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PROJECT PAPER

FOR

SMALL RETF GRANT

(US\$2.73 MILLION EQUIVALENT)

TO THE

REPUBLIC OF DJIBOUTI

FOR AN

ENHANCING INCOME OPPORTUNITIES PROJECT

February 25, 2015

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## CURRENCY EQUIVALENTS

(Exchange Rate Effective February 25, 2015)

Currency Unit	=	Djiboutian Francs (DJF)
US\$1.00	=	178 DJF
1,000 DJF	=	US\$5.630

## FISCAL YEAR

January 1 – December 31

## ABBREVIATIONS AND ACRONYMS

ADDS	<i>Agence Djiboutienne de Développement Social</i> ; Djibouti Social Development Agency
AfD	Agence Francaise de Développement
AfDB	African Development Bank
CBO	Community-based Organization
CPEC	<i>Caisse populaire d'épargne et de crédit</i> ; Popular Bank for Credit and Saving
CPS	Country Partnership Strategy
FDED	Djiboutian Economic Development Fund
FDI	Foreign Direct Investment
DISED	<i>Direction de la Statistique et des Etudes Démographiques</i> ; Direction of Statistics and Demographic Studies
IDA	International Development Association
IFAD	International Fund for Agricultural Development
INDS	National Initiative for Social Development
IsDB	Islamic Development Bank
JSDF	Japan Social Development Fund
JICA	Japan International Cooperation Agency
MENFOP	<i>Ministère de l'Éducation Nationale et de la Formation Professionnelle</i> ; Ministry of National Education and Professional Training
NAC	National Advisory Committee
PIU	Project Implementation Unit
SESN	<i>Secrétaire d'Etat chargé de la Solidarité Nationale</i> ; Secretariat of State for National Solidarity
UNDP	United Nations Development Program
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNICEF	United Nations Children's Fund
WFP	World Food Program

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Task Team Leader:	Stefanie Koettl-Brodmann

**REPUBLIC OF DJIBOUTI**  
**Enhancing Income Opportunities in Djibouti**

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## DATA SHEET

*Republic of Djibouti*

### Enhancing Income Opportunities in Djibouti

#### Small RETF Grant Project Paper

*MNA Region*

*Social Protection and Labor*

Basic Information			
Date:	February 25, 2014	Sectors:	Health and other social services 70
			Other social services
			Education Adult literacy/non-formal education 20
			Finance Microfinance 10
Country Director:	Poonam Gupta	Themes:	Social protection and risk management 60
			Other social protection and risk management
			Human development Education for all 1
			0
			Rural development Rural non-farm income generation 1
			0
			Social dev/gender/inclusion Gender 1
			0
			Financial and private sector development Micro, Small and Medium Enterprise support 1
			0
Practice Manager:	Yasser El-Gammal	EA Category:	C
Project ID:	P148586		

Instrument:	Investment Project Financing
Team Leader(s):	Stefanie Koettl-Brodmann

Recipient: Republic of Djibouti, Ministry of Economy and Finance

Executing Agency: Agence Djiboutienne de Développement Social (ADDS)

Contact:	Mahdi Mohamed Djama	Title:	Directeur Général ADDS
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Project Implementation Start July 1, 2015 End Date: December 31, 2018  
 Period: Date:

Expected Effectiveness July 1, 2015  
 Date:

Expected Closing Date: June 30, 2019

**Project Financing Data(US\$M)**

<input type="checkbox"/> Loan	<input checked="" type="checkbox"/> Grant	<input type="checkbox"/> Other
<input type="checkbox"/> Credit	<input type="checkbox"/> Guarantee	

**For Loans/Credits/Others**

Total Project Cost :	USD 2.73 million	Total Bank Financing :	0
Total Cofinancing :	0	Financing Gap :	0

Financing Source	Amount(US\$M)
BORROWER/RECIPIENT	
IBRD	
IDA: New	
IDA: Recommitted	
Others (JSDF)	USD 2.73 million
Financing Gap	0
Total	USD 2.73 million

**Expected Disbursements (in USD )**

Fiscal Year	2016	2017	2018	2019					
Annual	815,000	1,030,000	800,000	85,000					
Cumulative	815,000	1,845,000	2,645,000	2,730,000					

**Project Development Objective(s)**

The Project Development Objective is to improve access to life-skill, livelihood skills training, and access to finance for at least 3000 low- and semi-skilled youth and women in poor communities in Djibouti-ville and neighboring Arta, the northern region of Tadjoura, and the southern region of Ali Sabieh.

**Components**

Component Name	Cost (USD Millions)
Basic training and Mini-Business-Plan Competition for Youth	1,705,178
Handicraft value chain integration for women	696,725
Project Management, Monitoring and Evaluation, and Knowledge Dissemination	328,097

**Compliance****Policy**

Does the project depart from the CAS in content or in other significant respects?	Yes [ ]	No [X]
Does the project require any exceptions from Bank policies?	Yes [ ]	No [X]
Have these been approved by Bank management?	Yes [ ]	No [X]
Is approval for any policy exception sought from the Board?	Yes [ ]	No [X]
Does the project meet the Regional criteria for readiness for implementation?	Yes [X]	No [ ]

**Safeguard Policies Triggered by the Project**

	Yes	No
Environmental Assessment OP/BP 4.01		X
Natural Habitats OP/BP 4.04		X
Forests OP/BP 4.36		X

Pest Management OP 4.09		X
Physical Cultural Resources OP/BP 4.11		X
Indigenous Peoples OP/BP 4.10		X
Involuntary Resettlement OP/BP 4.12		X
Safety of Dams OP/BP 4.37		X
Projects on International Waters OP/BP 7.50		X
Projects in Disputed Areas OP/BP 7.60		X

### Team Composition

#### Bank Staff

Name	Title	Specialization	Unit	UPI
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Ruxandra Costache	Counsel	Lawyer	LEGAM	

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Chamarke Idriss	Civil society expert		Djibouti-Ville

#### Locations



<b>Country</b>	<b>First Administrative Division</b>	<b>Location</b>	<b>Planned</b>	<b>Actual</b>	<b>Comments</b>
Djibouti	Djibouti	Balbala (Djibouti vile)	x		
Djibouti	Arta	Arta Region	x		
Djibouti	Tadjoura	Tadjoura Region	x		
Djibouti	Ali Sabieh	Ali Sabieh Region	x		

## I. STRATEGIC CONTEXT

### A. Country Context

**1. Djibouti is one of the smallest countries in Africa with a relatively young population.**

The population is estimated at just under 900,000 and almost 75 percent is under the age of 35. The country is almost a city-state with 80 percent of the population living in Djibouti-ville. The rural population mainly consists of poor pastoral and nomadic populations who sparsely occupy the hinterland, an extension of the deserts of Ethiopia and Somalia.

**2. While the economic outlook is generally favorable, there remain significant risks to growth.** Real GDP growth is projected to reach 6 percent per year in the coming years, driven by strong foreign direct investment (FDI) inflows and public investment.<sup>1</sup> However, Djibouti is a food-deficit country that depends practically entirely on imports to meet its food requirements. The country is left vulnerable to major risks to growth and macroeconomic stability including fuel and food price shocks and natural disasters such as droughts and floods. Also, due to its strategic location in the Horn of Africa and at the southern end of the Red Sea, adverse economic or security developments in neighboring countries and domestic social and political instability could be potential risks to growth.

**3. The country's economy mainly depends on FDI, foreign military bases, and port services.** Transport and logistics, such as transit trade with Ethiopia and transshipment activities, present the backbone of Djibouti's economy, with port activities contributing almost 20 percent to GDP. Overall, the service sector represents close to 80 percent of the economy<sup>2</sup>. Although 20 percent of the population depends on the agricultural sector for its livelihood, it contributes less than 4 percent to GDP, including farming, livestock, and fisheries. Employment is mostly informal, with around 68 percent of jobs in the informal sector.<sup>3</sup>

**4. A big part of the population still suffers from extreme poverty with adverse effects on human development indicators.** Official data based on the latest 2012 household survey suggests that 41.9 percent of the population lives in extreme poverty (barely changed from 2002). Poverty is particularly severe in rural areas: 7 out of 10 Djiboutians living outside of Djibouti-ville are extremely poor and 9 out of 10 relatively poor.<sup>4</sup> Human development indicators remain low in 2012, ranking Djibouti 164<sup>th</sup> out of 187 countries and placing the country well below the regional average.<sup>5</sup> Due to the severe drought in 2012 – the worst in 60 years – at least 20 percent of the capital's population and three-quarters of rural households were left vulnerable to severe and moderate food insecurity.<sup>6</sup> Despite recent efforts, malnutrition remains high in Djibouti, with 29.7 percent of children under the age of five chronically malnourished, 29.6 percent underweight, and

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<sup>1</sup> World Bank (2014): Djibouti Country Partnership Strategy 2014 – 2017. Washington, D.C.: The World Bank

<sup>2</sup> World Bank (2012a): A New Growth Model for Djibouti. Washington, D.C.: The World Bank

<sup>3</sup> Ibid.

<sup>4</sup> Government of Djibouti (2012): Profil de la pauvreté en République de Djibouti. Djibouti-ville: Ministère de l'économie et des finances chargé de l'industrie et de la planification / Direction de la statistique et des études démographiques.

<sup>5</sup> UNDP (2013): Human Development Report 2013. The Rise of the South: Human Progress in a Diverse World. New York.

<sup>6</sup> World Food Program (2012): Emergency Food Security Assessment in Rural Areas: Djibouti. Rome

over 17.8 percent of children acutely malnourished.<sup>7</sup>

**5. To address poverty and vulnerability challenges, the government launched the National Initiative for Social Development (INDS) in 2007 and recently completed its Vision 2035.** The INDS's key objectives include stable growth, the improvement of access to basic services and the development of human capital, poverty reduction, as well as stronger governance and capacity building. In the area of social protection, the strategy focuses especially on reducing extreme poverty, inequality, marginalization, and exclusion.

**6. The evaluation of the INDS reveals important challenges in human development and the Government's Vision 2035 seeks the promotion of women and youth as priorities.** The final evaluation of the initiative (completed in October 2013) indicates that while some important gains were made, many goals have not yet been achieved. For example, social indicators measuring maternal health, access to clean water and education remain poor. Although the maternal mortality ratio dropped severely from 2002 to 2012, it is still unacceptably high at 383 deaths per 100,000 live births in 2012 (down from 546 deaths in 2002).<sup>8</sup> While the primary gross enrollment rate increased from 52 percent in 2005 to 70 percent in 2012<sup>9</sup> and the ratio of girls to boys increased from 0.55 to 0.88, illiteracy among adults remains a problem especially for women, among whom an estimated 60.5 percent are illiterate<sup>10</sup>. Overall, regional inequalities in terms of poverty remain pervasive. For the future, human capital development remains a key pillar under the country's Vision 2035, which also features the promotion of women and youth as cross-cutting priorities.

**7. The World Bank's current IDA portfolio focuses on social safety net, energy, rural community development, urban poverty reduction, and education.** The current IDA portfolio comprises five projects with a net commitment value of about US\$41 million. In June 2012 the World Bank Board of Directors approved US\$13.2 million under the Rapid Response Plan, with funding from the Crisis Response Window resources, for three projects to deliver prompt response to the drought issues in Djibouti, including in the area of social protection. In terms of trust funds, five recipient-executed trust funds (one of which is from JSDF) became effective in FY09-12 for a total of US\$9.25 million.

