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INTERNATIONAL DEVELOPMENT ASSOCIATION

PROJECT PAPER

ON A

PROPOSED SECOND ADDITIONAL FINANCING

IN THE AMOUNT OF SDR5 MILLION
(US\$7 MILLION EQUIVALENT)

TO THE

REPUBLIC OF DJIBOUTI

FOR

THE RURAL COMMUNITY
DEVELOPMENT AND WATER MOBILIZATION PROJECT (PRODERMO)

May 9, 2016

Agriculture Global Practice
Middle East and North Africa Region

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CURRENCY EQUIVALENTS

(Exchange Rate Effective 05/09/2016)

Currency Unit	=	Djiboutian Franc (DJF)
DJF 1	=	US\$0.01
XDR1	=	US\$1.41
US\$ 1	=	XDR0.71

FISCAL YEAR

January 1 - December 31

ABBREVIATIONS AND ACRONYMS

AF	Additional Financing
AfDB	African Development Bank
AM	Aide-Memoire
AWF	Africa Water Facility
CERD	Djibouti Center for Research / <i>Centre d'Etudes et de Recherche de Djibouti</i>
CGEP	Water and Pasture Management Committee / <i>Comité de Gestion des Points d'Eau et des Pâturages</i>
CPL	Local Steering / <i>Comité de Pilotage Local</i>
CPS	Country Partnership Strategy
CRW	Crisis Response Window
DA	Designated Account
DO	Development Objective
DRDIP	Development Response to Displacement Impacts in the Horn of Africa Project
ESIAF	Environmental and Social Impact Assessment Framework
ESMF	Environmental and Social Management Framework
ESMP	Environmental and Social Management Plan
EU	European Union
FAO	Food and Agriculture Organization of the United Nations
FM	Financial Management
GFDDR	Global Facility for Disaster Reduction Recovery
GoD	Government of Djibouti
GRS	Grievance Redress Mechanism
HDI	Human Development Index
ICT	Information and Communications Technology
IDA	International Development Association
IERR	Internal Economic Rate of Return
IFAD	International Fund for Agricultural Development
IFR	Interim Financial Report
IP	Implementation Progress

ISDS	Integrated Safeguards Data Sheet
ISR	Implementation Status and Results Report
JICA	Japan International Cooperation Agency
M&E	Monitoring and Evaluation
MAEPE-RH	Ministry of Agriculture, Water, Fisheries, Livestock and Halieutic Ressources / <i>Ministère de l'Agriculture, de l'Eau, de la Pêche, de l'Elevage et des Ressources Halieutiques</i>
MEFIP	Ministry of Economy and Finance, in charge of Industry / <i>Ministère de l'Economie et des Finances chargé de l'Industrie</i>
MENA	Middle East and North Africa
MIS	Management Information System
MS	Moderately Satisfactory
MTR	Mid-Term Review
O&M	Operations and Maintenance
PDO	Project Development Objective
PFS	Project Financial Statement
PID	Project Information Document
PLR	Performance and Learning Review
PMU	Project Management Unit
POM	Project Operations Manual
PP	Procurement Plan
PRODERMO	Rural Community Development and Water Mobilization Project
PROMES-GDT	Program for Mobilization of Surface Water and Sustainable Land Management
RF	Results Framework
SAHP	Hydraulic and Pastoral Planning Scheme / <i>Schéma d'Aménagement Hydraulique et Pastoral</i>
SOE	Statement of Expenditure
SSNP	Social Safety Net Project
UNDP	United Nations Development Program
UNICEF	United Nations Children's Emergency Fund
USAID	United States Agency for Development
WFP	World Food Program
WUA	Water Users Association

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REPUBLIC OF DJIBOUTI
SECOND ADDITIONAL FINANCING FOR THE RURAL COMMUNITY
DEVELOPMENT AND WATER MOBILIZATION PROJECT (PRODERMO)
(P157282)

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Project Paper Datasheet

Djibouti

DJ- Second Additional Financing for the Rural Community Development and Water Mobilization Project (PRODERMO) (P157282)

MIDDLE EAST AND NORTH AFRICA

GFADR

Basic Information – Parent									
Parent Project ID: P117355		Original EA Category: B - Partial Assessment							
Current Closing Date: 31-May-2017									
Basic Information – Additional Financing (AF)									
Project ID: P157282		Additional Financing Type (from AUS):		Scale Up					
Regional Vice President: Hafez M. H. Ghanem		Proposed EA Category:		B-Partial Assessment					
Country Director: Asad Alam		Expected Effectiveness Date:		03-Oct-2016					
Senior Global Practice Director: Juergen Voegele		Expected Closing Date:		31-Dec-2019					
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Ministry of Economy and Finance in charge of Industry		H. E. Mr. Ilyas Moussa Dawaleh		Minister		253-325105		cabinet@mefip.gouv.dj	
Project Financing Data - Parent (DJ-Rural Community Development and Water Mobilization Project (PRODERMO)-(P117355) (in US\$ Million)									
Key Dates									
Project	Ln/Cr/TF	Status	Approval Date	Signing Date	Effectiveness Date	Original Closing Date	Revised Closing Date		
P117355	IDA-H7060	Effective	14-Jun-2011	25-Aug-2011	19-Jan-2012	31-May-2017	31-May-2017		
P117355	IDA-H7780	Effective	12-Jun-2012	21-Aug-2012	15-Jan-2013	31-May-2017	31-May-2017		

Disbursements									
Project	Ln/Cr/TF	Status	Currency	Original	Revised	Cancelled	Disbur- sed	Un- disbursed	% Disbursed
P117355	IDA-H7060	Effecti ve	XDR	3.80	3.80	0.00	3.26	0.54	85.86
P117355	IDA-H7780	Effecti ve	XDR	2.00	2.00	0.00	1.43	0.57	71.35
Project Financing Data - Additional Financing DJ- Second Additional Financing for the Rural Community Development and Water Mobilization Project (PRODERMO) (P157282)(in US\$ Million)									
<input type="checkbox"/> Loan <input type="checkbox"/> Grant <input type="checkbox"/> IDA Grant <input checked="" type="checkbox"/> Credit <input type="checkbox"/> Guarantee <input type="checkbox"/> Other									
Total Project Cost:		7.20		Total Bank Financing:		7.00			
Financing Gap:		0.00							
Financing Source – Additional Financing (AF)								Amount	
BORROWER/RECIPIENT								0.20	
International Development Association (IDA)								7.00	
Total								7.20	
Policy Waivers									
Does the project depart from the CPS in content or in other significant respects?							No		
Explanation									
Does the project require any policy waiver(s)?							No		
Explanation									
Team Composition									
Bank Staff									
Name		Role		Title		Specialization		Unit	
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Locations					
Country	First Administrative Division	Location	Planned	Actual	Comments
Djibouti	Tadjourah Region	Tadjourah Region	X	X	
Djibouti	Obock Region	Obock Region	X	X	
Djibouti	Dikhil Region	Dikhil Region	X	X	
Djibouti	Arta Region	Arta-Plage	X	X	
Institutional Data					
Parent (DJ-Rural Community Development and Water Mobilization Project (PRODERMO) - (P117355))					
Practice Area (Lead)					
Agriculture					

Contributing Practice Areas				
Cross Cutting Topics				
<input checked="" type="checkbox"/> Climate Change <input checked="" type="checkbox"/> Fragile, Conflict & Violence <input checked="" type="checkbox"/> Gender <input checked="" type="checkbox"/> Jobs <input type="checkbox"/> Public Private Partnership				
Sectors / Climate Change				
Sector (Maximum 5 and total % must equal 100)				
Major Sector	Sector	%	Adaptation Co-benefits %	Mitigation Co-benefits %
Public administration, law, and justice	Public administration-Agriculture, fishing and forestry	35		
Agriculture, fishing, and forestry	Animal production	20		
Water, sanitation and flood protection	Water supply	19		
Agriculture, fishing, and forestry	Irrigation and drainage	19		
Agriculture, fishing, and forestry	Agricultural extension and research	7		
Total		100		
Themes				
Theme (Maximum 5 and total % must equal 100)				
Major theme	Theme	%		
Rural development	Rural services and infrastructure	34		
Rural development	Other rural development	23		
Environment and natural resources management	Water resource management	15		
Rural development	Rural non-farm income generation	15		
Rural development	Rural policies and institutions	13		
Total		100		
DJ- Second Additional Financing for the Rural Community Development and Water Mobilization Project (PRO DERMO) (P157282)				
Practice Area (Lead)				
Agriculture				
Contributing Practice Areas				

Cross Cutting Topics				
[X] Climate Change				
[X] Fragile, Conflict & Violence				
[X] Gender				
[X] Jobs				
[] Public Private Partnership				
Sectors / Climate Change				
Sector (Maximum 5 and total % must equal 100)				
Major Sector	Sector	%	Adaptation Co-benefits %	Mitigation Co-benefits %
Agriculture, fishing, and forestry	Animal production	30	-	-
Agriculture, fishing, and forestry	Irrigation and drainage	30	30	7
Agriculture, fishing, and forestry	Agricultural extension and research	30	-	-
Water, sanitation and flood protection	Flood protection	10	10	
Total		100		
<input type="checkbox"/> I certify that there is no adaptation and mitigation climate change co-benefits information applicable to this project.				
Green House Gas Accounting				
Net Emissions	0.00	Gross Emissions	0.00	
Themes				
Theme (Maximum 5 and total % must equal 100)				
Major theme	Theme	%		
Rural development	Rural services and infrastructure	50		
Environment and natural resources management	Water resource management	30		
Environment and natural resources management	Climate change	20		
Total		100		

Project Paper

I. Introduction

1. This Project Paper seeks the approval of the Executive Directors to provide a second additional financing (AF-2) in an amount of SDR5 million (US\$7 million equivalent) to the Rural Community Development and Water Mobilization Project (PRODERMO, P117355) in the Republic of Djibouti. The proposed IDA Credit will support the scaling up of the ongoing activities of a well-performing project.

