Autorité de Régulation Multisectorielle de Djibouti, AMRD) was passed. The authority will cover the telecommunications, posts and energy sectors. Djibouti being a small nation, the multisector regulator model has some advantages in terms of efficiency gains through economies of scale and resource sharing, as well as consistency of approach to similar regulatory issues

[26] Minutes of the 2018 Digital Economy Forum.
[27] http://pubdocs.worldbank.org/en/354261452529895321/WDR16-BP-Enabling-digial-entrepreneurs-DWELSUM.pdf
[28] UNDP Feuille de route pour la libéralisation du secteur des télécommunications – Jan 2020.
[29] with financing from PPIAF (Public-Private Infrastructure Advisory Facility) (P171784)
[30] Loi n°80/AN/04/5ème L Portant Réforme du Secteur des Technologies de l'Information et de la Communication.

across sectors. Until now, the role of the telecommunications regulator is *de facto* performed by the incumbent operator, and sector governance is deficient. With a sector regulator in place, a key prerequisite for opening the domestic market to competition will be established.

- **The SCAPE strategy acknowledged that one means to foster Djibouti's digital economy would be to open the telecommunications market to competition, but it remains to be implemented**. Since 2014, the Government has thus been considering the introduction of a second telecommunications operator. Extended discussions have taken place between the WBG and the Government on the potential issuance of a second telecommunications license through an international competitive process, and the WBG has provided a policy note outlining several options[31]. To date, efforts to liberalize the sector have not progressed, despite growing interest from private sector to enter the broadband market (e.g. as specialized operators such as Internet Service Provider). The GoD has however agreed to review the outdated Law n°80/AN/04/5ème L on the Reform of the Information and Communication Technologies Sector, with funding from the WB Public Administration Modernization Project (PAMAP, P162904).

- **Djibouti Telecom has developed a new transformation strategic plan "PSD-DT-2021"[32]**, comprising several components: an international, regional and national strategy with two major programmes, Djibouti Connector & Connected (*Djibouti Connecteur & Connecté*) and Digital Djibouti (*Djibouti Digital*). The focus of the SOE remains however very much outward looking - becoming a regional digital hub. All Lower Middle-Income countries have introduced at least one second fixed and/or mobile operator, and often more, to stimulate the demand for ICT services and boost their digital economies. Increased competition in the telecommunications/ICT sector could help improve quality of service, drive down prices, enhance innovation with the development of value-added services (e.g., top-up services, games and entertainment, mobile payments), which would help increase broadband take-up. Indeed, competition ensures that resources are used in the best way that is technologically feasible -- minimizing costs (and therefore prices) and helping ensure that services are provided in a way that matches consumer needs. In September 2019, Ethiopia passed a new law, the *Proclamation on the Regulation of Communications Services (2019/1948),* liberalizing its telecommunications market, with the promise of licensing two new private sector full-service telecommunications operators through a competitive award process in 2020. The proclamation also established a new independent sectoral regulatory agency, the Ethiopian Communications Authority (ECA). The Government has also committed to selling a 40 per cent stake in Ethio Telecom to a strategic partner, and a transaction advisor was appointed in September 2020. The example of liberalization of the telecommunications market in Ethiopia might spur greater effort to liberalize the telecommunications market in Djibouti.

Relationship to CPF

11. The project supports the WBG's priorities for Djibouti. The project is aligned with the new Country Partnership Framework (CPF), currently under preparation, which covers the period FY21-25, and which will deepen the WBG's engagement to help Djibouti leverage gains from its infrastructure investments by creating jobs, improving productivity, enhancing human capital and labour market-relevant skills for light manufacturing and the digital economy, and strengthening the capacity of the state to deliver quality public services[33]. Fostering digital

[31] The World Bank Group notably presented to the Government a policy note - Realizing the Digital Potential of the Republic of Djibouti – Policy Note on Possible Introduction of a Second Telecommunications Operator.

[32] https://lanation.dj/transformation-de-djibouti-telecom-le-numerique-au-coeur-dun-challenge-majeur-pour-les-metiers-doperateur-telecom/

[33] The draft CPF has two proposed focus areas: 1. Support human capital and inclusive private sector-led growth and job creation; and 2. Strengthen the ability of the state to deliver public services.

transformation is a cross-cutting theme in the CPF. In particular, the project will help in realising the CPF's ambition to "support job creation and promote a private sector-led growth" by preparing the foundations for opening the telecom market to competition and in building digital skills[34]. The 2018 Systematic Country Diagnostic (SCD) calls for institutional reforms in key sectors that affect the country's competitiveness, such as energy and telecommunications/ICT services, to reduce the high cost of inputs. To unleash the country's ICT potential, the SCD also suggests strengthening the operation and financial viability of the associated state run-utility, Djibouti Telecom. The project also supports the World Bank twin goals of reducing extreme poverty and shared prosperity. In particular, the development of mobile money services, under a more liberalised market environment, should assist in reducing poverty, for instance by facilitating social safety net payments. The new market creating moves, brought about by sector liberalisation, should also promote shared prosperity.