## **B. Sectoral and Institutional Context**

**8. Poor households typically rely on one earner per family with an instable employment situation.** Recent economic growth has not translated into significant employment generation. Estimates suggest that only 25 percent of the adult population over 15 is gainfully employed in the labor market, with the remainder inactive or unemployed.<sup>11</sup> Most poor households (average size of 6 people) rely on one earner per family. For example, survey data collected by the World Bank in 2011 suggests that 10.7 percent of households in the capital's neighborhood of "*Moustiquaire*" have no earner at all, 81.1 percent have one earner, and 8.2 percent have two earners. Of these, 39.5 percent are wage-employed, 17.1 percent are auto-employed, and 42.8 percent are day-

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<sup>7</sup> SMART survey 2013.

<sup>8</sup> INDS (2013): Evaluation globale de l'INDS 2008-2012

<sup>9</sup> UNESCO (2012): Education: Djibouti. Québec: UNESCO Institute for Statistics.

<sup>10</sup> Government of Djibouti (2012).

<sup>11</sup> World Bank (2012a).

laborer. Other data suggest that most businesses are microenterprises in the service sectors and around 68 percent of jobs are estimated to be in the informal sector.<sup>12</sup> Among the rural population, which is largely (semi-) nomadic organized along tribal structures, pastoralism is the main source of livelihood. The lack of water - particularly during the three- to four-month dry season and during droughts – as well as the degradation of natural resources, largely as a result of overgrazing in areas where water is more easily accessible, threatens rural livelihoods. To gain access to water sources and basic public infrastructure such as schools, many families settle temporarily in proximity of villages and urban centers.

**9. Young people are particularly vulnerable and at risk of not establishing a foothold in the labor market.** While access to primary and secondary education has improved considerably over the past decade, school dropout after primary remains high and literacy low, especially in rural areas (according to 2012 data, the primary completion rate remains low at 57 percent and the literacy rate outside Djibouti-Ville is 31.5 percent). Most youth do not partake in the formal economy and while official unemployment is estimated at 50-60 percent it is likely above 70 percent for young people under the age of 30.<sup>13</sup> Despite the labor market's increasing need for technicians, supervisors, and employees able to speak various languages, especially English,<sup>14</sup> the supply of vocational training opportunities is not keeping up with increasing demands. Moreover, the quality of such training leaves room for improvement and training delivery is fragmented among several ministries and NGOs. A study by the Ministry of Education in 2009 concluded that:<sup>15</sup> (i) the training system did not provide graduates with practical knowledge; (ii) enterprises were not consulted in the design of work internships; and (iii) theoretical courses were out of date. In addition, the training sector is characterized by low enrollment capacity, a strong urban bias, long programs, and a non-professional teacher corps. Among the rural nomadic populations, young people largely contribute to the subsistence household activities; that is, animal husbandry for boys and household activities and small artisan craft for girls.

**10. Women are at a particular disadvantage to access economic opportunities.** Women and girls face additional burdens associated with low literacy and school enrollment and high economic inactivity. Female literacy stands at about 39.5 percent (compared to 60.1 percent for men), and drops to 22 percent outside the capital city.<sup>16</sup> Although no official data as to women's economic activity was included in Government's publication of the recent survey data,<sup>17</sup> the high rate of overall inactivity (over 60 percent) and high incidence of 1-earner families suggest that few women are gainfully employed. Those who are economically active are usually engaged in small commerce activities in the informal sector, including the preparation and sale of food and artisan products.<sup>18</sup> In addition to high levels of inactivity, women are at particular risk of high mortality due to high fertility and anemia caused by malnutrition. Key barriers to education, health, and labor market participation include resistance to schooling among families, traditional gender roles

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<sup>12</sup> World Bank (2012a).

<sup>13</sup> World Bank (2014).

<sup>14</sup> Ibid.

<sup>15</sup> MENFOP (2009): Le système éducatif djiboutien. Diagnostic sectoriel et perspectives pour la politique éducative.

<sup>16</sup> Government of Djibouti (2012).

<sup>17</sup> Ibid.

<sup>18</sup> Unicef (2007): Analyse de la situation des femmes et des enfants en République de Djibouti.

and household responsibilities<sup>19</sup>, household poverty, early marriages, and limited access to health facilities. Notwithstanding these constraints, there are windows of opportunity for women's economic empowerment. Despite the socially conservative environment women and girls are generally not discouraged or prevented from accessing training or work opportunities by male family members, and there are no cultural barriers against entrepreneurship. Moreover, community consultations and qualitative research of the existing IDA-financed Social Safety Nets program confirm that women largely manage the household income and have shared decision making power over the allocation of expenditures. These findings suggest that additional income generated by women could directly enhance their economic empowerment within the household and foster food security and intergenerational transfers.

**11. Djibouti features one of the lowest levels of financial inclusion in MENA.** It is estimated that only 12 percent of the working age population have an account at a formal financial institution (this number drops below 5 percent for youth 15-24), compared to 18 percent for the MENA region as a whole.<sup>20</sup> The national microfinance organization, *Caisse Populaire d'Epargne et de Crédit* (CPEC), a network of three sub-national financial cooperatives created in 2011 as a result of a merger of previous microfinance providers, has approximately 15,000 member clients (3 percent of the adult population). CPEC currently faces several key challenges: (i) very limited access by rural, youth, and the most vulnerable populations (distance, guaranty requirements and interest rates represent serious burdens); (ii) a limited range of financial products not sufficiently adapted to the various livelihood needs of its clients; and (iii) a lack of administrative capacity and a high at-risk portfolio, with the main branch (CPEC of Djibouti) currently being under temporary management by the Central Bank. Other available financing targeted at youth, in particular the youth loan offered by the Djiboutian Economic Development Fund (FDED), is not geared towards the most vulnerable groups, given its targeting at university graduates and the high loan amounts of US\$20,000-40,000 with a minimum personal contribution of 20 percent. While access to formal finance is limited, informal financing schemas are common, in particular the so called "tontines," a rotating group savings mechanism common among women in urban areas. According to the National Microfinance Strategy 2012-2016, there is a high unmet demand for microfinance, and the sector should increase geographic diversification, develop financial and non-financial products for the most vulnerable people and specific sectors (e.g. artisans), and leverage microfinance for employment generation.

**12. Djibouti's economic potential remains untapped, including in the artisan sector, which represents a source of economic activity for a large share of women.** Many poor and vulnerable households are engaged in traditional craft, especially in rural areas, but its income-generating potential is not fully exploited. Tapping into this potential would be particularly beneficial to women and girls who have traditionally been particularly active in this sector because work can be easily combined with household responsibilities. Artisans are constrained by poor infrastructure, outdated product designs, lack of market information and linkages with markets, lack of organization among producer groups, and the high costs in obtaining raw materials. Hence, they often produce products at limited quantity and for household use or very local markets only.

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<sup>19</sup> According to baseline data of the WB's safety net project in Djibouti, over 57% of inactive women say that they do not work because of family and household responsibilities.

<sup>20</sup> Demircuc-Kunt, Asli and Klapper, Leora (2012): "Measuring Financial Inclusion: The Global Findex", World Bank Policy Research WP 6025. Accessed at: <http://datatopics.worldbank.org/financialinclusion/country/djibouti>

Yet, there is potential for this sector in the country. Djibouti already welcomes over 50,000 tourists a year, most of whom are business travelers tied to the presence of foreign military bases.<sup>21</sup> By enhancing production and creating stronger market linkages, poor communities, and especially women and girls, can leverage their traditional skills into viable economic activities. In addition, recent and planned investments in transportation and logistics, including outside the capital city (such as a new port in the Tadjoura region) have the potential to provide direct and indirect employment opportunities in low- and semi-skilled occupations in the service sector that can be accessed by the local population with relatively low investments in training and equipment. Examples include work as food and other vendors, hairdressers, tourist guides, kitchen and service personnel, drivers, etc.

**13. Social safety nets in Djibouti appear to have limited impact on poverty and inequality, which could be explained by the combination of low targeting accuracy and low generosity.**

In fact, the majority of the poor (bottom quintile) are not covered by the social safety nets programs, leading to high exclusion and inclusion errors. Coverage of the poor for pension, compensation for health care expenditure, cash transfers from the government or NGOs, and tax exemptions on fuel products are very low. On the other hand, coverage of the poor for food-related transfers (food ration and subsidies) are relatively higher. Employment programs are largely limited to formal and non-formal vocational training for youth or microfinance for women, and the country is characterized by a serious lack of public or non-public programs to promote employability and self-employment among women and youth.<sup>22</sup> To strengthen the country's social protection system, the World Bank is implementing a JSDF-financed Employment and Human Capital Social Safety Net pilot and its scale-up, the Social Safety Net Project (Cr. H7790). This innovative social safety nets project provides short-term employment opportunities in community-based labor-intensive works/services and supports the improvement of nutrition practices among pregnant/lactating mothers and pre-school children. The program has a high client ownership and shows that even in a low capacity environment, a crisis response program, if well designed can set the foundations for inclusive growth. Initial results and beneficiary feedback reveal the importance and potential of a social protection project that seeks to enhance sustainable livelihood opportunities targeted at women and youth.

**14.** Based on the above constraints, the proposed project seeks to address basic human capital and credit constraints for the poor and vulnerable in order to nudge up their livelihood opportunities, and support artisan clusters in becoming more economically viable. Based on the selection of geographic areas and artisan activities, the majority of beneficiaries will be low-skilled youth and women. The proposed project would build on the existing crisis response social protection projects in that it offers disadvantaged groups in Djibouti an opportunity to graduate from cash-for-work schemes to more sustainable income-generating activities. The proposed project also relies on the capacity built at the implementing agency ADDS (*Agence Djiboutienne de Développement Social*) to implement and monitor such a project.

**15.** In line with the Djibouti Strategy Note, the proposed project is the first of three projects proposed to the JSDF program by the CMU to address vulnerabilities in Djibouti at the community level: Enhancing Income Opportunities (\$3 million); Improved Sanitation Pilot (\$3 million); and

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<sup>21</sup> World Bank (2012a).

<sup>22</sup> This is in part due to the lack of international or large local NGOs (see stakeholder assessment).

Improved Service Delivery at the Local Level (\$3 million).

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

**16.** The proposed project targets poor women and youth to build their human and social capital, facilitate their access to income-generating activities, and strengthen the economic viability of the artisan sector. The project directly contributes to pillar one of the Country Partnership Strategy (CPS) for FY2014-2017 which aims at “reducing vulnerability” and supports the broader CPS objective of creating jobs. The project also addresses concerns expressed during CPS consultations by local civil society that the Bank has traditionally not engaged enough with the NGO sector. By building the capacity of community-based associations and leveraging local NGOs for community mobilization, the project will contribute to strengthen the NGO sector in Djibouti.

**17.** The proposed project is also aligned with the Bank’s Middle East and North Africa Regional Framework, which aims for enhanced, shared prosperity and reduced poverty through governance, inclusion, jobs, and sustainable growth.

**18.** Finally, by focusing on income generation of the poor and vulnerable, the project also follows the World Bank’s twin goals of ending extreme poverty and boosting shared prosperity.

## **II. PROJECT DEVELOPMENT OBJECTIVES**

### **A. PDO**

**19.** The Project Development Objective is to improve access to life-skill, livelihood skills training, and access to finance for at least 3000 low- and semi-skilled youth and women in poor communities in Djibouti-ville and neighboring Arta, the northern region of Tadjoura, and the southern region of Ali Sabieh. This will be achieved by piloting basic training and a mini-business plan competition for youth as well as handicraft value chain integration for women.

### **Project Beneficiaries**

**20.** The project will support at least 3,000 direct beneficiaries to access training, finance and thus sustainable income-generating activities, assuming a total unit cost per beneficiary of US\$910. Beneficiaries will be youth (approximately 16 to 29) and women from poor communities. Youth will represent at least 2200 of the direct beneficiaries, while at least 1500 beneficiaries (50% of the total) will be girls or women. An estimated 18,000 individuals are expected to benefit directly or indirectly through the proposed project (given an average family size of 6).