2. In addition, this AF-2 financing will: (i) help support the costs associated with scaled-up activities to further enhance the impact of the project, (ii) extend the closing date by 31 months (from May 31, 2017, to December 31, 2019), (iii) amend the current project location description to include the Arta Region, (iv) revise and simplify the Results Framework (RF), (v) reflect the current categories of expenditures under a single category, and (vi) adjust the disbursement and implementation schedules to reflect the scope and increased targets.

3. The AF-2 does not entail any changes in the project design and the description and the number of components will remain unchanged. The proposed scale up relates to the expansion of the project coverage area to six additional pastures in the *Dikhil-Tadjourah-Obock* Regions and to the fisheries sites of *Goubet* in Tadjourah Region and *Arta-Plage* in the new Arta Region, where activities will include a full range of additional options available to the communities with greater emphasis on women's representation in the local steering committees and as beneficiaries of sub-projects and income-generating activities. The AF-2 implements awareness and capacity-building activities on the role of livestock and fisheries as a source of nutrient-dense food and on nutrition education.

4. The AF-2 will also provide technical assistance to further strengthen the capacity of the regional implementing agencies and the local community-based organizations; the Ministry of Agriculture, Water, Fisheries, Livestock and Halieutic Resources (MAEPE-RH), the existing PMU, and the vulnerable communities in the new project areas with a particular focus on drought resilience.

II. Background and Rationale for the Additional Financing in the Amount of SDR5 Million (US\$7 Million Equivalent)

Background

5. Djibouti is extremely water scarce, with conditions set to be exacerbated by population growth and climate change. Consequently, access to safe drinking water is a daily challenge for the majority of the population, particularly for people living in rural areas. Poverty and food insecurity affect more or less the entire country and both are recognized to be highly correlated with water access issues. The extreme aspect of the geo-climatic profile leads to low erratic annual rainfall that averages hardly 150 mm, to the absence of perennial surface freshwater flow, and to the slow renewing of its aquifers. The current situation shows that more than 70 percent of the rural population and its herds do not have access to water within a reasonable distance. During the three-to four-month dry season, pastoral households are subject to the lack of access

to water that represents a major constraint to human and livestock mobility, and to the proper use of the limited and sparsely distributed agro-pastoral resources.

6. Climate change impacts are projected to aggravate these already precarious water resource challenges. It is expected to induce an increase of the temperatures by 1.7-2.1C by 2050, while precipitation is set to decrease by 4-11 percent.¹ This could exacerbate dry spells and the intensity of wet extremes, thus accelerating land degradation, floods and erosion. Sea level rise is also projected to further intensify these impacts through saltwater intrusion of coastal aquifers.

7. Given these threats, the Government of Djibouti (GoD) is supporting rural communities, which suffer the highest poverty rates, to manage structural water scarcity and the impacts of climate change on livelihoods. This includes securing access to potable water, and the introduction of technology and practices to manage soil, water and marine resources to sustain livelihoods in the face of anticipated climate change impacts.

8. The GoD considers securing access to water and energy as the foremost major challenge to reducing poverty and ensuring a nation-wide sustainable socio-economic development. To tackle the country's structural gap in water resources demand and supply, the GoD has obtained support from key partners for the development of non-conventional water resources mobilization facilities including desalination plants, sewage water treatment plants and transboundary water transfer from Ethiopia.

Status of Implementation

9. A five-year IDA Grant in the amount of SDR3.8 million (US\$5.83 million equivalent) for the Djibouti PRODERMO was approved by the Board on June 14, 2011, became effective on January 19, 2012, and was launched on February 15, 2012. To achieve its Development Objective (DO), the project implemented several actions aiming at: (i) mobilizing surface and groundwater for human consumption as well as for small-scale community agricultural and livestock production activities to improve the resilience of rural households to climate uncertainty, particularly droughts; (ii) enhancing the production and added value of agricultural and livestock activities of rural communities around water points; and (iii) strengthening the technical, organizational, and management capacity at the community level as well as the capacity of the implementing entity and its central and regional staff. The PRODERMO focused its interventions in traditionally recognized local communal grazing areas or "parcours" shared by a particular group of villages and communities who possess traditional grazing rights over a common area of rangeland. The project covered three "parcours", the Khor-Angar-Obock area in the northern region of Obock, covering around 40,000 ha and targeting 1,000 households and two "parcours" in the Cheiketi-Hanlé area, in the southern region of Dikhil, covering around 80,000 ha and targeting 2,000 households.

10. With the support from the Global Facility for Disaster Reduction and Recovery (GFDDR) and in collaboration with the UN agencies and the World Bank, the Government started in August 2011 assessing the drought impact and identifying short to medium-term mitigation activities. On September 15, 2011, the Bank approved US\$250 million equivalent from its IDA Crisis Response

¹Djibouti Initial Communication to the UNFCCC, December 2009

Window (CRW²) to promote strategies to support sustainable, economically strong livelihoods, and potentially negate the need for routine emergency appeals. Based on the initial assessment, a number of priority actions were identified for drought mitigation that resulted in an allocation of US\$13.2 million equivalent to Djibouti. Of this amount, US\$3 million equivalent were dedicated to scaling up the PRODERMO relevant activities towards promoting innovative approaches for water harvesting, agriculture and livestock production, reducing food insecurity, improving households' nutrition, and strengthening rural livelihoods through income-generating activities such as fisheries and handicrafts. An additional financing of SDR2 million (US\$3 million equivalent) was approved by the Board on June 12, 2012, and became effective on January 15, 2013. The Project Development Objective (PDO) of this first additional financing remained unchanged, and so were its components, activities and its RF. The only change was the expansion of the project coverage area to six additional areas. On February 4, 2014, following the recommendation of the Mid-Term Review (MTR) and a request from the GoD, the project was restructured to: (i) introduce additional small activities, (ii) allocate additional funds to recruit, within the Project Management Unit (PMU), a regional coordinator and support staff for the Tadjourah Region and amend the definition of the open-air reservoirs which were constructed with a capacity of about 20,000 m³, (iii) update the RF to adequately measure all relevant project objectives and achievements, (iv) revise the number and/or the unit cost of a number of activities, (v) take into account the actual expenses which were underestimated for the newly introduced Sagalou-Tadjourah Region, covering around 80,000 ha and targeting an additional 1,000 households, and (vi) reallocate the unallocated amount between the project three categories of eligible expenditures.

11. Both the ratings for the PDO and the Implementation Progress (IP) are satisfactory. The PMU with key staff is already in place. All the implementation advisory committees such as the National Steering Committee, the Central Technical Coordination Committee, and the Regional Coordination Committees are all in place reflecting strong government ownership and commitment. The Moderately Satisfactory (MS) performance rating of component 1 stems from delays in the construction of the boreholes and the drilled wells, as well as the implementation of the income-generating activities. The AF-2 is not expected to face the same delays since the technical specifications and the bidding documents are already finalized resulting in a much faster tendering and contracting for works and equipment. The project Financial Management (FM) and Procurement ratings are also rated MS because of the untimely update of the procurement plans coupled with the untimely submission of the periodical financial reports, and the preparation of the yearly budget and disbursement plan. The PMU record keeping and contract management needs improvement. A stronger fiduciary team which now comprises a procurement officer, will ensure close monitoring of these aspects during the AF-2 implementation. There are no overdue audits and all audits have been received and found acceptable. The project complies with OP10.00 to the extent that: (i) the project has been rated MS or better for a minimum of 12 months; (ii) key loan covenants for the project have been complied with; and (iii) financial reporting requirements have been complied with.

12. The project's achievements, as of March 31, 2015, include the following: under Component 1, 32 cisterns (91 percent), 7 open reservoirs (100 percent) and 7 local fishing (100 percent) were constructed, 16 grazing area were set aside, (100 percent) and fishing equipment

² Report: IDA/R2011

was bought and distributed to fishermen and women. The construction of 4 new borehole wells and 23 shallow wells as well as the rehabilitation of 2 borehole wells were launched. Over 6.5 ha of irrigated gardens were rehabilitated. In addition, 32 income generating activities have been implemented, of which 50 percent are for women. With regard to capacity building and technical assistance (Component 2), 118 community structures have been created or strengthened, are operational and have benefited from 3,121 client training-days, of which 1,189 for women (38 percent). Finally, for the management and coordination of the project (Component 3), the procurement specialist was hired, the M&E system is in place and all M&E reports were submitted on time.