12. **In the context of the World Bank Group COVID-19 response and recovery**, ensuring access to services for citizens and businesses via online means is becoming a high priority to complement the Djibouti COVID-19 response[35] implemented by the Ministry of Health. The impact on the education sector in particular has been severe, and that is one reason why this project targets universal connectivity for Djiboutian schools, to enable remote learning to take place in the event of a prolonged pandemic, or future pandemics.

13. **The proposed project is also aligned with the enlarged MNA regional strategy, which aims to leverage digital transformation in support of creating inclusive growth and quality jobs.** The proposed operation will directly contribute to support the Marrakesh 2021 goals of significantly increased broadband penetration. The project also follows and address the second objective of the **MNA Infrastructure Strategy** seeking to promote a green, inclusive and sustainable approach. Furthermore, it is in line with the goal of using private sector mobilization to generate digital transformation. Moreover, the project is fully aligned with the Digital Economy for Africa Initiative (DE4A), which is supporting the implementation of the African Union's Digital Transformation Strategy for Africa, 2020-30[36] and in particular that, by 2030, all people should be digitally empowered and able to access safely and securely a broadband service, all the time, wherever they live in the continent, at an affordable price .

Relationship to other World Bank Group projects

14. **The proposed project will have beneficial spillover effects for a number of existing WBG projects, in particular through the supply of enhanced digital connectivity, notably:**
    - The ongoing *Public Administration Modernization Project* (PAMAP, P162904), which aims to enable access to e-government and promote efficiency of selected revenue administration services. The project includes some activities to strengthen the foundations of e-government, such as the review of the main sectoral laws and texts to create a Digital Code as well as support for the creation of an adequate cybersecurity framework, and will complement the activities proposed under Component 1 to create an enabling environment for the growth of the digital economy. It is planned that the PAMAP project implementation unit (PIU) will initially host a transitional PIU for this project, within ANSIE, before it shifts to the line Ministry (MCPT).
    - The *Governance for Private Sector Development and Finance* (GoPRO) project, which supports the establishment of a national payment system in Djibouti, which is a fundamental building block of a digital economy. The presence of a national payment system is expected to contribute to an increase in electronic and digital financial

[34] Under Objective 2 of the CPF, on Strengthening vocational training and tertiary education systems adapted to the evolving needs of the economy, there is also a commitment to provide support to the Engineering Faculty in ICT. There is also a dedicated indicator tracking the number of students graduating in digital science and engineering (including AI, Big Data and machine learning), with a goal to raise this to 200 per year by 2025.

[35] https://projects.worldbank.org/en/projects-operations/project-detail/P173807.

[36] https://au.int/en/documents/20200518/digital-transformation-strategy-africa-2020-2030.

transactions in Djibouti. The proposed project will directly build upon this effort to improve digital literacy to ensure that Micro, Small and Medium Entreprises (MSMEs) have the proficiency and skills to compete in, and contribute to, the growth of the digital economy.

- The *Djibouti Support for Women and Youth Entrepreneurship* (SWYE) project, which aims to improve economic opportunities for entrepreneurs, with a special focus on women and youth. A key component of the project is to provide skills training to entrepreneurs and small enterprises. Training programs are currently focused on formalization processes, business plan development, and enterprise management which are being offered through the Centre for Entrepreneurship and Leadership (CLE) of Djibouti. The proposed project can work with the SWYE project to scale up the provision of digital skills and digital literacy training being provided through the CLE to ensure a far reach to individuals and MSMEs in the entrepreneurial ecosystem.
- The *Expanding Opportunities for Learning Project* (PRODA) and short-term financing for COVID-19, through which the World Bank Group is providing technical support to MENFOP to support the modernization of education information management systems, incremental expansion of digital learning and training of teachers and principals in digital skills. Accelerating the expansion of broadband connectivity will leverage these efforts and ensure investments in ICT are effective and build on latest good practice.

15. **The proposed project will also be informed by a number of ongoing analytical exercises.** These include the *Djibouti SME and Financial Inclusion Technical Assistance* project which aims to improve access to finance for small and medium size enterprises through the delivery of advisory services. Through the TA project, this data will be critical to inform the proposed project's component regarding the development of digital skills curricula. The project will also be informed by the *Djibouti Skills for Employment and Inclusion* ASA (P171170) due for completion in FY 2021. This ASA seeks to improve alignment of skills development, employability, and productive inclusion policies and programs with current and future labor market demand for two key target groups: (i) Djiboutian jobseekers in sectors with high levels of foreign workers and (ii) extreme poor households.