### **PDO Level Results Indicators**

**21.** Progress towards achieving the project’s development objective will be measured by a number of PDO indicators.

- a) Number of direct project beneficiaries (Target: 3000), of which 50% are female
- b) Average percentage increase in sales of target beneficiaries receiving access to capital

(Target: 20%)

- c) Percentage of beneficiaries that are linked to formal financial institutions (Target: 25%)

The complete list of results indicators including intermediate outcome indicators is presented in Annex 1.

### III. PROJECT DESCRIPTION

#### A. Project Components

**22. To achieve its objectives, the proposed project will pilot a set of complementary community-based livelihood approaches** to test their potential for sustainable income generation of poor and marginalized groups in Djibouti. Specifically, the proposed project will aim to: (i) strengthen community structures and support poor youth in accessing and expanding income-generating activities by providing basic skills and access to capital; and (ii) increase the viability and income potential of women's economic activities. The latter will be achieved by strengthening handicraft producer groups and integrating them into value chains.

**23. The project's geographic scope would include three regions in Djibouti, namely the capital city Djibouti-ville and neighboring Arta, the northern region of Tadjoura, and the southern region of Ali Sabieh.** The targeting of these regions is based on the following criteria: (i) synergies with the areas of intervention of the existing Safety Net Project; (ii) most concentrated number of the extremely poor; (iii) a mix of urban, peri-urban, and rural areas; (iv) existing economic activities and traditional skills; and (v) physical accessibility and availability of basic infrastructure in order to facilitate the implementation of the pilot project. Within the capital city, the project will be targeted at the poorest municipality (Balbala). Outside the capital, where extreme poverty rates reach 70 percent, the project will target regional capitals and surrounding villages. The final selection of villages and neighborhoods will be made in consultation with the respective local government (the prefecture) according to transparent selection criteria (incl. reference to poverty rates if available) in order to ensure ownership of project activities. In total, it is expected that the project will be implemented in approximately 20 localities (i.e., neighborhoods and villages).

**24. The proposed activities have been developed based on consultations with local communities and a variety of civil society and government stakeholders.** Three local communities were consulted (two in rural areas of Tadjoura and Ali Sabieh, and one in Djibouti-ville), including village elders and customary leaders, women, youth, and members of community-based organizations and cooperatives. Additional consultations included local government officials (*préfets* and regional councils), a workshop with Djibouti's major local NGOs, the national micro-finance bank (CPEC), training centers, ministries (e.g., Ministry of Social Solidarity, Women, Agriculture, and Commerce), and development partners (e.g., JICA, UNICEF). Key findings from the consultations include: a) There is a strong demand from communities and authorities to support income opportunities for youth and women; b) traditional microfinance is largely not accessible to youth, especially in rural areas, pointing to the need of alternative forms of finance; c) training outlets are very limited, confirming the need of leveraging existing community structures to offer services; d) it is socially accepted that girls participate in



training and income generating activities, though project activities need to take into account their household responsibilities; and e) many women are active in traditional crafts, but they point to outdated designs and lack of sales outlets as key barriers.

### **Component 1 : Basic training and Mini-Business-Plan Competition for Youth (US\$1,705,178)**

**25.** This component addresses the human, social and financial capital constraints of youth to access income-generating opportunities. Through this component, at least 2,200 youth would receive basic life-skill training and coaching in business plan development through community facilitators in the pilot regions in Djibouti (Djibouti-ville, Ali Sabieh, among others), and, where feasible, youth would be linked up with technical training centers. In these same regions, at least 1,000 beneficiaries would be able to access start-up funds through a mini-business plan competition. Given the focus of this component on transferable life and business skills and access to finance that are needed by all young people, girls and boys will be equally targeted. Overall, the component aims at creating sustainable community structures for human capital accumulation and social and economic empowerment of youth as the foundation for engaging in productive economic activities. The following are key sub-components:

- a. **Identification and training of peer facilitators:** The project will identify peer facilitators responsible to carry out the activities at the community level. Priority will be given to community members to identify and suggest 1-2 facilitators from their own local community, based on specific selection criteria. If no local facilitator can be identified, qualified candidates will be identified and suggested to the communities for validation. The selected facilitators from the target communities will receive structured orientation and follow-up trainings (training of trainers) to ensure efficient and quality service delivery and will be equipped with the necessary training materials.<sup>23</sup>
- b. **Youth mobilization and basic training:** The facilitators will be responsible for mobilizing youth (boys and girls) in the community around activities of joint interest, facilitating peer formation, and providing basic life skills, capacity building, and mentoring support. In particular, they will provide basic training and information to enable beneficiaries to eventually access income opportunities, such as functional literacy, financial literacy, savings, and developing a mini-business plan. Livelihood-oriented training will be complemented by information and training on selected life skills, such as counseling on nutrition, reproductive health and access to legal services as needed.<sup>24</sup> Each group of trainees would receive capacity building for a period of four to six months (part-time), during which the facilitator would also support interested youth to form small groups and develop mini-business plans that can be leveraged to access financial resources for a joint income-generating activity. Capacity building activities will be designed to be “girl-friendly” – that is, sensitive to household

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<sup>23</sup> It is expected that the large majority of materials is already available through relevant ministries and previous projects (e.g., for literacy training, savings modules).

<sup>24</sup> The material/trainers will be mobilized from ongoing World Bank projects (e.g., the Employment and Human Capital Social Safety Net Project or the forthcoming “*maison de la justice*.”)

responsibilities, social expectations, and potential safety concerns (e.g., through flexible training hours, female trainers, targeted family outreach, etc.).

- c. **Mini-business-plan competition:** Youth groups formed during the training<sup>25</sup> would be able to apply with their joint mini-business plans to a Livelihood Fund that allows them access to small cash-transfers for start-up and working capital,<sup>26</sup> thereby complementing the capacity building provided at the community level. Examples of activities financed could include beauty treatment and hair-dressing, sewing, food catering, kiosks, agricultural production and processing, animal husbandry, and transportation related activities. Funding decisions will be made by a regional community development committee consisting of local officials and community representatives with relevant knowledge of the local market to assess the mini-business plans. The committee will also monitor projects and the good use of funds by youth initiatives that have received funding. Finally, as an alternative to financial repayments, cash-transfer recipients will be encouraged to “give back” by engaging in activities benefiting their community.
- d. **Follow-up coaching:** The component will also provide follow-up coaching<sup>25</sup> to the winners of the mini-business plan competition who would be expected to meet once a month (for a period of approximately six months) with the peer facilitator and/or other community workers to exchange experiences and receive further coaching and capacity building as needed.

**26.** To participate, prospective beneficiaries will have to meet basic eligibility criteria (in particular age requirements and not having formal work) and the selection process will ensure that those youth defined as particularly vulnerable by the local community (based on community consultations with village elders etc.) will be fairly represented.<sup>27</sup> The project will also be open to beneficiaries of the ongoing Bank-supported Safety Net Project (i.e. young mothers) for whom this project will provide an exit strategy to workfare.

**27.** The expenditures financed by this component include: (i) consultant costs for curriculum adaptation and a microenterprise expert; (ii) compensation for approximately 40 community facilitators and training materials to carry out the training of the youth (at approximately \$10,000 per facilitator over the project period); (iii) a series of capacity building workshops of the community facilitators and regional management committees in all target regions; and (iv) approximately 400 group-based cash-transfers (for seed funds) at an average value of \$2,250 per group.

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<sup>25</sup> In line with Djibouti’s working age definition, the minimum age to benefit from livelihood grants is 16 years.

<sup>26</sup> While microloans were considered as an alternative financing vehicle on the grounds of repayment incentives and sustainability of the Livelihood Fund, the implementation arrangements and capacity required to manage a revolving loan fund were considered too burdensome for this pilot project. Instead, the project will explore options for community-based repayment modalities (through financial or in-kind contributions), whereby project beneficiaries would support relevant community needs as appropriate. Moreover, this pilot project seeks to better understand suitable financing mechanisms for young micro entrepreneurs that could be adopted in the future.

<sup>27</sup> If the number of interested youth in the project exceeds training capacity, a public lottery and/or community ranking will be used to select participants in a transparent manner.

## **Component 2 : Handicraft value chain integration for women (US\$696,725)**

**28. This component addresses the constraints related to the innovation, development and commercialization of existing local products in the artisan sector which is a prominent sector of activity among poor women in Djibouti.** Based on an initial assessment by the project team through the JSDF Seed Fund, traditional artisan activities in this sector that will be primarily targeted are grass and pearl weaving which are prominent in the target regions. Through this component, 800 mainly female beneficiaries will receive direct and indirect training and assistance to enhance the income-generating potential of their existing economic activities. Prospective beneficiaries are poor and vulnerable women with existing skills in the artisan sector, including adult Safety Net beneficiaries who seek to develop their artisan craft. The following are key sub-components:

- a. **Cluster development:** The component will support activities to identify, mobilize, and aggregate existing local producers of artisan products into producer groups and cluster organizations of producer-groups. In doing so, the component will also provide capacity building to strengthen the internal governance of the cluster organizations. These cluster-organizations, in turn, will provide an entry point to enhancing the activities of local producers working on the same types of artisan products. Members of the cluster-organizations will also be eligible to receive basic business training, such as developing mini-business plans to access finance, keeping basic records for savings or business transactions, or calculating costs and profits for their economic activities.
- b. **Skills upgrading in product design and development:** Through this component, product development consultants and qualified local volunteer coaches will assist local producers in the development of new product designs. Artisan communities will receive capacity building to produce the new designs and a quality control mechanism will be put in place to ensure high standards of production.
- c. **Business development and marketing:** At the central level, a business development consultant will carry out market analysis and implement marketing activities to enhance commercialization of the artisan products, including through participation in exhibitions, brand development, and creating linkages to bulk buyers.
- d. **Access to capital:** The component will provide cash-transfers to the cluster-level organizations which in turn will allocate funds to producer group members. These funds are intended to cover costs of inputs and equipment needed to upgrade production.

**29.** The expenditures financed by this component include: (i) training for institution building, product development, and functional literacy training; (ii) goods for sample development, exhibitions, etc.; (iii) cash transfers for producer groups; and (iv) local consultants for product design and marketing.

## **Component 3 : Project Management, Monitoring and Evaluation, and Knowledge Dissemination (US\$328,097)**

**30.** This component would provide support to the implementing agency (Agence Djiboutienne de Development Social, ADDS) to: (i) hire consultants for project management and field coordination; (ii) undertake audits; (iii) rent a vehicle for field visits and monitoring; (iv) purchase office supplies; and (v) build capacity of ADDS in aspects of project management, participatory approaches, gender and outreach to vulnerable communities. It would also support community-based and/or third-party monitoring and evaluation (M&E) arrangements, including the design of appropriate monitoring indicators and surveys. Specifically, participatory M&E will rely on involving beneficiaries and community members in the following ways: a) beneficiaries will be given an opportunity to voice their satisfaction with program activities on a regular basis; b) the community development committees responsible for the selection of mini-business plans are expected to nominate and elect among their members selected community members who will be responsible for the monitoring of funding recipients; and c) a grievance redress mechanism will allow beneficiaries to nominate focal points among each other to articulate problems related to project activities as well as empower facilitators to help solve any potential issues at the local level. Finally, the project management team will ensure that the information and lessons from the M&E system are shared with stakeholders and beneficiaries so that potentially necessary adjustments can be made in a participatory and consultative process.