Implementation Arrangements

13. The institutional, implementation, procurement, and FM arrangements will remain unchanged for the AF-2. The MAEPE-RH through its existing PMU will continue to be the implementing agency responsible for the AF-2 implementation. As indicated previously, the PMU's Regional Offices located in Obock, Tadjourah and Dikhil will be reinforced with staff and when justified with vehicles in order to support the implementation of the AF-2 activities in the newly introduced pastures. The other entities involved in the AF-2 implementation include the beneficiary communities organized into Community Management Committees (CGEPs); the Local Development Committee (CPLs); and other community groups, as well as the existing National Steering Committee which was established under the original project.

Consistency with the World Bank Group's Country Partnership Strategy (CPS) and with the New Strategy for the Middle East and North Africa (MENA) Region

14. The project is aligned with the current World Bank Group CPS (Report 83874-DJ) discussed by the Board of Executive Directors in March 2014 which highlights 'social protection and direct support to the poor' as one of its main outcomes (outcome 2.3) and further proposes a 'water and small-scale rural development' project to mobilize water resources for small-scale agriculture, livestock, and other community-based rural investments. The AF-2 supports the World Bank Group's twin goals of ending extreme poverty and boosting shared prosperity in a sustainable manner as it will continue to support activities that will mitigate the vulnerability of the poor, including against droughts, food insecurity, and other external shocks. It will support the World Bank Group's new strategy for the MENA Region, particularly the first pillar on *renewing the social contract* to generate a new development model that is built on greater citizen trust, more effective protection of poor and vulnerable people and inclusive and accountable service delivery. The AF-2 is also aligned with the Performance and Learning Review (PLR) second pillar "strengthening public and private sector capacity for service delivery," which aims to address both public and private service delivery constraints.

Rationale for the Second Additional Financing

15. In view of the tangible results recorded by the ongoing PRODERMO, the GoD is seeking additional assistance to build on the momentum of the community-led participatory process and the management standards developed by the existing project in order to consolidate achievements and perform a scaling up of the ongoing activities to additional grazing areas. The AF-2 for the

ongoing PRODERMO is considered appropriately suited for this purpose. The additional activities are expected to be promptly and efficiently implemented within the proposed three-year timeframe.

16. The ongoing project is performing well and its activities respond to the needs of the poor targeted rural population, thanks to the participatory approach, allowing beneficiaries to contribute to the identification and implementation of the PRODERMO's activities, through the Local Steering Committees. As of today, PRODERMO's achievements allowed the storage of 103,000 m³ of water for 1,601 households and 10,260 heads of livestock and a more secure access to water within a reasonable travel time and/or distance for both households and livestock. Thanks to these achievements, women are no longer spending time fetching water and use the time saved productively. Moreover, the available grazing biomass in the project targeted rangeland areas increased from 163,800 to 282,520 forage units.

17. The AF-2 will respond effectively to the drought-affected rural population and will achieve cost-effectiveness gains for the recipient, as compared to preparing a new project. The proposed scale-up is also an opportunity to improve the results framework and the monitoring system.

Gender

18. As in the parent project, the project will pay particular attention to women's participation and empowerment both as beneficiaries and decision-makers. The number of women members of the local steering committees (CPLs and CGEPs) will be increased in order to reinforce women's roles in the targeted communities. Women will also benefit from capacity building on various topics. On the economic front, women will have access to income-generating activities opportunities. A gender and nutrition specialist will be hired in the PMU. Counterpart operational teams will include female field staff so that beneficiary communities can engage adequately. Additional field staff will be recruited to reinforce the current gender balanced teams.

Cross-Global Practice Collaboration

19. Further to the World Bank Group's efforts to strengthen internal collaboration, the PLR is supporting three new, complementary programs: the Development Response to Displacement Impacts in the Horn of Africa Project (DRDIP), the Social Safety Net Project (SSNP) Additional Financing, and the PRODERMO AF-2. Under the regional DRDIP, currently underserved people in target communities will be supported through service delivery subprojects based on inclusive and conflict-sensitive community mobilization and a careful mapping of existing service delivery locations and underserved areas. While the willingness to participate will be an important criterion, the DRDIP can usefully benefit from the social registry being developed with support from the SSNP. At the same time, SSNP beneficiaries could be prioritized for support in taking up traditional and nontraditional livelihood activities under the DRDIP, provided they meet the eligibility criteria. Similarly, the SSNP and the PRODERMO initiatives will work together to ensure that community-based prevention activities addressing maternal and child health and nutrition will be extended in rural areas. The strong community structures put in place through PRODERMO will be leveraged to train community leaders and to put in place prevention activities through the SSNP. Moreover, PRODERMO's efforts to increase access to water among rural communities and to enhance their capacity to manage water and agro-pastoral resources using a

participatory approach to community-based development will be furthered by DRDIP's investments in traditional and nontraditional livelihoods to diversify income sources, enhance productivity and returns through value chain investments, and support livelihood-based community organizations to ensure the sustainability of project outcomes.

Cooperation and Coordination with Development Partners

20. Donor coordination remains a critical issue and a challenge in Djibouti given the many international development partners already involved in water supply and rural development in the country. These partners include the International Fund for Agriculture Development (IFAD), the African Water Facility (AWF), the African Development Bank (AfDB), the Food and Agriculture Organization of the United Nations (FAO), the World Food Program (WFP), the United Nations Children's Emergency Fund (UNICEF), the Japan International Cooperation Agency (JICA), the United States Agency for Development (USAID), the European Union (EU), and others. The ongoing project, including AF-2 activities would build upon and expand the government's efforts already supported by EU, IFAD, AfDB, IDB, FAO, WFP, UNICEF, JICA, and USAID, in new areas, using to the extent possible, the same oversight, steering, coordination and implementation structures. The extended areas of AF-2 took into account the existing project to avoid any overlapping. Since the objectives, the financing, and the activities of both IFAD PROGRESS project (US\$12.5 million, currently under preparation) and the World Bank PRODERMO project are identical and have so far shared the same PMU, a parallel financing is being considered. This will promote synergies and harmonization such as agreeing and using the same technical standards and implementation modalities, sharing technical assistance and costs and offering training to strengthen the capacity of Water Users Association (WUAs) for operations, maintenance and to generate recurrent cost savings. The AF-2 will strengthen collaboration with other national and international stakeholders such as the Ministry of Health, the Djibouti Center for Research (CERD), and the Djiboutian Agency for Social Development, among others.

Monitoring and Evaluation

21. The parent project M&E system will be improved and used by both the AF-2 and the IFAD-funded PROGRESS project. The system, managed by a dedicated M&E Officer, will aim at informing on both implementation progress (i.e. ensuring that activities, including infrastructure construction, are implemented according to plans) and early project implementation results (i.e. ensuring that expected outcomes are achieved). The M&E system already collects gender-disaggregated data and impact on women and men. The collected data would be analyzed and reported in the Implementation Status and Results Reports (ISRs) and the Aide Memoires (AMs). Particular attention was paid to the sustainability of the project, through the creation or the strengthening of water points and rangelands management committees (CGEP). On citizen engagement, the AF-2 will strengthen the voice of the poor through the close monitoring of the Intermediate Result Indicator: *grievances registered related to delivery of project benefits that are actually addressed*.

Policy Exceptions and Readiness

22. The proposed credit does not require any exception to Bank policies. For a higher readiness for implementation, a revised procurement plan reflecting activities to be financed under the AF-

2, and the draft Project Operations Manual (POM) indicating the revised Environmental and Social Management Framework (ESMF) requirements, was shared prior to negotiations and reviewed and commented upon with agreement on relevant adjustments during negotiations.