C. Proposed Development Objective(s)

The project development objective is to assist the Government in creating a favorable environment for the introduction of competition and private sector investment, and to promote the adoption of digital skills and services.

Key Results (From PCN)

16. **The following PDO results indicators are proposed:**

a) The number of licenses and authorizations for providers of telecommunication infrastructure and services issued by the AMRD (regulatory authority);
b) The number of internet users, aged 15 and above, as a percentage of the population, of which percentage female;
c) The number of schools, government departments and other public institutions provided with enhanced internet access, under the project;
d) The number of people, especially in MSMEs, benefitting from improve digital skills under the project, of which percentage female.

D. Concept Description

17. **Djibouti has a lot to gain by building a vibrant, inclusive and safe digital economy and harnessing the power of digital transformation.** *Djibouti Vision 2035* acknowledges the role of ICTs as a "*powerful tool for increasing production, competitiveness and improving well-being*". In fact, the development of the ICT sector and the digital

economy can contribute to economic growth through its respective added value, while in parallel stimulating the growth of other sectors, by fostering productivity and innovation in MSMEs, and in turn driving job creation and economic diversification. This would especially be an appealing prospect for the Djiboutian youth, who are more internet savvy, and many of whom currently are unable to find jobs or are stuck in low wage employment. By accelerating digital transformation and digital leapfrogging, Djibouti's position as an essential trade hub could also be strengthened in the rapidly evolving regional context. For instance, the digital economy could catalyse an ecosystem of platforms for transport, logistics and distribution. Similarly, Djibouti could take advantage of its ICT infrastructure to promote outsourceable activities such as call centers and business process outsourcing. The benefits of a high-performing digital economy in Djibouti, based on a well-developed ICT sector, could thus be manifold and transformational.

18. **The proposed operation Djibouti Digital Foundations Project ("*Digital Djibouti")* seeks to be transformational in that it would support deep and systemic change in the telecommunications/ICT sector with the potential for large-scale impact on the growth of the digital economy in Djibouti.** It aims to help Djibouti harness its digital potential by mobilizing the public and private sectors, ensuring that more citizens and businesses have access to quality and affordable internet connectivity, that local digital services are easily accessible online to stimulate demand, and that the digital economy becomes an engine for growth, innovation and job creation. This vision will require a long-term commitment to enable the necessary sectoral policy reforms to be carried out in order to stimulate competition and private sector investment in ICTs, foster innovation, and train a new generation of citizens and digital champions capable of using the technology. The project would be organised around the following components, which would stimulate both the supply and demand of digital services, and which are described in more details below:

Component 1. Digital ecosystem and connectivity – US$7M

19. **This component is designed to help Djibouti lay the groundwork for accelerating the emergence of a vibrant, inclusive and safe digital economy, by creating a favourable legal and regulatory environment for more competition, and by enhancing the level of digital connectivity available, in particular for education.** In fact, the problems of broadband accessibility, quality and cost are major constraints to digital development in the country, and strengthening the legal and regulatory framework to promote effective and independent regulation of the ICT sector is a priority, in order to promote affordable and quality Internet access for all Djiboutians. Important actions and reforms are needed to prepare the sector for the opening to competition, reduce barriers to entry and encourage the Government to allow effective private investment in the sector, including through specialized operators. Without an early introduction of competition in the provision of broadband internet services, in particular, then the other planned components, on providing connectivity for government and schools, with not prove effective as prices for internet access may remain too high. The approach to follow will draw upon the Mobilizing Finance for Development (MFD) framework, with the private sector taking the lead on investment, wherever possible, and public-private partnerships used where private investment alone is insufficient.

Sub-component 1.1: Digital enabling environment

20. The activities supported under this sub-component includes the following:

a) **Support to establish the Multisectoral Regulatory Authority of Djibouti (ARMD) and to prepare it for productive work,** independent of the GoD and of Djibouti Telecom, as a neutral, transparent and non-discriminatory regulatory authority for the telecommunications sector.

- The project will seek to reinforce the **ARMD's regulatory and legal capacity** as a precondition for a neutral, transparent and non-discriminatory competitive environment that would build confidence and further encourage foreign and domestic private investment in the digital transformation, and

thus as a foundation for the digital economy. The project will ensure continuity with the ongoing until November 2021 technical assistance project (Djibouti Telecommunication Reform and Digital Economy (P171784)), that provide the Government of Djibouti with policy recommendations for accelerating the liberalization process in the ICT sector and supporting the foundations for Djibouti's digital economy, and which finances the work of three sectoral and legal experts thanks to PPIAF funds, as well as with the planned review of the main sectoral laws and texts, including Law n ° 80 / AN / 04 / 5ème L on the Reform of the Information and Communication Technologies Sector, financed by the WB Public Administration Modernization Project (PAMAP, P162904). The sub-component will also assist the Government in preparing, in collaboration with IFC, the **required series of legal and regulatory documents for the opening of the market to competition and will support the ARMD to establish a market observatory**.