## **B. Project Financing**

### **Instrument**

**31.** The financing instrument will be Grant by the Japan Social Development Fund (JSDF).

### **Project Cost and Financing**

**32.** Total project financing requirements are estimated at US\$ 2,730,000 (see project budget below).

<b>Project Components</b>	<b>Project cost</b>	<b>Grant Financing</b>	<b>% Financing</b>
1. Basic training and mini-business plan competition	1,705,178	1,705,178	100%
2. Handicraft value chain integration	696,725	696,725	100%
3. Project Management, Monitoring and Evaluation, and Knowledge Dissemination	328,097	328,097	100%
<b>Total Baseline Costs</b>	<b>2,730,000</b>		

Total Project Costs	2,730,000	2,730,000	100%
<b>Total Financing Required</b>			
	2,730,000	2,730,000	100%

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

**33. The proposed project is informed by rigorous evidence stemming from a wide range of youth and women economic empowerment and community-based livelihood interventions.**<sup>28</sup> Specific examples of successful interventions that have informed the design of the proposed project include BRAC’s Employment and Livelihoods for Adolescents (ELA) program, the World Bank supported Northern Uganda Social Action Fund Youth Opportunities Program, and several World Bank and JSDF-financed rural livelihoods projects in South Asia.<sup>29</sup> Key lessons include:

- a. Capital or training alone is usually not enough to start or grow subsistence-level activities. The proposed project therefore offers a combination of capacity building and access to finance in both of its components.
- b. For young women, complementing income and asset-building with social services, such as literacy and reproductive health, is crucial, especially in low-income and socially conservative settings. The project therefore puts a strong emphasis on basic life skills and mentoring in component 1, providing information and counselling on topics that are directly relevant to the lives of poor young women.
- c. Young adults can be responsible recipients of cash transfers using them for training and business development. In the absence of access to formal microfinance, the proposed project therefore seeks to put in place a livelihood fund that would allow groups of young people access seed capital to initiate or grow income-generating activities. The project will test whether intra-group and community accountability can reduce the need for complex project implementation and supervision structures.
- d. Targeting competitive grants at groups of youth rather than individuals can help increase the number of beneficiaries reached and the range of livelihood opportunities that can be supported. The project therefore puts great emphasis on group mobilization in both components.
- e. An integrated suite of services, which targets both the production and marketing of products or services, can play a key role in raising the productivity of rural women. The project therefore not only pilots capacity building and cash transfers, but also value chain integration of local products in view of enhancing the income-generating potential of poor households and communities.

**34.** Additional lessons from the ongoing JSDF-financed “Youth Livelihoods in Southern Iraq” project provide further guidance on specific design features, including the need for (i) flexible funding based on the varying investment needs of different economic activities; (ii) actively guiding youth, and especially girls, in the choice of potential economic activities to encourage diversification; as well as (iii) targeting self-employment support primarily to those youth who

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<sup>28</sup> See for example United Nations Foundation (2013). A Roadmap for Promoting Women’s Economic Empowerment; World Bank (2012b). How to make youth employment programs “girl friendly”. Washington, D.C.; Cho, Y. and Honorati, M. (2012). Entrepreneurship programs in developing countries: A meta-regression analysis. The World Bank.

<sup>29</sup> For more information see Bandiera et al (2012). Empowering Adolescent Girls : Evidence from a Randomized Control Trial in Uganda; Blattman et al (2013) The Economic and Social Returns to Cash Transfers: Evidence from a Ugandan aid program; as well as the World Bank projects “Improving Livelihoods for Rural Artisans in India (Jiyo)” and “Making Markets work for the conflict-affected in Nepal.”

have been identified as suitable candidates through prior project activities.

#### IV. IMPLEMENTATION

##### A. Institutional and Implementation Arrangements

**35. The Djiboutian Social Development Agency (ADDS) under the Ministry of National Solidarity will be the responsible implementing agency for the project.** The NGOs in Djibouti do not have the reach and capacity to implement a project of this magnitude. ADDS has previous experience with World Bank projects, such as the Social Development and Public Works Project, the Employment and Human Capital Social Safety Net Project (funded by JSDF), and the Social Safety Net project (IDA) and is the implementing agency for many other projects sponsored by development partners (e.g., International Fund for Agricultural Development, African Development Bank, Islamic Development Bank, UNDP). Through past and existing projects, ADDS also has significant experience working with civil society and community institutions. Through these projects, ADDS has also accumulated significant experience in managing income generation projects, including in the area of microfinance, village savings and loan associations, and training. ADDS was officially created in December 2007 by merging the *Agence Djiboutienne d'Exécution de Travaux d'Intérêt Public* (ADETIP, a social fund) and *Fonds Social de Developpement* (FSD, responsible for the micro-credit activities) and is legally established and fully able to commit to national and international obligations.<sup>30</sup>

**36.** A National Advisory Committee (NAC) will be established to oversee implementation and provide an enabling environment for project activities, while ensuring that the learnings are widely shared among concerned policymakers. The NAC will be chaired by ADDS or the Secretariat of State for National Solidarity (SESN), and include representatives from relevant ministries (e.g., Youth, Women, Education and Professional Training, Commerce, and Labor) and representatives of the regions of implementation. The role of the NAC will consist of providing overall strategic guidance, overseeing the implementation of the project, reinforcing inter-sector coordination, and reviewing progress reports.

**37. A Project Implementation Unit (PIU) has already been established within ADDS for the Employment and Human Capital Social Safety Net Project (funded by JSDF), and the Social Safety Net project (IDA).** This PIU will be augmented with the necessary technical expertise to manage the proposed JSDF funds and will be responsible for the overall coordination and oversight of project activities. The PIU will contract technical specialists as needed, including a full-time project manager, a microenterprise expert, a product designer, and a marketing specialist. Procurement and financial management specialists would be shared with the ongoing World Bank-funded Safety Net Project also implemented by ADDS. In addition, the PIU will draw on expertise from other ADDS departments (e.g., microfinance).

**38. At the local level, project activities will be implemented by community facilitators,**

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<sup>30</sup> As a condition for previous projects, ADDS has: (a) a Board of Directors established by decree as per the provisions of the ADDS legislation; (b) adopted an Operational Manual; (c) hired the heads of its Administration and Finance, Infrastructure, and Social Development Departments; and (e) established an accounting and financial management system adequate for World Bank projects.

**regional committees, and, where appropriate, CBOs/NGOs.** For the implementation of component 1, it is expected that the PIU will identify and directly hire local facilitators to carry out the community mobilization and capacity building activities. As an alternative, where a local NGO with strong community connections exists, the PIU might contract this NGO to select and hire the facilitators in a given region. Moreover, the project will leverage existing community development committees<sup>31</sup> to manage the process of receiving and assessing proposals for income generating activities. These committees typically include members from local government (prefecture), elected officials from the regional council, and community leaders selected by the communities themselves. Where such committees do not yet exist, they will be created. For component 2, the technical specialists hired by the project will be directly responsible to work with the producer groups in order to enhance product development and marketing in the artisan sector. In addition, the PIU will identify and hire local female facilitators with a handicraft background to facilitate social mobilization within the artisan communities.

## **B. Results Monitoring and Evaluation**

**39. An M&E framework to track progress and results has been developed.** The results framework described in Annex 1 provides the key indicators, targets, and data collection arrangements that will provide the basis for all of the M&E arrangements. To supplement the results framework, the Operations Manual includes additional process indicators and detailed monitoring arrangements.

**40. Two coordination and monitoring assistants will be hired for project monitoring and reporting.** One of the monitoring assistants will play the role of M&E focal point and work closely with the Monitoring and Evaluation department at ADDS. The PIU's monitoring responsibilities will primarily include obtaining monthly progress updates from local facilitators, carrying out regular site visits, collecting baseline information, and supporting several rounds of follow-up surveys and focus group discussions with project beneficiaries at different stages of the project (e.g. immediately after the training as well as six and eighteen months afterwards). Beneficiary surveys to collect outcomes data will be coordinated directly by the Monitoring and Evaluation department at ADDS, and subcontracted to an evaluation consultant

**41. Central project monitoring will be complemented with participatory M&E engaging facilitators, local committees, and beneficiaries in the collection of monitoring data.** Facilitators will be mainly responsible for collecting and reporting attendance information and monthly reporting to the PIU about training progress and issues encountered. Local committees responsible for the selection of livelihood groups are expected to nominate committee members who will carry out regular monitoring visits of funding recipients. Moreover, beneficiary monitoring will provide ADDS with information about local service delivery by project facilitators. The project management team will also ensure that the information and lessons from the M&E system are shared with stakeholders and beneficiaries (e.g. through periodic hearings with the community) so that potentially necessary adjustments can be made in a participatory and

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<sup>31</sup> Community development committees have been created through previous projects, such as the World Bank's Rural Community Development and Water Mobilization (PRODERMO) project and the Community Development Funds financed by the African Development Bank.



consultative process. Finally, the project will put in place a grievance redress mechanism to allow project beneficiaries to voice suggestions and complaints related to the project.

**42. The project's M&E system will build on the implementing agency's existing Management Information System used for the Bank's ongoing Safety Nets Project.** The system infrastructure as well as input and reporting forms will be adapted to accommodate the needs of the proposed project. The system will allow for (i) individual-level identification of beneficiaries, (ii) tracking of key output and outcome indicators (e.g. training completion); and (iii) tracking of cash transfers to beneficiaries. The web-based system will also allow for decentralized data entry by field staff (i.e. the facilitators), while data analysis will be carried out by the M&E focal point in the PIU to inform project management and reporting.

### **C. Sustainability**

Project components have been designed in view of promoting sustainability.

**43. The project leverages community-based implementation structures in view of building lasting local capacity.** By creating and strengthening affinity-based local community structures, the project promotes local institutions that can continue to exist beyond the project duration. Similarly, since facilitators will be primarily selected from the communities themselves, the skills built will remain in the community even when external encouragement ends. For Component 2, in addition to direct training by product design specialists to artisan producer groups, it is planned that the project will identify Djiboutians with some design background to become qualified volunteer design coaches (training of trainers). These local volunteers will be able to provide continuous support to the producer groups beyond the project duration as needed.

**44. Linkages with microfinance institutions and markets are intended to address structural barriers.** By encouraging savings of beneficiaries and the opening of Bank accounts of cash transfer recipients, the project facilitates future access to formal finance. Moreover, by supporting commercialization of artisan products, beneficiaries will be able to nurture linkages to new markets. These structures to sell local products more widely, once established, can be used over an extended time-frame well beyond project duration.

**45. The project taps into and strengthens local decision-making structures.** The decision-making process for selecting successful proposals to access livelihood funds will be decentralized, leveraging regional management committees consisting of local officials and community representatives. These committees already exist for other projects and can be used for local decision making on a variety of topics. The proposed project thereby continues to strengthen these local institutions instead of creating parallel project-based structures. In areas where new committees will need to be set up, these new structures can represent an institutional mechanism for future local decision making outside the scope of the project.

**46. Linkages with national and regional stakeholders will facilitate the adoption of lessons learned.** The project will create an advisory council with representatives from relevant ministries (e.g. Youth, Women, Education and Professional Training, Commerce, and Labor). The

objective of this council is to provide an enabling environment for project activities, while ensuring that the learnings are widely shared among concerned policymakers. If the project proves successful, the broad government ownership is expected to facilitate scaling up of activities through ADDS or other agencies.