III. Proposed Changes

Summary of Proposed Changes	
The proposed additional financing is to scale up the parent project activities to six additional neighbor pastoral areas and amend the current project location to include the Arta Region for the benefits of an additional 3,740 households to enhance, expand and sustain expected outcomes/outputs. This would not lead to any major changes to the current project concept, design, institutional, implementation, procurement, and financial management arrangements. The AF-2 proposal incorporates, however, a number of changes as follows: (i) the closing date will be extended by 31 months (from May 31, 2017, to December 31, 2019); (ii) the RF, the disbursement and the implementation schedules will be adjusted to reflect the expanded scope and increased targets, (iii) the four project categories of expenditures will be amended to reflect one single category, and (iv) the project location description will be revised to include the Arta Region.	
Change in Implementing Agency	Yes [<input type="checkbox"/>] No [<input checked="" type="checkbox"/>]
Change in Project's Development Objectives	Yes [<input type="checkbox"/>] No [<input checked="" type="checkbox"/>]
Change in Results Framework	Yes [<input checked="" type="checkbox"/>] No [<input type="checkbox"/>]
Change in Safeguard Policies Triggered	Yes [<input type="checkbox"/>] No [<input checked="" type="checkbox"/>]
Change of EA Category	Yes [<input type="checkbox"/>] No [<input checked="" type="checkbox"/>]
Other Changes to Safeguards	Yes [<input type="checkbox"/>] No [<input checked="" type="checkbox"/>]
Change in Legal Covenants	Yes [<input type="checkbox"/>] No [<input checked="" type="checkbox"/>]
Change in Credit Closing Date	Yes [<input checked="" type="checkbox"/>] No [<input type="checkbox"/>]
Cancellations Proposed	Yes [<input type="checkbox"/>] No [<input checked="" type="checkbox"/>]
Change in Disbursement Arrangements	Yes [<input checked="" type="checkbox"/>] No [<input type="checkbox"/>]
Reallocation between Disbursement Categories	Yes [<input type="checkbox"/>] No [<input checked="" type="checkbox"/>]
Change in Disbursement Estimates	Yes [<input checked="" type="checkbox"/>] No [<input type="checkbox"/>]
Change to Components and Cost	Yes [<input checked="" type="checkbox"/>] No [<input type="checkbox"/>]
Change in Institutional Arrangements	Yes [<input type="checkbox"/>] No [<input checked="" type="checkbox"/>]
Change in Financial Management	Yes [<input type="checkbox"/>] No [<input checked="" type="checkbox"/>]
Change in Procurement	Yes [<input type="checkbox"/>] No [<input checked="" type="checkbox"/>]
Change in Implementation Schedule	Yes [<input checked="" type="checkbox"/>] No [<input type="checkbox"/>]
Other Change(s)	Yes [<input type="checkbox"/>] No [<input checked="" type="checkbox"/>]

Development Objective/Results						
Project's Development Objectives						
Original PDO The objective of the project is to increase access of rural communities to water and enhance their capacity to manage water and agro-pastoral resources in the project areas using a participatory approach to community-based development.						
Change in Results Framework						
Explanation: The RF will be amended to reflect the three-year extension of the project closing date, the added values of the AF-2, and the introduction of a new intermediate-level indicator, e.g. the increase of the percentage of women in the managing committees (CPLs and CGEPs), to monitor the participation of women in the decision-making process. The revised RF will be simplified and will only reflect three PDO-level indicators and twelve intermediate-level Results Indicators, while the remaining indicators are included in the POM and will be monitored and updated in the project's bi-annual reports. Data collection, verification, and initial analysis will continue to be the responsibility of the regional offices, and more specifically the responsibility of the regional project coordinators. The revised RF is reflected in Annex I.						
Compliance						
Covenants - Additional Financing (DJ- Second Additional Financing for the Rural Community Development and Water Mobilization Project (PRODERMO) – (P157282)						
Source of Funds	Finance Agreement Reference	Description of Covenants	Date Due	Recurrent	Frequency	Action
				<input type="checkbox"/>		
Conditions						
Source of Fund		Name		Type		
Description of Condition						
Risk						
Risk Category				Rating (H, S, M, L)		
1. Political and Governance				Substantial		
2. Macroeconomic				Substantial		
3. Sector Strategies and Policies				Moderate		
4. Technical Design of Project or Program				Moderate		
5. Institutional Capacity for Implementation and Sustainability				Substantial		
6. Fiduciary				Substantial		
7. Environment and Social				Low		

8. Stakeholders					Low				
9. Other					n/a				
OVERALL					Substantial				
Finance									
Credit Closing Date - Additional Financing (DJ- Second Additional Financing for the Rural Community Development and Water Mobilization Project (PRODERMO - P157282)									
Source of Funds					Proposed Additional Financing Credit Closing Date				
IDA recommitted as a Credit					31-Dec-2019				
Credit Closing Date(s) - Parent (DJ-Rural Community Development and Water Mobilization Project (PRODERMO) – (P117355)									
Explanation: The Credit closing date will be extended from May 30, 2017, to December 31, 2019, to implement the AF-2 activities.									
Ln/Cr/TF	Status	Original Closing Date	Current Closing Date	Proposed Closing Date	Previous Closing Date(s)				
IDA-H7060	Effective	31-May-2017	31-May-2017	31-Dec-2019	31-May-2017				
IDA-H7780	Effective	31-May-2017	31-May-2017	31-Dec-2019	31-May-2017				
Change in Disbursement Arrangements									
Explanation: As opposed to the parent project and the first additional financing (AF-1) which have five and four categories of eligible expenditures respectively, the AF-2 will reflect all eligible expenditures of both the parent project and the AF-1 to be financed under one single category. This change stems from a decision to simplify disbursement for the remainder of the project implementation period. In addition, since proper implementation and fiduciary arrangements are already in place, including control and monitoring and given the satisfactory performance of both the parent project and the AF-1, it was agreed to use the same implementation framework for the AF-2.									
Change in Disbursement Estimates (including all sources of Financing)									
Explanation: Following the extension of the closing date from May 31, 2017, to December 31, 2019, the disbursement estimates will be revised to cover the extended project implementation period.									
Expected Disbursements (in US\$ Million)(including all Sources of Financing)									
Fiscal Year	2012	2013	2014	2015	2016	2017	2018	2019	2020
Annual	0.9	1.13	1.76	2.00	1.92	4.15	2.00	1.00	0.97
Cumulative	0.9	2.03	3.79	5.79	7.71	11.86	13.86	14.86	15.83

Allocations - Additional Financing (DJ- Second Additional Financing for the Rural Community Development and Water Mobilization Project (PRODERMO – P157282))				
Source of Fund	Currency	Category of Expenditure	Allocation	Disbursement % (Type Total)
			Proposed	Proposed
IDA	XDR	Goods, works, non-consulting services, consultants' services, training, incremental operating costs, including audit	5,000,000	100
		Total:	5,000,000	
Components				
Change to Components and Cost				
Explanation:				
<p><u>Component 1.</u> The proposed AF-2 would finance US\$4.2 million equivalent (60 percent) to scale up existing activities, e.g. priority community investment sub-projects. The funding covers consultant services for carrying out the detailed design and supervision, as well as goods and civil works for the implementation and the operation of the community sub-projects. Community investments will be demand-driven and will comprise the following sub-projects: (i) water mobilization and soil conservation; (ii) agriculture, livestock and fisheries; and (iii) income-generating activities.</p>				
<p><u>Component 2.</u> The proposed AF-2 would finance US\$1.7 million equivalent (24.3 percent) to scale up existing activities, e.g. capacity-building activities and the provision of technical assistance. More specifically, the AF-2 will finance capacity-building activities for the PMU, the grassroots organizations such as WUAs and community groups to support the formulation and the implementation of participatory schemes, while improving local contingency planning to better face the impact and challenges in the aftermath of extreme events. The component will sensitize and mobilize beneficiary communities and other stakeholders to facilitate effective involvement in the planning and the project implementation process as well as their awareness on nutrition, sanitary and water quality issues. The use of Information and Communications Technology (ICT) will also be considered.</p>				
<p><u>Component 3.</u> The proposed AF-2 would finance US\$1.1 million equivalent (15.7 percent) to further support project coordination and management activities. This component will support the PMU through the provision of goods, works, consultant services, training and incremental operating costs associated with project management, implementation, M&E, and audits. Incremental costs to be financed include incremental contractual staff costs, office rehabilitation works, equipment and operations, transportation equipment and operations, and domestic travel, to name a few.</p>				
Current Component Name	Proposed Component Name	Current Cost (US\$M)	Proposed Cost (US\$M)	Action
Component 1: Priority Community Investment Sub-projects	Component 1: Priority Community Investment Sub-projects	5.26	9.26	Revised

<u>Component 2: Capacity Building and Provision of Technical Assistance</u>	<u>Component 2: Capacity Building and Provision of Technical Assistance</u>	1.25	2.85	Revised
<u>Component 3: Project Coordination and Management</u>	<u>Component 3: Project Coordination and Management</u>	1.64	2.74	Revised
	Total:	8.83, including 0.68 for price contingencies	15.83 including 0.98 for price contingencies	
Other Change(s)				
Implementing Agency Name	Type		Action	
Change in Implementation Schedule				
Explanation:				
The closing date is extended to December 31, 2019.				