- Beyond the technical assistance for the AMRD, the project will also provide support for the **start-up costs and initial operating costs of the AMRD**, notably covering hosting of meetings of the Board of Directors, hosting of stakeholder consultation meetings, and acquisition of equipment (laptops, printers etc) to facilitate the work of the authority.

b) **Technical assistance for building the capacity of the Ministry of Communications, Posts and Telecoms (MCPT) in structuring the telecom/ICT market and fostering the emergence of digital economy.** In preparing to liberalize the ICT sector in Djibouti, the MCPT should consider licensing at least one new full-service private-sector operator as well as boosting the entry of specialized actors such as facilities-based Internet Service Providers or Broadband Wholesale Operators as well as TowerCos. The TA to MCPT will also seek to ensure the independence of the ARMD by following the provisions of the Digital Law are implemented once the ARMD is operational.

c) **Support to the organization of stakeholder consultations, organised by the ARMD and the MCPT, on prospects for liberalization** through the introduction of a second operator as well as for the introduction of specialized companies. The consultations would convene key stakeholders and interested parties to solicit views on the future market environment and prepare the opening of the market to competition. The support will include provisions for digital engagement (including safe and accessible engagement, online privacy and security of personal information, etc). The project will cover the costs of such a consultation and help facilitate the discussions. The output of this consultation will enable the MCPT to develop an informed basis for the liberalization and digital development in the country, and to establish a roadmap, including submitting questions on specific market opening issues, timelines, etc.

d) **Capacity building program for senior government officials** (MCPT and other Ministries) following a capacity needs assessment on designing and implementing digital transformation, considering the evolution of the market at the sub-regional level and the gradual opening to competition. This could include (virtual) study tours for knowledge exchange to relevant selected peer countries for the development of a vibrant, inclusive and safe digital economy.

e) **Technical assistance to the MCPT and AMRD in defining draft specifications for licensing approvals authorizations as required.** This could include technical assistance to provide best practice recommendations for the future licensing framework, such as a unified licensing regime or a multiservice regime; the mechanism to allocate and authorise the use of spectrum; the cahiers des charges for specialized actors ; to achieve specific public policy requirements related for example to the quality of service and coverage (associated geographic and social obligations) and to provide clear, flexible, and objectively applied rules that support the development of the market in Djibouti.

f) **Technical assistance to the MCPT to carry a final review of the Schéma Stratégique Intégré (SSI), which is due to expire in 2024, and the preparation of the subsequent strategic document.** A mid-term review of the SSI is already being carried out, under the Telecom Sector Reform ASA (P171784. The final review will aim to i) assess the achievements of the SSI objectives since its implementation in 2014, reviewing the progress made towards the achievement of the various programs proposed in the SSI; ii) take stock of the evolution of the sector and emerging needs; iii) identify the priority development actions for developing a digital economy blueprint for Djibouti, including further liberalization of the sector; and iv) will include questions on digital participation to determine whether there have been any advancements in this regard, and to identify potential entry points for digital engagement in the future. The proposed operation will also support the Government in preparing the subsequent sector strategy.

g) **A study to inform the Government on possible options for the future market structure.** This could, for instance, cover the strategic repositioning of Djibouti Telecom and the choice of a strategic partner; the licensing of new market entrants (such as AfriFibre), and the opening up of ancillary markets, such as operation of cell towers, satellite terminals, internet service providers etc.

Sub-component 1.2: Digital connectivity

21. **The aim of this sub-component is to increase the capacity of the Government to deliver services to the public and improve broadband connectivity, especially for education services, and to the private sector, and to conduct its work efficiently, through the provision of broadband internet access to priority government locations**. The cable landing station in Djibouti offers the closest route to undersea cable to a hinterland of over 100 million people in Ethiopia, Northern Somalia, Central South Sudan, Eritrea and Djibouti itself, which constitutes a largely untapped market for digital services (Figure 3). But there is also an urgent need to improve the level of connectivity within Djibouti itself to the different public institutions. By extending connectivity to the fixed network of some government entities, the component will also enhance Djibouti's ability to respond to and recover from COVID-19, as well as future shocks. The project will not finance any civil works, but rather will seek to stimulate investment through pre-purchase of internet capacity, with the Government service as an anchor tenant. The sub-component is designed to align efforts to improve connectivity with the strategy to open up the broadband market (as supported by Sub-component 1.1). The components will include the following activities:

a) **Pre-purchase of internet capacity for selected Government ministries, departments and agencies (MDAs)**. There is already a connection node at the cable landing station assigned to the GoD with specialised equipment and a dedicated fiber. Although access to capacity remains relatively expensive, significant progress has been made and the essential needs of the main public administration entities can be met by the PAMAP project (P162094), particularly for equipment needs. Under this project, internet supply agreements will be employed to reduce the unit cost of internet for Government and to aggregate demand among MDAs, for instance to below US$1 per Mbit/s per month. The proposed mechanism to use is the pre-purchase of internet capacity, under multi-year supply agreements, procured on a competitive basis from international companies that already have, or are planning to establish, a point of presence at the cable landing station. **In the absence of an alternative provider to Djibouti Telecom (ahead of a market opening), the connectivity would be leased with the view of facilitating the opening of the market to competitive tendering when competitive offer would become available.** To this end, a mechanism such as limited contract duration would be used to facilitate private sector entry on the local loop when contracts are due for renewal or earlier should the GoD be willing to authorize specialised actors such as Internet Service Providers. The project could potentially use the award of licenses to

construct infrastructure as an incentive to new private operators to bid for internet capacity tenders (as was done for instance under the RCIP Malawi program).

b) **Broadband connectivity for enhancing education**. An urgent need is to provide broadband connectivity for improving access to the internet for students and teachers in primary schools and possibly other institutions of the education system (colleges, high schools, TVETs etc.). The proposed mechanism to be used is the pre-purchase of internet capacity, as for sub-component a) above, which would take place in phases beginning with a pilot, related to the level of market liberalisation. **A first phase will thus consist of connecting a number of selected schools with MENFOP to test and pilot the expansion of broadband and learn from the experience to develop a more holistic school connectivity plan, covering also operations and maintenance costs and teacher training.** According to figures from the MENFOP, some two-thirds of the country's 152 primary schools are completely unconnected to the internet (see Table 2). In rural areas, this rises to 94 per cent, with Tadjourah and Obock being the least well covered regions. Secondary schools are somewhat better off, but even here, some 14 (or 22 per cent) remain unconnected. Only 3 lycées have a fiber optic connection, with the rest connected via copper (DSL) or wireless (WiMAX), which generally provides inadequate connection speeds, given the size of the student population. The importance of national efforts to use technology to support distance learning and education has been heightened during the COVID-19 pandemic and is a key tool to building resilience in the system and promoting learning continuity in response to risks of natural disasters of further disruptions to schooling. In the longer term, it is also necessary to train new generations in digital technologies, to create the solid foundations of a digital economy. The MENFOP has just finalized its 15-year *Strategic Plan for the Strengthening of Teaching-Learning through ICT* (REATIC), which will guide the allocation of connectivity priorities.

c) **It is proposed that Djibouti be one of the focus countries of the UNICEF and ITU-led GIGA initiative**[37], in which the World Bank Group is a partner, which aims to connect all schools in Africa to the Internet, and UNESCO's e-schools Initiative, which seeks to ensure the value for learning of connectivity and to align infrastructure investment with education sector plans and ICT in education policies. A robust, future-proof and cost-efficient internet connection for students is the foundation of a 21st-century education. The component will leverage the work undertaken by the Broadband Commission for Sustainable Development and its Working Group on School Connectivity, which has identified a set of core principles to help governments and other interested stakeholders [38]. The project design will also consider recent innovations, such as the "School in a Box" concept and the use of "Bring your own device" mechanisms, as a way of controlling costs and reducing theft.

Table 2: Connectivity of Educational Institutions (source: MENFOP)

		All	Urban	Rural
Primary schools	Total number of schools	152	64	88
	Number of unconnected schools	102	19	83
	Percentage of unconnected schools	67.1%	29.7%	94.3%
Collèges	Total number of collèges	39	24	15
	Number of unconnected collèges	9	2	7
	Percentage of unconnected collèges	23.1%	8.3%	46.7%
Lycées	Total number of lycées	26	21	5

[37] https://gigaconnect.org/.
[38] See: The Digital Transformation of Education – Connecting Schools, Empowering Learners, Broadband Commission for Sustainable Development, September 2020.