## V. KEY RISKS AND MITIGATION MEASURES

### A. Risk Ratings Summary Table

	<b>Risk Rating</b>	<b>Mitigation measures</b>
<b>Stakeholder Risk</b>	<b>M</b>	Local ownership through training and active participation of community leaders
<b>Implementing Agency Risk</b>	<b>S</b>	Project activities will be implemented by community facilitators, regional committees, and CBOs/NGOs together with ADDS as overall coordinator
- Capacity	<b>S</b>	ADDS will hire dedicated PIU staff and technical specialists to coordinate the activities. Strong implementation support will be provided on technical, FM, and procurement level.
- Governance	<b>S</b>	The project manager and consultants in the implementing agency will be financed by the project. The team will therefore have the resources to function properly. The internal audit department has been strengthened with additional staff and its scope expanded to include all projects implemented by ADDS. The role of the internal audit department has been added to the operational manual. An external auditor will be hired to produce a yearly report.
<b>Project Risk</b>	<b>M</b>	
- Design	<b>S</b>	Design informed by international experience. Detailed monitoring plan will foster iterative learning.
- Social and Environmental	<b>L</b>	There are no expected adverse social or environmental impacts

- Program and Donor	L	Donors are supportive of the proposed project
- Delivery Monitoring and Sustainability	S	The implementing agency has a functioning M&E unit with experience in monitoring and evaluating donor-funded projects. Access of beneficiaries to funds will be monitored through bank account statements. The community-based implementation mechanism is expected to enhance sustainability.
- Other (Optional)	-	
<b>Overall Implementation Risk</b>	<b>S</b>	

### B. Overall Risk Rating Explanation

47. Given the innovative nature of the project design which brings community-based livelihood programming to the country, and the fact that ADDS does not have experience with this specific type of intervention, that is, cash-transfers for groups of youth and value chain development, the overall risk rating is substantial.

## VI. APPRAISAL SUMMARY

### A. Economic and Financial Analysis

48. The project seeks to enhance the income potential of 3000 beneficiaries through capacity building, access to finance, and value chain integration. Public sector involvement to support private goods through training and access to finance can be justified by the evident market failure in enabling low-income youth to start and grow income-generating activities. Existing mechanisms of formal finance do not reach the majority of poor people, especially in rural areas.

49. Due to the demand-driven nature of the livelihood fund in component 1 and the product-specific value chain integration in component 2 a comprehensive ex-ante analysis of micro entrepreneurs who will be supported is not possible. However, benefits from project investments are expected through increases in hours worked, productivity, and ultimately income. While the evidence of entrepreneurship services is heterogeneous, similar projects targeting low-income youth have been able to achieve significant increases in income. For example, similar to the livelihood fund of component 1, a recent evaluation in Uganda of cash-transfers to groups of young people found an average treatment effect of approximately 30% increase in real earnings per annum.<sup>32</sup> In Liberia, the Empowering Adolescent Girls Program (EPAG) consisting of classroom training and follow-up assistance led to 55% increase in employment and over 100% increase in

<sup>32</sup> Blattman et al. 2012. Employment Generation in Rural Africa: Mid-term Results from an Experimental Evaluation of the Youth Opportunities Program in Northern Uganda. World Bank Social Protection Discussion Paper.

earnings. Similarly, emerging evidence suggests the high potential impact of microenterprise support to artisan communities. For instance, experience from Pakistan and India suggest that value chain integration of rural artisans can enhance productivity by 30%, boost monthly household incomes by 25-100%, and significantly increase employment rates of women.

**50.** Assuming a total of 3000 beneficiaries at the given project budget, the average unit cost per beneficiary will approximate US\$910, including indirect activities such as project management and M&E activities.<sup>33</sup> With an estimated 2200 beneficiaries under component 1 receiving basic training and access to the livelihood fund, the average unit cost is expected to be approximately US\$780 while the value chain integration under component 2 with a targeted 800 beneficiaries will cost close to US\$900 per beneficiary.<sup>34</sup> Costs for component 2 are relatively higher for this pilot stage because it is expected that international experts will have to be brought in for initial training of trainers, after which costs would likely decrease significantly for a potential future expansion. Overall, unit costs of component 1 and 2 are in line with similar interventions in other countries.<sup>35</sup>

## **B. Technical**

**51.** Based on World Bank experience, group-based seed funds can significantly enhance income opportunities for unbanked young people in low-income environments. Yet, access to finance is not the only barrier to business creation in Djibouti. The proposed project therefore complements the cash-transfer with a community-based peer-to-peer learning and mentoring approach that at the same time seeks to foster social capital of the most vulnerable youth (e.g. girls) thereby allowing disadvantaged groups to take advantage of income-generating opportunities as well.

**52.** The income-generating potential of women, most of whom have traditional skills in the artisan sector, is mainly constrained by a lack of product innovation and limited distribution. A feasibility study that was carried out to inform the proposed project concluded that modernizing the production and sale of products made from grass- and pearl-weaving activities has a high potential to improve income generation for a large number of women in Djibouti. Against this background, the project will adopt value chain integration approaches consisting of social mobilization, design training, and marketing support represent that have already been successfully piloted in other regions, including through previous JSDF projects.

**53.** While the approaches to be piloted under this project are new in Djibouti, the implementing agency ADDS has significant experience in implementing other donor-financed programs targeting women and youth. The PIU will hire specialized staff and consultants to carry out the planned activities.

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<sup>33</sup> This number excludes WB-executed supervision costs.

<sup>34</sup> The estimates by component do not include project management costs.

<sup>35</sup> As benchmarks for component 1, BRAC's Adolescent Girls Clubs in Uganda have an estimate unit cost of \$161 (basic training only), the WB NUSAF program in Uganda had an estimated cost of \$400 per person (cash only, without accounting for project management costs), and the WB's Morocco micro-entrepreneurship support project for vulnerable youth has an estimated unit cost of approximately \$800. As benchmark for component 2, the WB's Developing Artisanal Livelihoods in Rural Pakistan Project has an estimated unit cost of \$1100. It should also be noted that price levels in Djibouti are higher than in most other countries in the region thus increasing the unit-cost.

### **C. Financial Management**

**54.** The proposed Grant will be implemented in line with World Bank policies that are standard for project implementation, including the January 2011 “Procurement Guidelines” and “Consultant Guidelines”. It will use the current Crisis Response Employment and Human Capital Social Safety Net (JSDF) Project implementation framework, procurement, and disbursement arrangements. ADDS is an autonomous administrative public institution, overseen by the SESN, and will be responsible for project management, including financial management and accounting. The financial assessment that was undertaken during appraisal has found the financial management arrangements to be satisfactory.

**55.** A single segregated Designated Account (DA) in US Dollars will be opened at a commercial bank in Djibouti acceptable to the World Bank. Payments and withdrawal of eligible expenditures accompanied by supporting documents or statements of expenditure (SOE) for sums less than predefined thresholds for each expenditure category, following the applicable procedures and the World Bank's Disbursement Handbook. ADDS will be responsible for submitting replenishment requests on a monthly basis. All requests for withdrawals should be fully documented, maintained and made available for review by the Bank and project auditors. All disbursements will be subject to the terms of the Financing Agreement and to the procedures defined in the Disbursement Letter.

**56.** The general accounting principles for the project will be as follow: (a) project accounting will cover all sources and uses of project funds, including payments made and expenses incurred. Project accounting will be based on accrual accounting; and (b) project transactions and activities will be separated from other activities undertaken by ADDS.

**57.** The project financial reporting will include Interim Un-audited Financial Reports (IFRs) and yearly Project Financial Statements (PFS): (a) IFRs should include data on the financial situation of the project. These reports should include: (i) a statement of funding sources and uses for the period covered and a cumulative figure, including a statement of the bank project account balances; (ii) a statement of use of funds by component and by expenditure category; (iii) a reconciliation statement for the DA; (iv) a budget analysis statement indicating forecasts and discrepancies relative to the actual budget; and (v) a comprehensive list of all fixed assets; (b) ADDS will produce the IFRs every quarter and submit to the Bank within 45 days at the end of each quarter. The annual PFS should include: (i) a cash flow statement; (ii) a closing statement of financial position; (iii) a statement of ongoing commitments; and (iv) an analysis of payments and withdrawals from the grant account. (c) IFRs and PFSs will be produced based on the accounting system and submitted for an external financial audit.

**58.** ADDS will be responsible for preparing periodic reports and maintaining the project bookkeeping, and will produce annual Project Financial Statements (PFS) and quarterly Unaudited Interim Financial Reports (IFRs).

**59.** The project accounts will be audited annually by an external auditor and will cover all aspects of the project, uses of funds and committed expenditures. The audit will also cover the

financial operations, internal control and financial management systems and a comprehensive review of statement of expenditures. The annual audit report will include: (i) the auditor's 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 also be submitted to the World Bank with the IFRs.

#### **D. Procurement**

**60.** The overall assessment of Procurement Risk is “moderate.” The ADDS, the project management agency of the ongoing Social Safety Net Project will be in charge of the Implementation of Enhancing Income Opportunities Of Djibouti Project and will administrate all procurement-related transactions financed under this project. The ADDS is subject to the applicable procurement rules and regulations. Because ADDS has its own procurement commission, it is not required to submit procurement documents, e.g., Bidding Documents, Bid Evaluation Reports, etc., for prior review by the Commission Nationale des Marchés Publics (CNMP). Overall, the new Djiboutian procurement Manual of Procedures for goods, works, and consultant employment is in line with the Bank's procedures. Since May 2010, the country has had adequate standard bidding documents and request for proposals similar to the Bank.

**61.** Although the ADDS is familiar with Bank procurement guidelines and procedures by managing the Social Safety Net projects and others, there are some weaknesses in the procurement process, among them: (i) delay in preparation of acceptable Standards Bidding documents; (ii) Evaluation report is not exhaustive and should be improved, (iii) lack of contract management, and (iv) procurement plan not updated proactively and made public undermining broader private sector competition in tenders. To address these risks, the current person in charge on procurement will be trained in Tunis under on-going Social Safety Net Project. Also, Project coordinator and staff members involved in procurement will be continuously trained prior and during implementation to become more familiar with using Bank procedures and to provide the necessary management oversight in compliance with the Bank's new guidelines (January 2011).

#### **E. Social and Environment (including Safeguards)**

**62.** By empowering disadvantaged groups, the project is expected to have social benefits in terms of income generation and social inclusion. Targeting poor communities, including rural communities, will increase the availability of public support services to traditionally underserved groups. Moreover, the project has a strong emphasis on targeting (young) women, thus contributing to reduce the stark female disadvantage in the labor market.

**63.** None of the activities are expected to have adverse social impacts on beneficiaries. The main risk consists of potential local tensions over the access to project benefits, given the deprived nature of intervention areas. To reduce this risk, the project seeks to (i) provide a basic set of capacity building services to largely every eligible person in the target communities through basic capacity building for youth and producer groups; (ii) specify transparent vulnerability characteristics among the eligibility criteria for beneficiaries; and (iii) carrying out community rankings and/or involving traditional local decision making bodies such as village committees in the prioritization of beneficiaries as needed in order to ensure the most vulnerable are included.

**64.** Social and environmental safeguards. The project is classified as environmental category C due to the potential minimal or no environmental impacts. The project does not trigger any of the safeguard policies. Project activities focus on capacity building and access to small seed financing which are not expected to have adverse social or environmental impacts. The Livelihood Fund will support small-scale activities which are environmentally neutral. The low level of risk involved in providing capacity building and access to finance is commensurate with the C rating.

**65.** OP 4.12 on involuntary resettlement is not triggered. The project will not finance any activities necessitating involuntary land acquisition resulting in:

- a. Involuntary resettlement of people and/or loss of (or access to) assets, means of livelihoods or resources and
- b. Involuntary restriction of access to legally designated parks and protected areas resulting in adverse impacts on the livelihoods of the displaced persons.