IV. Appraisal Summary

Appraisal Summary	
Economic and Financial Analysis	
Explanation:	
<p>Based on the economic analysis carried out during the AF-2 preparation in February 2016, the impact of activities in the newly identified area of Dikhil-Tadjourah-Obock-Arta suggests that the results do not differ from the original economic analysis and that activities (since the same kind of water infrastructure will be promoted) supported remain economically viable. The revised calculations show that the Economic Internal Rate of Return (EIRR) over 20 years is 12.75 percent. The project expected social benefits (not quantified) will result from its focus on rural poverty reduction and consideration of social factors in the selection of groups, in particular the targeting of women and youth. The project will provide alternatives, or enhanced sources of incomes to poor rural and fishermen households, and serve to diversify their incomes, thereby contributing to reduced vulnerability. Local communities will be supported to sustainably manage their infrastructure investments and will learn how to work together to face common problems and allocate scarce resources efficiently. Consequently, and based on the evidence of the first five years of project implementation, it is safe to assume that the estimated economic benefits are on the low side of the potential economic returns which can be expected when the foreseen activities will be implemented under the AF-2.</p>	
Technical Analysis	
Explanation:	
<p>Technical aspects related to the activities to be developed through the AF-2 would, to a large extent, capitalize on the experience gained through the parent project in the sense that nature and type of water mobilization structures and land conservation techniques have been standardized and typical models are available to be without delay adapted to new sites and structures. As with the parent project the beneficiary community development constraints, needs, and expectations, are expected to be typically composed of small-scale surface water harvesting structures, including underground cisterns, excavation ponds, pastoral and agricultural borehole wells, threshold spreaders “seuil d’épandage” and income-generating activities that include rangeland development, improved livestock husbandry, crop production, handicrafts, fisheries, and women organizations. These activities are aligned with some of the most basic needs of the communities and are expected to be modest in size with simple and conventional designs, without the need for major, complex civil works, and well within the technical reach of the staff and beneficiaries involved. In addition, lessons learned regarding the need for technical improvements i.e. allowing greater time for sub-project execution and inclusion of operation and maintenance arrangements, have already been incorporated into the original project design. The project also supports some rehabilitation and selective drilling of new wells, which can improve access to water on a continuous basis. Yet, proper technical standards for the specific community investments planned will be ensured through existing standardized designs including engineering aspects, technical, financial and economic feasibility, Operations and Maintenance (O&M), basic environmental guidelines, and cost parameters. All sub-projects will be screened by qualified staff. Technical assistance will be made available to community organizations to assist in sub-project identification, implementation and O&M. The AF-2 has significant adaptation activities, which will reduce vulnerability of the population and the soil to the impacts of climate change. It also has mitigation activities that are related to introducing and expanding water pumping for irrigation using renewable solar energy sources and replacing existing diesel pumps with solar electric pumps. The</p>	

project co-benefit climate change is estimated at 47 percent.³ To the extent possible, ICT-mediated citizen engagement will also be implemented.

The fishing potential (Maximum Sustainable Yield) is estimated at 47,000 t/year: 9,300 t/year for demersal fish and 22,000 t/year for pelagic fish (GTZ, 1996 in Fisheries Masterplan, 2004). According to the national fisheries statistics (FAO Website), production increased in the last two decades from 300 to 1,700 tons/year in 2013, with a 2,200-ton peak in 2012. While this data does not provide a clear indication of the international catches in the Djibouti waters or on the shared stocks, fishing effort/activities in Djibouti waters decreased dramatically, largely due to the Yemeni crisis, thus reducing pressure on fish stocks. Notably also, small pelagic fishing is part of the fishing diversification activities of the project. A 50 percent increase of catches in the targeted sites seems consequently reasonable, to the best of current scientific knowledge, and realistic as reflecting the use of improved gear as per other indicators. Since the IFAD-financed PRAREV project will update research data and support the implementation of a national management framework, risk of cumulative impact of increased fishing pressure appears limited, at least in the Djiboutian waters. In relation to high value species, market price differentiation appears to be very limited in country.

Social Analysis

Explanation:

The Policy for Involuntary Resettlement (OP/BP 4.12) is not triggered as there will not be any involuntary land mobilization leading to physical resettlement of people and/or loss of (or access to) assets, means of livelihoods or resources and the involuntary restriction of access to legally designated parks and protected areas resulting in adverse impacts on the livelihoods of the displaced persons. Choice and mobilization of land parcels for the purposes of the specific project activities requiring land use will be achieved in a participatory manner and documented as in the current parent project. The ESMF prepared by the client was reviewed, finalized and published on March 16, 2016, both in the country and at the InfoShop. Globally, the potential negative environmental impacts are expected to be minor, temporary, and site-specific in nature and could be mitigated by compliance with the safeguards instruments. The Project Information Document/Integrated Safeguards Data Sheet (PID/ISDS) was updated, sent to InfoShop and disclosed before appraisal.

Environmental Analysis

Explanation:

The original project was classified as an environmental category 'B' and remains unchanged. The scaling up of the PRODERMO activities will not have any implications for the existing environmental category (B). The Bank considers that the current arrangements for the implementation of the existing Environmental and Social mitigation measures are satisfactory. Under the parent project and the AF-1, the Recipient has satisfactorily implemented the requirements of the existing safeguard instrument. The project has designated focal points for Environmental and Social Management Plan (ESMP) implementation in the regions where the project is being implemented. Beneficiary communities have also received training on Environmental and Social requirements in order to ensure that implementation continues along the various levels of the project. Environmental and social screening is carried out as a regular procedure with the requisite documentation. The PMU prepares monthly reports on the implementation of the ESMF requirements and shares these with the Bank for review. Similarly to the parent project, the safeguard operational policy for Environmental Assessment (OP/BP 4.01) is triggered. The existing ESMF has been revised to reflect the new geographical areas with updated maps. The project will not finance the

³ It represents the percentage of the investments of the sub-component 1.1 (Water mobilization sub-projects) over the total investments, of which 96 percent is for adaptation and 4 percent is for mitigation.

procurement of any agricultural inputs which could have negative impacts on the environment. Similarly to the parent project and the AF-1 operation, PRODERMO-AF2 will not finance any activities which will require the procurement of pesticides.

Risk

Explanation:

While the parent project overall risk was high because of weak implementation capacity especially for overseeing procurement management and because of additional support needed for the newly identified geographical area, the overall AF-2 risk rating is substantial. The AF-2 activities will be implemented by the MAEPE-RH through its existing PMU with experience in a similar operation, and while most project activities and anticipated community investments are expected to be technically basic, the community-based development nature of the project, and somewhat weak institutional context, will add substantial challenges to the implementation process. Also, the strong unpredictable climate variability that is affecting the region adds a high level of hydro-meteorological hazard risk to the project. There is also a risk associated with the upcoming changes in government following the presidential elections of April 2016. These are factors that could negatively impact the implementation of the project activities and hinder the efforts to enhance institutional capacity and ensure sustainability. Identified risks are nevertheless manageable and mitigation measures have been adequately put in place.

V. World Bank Grievance Redress Service

24. Communities and individuals who believe that they are adversely affected by a WB's supported projects may submit complaints to existing projects level grievance redress mechanisms or the WB's Grievance Redress Service (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 WB's independent Inspection Panel which determines whether harm occurred, or could occur, as a result of WB non-compliance with its policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to the World Bank's attention, and Bank Management has been given an opportunity to respond. For information on how to submit complaints to the World Bank's corporate GRS, please visit <http://www.worldbank.org/GRS>. For information on how to submit complaints to the World Bank Inspection Panel, please visit www.inspectionpanel.org.

Annex I: Revised Results Framework

Project Name:	DJ- Second Additional Financing for the Rural Community Development and Water Mobilization Project (PRODERMO) (P157282)	Project Stage:	Additional Financing	Status:	FINAL
Team Leader(s) :	Mohamed Medouar	Requesting Unit:	MNC03	Created by:	Mohamed Medouar on 06-Jan-2016
Product Line:	IBRD/IDA	Responsible Unit:	GFADR	Modified by:	Fatiha Amar on 08-May-2016
Country:	Djibouti	Approval FY:	2016		
Region:	MIDDLE EAST AND NORTH AFRICA	Lending Instrument:	Investment Project Financing		
Parent Project ID:	P117355	Parent Project Name:	DJ-Rural Community Development and Water Mobilization Project (PRODERMO) (P117355)		

Project Development Objectives

Original Project Development Objective - Parent:

The objective of the Project is to increase access of rural communities to water and enhance their capacity to manage water and agro-pastoral resources in the project areas using a participatory approach to community-based development.