	Number of unconnected lycées	5	1	4
	Percentage of unconnected lycées	19.2%	4.8%	80.0%

Component 2: Digital transformation and skills – US$2M

22. **This component aims to build on the evolving ICT market structure and the additional digital connectivity provided under Component 1 to promote digital transformation and skills development.** It will seek to promote digital literacy capabilities, in order to increase digital inclusion and literacy, and to stimulate demand for digital solutions through support to the creation of a vibrant digital private ecosystem. The component will target two groups of interest: i) MSMEs, and ii) the general population, with a focus on women and young people:

a) **Digital skills programs for MSMEs**. This activity, to be implemented as a pilot program in partnership between the Digital Development (DD) and Finance, Competitiveness and Innovation (FCI) Global Practices, will aim to strengthen digital skills among existing MSMEs and new entrants. It will seek to complement the FCI ongoing portfolio skills development activities and will seek to support the development of an ecosystem that helps traditional MSMEs to generate new products and services, taking advantage of new technologies and technology-based business models, which can help broaden and deepen the transformation of the digital economy. The digital capacity of MSMEs could be developed in cooperation with existing platforms such as the Mahatma Gandhi Center for Leadership and Entrepreneurship (CLE), and the Center for Technology and Innovation for Development (CTID), and with the nascent tech hub community in order to use tech hubs as a means of teaching relevant skills, such as in programming and applications development to young people who perhaps lack the formal skills to enter university education. It is also envisaged the implementation of a capacity building program for MSMEs and digitally related training, such as the use of platforms and data.

b) **Digital awareness campaigns and training programs for the acquisition of basic digital skills**. In the SSI, the MCPT stressed the need to better inform the population about the opportunities offered by digital technologies in order to create a high local demand that would promote the growth of the digital economy. A large segment of the population remains reluctant, or unable, to adopt digital tools, especially digital means of payment, and even among those using the Internet, usage remains very limited, mainly linked to social networks. Similarly, the importance of the inclusion of young people and women was underlined[39]. the project will work with existing platforms, such as the Community Development Centres (CDDs), CLE and the CTID to a) set up digital awareness campaigns and digital training courses for young people and women, b) provide internet access in disadvantaged areas, through pre-purchase of capacity (see component 1.2) and provision of WiFi hotspots, to enable the inclusion of the most fragile populations; and c) conduct a baseline digital skills assessment at an early stage of project implementation so as to be able to measure the impact of the project. The study will also be used to assess different dimensions of the skills divide, for instance related to gender[40], age, education and urban/rural. Training courses will be designed to enhance basic digital literacy capabilities to enable beneficiaries to take advantage of

[39] UNICEF's analysis of youth's digital participation (2019) highlights that in addition to the lack of digital skills and literacies, their participation can also be hindered by the lack of a civic education that promotes engagement in community life and fosters the desire among young people to make a difference in their environment through political or non-political processes. It is important therefore to invest in training modules that focus on the development of these skills.

[40] According to one estimate, fewer than 10 percent of internet users in Djibouti were women, though this was based on data more than 15 years old (see Hafkin, N. Women and gender in ICT statistics and indicators for development. Inf. Technol. Int. Dev. 2007). More recent data, from ITU, show that by 2017 the gender divide had narrowed to just a few percentage points (https://www.itu.int/en/ITU-D/Statistics/Documents/statistics/2020/Individuals%20using%20the%20Internet%20by%20gender%20(20-08-20).xls)

existing and emerging technologies. Efforts geared towards increasing digital learning should take into account digital learning needs and approaches for elderly persons and persons with disabilities. The project will participate in financing the initial working capital to equip the centres with computer equipment, maintenance costs, and will support the development of a business model to enable the centres to become sustainable, for instance by providing a co-working space for rental by entrepreneurs, and by charging for specialised technical training courses. The use of already existing community centres as digital centres would make it possible to reduce costs, take advantage of existing infrastructures and build synergies with already existing programs (such as the Zero Slum Program implemented by the Agency for Urban Rehabilitation and Social Housing, which includes a social support component). To ensure inclusiveness, the project will work with NGOs (e.g. Djibouti Women ICT) and other women's associations to remove trust, social and cultural barriers. The project will also seek to use pre-existing digital content in the training, wherever possible, and will promote collaboration with the private sector. For instance, in Jordan the World Bank team is leveraging free digital skills courses in partnership with Code.org (French and Arabic) and Microsoft (linked to industry certifications).

Component 3: Project Management – US$1M

23. **This component covers the costs of implementing and managing the project,** including the costs of procurement, financial management, communications, safeguards, monitoring and evaluation, citizen engagement and Interactive Beneficiary Mechanism (IBM) and overall project coordination. In the longer term, it is expected that a new project implementation unit (PIU) will be established, to be hosted by the MCPT, which has insisted that it guide the project, but in the short-term, the project could benefit greatly by using an existing project as a transitional PIU, such as the one hosted by ANSIE for PAMAP (P162904). During the preparation of the PAD, further work will be carried out to evaluate different options and to set out criteria to guide the transition. The project will seek to establish good collaboration with other donors active in the sector, notably UNDP and AfD.