**66.** Any beneficiary projects that could potentially have a negative social or environmental impact will not be eligible under the Livelihood Fund. To this end, the project's Operations Manual will feature specific safeguards related wording and a negative list of economic activities which shall be excluded from funding. Excluded activities include those that require the involuntary acquisition of land, such as construction leading to involuntary resettlement of people and/or loss of access to assets, revenues and/or means of livelihoods and/or restriction of access to legally designated parks. No use or purchase of pesticides is eligible through this project. The Operations Manual will further provide a checklist for the regional selection committees to capture potential social and environmental risks of beneficiary projects. For due diligence purposes, the agreements between the implementing agency and the selected livelihood groups will include general social and environmental safeguard clauses.

**Annex 1: Results Framework and Monitoring**

**Republic of Djibouti: Enhancing Income Opportunities in Djibouti Project**

**Project Development Objective (PDO):** The Project Development Objective is to improve access to life-skill, livelihood skills training, and access to finance for at least 3000 low- and semi-skilled youth and women in poor communities in Djibouti-ville and neighboring Arta, the northern region of Tadjoura, and the southern region of Ali Sabieh.

PDO Level Results Indicators	Core	Unit of Measure	Baseline	Cumulative Target Values					Frequency	Data Source/ Methodology	Responsibility for Data Collection	Description (indicator definition etc.)
				YR 1	YR 2	YR3	YR 4	YR5				
<b>Indicator One:</b> Direct project beneficiaries (core)	<input type="checkbox"/>	Number	0	400	1300	2200	3000		Bi-annual	Beneficiary registry; Attendance records	Project management team	
<b>Indicator Two:</b> Direct project beneficiaries – female (core)	<input type="checkbox"/>	Percentage	0	40%	45%	45%	50%		Bi-annual	Beneficiary registry; Attendance records	Project management team	
<b>Indicator Three:</b> Average increase in sales of goods by target beneficiaries receiving access to capital	<input type="checkbox"/>	Percentage	0	0%	0%	10%	20%		At mid-term and end-of-project	Beneficiary survey	Survey consultant	
<b>Indicator Four:</b> Direct beneficiaries that are linked to formal financial institutions	<input type="checkbox"/>	Percentage	Tbd during registration	0%	10%	20%	25%		Annual	Bank records; Beneficiary survey	Project management team; Survey consultant	Measured as percentage of beneficiaries having a bank account
<b>INTERMEDIATE RESULTS</b>												
<b>Intermediate Result (Component One): Basic training and business plan competition</b>												



Number of beneficiaries enrolled in capacity building activities	<input type="checkbox"/>	<b>Number</b>	<b>0</b>	<b>400</b>	<b>1000</b>	<b>1600</b>	2200		Bi-annual	Beneficiary registry; Attendance records	Project management team; Facilitators	Related to PDO indicator 1 and 2
Number of beneficiaries who received cash transfers	<input type="checkbox"/>	<b>Number</b>	<b>0</b>	<b>0</b>	<b>400</b>	<b>700</b>	1000		Bi-annual	Cash transfer agreements	Project management team; Regional Committees	Related to PDO indicator 1, 3 and 4*
Percentage of cash transfer recipients being female	<input type="checkbox"/>	<b>Percentage</b>	<b>0</b>	<b>0%</b>	<b>20%</b>	<b>25%</b>	30%		Bi-annual	Cash transfer agreements	Project management team; Regional Committees	Related to PDO indicator 2
Percentage of livelihood groups receiving the full transfer amount within 6 months of being selected	<input type="checkbox"/>	<b>Percentage</b>	<b>0</b>	<b>0%</b>	<b>40%</b>	<b>50%</b>	60%		Bi-annual	MIS	Project Management team	Related to PDO indicator 3**
<b>Intermediate Result (Component Two): Handicraft value chain integration for women</b>												
Number of beneficiaries that directly received product design training (lead artisans)	<input type="checkbox"/>	<b>Number</b>	<b>0</b>	<b>0</b>	100	200	200		Bi-annual	Training participation records	Product design trainers	Related to PDO indicator 1 and 2
Number of beneficiaries that receive step-down training through lead artisans	<input type="checkbox"/>	<b>Number</b>	<b>0</b>	<b>0</b>	200	400	600		Bi-annual	Cluster organization membership records	Local facilitators	Related to PDO indicator 1 and 2
Number of beneficiaries that receive access to cash-transfers through the cluster organizations	<input type="checkbox"/>	<b>Number</b>	<b>0</b>	<b>0</b>	0	300	400		Bi-annual	Cluster organization	Cluster organization	Related to PDO indicator 1, 3 and 4

									financial records		
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\* Having a bank account is a condition for receiving the cash transfer

\*\* Receiving the full transfer (which is paid in tranches) is conditional on demonstrating that the businesses is becoming operational, which in turn is an intermediate indicator to whether the supported projects can generate revenues

## **Annex 2: Detailed Project Description**

### **REPUBLIC OF DJIBOUTI: Enhancing Income Opportunities in Djibouti**

#### ***Component 1: Basic training and Mini-Business-Plan Competition for Youth***

1. Through this component, at least 2,200 youth would receive basic life-skill training and coaching in business plan development through community facilitators in the pilot regions in Djibouti. In these same regions, at least 1,000 beneficiaries would be able to access start-up funds through a mini-business plan competition. The component will finance the following activities: (i) Identification and training of peer facilitators; (ii) Youth mobilization and basic training; (iii) Mini-business plan competition; and (iv) follow-up coaching.

#### *Identification and training of peer facilitators*

2. The project will identify peer facilitators responsible to carry out the activities at the community level. Priority will be given to community members to identify and suggest 1-2 facilitators from their own local community, based on specific selection criteria. If no local facilitator can be identified, qualified candidates will be identified and suggested to the communities for validation.

3. Potential facilitators from the target communities will receive structured training (training of trainers) to ensure efficient and quality service delivery and will be equipped with the necessary training materials.<sup>36</sup> The training of facilitators will be sequenced, consisting of an initial training as well as several follow-up trainings. The initial training will also serve to identify the most qualified candidates based on the quality of their participation during the training. Training topics will include group management, life skill development, and business plan development in line with the training contents for the end-beneficiaries.

#### *Youth mobilization and basic training*

4. Facilitators will mobilize young people around activities of joint interest, facilitating peer formation, and providing basic life skills, capacity building, and mentoring support. The facilitators will engage and leverage existing community leaders and institutions, such as community workers, lead-women, and members from community committees. The communities will be supported to identify their own capacity building and training priorities as well as locally appropriate delivery arrangements (e.g., timing of the training).

5. Based on initial consultations with youth in urban and rural areas, the following topics have been identified as potential areas for capacity building: functional literacy and numeracy training, financial literacy and savings, and business plan development. In addition, the community meetings are expected to serve as an entry point for providing information on other topics directly affecting the beneficiaries' lives, such as nutrition, child, maternal, and reproductive health, early

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<sup>36</sup> It is expected that the large majority of materials is already available through relevant ministries and previous projects (e.g., for literacy training, savings modules).

childhood development, parental participation in the education of their children, and access to legal services. Participation in these activities will be voluntary and open to all community members who meet the basic eligibility criteria. Through the above activities, the component also seeks to enhance participants' socio-emotional skills that are the basis for resilience and economic empowerment, including a positive future orientation, self-esteem, self-efficacy (the ability to set and achieve goals), self-control, and interpersonal skills.<sup>37</sup>

**6.** In view of facilitating beneficiaries' access to financial resources and economic activities, the component also provides capacity-building and hand-holding for interested youth to form small livelihood groups. Individuals in these groups will be supported to organize themselves, build confidence among each other, and jointly develop a simple business plan for a shared income-generating activity to access external funding.

**7.** Each batch of trainees would receive capacity building for a period of four to six months (part-time, approximately 2-3 times per week). Capacity building activities will be designed to be "girl-friendly" – that is, sensitive to household responsibilities, social expectations, and potential safety concerns (e.g., through flexible training hours, female trainers, targeted family outreach, etc.).

#### *Mini-Business Plan Competition*

**8.** Groups of 4-10<sup>38</sup> youth who have prepared a simple business plan during the training will be eligible to participate in a regional business plan competition to access small cash transfers in order to buy equipment and other business inputs, as well as pay for relevant training services as needed, in order to start a joint economic activity. Cash-transfers do not have to be reimbursed, however, as an alternative to financial repayments, cash-transfer recipients will be encouraged to "give back" by engaging in activities benefiting their community. Livelihood groups may have either convened as part of the basic capacity building but can also include members not benefiting from project activities. Examples of activities financed could include beauty treatment and hair-dressing, food catering, kiosks, animal husbandry, and agricultural production and processing. Excluded activities include those that require the involuntary acquisition of land, such as construction and infrastructure leading to involuntary resettlement of people and loss of access to assets, revenues and/or means of livelihoods.

**9.** Groups who are eventually selected to receive funding are expected to open an account in their name at the local branch of the microfinance organization (CPEC) to be able to receive the funds. By linking beneficiaries to bank accounts, the component promotes financial inclusion with a perspective of allowing beneficiaries to graduate to formal microfinance once their economic activities are sufficiently established.

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<sup>37</sup> Research indicates that addressing the psychological determinants of human behavior (e.g. related to aspirations and beliefs, self-esteem, etc.) is crucial for anti-poverty programs. See for example Masten (2009), Bandura (2009), Ghosal et al. (2013). Moreover, many socioemotional skills (e.g. self-efficacy and interpersonal skills) are also considered highly relevant for microentrepreneurs and professional trades in general. See for example Aedo et al. (2013).

<sup>38</sup> The minimum group size for the livelihood groups can be adapted to stay aligned with the minimum group size for solidarity loans by the local microfinance organization.

**10.** Based on the selection of geographic areas of intervention, the national Project Implementation Unit (PIU) will allocate specific funding envelopes to each region and sub-administrative level (e.g., town or village) according to specific criteria (e.g., population size). This envelope to the different regions is a grant by the national government in the name of the respective region and it will be the responsibility of the latter to ensure that the funds are being used responsibly according to the criteria defined by the project. Initially, each region will only be able to dispose of a certain percentage of its total envelope until it has proven that the funds have been disbursed and their use monitored as intended. Future allocations for each region and locality are expected to depend on the performance of each target region in using the funds (e.g., adherence to funding criteria, performance of income-generating activities funded). This structure is intended to align the incentives across all stakeholders: since allocation to the local government ultimately depends on its performance, the local government has a strong incentive to allocate the funds responsibly and monitor their use. Similarly, at the community level, everyone has an interest that cash transfer recipients use the money responsibly so that future community members will also have access to the fund.

**11.** Regional community development committees will be responsible to receive and evaluate the mini-business plans by groups in their respective area, propose the approved projects to the national Project Implementation Unit for validation, and monitor the good use of funds by the initiatives that have received funding. Where such committees already exist through previous projects (e.g. with African Development Bank, World Bank PRODERMO project), the proposed project will leverage the existing structures. The regional committee will be composed according to specific selection criteria, such as elected officials, local leaders, representatives of CPEC, private sector and community representatives, and representatives of women, youth, and the poor. Details of committee selection, beneficiary eligibility criteria, and eligible activities will be specified in the Project Operations Manual.

#### *Follow-up coaching*

**12.** The component will also provide follow-up coaching to the winners of the mini-business plan competition. Winning teams would be expected to meet at least once a month (for a period of approximately six months) with the peer facilitator and/or other community workers to exchange experiences and receive further coaching and capacity building as needed.

### **Component 2: Handicraft value chain integration for women**

**1.** To complement component 1, component 2 seeks to strengthen existing economic activities in a sector of work prominent among women. Based on an initial skill and market assessment, the handicrafts and artisan sector has been pre-selected for this component. Traditional activities in this sector that will be primarily targeted are grass and pearl weaving. A feasibility study carried out to inform this component showed that these activities represent traditional handicraft practices of women prominent across the target regions. The project will work in developing the entire craft value chain such that the artisans and the community associations are able to realize the true value of their products and become profitable and economically viable. The component will finance the following activities.