Proposed Project Development Objective - Additional Financing (AF):

Results

Core sector indicators are considered: Yes

Results reporting level: Project Level

Project Development Objective Indicators

Status	Indicator Name	Core	Unit of Measure		Baseline	Actual(Current)	End Target
Revised			Number	Value	2160.00	3817.00	7470.00

	Indicator One: Increase in the number of rural households with more secure access to drinking water within a reasonable travel time (two hours roundtrip) in the project areas	<input type="checkbox"/>		Date	31-Dec-2013	31-Dec-2015	31-Dec-2019
				Comment			Increased from 3,730
Revised	Indicator Two: Increase in the number of heads of livestock with more secure access to water within a reasonable distance (20 km radius) in the project areas	<input type="checkbox"/>	Number	Value	11075.00	12225.00	83420.00
				Date	31-Dec-2013	31-Dec-2015	31-Dec-2019
				Comment			Increased from 38,000
Revised	Indicator Three: Communities in the project areas are organized in community-based structures (CPLs, CGEPs and women/fishermen associations) that actively prepare and implement SAAHPs	<input type="checkbox"/>	Number	Value	39.00	44.00	143.00
				Date	31-Dec-2013	31-Dec-2015	31-Dec-2019
				Comment			Increased from 91
Marked for Deletion	Increase in the number of heads of small ruminants with more secure access to water within a reasonable distance (20 km radius) in the project areas	<input type="checkbox"/>	Number	Value	9750.00	9300.00	30400.00
			Sub Type	Date	31-Dec-2013	30-Sep-2015	31-May-2017
			Breakdown	Comment			
Marked for Deletion	Increase in the number of heads of large ruminants with more secure access to water within a reasonable distance (20 km radius) in the project areas	<input type="checkbox"/>	Number	Value	1325.00	960.00	7600.00
			Sub Type	Date	31-Dec-2013	30-Sep-2015	31-May-2017
			Breakdown	Comment			
Marked for Deletion	Indicator Three: Increase in available grazing biomass in the targeted rangelands in the project areas	<input type="checkbox"/>	Number	Value	149800.00	209580.00	460000.00
				Date	31-Dec-2013	30-Sep-2015	31-May-2017
				Comment			

Marked for Deletion	Indicator five: Beneficiaries that feel project investments reflect their needs	<input type="checkbox"/>	Percentage	Value	0.00	45.00	70.00
				Date	11-Feb-2015	30-Sep-2015	31-May-2017
				Comment			
Marked for Deletion	Increase in the number of heads of small ruminants with more secure access to water within a reasonable distance (20 km radius) in the project areas	<input type="checkbox"/>	Number	Value	9750.00	9300.00	30400.00
			Sub Type	Date	31-Dec-2013	30-Sep-2015	31-May-2017
			Breakdown	Comment			
Marked for Deletion	Increase in the number of heads of large ruminants with more secure access to water within a reasonable distance (20 km radius) in the project areas	<input type="checkbox"/>	Number Sub Type Breakdown	Value	1325.00	960.00	7600.00
				Date	31-Dec-2013	30-Sep-2015	31-May-2017
				Comment			
Marked for Deletion	Indicator Three: Increase in available grazing biomass in the targeted rangelands in the project areas	<input type="checkbox"/>	Number	Value	149800.00	209580.00	460000.00
				Date	31-Dec-2013	30-Sep-2015	31-May-2017
				Comment			

Intermediate Results Indicators

Status	Indicator Name	Core	Unit of Measure		Baseline	Actual(Current)	End Target
Revised	Increase in the number and total capacity of constructed/rehabilitated water structures supported by the project	<input type="checkbox"/>	Number	Value	0.00/0.00	39.00/143280	109.00/997529
				Date	31-Dec-2012	30-Sep-2015	31-Dec-2019
				Comment			109.00/997529 Increased from 74/680,050
Revised	Area of grazing areas set aside and/or rehabilitated by soil and water conservation works	<input type="checkbox"/>	Hectare(Ha)	Value	0.00	6400.00	8400.00
				Date	31-Dec-2012	30-Sep-2015	31-Dec-2019
				Comment			Increased from 6,400
Revised			Hectare(Ha)	Value	62.00	105.00	145.00

	Area provided with irrigation and drainage services (ha)	<input checked="" type="checkbox"/>		Date	31-Dec-2012	30-Sep-2015	31-Dec-2019
				Comment			
Revised	Number of income-generating activities supported by the project	<input type="checkbox"/>	Number	Value	0.00	31.00	97.00
				Date	31-Dec-2012	30-Sep-2015	31-Dec-2019
				Comment			Increased from 47
Revised	Number of functional income-generating activities (1 year after their creation)	<input type="checkbox"/>	Number Sub Type Breakdown	Value	0.00	0.00	80.00
				Date	31-Dec-2012	30-Sep-2015	31-Dec-2019
				Comment			Increased from 40
Revised	Number of women income-generating activities created/reinforced	<input type="checkbox"/>	Number Sub Type Breakdown	Value	0.00	16.00	53.00
				Date	31-Dec-2012	30-Sep-2015	31-Dec-2019
				Comment			
Revised	Number of functional subprojects 1 year after their completion	<input type="checkbox"/>	Number	Value	0.00	48.00	163.00
			Sub Type	Date	31-Dec-2012	30-Sep-2015	31-Dec-2019
			Breakdown	Comment			Increased from 61
New	Increase in the percentage of women in the managing committees (CPL and CGEP)	<input type="checkbox"/>	Number Sub Type Breakdown	Value	0.00	20.00	30.00
				Date	31-Dec-2012	30-Sep-2015	31-Dec-2019
				Comment			
Revised	Number of SAAHPs prepared and being implemented	<input type="checkbox"/>	Number	Value	0.00	12.00	18.00
			Sub Type	Date	31-Dec-2012	30-Sep-2015	31-Dec-2019
			Breakdown	Comment			Increased from 12 based on the six new areas to be covered by

							the AF-2 Operation
Revised	Number of persons trained in: (i) water resource management, (ii) agro-pastoral resource management, (iii) participatory planning and development, and (iv) income-generating activities	<input type="checkbox"/>	Number	Value	0.00	552.00	1860.00
			Sub Type	Date	31-Dec-2012	30-Sep-2015	31-Dec-2019
			Breakdown	Comment			Increased from 475
Revised	New fisheries marketing and storage infrastructure constructed/rehabilitated under the project	<input type="checkbox"/>	Number	Value	0.00	7.00	9.00
				Date	31-Dec-2012	30-Sep-2015	31-Dec-2019
				Comment			Increased from 7
Revised	Grievances registered related to delivery of project benefits that are actually addressed	<input type="checkbox"/>	Percentage	Value	0.00	0.00	60.00
				Date	31-Dec-2012	30-Sep-2015	31-Dec-2019
				Comment			Maintained at 60
Marked for Deletion	Increase in the number of rehabilitated desalination plants supported by the project	<input type="checkbox"/>	Number	Value	0.00	0.00	0.00
			Sub Type	Date	31-Dec-2012	30-Sep-2015	31-Dec-2019
			Breakdown	Comment			
Marked for Deletion	Increase in the number of constructed/rehabilitated drilled wells supported by the project	<input type="checkbox"/>	Number	Value	0.00	0.00	9.00
			Sub Type	Date	31-Dec-2012	30-Sep-2015	31-Dec-2019
			Breakdown	Comment			
Marked for Deletion	Increase in the number of constructed/rehabilitated pastoral wells supported by the project	<input type="checkbox"/>	Number	Value	0.00	0.00	6.00
			Sub Type	Date	31-Dec-2012	30-Sep-2015	31-Dec-2019
			Breakdown	Comment			
			Number	Value	0.00	0.00	19.00

Marked for Deletion	Increase in the number of constructed/rehabilitated agricultural wells supported by the project	<input type="checkbox"/>	Sub Type Breakdown	Date	31-Dec-2012	30-Sep-2015	31-Dec-2019
				Comment			
Marked for Deletion	Increase in the number of constructed/rehabilitated open reservoirs supported by the project	<input type="checkbox"/>	Number Sub Type Breakdown	Value	0.00	6.00	7.00
				Date	31-Dec-2012	30-Sep-2015	31-Dec-2019
				Comment			
Marked for Deletion	Increase in the total capacity of constructed/rehabilitated water structures supported by the project	<input type="checkbox"/>	Cubic Meter(m3) Sub Type	Value	0.00	123100.00	629135.00
			Supplemental				
Marked for Deletion	Increase in the number of cisterns constructed/rehabilitated by the project	<input type="checkbox"/>	Number Sub Type Breakdown	Value	0.00	31.00	32.00
				Date	01-Nov-2011	30-Sep-2015	31-May-2017
				Comment			
Marked for Deletion	Area provided with irrigation and drainage services-New (ha)	<input type="checkbox"/>	Hectare(Ha) Sub Type Breakdown	Value	0.00	0.00	33.00
				Date	31-Jan-2012	30-Sep-2015	31-May-2017
				Comment			
Marked for Deletion	Area provided with irrigation and drainage services - Improved (ha)	<input checked="" type="checkbox"/>	Hectare(Ha) Sub Type	Value	59.25	59.25	72.00
			Breakdown	Date	01-Nov-2011	30-Sep-2015	31-May-2017
			Sub Type Breakdown	Comment			
				Date	01-Nov-2011	30-Sep-2015	31-May-2017
Marked for Deletion	Community contribution in the total project cost.	<input type="checkbox"/>	Percentage	Value	0.00	10.00	10.00
				Date	11-Feb-2015	30-Sep-2015	31-May-2017
				Comment			
			Number	Value	0.00	3121.00	3000.00