Component 4: Contingent Emergency Response Component (CERC) – US$0

24. **Since the global shock generated by the COVID-19 pandemic, it has become common practice for all WBG lending projects to incorporate a Contingent Emergency Response Component (CERC).** This will have an initial zero value but may be financed during the course of the project to allow for an agile response to unforeseen emergencies. Adding the component in from the beginning, albeit with zero funding, provides for flexibility to respond to crises as they arise. These could include, for instance, humanitarian crises which require the provision of emergency communications services to replace facilities that have been damaged, or to facilitate emergency humanitarian payments using mobile money.

Overall Risk and Explanation

25. **The overall risk is rated *high*, in particular due to risks associated with politics and governance and with sector strategies and policies, both of which are considered *high*.**

26. **The political and governance risk is rated *high***. The ability of the project to positively influence the liberalization agenda, prerequisite to the growth of Djibouti's digital economy, will ultimately depend on the confirmation of political will; without it the project's activities will not translate into concrete changes for the country's economy. Even if, as of yet, the government has made slow progress on reforming the sector, there seems to be a stronger momentum at the moment to open the telecommunications market to competition, with the key first step the decision to establish a sector regulator. The reform process in Ethiopia should also help by putting additional pressure on Djibouti to reform as it will bring competition for international wholesale traffic to Djibouti Telecom. However, Government actors may be slow to mobilize, and line Ministries may lack incentives for action or may be resistant to change. Moreover, the overall project is focused on changes to entrenched and long-standing interests. In mitigation of this risk, the project design seeks to obtain commitment and support at the highest level of the State.

27. **Sector policies and strategies risks are rated *high***. This is exemplified by the fact that, despite the objective to open the telecommunications market to competition as aspired to in the SCAPE strategy, tangible achievements have not eventuated. Similarly, previous attempts by the WBG had not delivered results. In particular, a planned WBG-funded investment lending project on telecommunications reform did not materialize, highlighting the difficulties involved in changing the *status quo*, and there had been only limited follow up to the Digital Economy Forum held in 2018. To mitigate these risks, the team will take full account of the political economy of Djibouti behind the reform process. This will cover an in-depth stakeholder analysis and will seek to anticipate where opposition to reform may come from (e.g., from the staff of Djibouti Telecom who may fear job losses), as well as measures to mitigate these risks. The team will also strengthen the argument for reform, by highlighting how regulation and liberalization can maximize the digital economy's growth potential, while trying to dissolve associated negative perceptions, such as concerns about the loss of employment for the incumbent, Government's concerns about loss of dividends and need to delegate security, etc. Furthermore, the team will also hold a series of consultation (see Component 1) to align interests and will reinforce participatory approaches to generate buy-in from key stakeholders, including the different line Ministries involved and Djibouti Telecom. The main focus of the project is on broadband internet (e.g., sub-component 1.2) where there is already a degree of market liberalization. The project activities would not directly threaten Djibouti Telecom's main source of revenue from mobile voice communications and will promote a discussion not only on a second mobile operator but also on specialized actors.

28. **The macro-economic risk is considered *high*,** mainly as a result of the likely impact on GDP growth and on unemployment of the COVID-19 pandemic. In addition, the possible incidence of job losses in Djibouti Telecom will have an impact on the country's tax base. However, in mitigation of this, if no financial contribution from the Government is expected, ongoing dialogue and discussion with other development partners could open access to additional financial support . Furthermore, it is likely that market liberalization would create many more jobs outside Djibouti Telecom than would be lost within the company.

29. **The technical design risks of the project are considered *moderate.*** This is because all of the proposed mechanisms have been used extensively in previous and similar World Bank Group lending programs. For instance, the stakeholder consultations on telecom reform proposed in component 1 have been used also in the Digital Ethiopia project (P171034) to gain stakeholder consensus for the proposed market opening. The mechanism of pre-purchase of internet capacity under component 2 has been used in Malawi (P160533) and RCIP-4 Comoros (P118213) , and in both cases the tendering for capacity was used as a way of leveraging greater market access to new entrants. Similarly, the use of digital skills training in component has been extensively used in other programs, such as eTransform Ghana (P144140), where there is a similar focus on improving school connectivity and teacher training.

30. **Institutional Capacity for Implementation and Sustainability and Fiduciary Risks are rated as *substantial*.** This is related to institutional capacity and sustainability and fiduciary management. The MCPT has little experience in managing donor-funded projects, and none in managing WB-funded operation. In order to mitigate these risks, it is proposed to use the existing Project Implementation Unit (PIU) of the PAMAP project (P162904) as a transitional PIU during the preparation phase. During that phase, the MCPT will receive training in fiduciary aspects and project management and the staff of the future PIU will be recruited. During the rest of the project, the project will be implemented by the MCPT in close collaboration with other Ministries and PIUs which have extensive experience in WB-funded operations. The school connectivity activity will seek to ensure longer-term supply agreements are in place by the end of the project to ensure longer-term sustainability.