**2. Social mobilization and cluster development:** In a first step, this component will support network development of individual artisans and producer groups/associations active in artisan activities. This includes identifying the communities and households within the target regions that already have the traditional skills and are selling handicraft products so they can be organized as part of a larger producer network. These individual artisans and producer groups will be aggregated to clusters depending on geographic location and sector of activity (e.g., grass weaving cluster of Djibouti-Ville) with the intention of being able to aggregate different steps of the value chain, including procurement of inputs as well as distribution (bulk purchasing and bulk sales).<sup>39</sup> Component activities will include specific institutional capacity building of selected community members and women groups, in organization and project management, internal management, participatory decision-making, leadership, negotiations, conflict resolution, etc. Moreover, the cluster leadership will also receive training in accounting and financial management, procurement, and how to transition into producer cooperatives according to the recent cooperative law. Finally, members of the cluster-organizations will also be eligible to receive basic business training, such as developing mini-business plans to access finance, keeping basic records for savings or business transactions, stock management, basic marketing, or calculating costs and profits for their economic activities. As needed, training may also extend to offer capacity-building and hand-holding for interested women to organize themselves into small savings groups. These groups will regularly save an amount decided by the group, which can then be inter-loaned within the group. Existing groups could be strengthened, for example to become more participatory and transparent, so that the members of these groups can drive towards sustainable social and economic empowerment.

**3. Training in product design and development:** Once the communities are identified, expert product developers and designers who have substantial experience in working with artisan communities would work with existing artisans to examine their skills and their traditional product designs. Based on the existing skill level, the expert designers will develop ideas for new and innovative contemporary designs and products which would allow the artisan communities to enhance and diversify their activities. Through this design intervention, specific skill training modules would be developed and executed to equip the poorest artisans to create a range of quality products that are in demand by the market. Care will be taken to ensure that all artisans are able to partake in this activity, providing a range of skill levels and therefore different products will be made for different market segments. This will include:

- Analysis of the skill-set and design skills of the identified community artisan groups
- Product design and development at the grassroots level with the help of professional product developers and designers
- Capacity building and training for artisan community members to produce the new products/designs using their traditional skills and motifs
- Strengthening the supply chain to scale up production based on the demand generated and thereby increasing outreach of the program. This includes training additional artisans

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<sup>39</sup> In addition to the main traditional activities selected in these cluster areas, this component will also explore additional induced cluster activities that can be taken up by the cluster members. It is expected that in addition to the artisan production activities several auxiliary initiatives will also be set up. This includes the collection of grass and other palm leaves, production of vegetable and natural dyes units, and local marketing and distribution by youth. The setup of these activities, in turn, can be supported through Component 1.

through training of trainers (ToT), provision of additional equipment as required, provision of storage, transportation, and training identified community members to manage the new "business"

- Developing and implementing community based quality control measures and creating a cadre of skilled grassroots quality controllers, grassroots managers and sales persons.

**4. Business development and marketing assistance:** In a third step, this component will provide marketing support and trade linkages for the products produced by the artisan clusters in order to efficiently link the producer groups to local, provincial and national markets. It will help develop the capacities of the communities so that they can move into mainstream markets and hitherto untapped markets, such as interior decorations, home furnishings, and functional products. Activities will include:

- Market forecasting would be initiated up-front to inform product development according to market demand
- Preparing a detailed product/market database for identifying and organizing marketing events
- Developing focused strategies and structuring participation in the identified marketing events, such as exploring possibilities of accessing government sources for opening shops that are owned and managed by the community members; participation in exhibitions, expos, and trade fairs to provide a major forum for B2B and B2C products (incl. catalogues); or organization of fashion shows
- Developing a successful brand management strategy that includes brand launching and marketing “Handmade in Djibouti”
- Develop strong linkages with businesses (bulk buyers such as hotels and retail shops), and directly with consumers
- Reaching out to the government as a promoter and a buyer of these new products.

**5. Access to cash-transfers:** Under this component the project will also provide cash transfers to artisan producers in order for them to grow their businesses. Once the cluster organizations are formed, they are eligible to receive cash transfers from the project. The cash transfers is expected to be provided to the cluster-level organizations which in turn will allocate funds to producer group members as needed. These funds are intended to cover costs of inputs and equipment needed to upgrade production. Since cluster-organizations are constituted by members of participating producer groups, there is an internal accountability mechanism for the responsible use of funds. Detailed criteria for funding allocations within cluster organizations will be detailed in the Operations Manual, but it is expected that producer groups receiving funding will be expected to repay these funds to the cluster organization so funds can be used to benefit other producer groups in the future.

**6.** Component 1 and component 2 are complementary allowing the project to leverage several synergies: (i) since many girls traditionally seek to engage in artisan activities as their livelihood, component 1 equips them with the necessary basic skills and peer relations to become productive members in the producer groups supported under component 2; (ii) the value-chain development under component 2 helps identify and create income opportunities in the artisan sector (e.g. related to product distribution) which in turn can be exploited by livelihood groups through component 1.

## **Beneficiary selection**

7. Existing household survey data allows for the identification of the poorest neighborhoods/villages within the targeted geographic areas, for example in Djibouti-Ville. Within the targeted neighborhoods/villages, there will be specific eligibility criteria for each component.

8. For component 1, eligibility criteria include a) being of age 16-29, b) having less than a university degree (maximum 2 years of post-secondary training, c) and not having a formal job or economic activity. To be eligible for the seed funding, beneficiaries further have to be organized in groups of 4-10 people and have at least 1 group member who attended a minimum of training sessions as defined in the Operations Manual. For component 2, eligibility will be largely universal provided that the beneficiaries have an existing skill in the artisan craft chosen to be developed through the component.

9. In case demand exceeds program capacity, additional selection criteria considered are: i) a lottery to determine who will participate in the basic capacity building first and who will participate later, ii) shortlisting of qualified business plans either through specified priority criteria or a lottery, and iii) limiting program participation to one member per household for component 2.

10. To minimize the risk of capture, community rankings will be considered to validate priority groups. As far as proposals for income generating activities are concerned, the team plans to anonymize these before selection and include civil society representatives in the selection process for mutual accountability.

## **Component 3 : Project Management, Monitoring and Evaluation, and Knowledge Dissemination**

11. This component would provide support to the implementing agency ADDS to: (i) hire consultants for project management and field coordination; (ii) undertake audits; (iii) rent a vehicle for field visits and monitoring; (iv) purchase office supplies; and (v) build capacity of ADDS in aspects of project management, participatory approaches, gender and outreach to vulnerable communities.

12. The component would also support monitoring and evaluation (M&E) arrangements, including field visits for project supervision, data collection for tracking surveys, adaptation of the existing Management Information System, knowledge sharing activities and a final evaluation report. Specifically, participatory M&E will rely on involving beneficiaries and community members in the following ways: a) beneficiaries will be given an opportunity to voice their satisfaction with program activities on a regular basis; b) the community development committees responsible for the selection of mini-business plans are expected to nominate and elect among their members selected community members who will be responsible for the monitoring of funding recipients; and c) a grievance redress mechanism will allow beneficiaries to nominate focal points among each other to articulate problems related to project activities as well as empower facilitators to help solve any potential issues at the local level. Detailed arrangements for project management and Monitoring and Evaluation are described in Annex 3.



**Annex 3: Implementation Arrangements**  
**REPUBLIC OF DJIBOUTI: Enhancing Income Opportunities in Djibouti**

**Project Institutional and Implementation Arrangements**

*Project administration mechanisms*

- 1.** ADDS will be the implementing agency for this project. ADDS was created in December 2007 and is fully able to commit to national and international obligations, such as the implementation of several ongoing IDA-financed projects. ADDS is currently implementing activities under various financing agreements signed with multilateral and bilateral donors, including IsDB, AfDB, AfD, IFAD, UNDP, and the World Bank.
- 2.** A National Advisory Committee (NAC) will be established to oversee implementation and provide an enabling environment for project activities, while ensuring that the learnings are widely shared among concerned policymakers. The NAC will be chaired by ADDS or the Secretariat of State for National Solidarity (SESN)<sup>40</sup>, and include representatives from relevant ministries (e.g., Youth, Women, Education and Professional Training, Commerce, and Labor) and representatives of the regions of implementation. The role of the NAC will consist of providing overall strategic guidance, overseeing the implementation of the project, reinforcing inter-sector coordination, and reviewing progress reports. The NAC will be informed by ADDS on a semi-annual basis on project implementation and will meet every year or on an ad-hoc basis.
- 3.** The proposed project will leverage the existing Project Implementation Unit already established within ADDS for the Employment and Human Capital Social Safety Net Project (funded by JSDF), and the Social Safety Net project (IDA). The PIU will be responsible for the overall coordination and oversight of project activities. Procurement and financial management specialists would be shared with the ongoing World Bank-funded Safety Net Project. For the purpose of the proposed project, the PIU will be augmented with the necessary technical expertise to manage the proposed JSDF funds, in particular a full time project manager and two component coordination assistants. The PIU will contract technical specialists, including a microenterprise expert, a product designer, and a marketing specialist. The PIU will also draw on expertise from other ADDS departments (e.g., microfinance) as needed.
- 4.** For the capacity building activities under component 1, the PIU will identify and directly hire local facilitators to carry out the community mobilization and capacity building activities. As an alternative, where a local NGO with strong community connections exists, the PIU might contract this NGO to select and hire the facilitators in a given region and/or support the training of trainer activities. A capacity assessment of local NGOs will be carried out to identify suitable NGOs. Potential NGO partners include EVA, Bender-Djedid, and UNFD.

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<sup>40</sup> To be finally determined in the Operations Manual.

**5.** For the livelihood fund under component 1, the project will leverage existing community development committees<sup>41</sup> to manage the process of receiving and assessing proposals for income generating activities. These committees will select proposals and monitor the implementation of income-generating activities financed under the project. These committees typically include members from local government (prefecture), elected officials from the regional council, and community leaders selected by the communities themselves. They will be complemented by representatives of CPEC, private sector representatives, and civil society representatives as needed. Depending on the structure and mandate of the existing committees, sub-committees may be created for the purpose of this project. Where such community committees do not yet exist, they will be created with help of the project.

**6.** For component 2, technical staff hired by the PIU will be responsible for the implementation of activities. As needed, the project will hire local facilitators with an artisan background to facilitate the mobilization of artisans into producer groups and clusters. The facilitators may be individuals or members of local NGOs. Moreover, selected individuals with a design background will be involved in the capacity building activities for the purpose of training of trainers, so they can subsequently provide follow-up to assistance to beneficiaries as needed.