Marked for Deletion	Client days of training provided	<input type="checkbox"/>		Date	01-Jan-2013	30-Sep-2015	31-May-2017
				Comment			
Marked for Deletion	Client days of training provided-Women	<input type="checkbox"/>	Number Sub Type Breakdown	Value	0.00	1189.00	900.00
				Date	01-Jan-2013	30-Sep-2015	31-May-2017
				Comment			
Marked for Deletion	Number of persons (communities and MAEM-RH staff) trained	<input type="checkbox"/>	Number	Value	0.00	568.00	494.00
				Date	01-Nov-2011	30-Sep-2015	31-May-2017
				Comment			
Marked for Deletion	Number of MAEM-RH staff trained in (i) participatory community development, (ii) agro-pastoral resource management, (iii) animal health, (iv) fisheries, (v) Bank fiduciary and safeguard procedures,	<input type="checkbox"/>	Number Sub Type Breakdown	Value	0.00	16.00	19.00
				Date	31-Dec-2011	30-Sep-2015	31-May-2017
				Comment			
Marked for Deletion	Progress reports are submitted in a timely manner	<input type="checkbox"/>	Number	Value	0.00	27.00	35.00
				Date	31-Dec-2011	30-Sep-2015	31-May-2017
				Comment			
Marked for Deletion	Increase of the fishermen using improved fisheries equipment	<input type="checkbox"/>	Percentage	Value	10.00	40.00	50.00
				Date	11-Feb-2015	30-Sep-2015	31-May-2017
				Comment			
Marked for Deletion	Number of functional community-based structures	<input type="checkbox"/>	Number	Value			
				Date			
				Comment			
Marked for Deletion		<input type="checkbox"/>	Number Sub Type	Value	0.00	74.00	74.00
				Date	31-Dec-2012	30-Sep-2015	31-May-2017

	Operational water user associations created and/or strengthened		Breakdown	Comment			
Marked for Deletion	Number of training sessions attended	<input type="checkbox"/>	Number Sub Type Breakdown	Value	0.00	19.00	60.00
				Date	01-Nov-2011	30-Sep-2015	31-May-2017
				Comment			
Marked for Deletion	Number of meetings of CPLs and CGEPs held	<input type="checkbox"/>	Number Sub Type Breakdown	Value	0.00	471.00	710.00
				Date	01-Nov-2011	30-Sep-2015	31-May-2017
				Comment			
Marked for Deletion	Increase of the quantity of fish caught	<input type="checkbox"/>	Percentage	Value	0.00	10.00	50.00
				Date	11-Feb-2015	30-Sep-2015	
				Comment			

Annex II: Revised Implementation Arrangements and Support

FINANCIAL MANAGEMENT

1. The FM team reviewed the financial management arrangements at the MAEPE-RH.
2. With the proposed measures the PMU will continue to have the financial management requirements as per OP/BP 10.00 and will maintain an acceptable financial management system and the current risk rating.
3. The PMU is responsible for project financial management and accounting and for preparing periodic reports on project implementation progress, including both physical and financial achievements. The implementation of this AF-2 will be mainstreamed within the activities of the PMU.
4. The Ministry of Agriculture should satisfy the following recommendations in order to maintain an acceptable financial management system: (i) utilize the current PMU to execute the project; (ii) ensure that the certified IFRs are submitted on time with no delays; (iii) include the new project in the POM; (iv) ensure that the yearly budget and work plan are submitted on time with no budget overruns; and (iv) recruit an external auditor within 6 months of project effectiveness.
5. The FM rating for the ongoing PRODERMO Project is MS. The project had delays in submitting the certified IFRs, delays in preparing the yearly budget and work plan with many budgetary overruns which instigated a restructuring.
6. *Staffing:* the PMU includes a project coordinator, financial officer, procurement officer and an assistant. The PMU had a financial and administrative manager that resigned. A new administrative and financial manager will be recruited. In addition, an accountant will be recruited to support the financial officer.
7. *Internal control:* the PMU implements the ongoing project using operational, administrative, financial and accounting procedures documented in a POM that defines the roles, functions, and responsibilities of all concerned parties in project implementation. The PMU will need to update the POM to include the new project. The POM will be utilized throughout the life of the project and any alteration to the procedures will need to be reflected in the POM and submitted for Bank's approval.
8. *Budgeting:* the budget of the ongoing project is prepared by the PMU along with the yearly work plan and submitted to the Bank for approval. The budget is prepared based on the project cost tables. The PMU will be preparing a yearly budget and work plan for the new project and will submit these to the Bank for approval. The process of preparing the yearly budget and work plan should be completed before the start of the fiscal year and should be submitted by December 15. The PMU will need to respect the unit costs in the cost tables and exercise strict budgetary control

throughout the year. Any adjustment to the budget, especially in terms of costing will need to be justified and submitted for Bank's approval.

9. *Project accounting systems:* the transactions will be registered in the accounting system "Ciel" by the accountant under the control of the financial officer. The project financial officer is responsible for preparing the IFRs and conducting periodical reconciliation between accounting statements and IFRs.

10. The general accounting principles for the project are as follows: (i) project accounting will cover all sources and uses of project funding, including payments made and expenses incurred. All transactions related to the project will be entered into the accrual accounting system; (ii) disbursements made from the project Designated Accounts (DA) will also be entered into the project accounting system. IFRs summarizing the commitments, receipts, and expenditures made under the project will be produced quarterly; and (iii) the project chart of accounts will be in compliance with the classification of expenditures and sources of funds indicated in the project cost tables and the general budget breakdown in addition to the POM. The chart of accounts should allow for data entry to facilitate the financial monitoring of project expenditures by component, sub-component and category.

11. *Project reporting:* The project financial reporting includes quarterly IFRs and yearly Project Financial Statements (PFS). IFRs should include data on the financial situation of the project, including:

- Statement of Cash Receipts and Payments by category and component.
- Accounting policies and explanatory notes including a footnote disclosure on schedules: (i) "the list of all signed Contracts per category" showing Contract amounts committed, paid, and unpaid under each contract, (ii) Reconciliation Statement for the balance of the Project's Designated Account, (iii) Statement of Cash payments made using Statements of Expenditures (SOE) basis, (iv) a budget analysis statement indicating forecasts and discrepancies relative to the actual budget, and (v) a comprehensive list of all fixed assets.

12. The IFRs should be certified by the external auditor and should be produced by the PMU every quarter and sent to the World Bank within 45 days from the end of each quarter. PFS should be produced annually. The PFS should include (a) a cash flow statement; (b) a closing statement of financial position; (c) a statement of ongoing commitments; (d) an analysis of payments and withdrawals from the project's account; (e) a statement of cash receipts and payments by category and component; (f) reconciliation statement for the balance of the Project's DA; (g) statement of cash payments made using SOEs basis; and (h) a comprehensive list of all fixed assets inventoried by the PMU.

13. *Flow of funds:* the funds will be channeled from the Bank to the project DA based on withdrawal applications prepared by the PMU. The PMU will utilize the funds in the designated account to pay for expenditures and activities related exclusively for the project. The PMU will be responsible for documenting all the expenditures incurred. The PMU will also be responsible for submitting regular withdrawal applications (preferably on a monthly basis).

14. *Audit of the project financial statements:* An annual external audit of the project accounts will cover all aspects of the project, all uses of funds and all the committed expenditures of the project. It will also cover the financial transactions, internal control and financial management systems and will include a comprehensive review of SOEs.

15. Since the current external auditor's contract will expire in 2015, a recruitment process will be launched to select an external auditor. This external auditor will be appointed according to terms of reference acceptable to the Bank and should conduct the audit of the parent project, the AF-1 and the AF-2, in accordance with international auditing standards. The auditor should produce: (i) an annual audit report including his opinion on the project's annual financial statements; (ii) a management letter on the project internal controls; and (iii) a limited review opinion on the IFRs. The annual reports will be submitted to the World Bank within six months from the closure of each fiscal year and the limited review opinion will be submitted to the World Bank with the IFRs. The PMU will ensure that an auditor is recruited within 6 months of project effectiveness.

DISBURSEMENT

16. The category schedule has been adjusted to simplify and speed up the process of project implementation. The sub-projects are being followed upon through various internal controls mechanism including the system software, periodical financial reports, supervision missions and external auditor. In addition, works and goods are being carried out/purchased at the PMU level.

17. The proceeds of the project will be disbursed in accordance with the traditional disbursement procedures of the Bank and will be used to finance activities through the disbursement procedures currently used: i.e. advances, direct payment, reimbursement and special commitments accompanied by appropriate supporting documentation (summary sheets with records and/or SOEs) in accordance with the procedures described in the disbursement letter and the Bank's "Disbursement Guidelines." The IFRs and the PFS will be used as a financial reporting mechanism and not for disbursement purposes. The minimum application size for direct payment, reimbursement and special commitments will be 20 percent of the DA ceiling.

Designated Account

18. On behalf of the project, the Department of External Financing will open a segregated DA in a Commercial Bank (Banque du Commerce et de l'Industrie de la Mer Rouge) in Djibouti acceptable to the World Bank in US Dollars to cover the project's share of eligible project expenditures. The Ceiling of the DA will be US\$ 800,000 of the Credit's amount. The PMU will be responsible for submitting monthly replenishment applications with appropriate supporting documentation.