31. **Social and environmental risks are considered *moderate*.** The Environmental risk is deemed moderate mainly due to the management of electronic Hazardous wastes. No civil works will be funded under the project. The social risks are deemed moderate due to (i) the risk of excluding vulnerable and disadvantaged groups and individuals from accessing project benefits; (ii) the risk of exposure or propagation of SARS-Cov-2 during the implementation of activities, both in terms of community exposure and exposure of project workers; (iii) risks associated with labor conditions and the protection of the labor force.

32. **Stakeholder[41] risks are considered *high*.** Based on experiences gained in the preparation of the *Digital Ethiopia* project (P171034), it is likely that there will be substantial opposition to the proposed reform agenda, in particular from the incumbent that is likely to lose its dominant or monopoly market position as a result of market liberalization. Djibouti Telecom arguably has the most to gain from a more vibrant digital economy, but it may fear changes to the status quo. To mitigate these risks, every effort will be made to show how the project will support the development of the digital economy, for instance through the promotion of digital entrepreneurship and through efforts to connect every school in the country to the internet. In addition, it is expected that the planned Developed Policy Operation (DPO) series under preparation will help leverage pro-competition reforms in the sector. This will help mitigate the risks of a lack of competitive bidding for bandwidth contracts. In addition, a stakeholder feedback mechanism will be developed by the PIU, using digital reporting and response, to ensure citizen engagement.

33. **Other risks may be considered *substantial*.** In addition to the risks enumerated above, there are a number of other risks that may be considered. In a coastal location such as Djibouti, climate-related risks, associated with rising sea levels and extreme weather, are elevated. Given Djibouti's locations, surrounded by much larger, fragile neighbors, it is vulnerable to sudden influxes of refugees. There are also security risks associated with Djibouti being a host for various international military bases. The inclusion of the CERC (component 4) is intended to allow the team to respond in an agile way to unforeseen emergencies arising from other risks.

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

Summary of Screening of Environmental and Social Risks and Impacts

Environmental Risk Rating Moderate

Although the project activities will not involve civil works/rehabilitation, the project component 1, will allow the acquisition of equipment (laptops, printers etc) to facilitate the work of the authority leading to an increase of electronic wastes, increase of energy consumption and potentially occupational health and safety concerns for project workers in the COVID-19 context. The project is therefore classified as moderate risk, given the weak capacity of the implementing agencies to manage environmental and social risks. Moreover, the potential adverse risks and impacts on human

[41] Includes the GoD and Ministries, Djibouti Telecom, the ARMD, potential new entrants, and business and public representatives.

populations and/or the environment are not likely to be significant, temporary and/or reversible, low magnitude, site specific and can be easily mitigated in a predictable manner.

Social Risk Rating Moderate
Key social potential risks and impacts of the project include (i) the risk of elite capture and exclusion of vulnerable and disadvantaged groups and individuals from accessing project benefits; (ii) the risk of exposure or propagation of SARS-Cov-2 during the implementation of activities, both in terms of community exposure and exposure of project workers; (iii) risks associated with labor conditions and the protection of the labor force. The sexual exploitation and abuse screening tool has been applied and the risks have been rated to be low. Given that these risks are low in magnitude and that they can be easily mitigated in a predictable manner, the social risks of the project are rated as moderate.

CONTACT POINT

World Bank

Timothy John Charles Kelly
Lead Digital Development Specialist

Borrower/Client/Recipient

MEFIP -- Ministère de l'Economie et des Finances, Chargé de Industrie et de la Planfication
S.E. M. Ilyas Moussa Dawaleh
Ministre de l'Economie et des Finances, Chargé de l'Industri
cabinet@mefip.gouv.dj

Implementing Agencies

ANSIE -- Angence Nationale des Systemes de d'Information de l'Etat
M. Moustapha Mohamed Ismail
DG, ANSIE
directeur.general@ansie.dj

Ministry of Communications, Posts and ICTs (MCPT) / Ministere de Communication, charge des Postes et
Radwan Abdillahi Bahdon
Minister of Communications, Posts and Telecoms
contact@communication.gouv.dj

FOR MORE INFORMATION CONTACT

The World Bank
1818 H Street, NW
Washington, D.C. 20433
Telephone: (202) 473-1000
Web: http://www.worldbank.org/projects

APPROVAL

Task Team Leader(s):	Timothy John Charles Kelly

Approved By

Practice Manager/Manager:		
Country Director:	Boubacar-Sid Barry	28-Oct-2020