19. *E-Disbursement:* The World Bank has introduced e-disbursement for all Bank supported projects. Under e-disbursement, all transactions will be conducted and associated supporting documents scanned and transmitted online through the Bank's Client Connection system. E-disbursement will be utilized for the new project.

Statement of Expenditures (SOEs)

20. For requests for Reimbursement and for reporting eligible expenditures paid from the Designated Account:

- Statement of Expenditures in the form (Attachment 4 of the disbursement letter) for expenditures related to contracts for works in an amount below US\$300,000 in value; contracts for goods and non-consulting services in an amount below US\$150,000 in value; contracts for consulting firms in an amount below US\$100,000 in value and contracts for individual consultants in an amount below US\$50,000 in value, as well as all training, workshops and operating costs.
- Statement of Expenditures in the form (Attachment 4 of the disbursement letter) and records evidencing eligible expenditures (e.g., copies of receipts, supplier invoices) for all other expenditures, namely those against contracts exceeding the above indicated amounts.
- Form of payments against contracts subject to the Association's prior review (Attachment 5 of the disbursement letter).
- DA Reconciliation Statement (Attachment 6 of the disbursement letter).

21. ***For requests for Direct Payment:*** records evidencing eligible expenditures, e.g. copies of receipts, supplier invoices, above the minimum application size.

Governance and Anti-corruption

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

23. **Supervision Plan:** The FM of the project will be supervised by the Bank in conjunction with its overall supervision of the project and conducted at least three times a year.

24. **Supporting Documentation and Record Keeping:** All supporting documentation was obtained to support the conclusions recorded in the FM Assessment.

Procurement Arrangements

25. The PMU has the responsibility of procuring all goods and works, except for the income-generating activities for which procurement is carried out by the project's sponsor, with the support of the PMU. Yet, the communities are involved in the selection of the types of activities to be financed through the Local Steering Committees. An assessment of PMU's procurement capacity was carried out in the context of the proposed AF-2 and the following principal procurement risks

were identified: (i) limited procurement and technical capacity; (ii) low participation by bidders and lack of local market capacity; and (iii) implementation delays due to the planning and contract supervision; and (iv) record keeping. The following mitigating measures will be implemented: (i) update the procurement manual; (ii) the procurement staff will continue to receive training from the previous staff and participate in training in a specialized center; (iii) hire engineers to assist UGP in preparing designs, technical specifications, bidding documents, and bid evaluation reports, and in contract supervision; (iv) develop a contract packaging strategy in order to attract more national bidders; and (vi) take into account lessons from previous contracts in setting out qualification requirements and planning. The frequency of procurement supervision will remain at every six months and procurement methods and original thresholds will remain unchanged. The overall procurement risk is to remain as high.

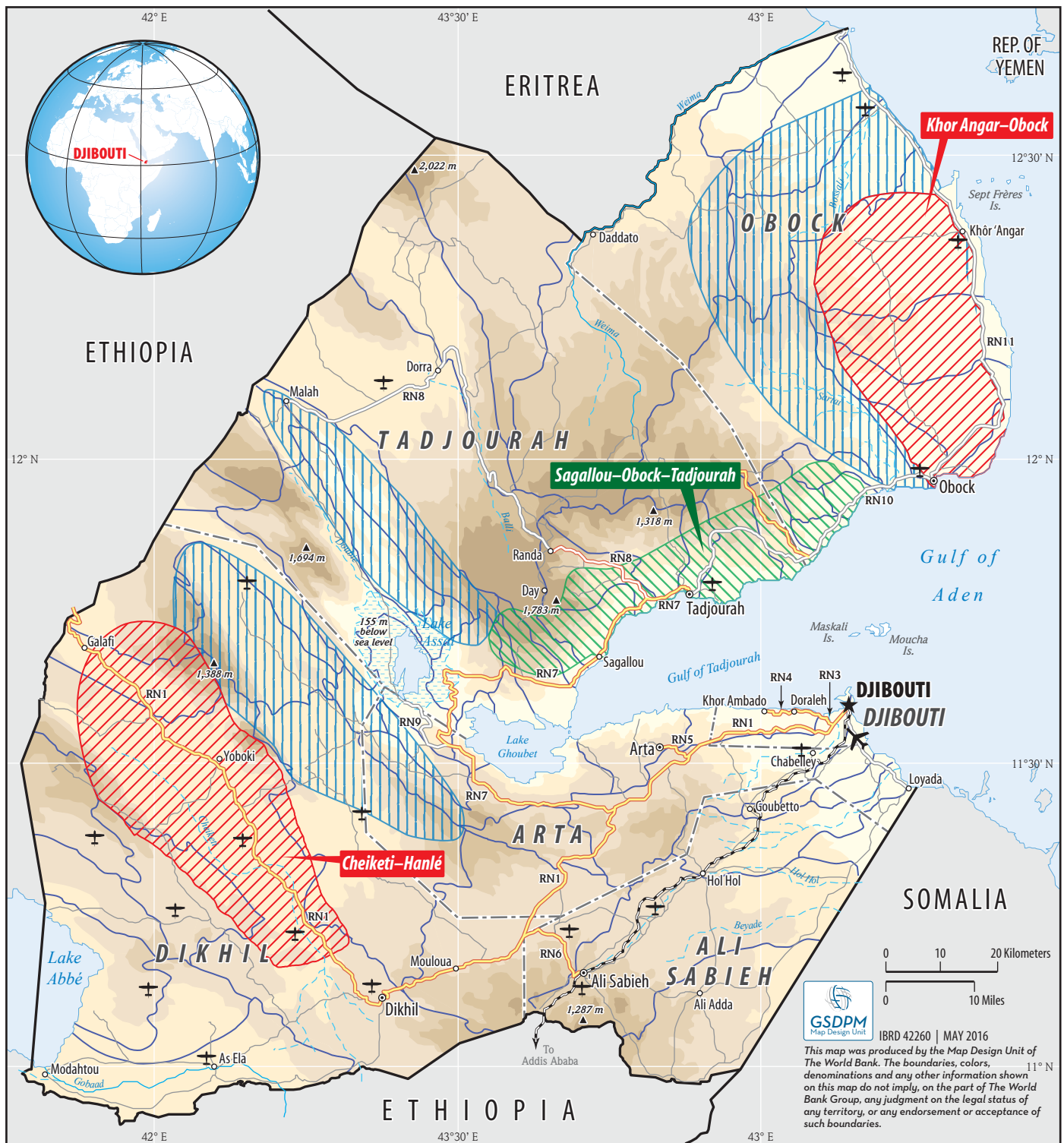
26. Procurement arrangements agreed upon for the original IDA grant will remain unchanged for the AF-2 activities. Procurement of contracts to be financed from the proposed AF-2 will follow the World Bank's "Guidelines: Procurement of Goods, Works and non-Consulting Services under IBRD Loans and IDA Credits," dated January 2011 (revised July 2014) (Procurement Guidelines); and "Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers," dated January 2011 (revised July 2014) (Consultant Guidelines). The Guidelines on Preventing and Combating Fraud and Corruption in Projects financed by IBRD Loans and ID Credits and Grants, dated October 15, 2006 and revised in January 2011 will also apply to the project.

25. Procurement methods and thresholds applicable to the proposed AF2 are set out below.

Procurement Methods	Procurement Thresholds	Prior Review Thresholds
<i>Goods</i>		
International Competitive Bidding (ICB)	≥US\$300,000	All contracts subject to prior review
National Competitive Bidding (NCB)	>US\$50,000 and ≤ US\$300,000	All contracts subject to prior review
Shopping	<US\$50,000	First two contracts subject to prior review
Direct Contracting	Meet criteria set out in para. 3.7 of Procurement Guidelines	All contracts subject to prior review
<i>Works</i>		
International Competitive Bidding (ICB)	≥US\$2,000,000	All contracts subject to prior review
National Competitive Bidding (NCB)	>US\$200,000 and ≤ US\$2,000,000	All contracts subject to prior review
Shopping	<US\$200,000	All contracts ≥US\$100,000 and First two contracts <US\$100,000
<i>Consultant Selection Methods</i>	Applicability	Prior Review Thresholds
Firms (QCBS, QBS,LCS, CQS and SSS)	In accordance with the Consultant Guidelines	≥US\$50,000, and all SSS contracts
Individual Consultants		≥US\$25,000 (exception made to SSS, legal and procurement related assignments, where all contracts are subject to prior review)

Procurement Plan. An initial Procurement Plan (PP) dated April 6, 2016 prepared by the PMU for the AF-2, including procurement thresholds and prior review methods, available in the PMU and on the World Bank web sites. The PP will be updated in agreement with the Bank annually (or as required) to reflect project implementation needs and improvements in institutional capacity.

MAP 1: New Project Area (N0. IBRD 42260)



DJIBOUTI SECOND ADDITIONAL FINANCING FOR THE RURAL COMMUNITY DEVELOPMENT WATER MOBILIZATION PROJECT (PRODERMO)