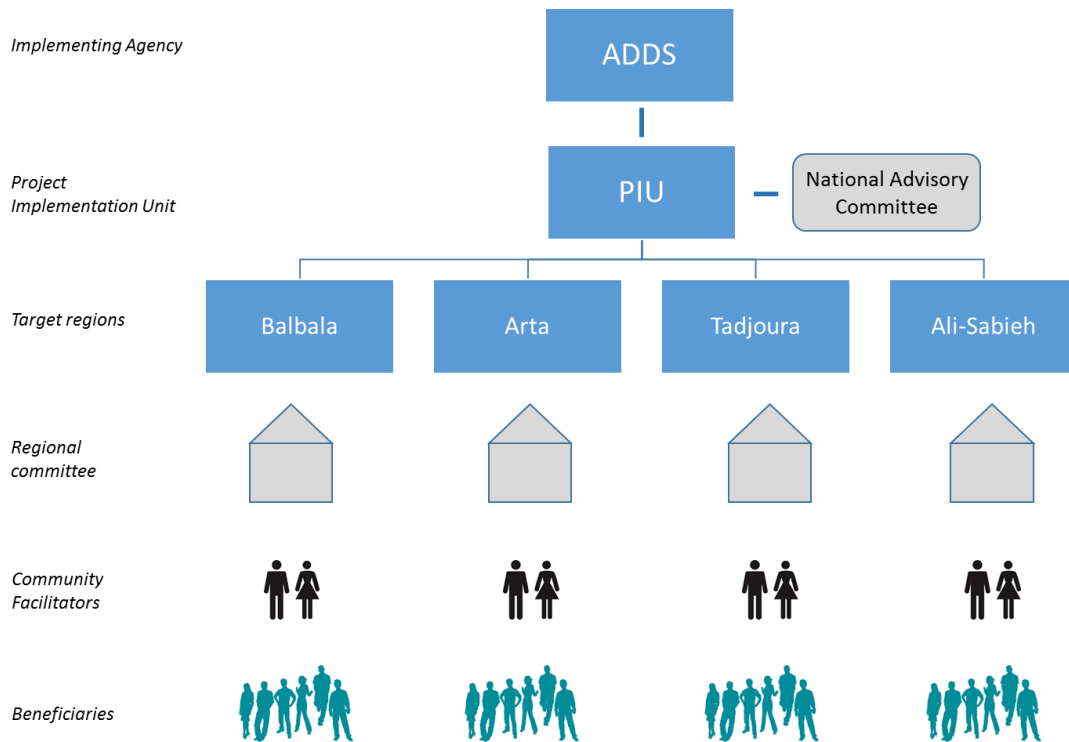
**7.** Across all planned activities, the project would engage traditional leaders (“sultan” at the regional levels, “okal” at the local level) during the planning of activities, since their buy-in and acceptance of the proposed activities would be key to successful implementation.

**8.** ADDS will develop an Operations Manual which will detail the roles and responsibilities of each administrative level and entity involved in the project implementation. The Operations Manual will be presented to the World Bank for No Objections prior to Effectiveness (the adoption of the Manual is a condition for effectiveness). The following chart presents the organizational structure as agreed between the implementation agency and the World Bank.

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<sup>41</sup> Community development committees have been created through previous projects, such as the World Bank’s Rural Community Development and Water Mobilization (PRODERMO) project. They can take the form of village committees, neighborhood committees, etc.

Figure 1: Implementation structure



*Implementing partners*

**9. Government of Djibouti:** Local authorities (e.g. préfet) in the different target regions will be involved in the identification of implementation sites according to eligibility criteria specified by the project. For the implementation of Component 1, the proposed project would build on content and delivery structures already in place by other ministries, such as existing materials for literacy training and information on nutrition and health-related topics. The project would also leverage previously trained community facilitators (e.g. literacy trainers and community health workers) in its target regions. The project will further partner with relevant ministries to allow the project to use existing facilities for the training (e.g. schools, community development centers, etc.) and support the training of community facilitators, depending on the topics prioritized in the different regions.

**10. Payment Agency:** While the national microfinance Bank CPEC does currently not meet the financing needs of the project’s target group, project activities are expected to promote financial inclusion by building the foundation for future access to formal finance. This will be achieved through the project’s focus on mobilizing groups to engage in joint income-generating activities, which is aligned with CPEC’s admission criteria for group-based loans. As a result of group mobilization and supporting start-up microenterprises, the project links previously unserved beneficiaries to a formal financial institution, and it is expected that the project will contribute to help beneficiaries graduate to microcredit at a later stage. There are three CPEC entities distributed by region that share the microfinance market in Djibouti (CPEC de Djibouti, CPEC du Nord, CPEC du Sud). These entities will act as payment agencies for the project; that is, as intermediaries

to transfer allocated project funds to beneficiaries. Since the vast majority of young people is currently unbanked, it is expected that successful applicants to the cash transfers will open an account at their respective CPEC branch to access the funds (either directly, or through the intermediary of a CBO in remote areas). An official agreement between the implementing agency and CPEC will be developed to formalize the CPEC's role as payment agency and serve as a disbursement condition for the cash transfers. The project's financial management arrangements will ensure proper monitoring of the disbursement of funds to the beneficiaries (see details on flow of funds further below).

**11. *NGOs and Community-based organization:*** The civil society sector in Djibouti is underdeveloped, facing serious capacity and resource constraints. Foreign funding is extremely limited, and most NGOs are dependent on project-based partnerships with ministries or development partners to operate. While international NGOs are almost inexistent, there are approximately 10 national NGOs providing training and promoting economic opportunities for youth and women, but a majority of them have only very limited geographic outreach (mainly in the capital city and/or in 1-2 regions) and relatively low numbers of beneficiaries. Yet, there are a large number of volunteer-driven community-based organizations that are organized around a specific target group (e.g. youth association) and/or a specific economic activity (e.g. handicrafts). The project will leverage these community-based organizations for outreach and as an entry point to offer basic capacity building for youth and women.

**12. *TVET providers:*** The supply of vocational training faces serious limitations in terms of quantity and quality, creating a non-conducive environment for project groups to acquire skills in activities and professions of interest. However, current enrollees and past graduates of training institutions represent an adequate target group to exploit group-based economic activities promoted through the proposed project. Therefore, the project's outreach activities will actively target existing training centers in areas where those exist (e.g., the *Centre Mere et Enfant* and *Centre de Formation Balbala* in Djibouti-Ville or the *Centre Catholique* in Tadjoura). Moreover, as part of component 1, the project will assess the possibility of engaging mobile trainers (from existing centers or independent) to deliver short trainings locally at community meetings.

**13. *World Bank:*** The proposed project will leverage synergies with existing World Bank projects through the following channels:

- a. In areas of geographic overlap, the proposed project will be open to beneficiaries of the ongoing Safety Nets project to provide a graduation strategy from cash-for-work for young mothers.
- b. While there is little geographic overlap with the PRODERMO project, the proposed project will maintain a regular dialogue with PRODERMO about appropriate processes and lessons learned related to the selection and support of promising income-generating activities.
- c. To address vulnerabilities in Djibouti at the community level, an integrated package of projects encompassing the proposed project but also a health sanitation project and a legal service delivery project is being proposed to the JSDF program by the CMU: Enhancing Income Opportunities (\$3 million); Improved Sanitation Pilot (\$3 million); and Improved Service Delivery at the Local Level (\$3 million).

**14. Other development partners:** The proposed activities have been discussed with and welcomed by a range of development partners in the country, including the Japanese International Cooperation Agency (JICA), the Japanese Embassy, and UNICEF. For instance, UNICEF indicated potential interest in supporting the capacity building of community facilitators.

## **Financial Management, Disbursements and Procurement**

### *Financial Management*

The FM team reviewed the financial management arrangement at the Agence Djiboutienne de Développement Social (ADDS). Based on the result of the assessment, the FM risk, as a component of the fiduciary risk, is rated as Moderate. With the proposed measures ADDS will have the financial management requirements as per OP/BP 10.00 and will maintain an acceptable financial management system and the current risk rating.

The proposed project will be implemented according to World Bank guidelines, using the implementation framework of the ongoing Crisis Response Employment and Human Capital Social Safety Net (JSDF) Project, financial management, procurement, and disbursement arrangements, and using the human resources of ADDS. The project will be mainstreamed in ADDS's activities. ADDS is an autonomous public institution with administrative and financial autonomy, with oversight by the Social Solidarity Secretary of State ("Secrétariat d'Etat chargé de la Solidarité Nationale" (SESN)), which has performed well under the previous and current projects and has acquired solid capacity in fiduciary procedures applicable to Bank-financed projects. ADDS is in charge of planning, executing, monitoring and evaluation of project activities. It is responsible for project financial management and accounting and for preparing periodic reports on project implementation progress, including both physical and financial achievements.

In view of the risks identified and the weaknesses observed, the overall financial management risk is deemed to be Moderate. The following are the risks identified: (i) delays in the submission of the certified Interim Un-audited Financial Reports (IFRs); (ii) lack of a fixed assets list for Bank financed projects; and (iii) delays in the submission of the internal auditor's reports.

The Financial Management rating for the ongoing Crisis Response Employment and Human Capital Social Safety Net (JSDF) Project is Moderately Satisfactory.

### **Financial Management and Disbursement Arrangements**

*Staffing:* ADDS has a dedicated financial team to handle the FM aspects of all Bank financed projects. The team is comprised of a Financial Officer (FO), who will report to the "Agent Comptable". The FO is in charge of the overall FM aspects and is assisted by an accountant. For the purpose of this project an additional accountant will be hired to assist in the implementation of the project. The current FM team has substantial experience in implementing Bank-financed projects. ADDS has recently reinforced the Internal Audit department. The internal audit department will be in charge of monitoring the internal control at ADDS.

*Internal control:* ADDS will hire an additional accountant to ensure that the FM unit will be satisfactorily staffed with regard to the level of transaction volume. The Bank financed projects at ADDS are managed using administrative, financial and accounting procedures. The Financial Management (FM) manual defines the roles, functions, and responsibilities of ADDS management and staff. ADDS will need to update the FM manual to include the new activities envisaged under this project in addition to the financial management and accounting implications. The Internal Audit department has been reinforced with additional staff and its scope has been expanded to cover all activities and projects undertaken by ADDS. The internal audit department will be responsible for the ongoing monitoring and supervision of the internal controls and ensure that a sound control environment is constantly kept. The roles and responsibilities of the internal audit department will be included in the FM manual. The internal auditor will produce quarterly reports on the effectiveness of internal controls and provide an independent and objective assurance over the project implementation and fiduciary management. ADDS will need to ensure that timely internal audit reports are submitted to the Bank. ADDS will need to ensure that a comprehensive list of fixed assets is maintained showing the location, user, description and status of each fixed asset acquired from the funds of the project. The list of fixed assets will need to be included in the quarterly certified IFRs and the yearly audited project financial statements.

*Budgeting:* ADDS budget is prepared by the department of financial services and budget monitoring. The consolidated budget of the entity is prepared after inputs from the various departments. Reconciliation with the previous year is established to better monitor differences. Regarding the projects of the World Bank, the department of finance and budget monitoring receives data from the project manager and adds to the general budget. The process of preparing the annual budget is completed before the start of the fiscal year so not to block the operations of the agency and allow commitments of budgeted expenditures. ADDS sends the annual budget plan for approval by the donors no later than November 15 of each year. ADDS will prepare a budget plan and disbursements plan for each fiscal year related to the project and will submit these plans for World Bank's approval by November 15 of each fiscal year.

*Project accounting system:* The transactions will be registered in the accounting system by the accountant under the control of the Financial Officer. The project Financial Officer is responsible for preparing the Interim Un-audited Financial Reports (IFRs) before their transmission to the Agency's Director for approval. Periodical reconciliation between accounting statements and IFRs is also done by the Financial Officer. ADDS will follow the same accounting principles adopted for the ongoing Crisis Response Employment and Human Capital Social Safety Net (JSDF) Project which will cover all sources and uses of project funds. All transactions related to the project will be entered into the accrual accounting system. Disbursements made from the project Designated Account (DA) will also be entered into the project accounting system; (ii) project transactions and activities will be separated from other activities undertaken by the ADDS. IFRs summarizing the commitments, receipts, and expenditures made under the project will be produced quarterly using the templates established for this purpose; 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. The accounting software (Tompro) is fully functional and is able to generate the required financial reports. The MIS system used for the High Intensity Work Force

component of the ongoing Social Safety Net Project is fully operational and is able to generate the required reports. The MIS will be utilized to record payment made under the activities of this project.

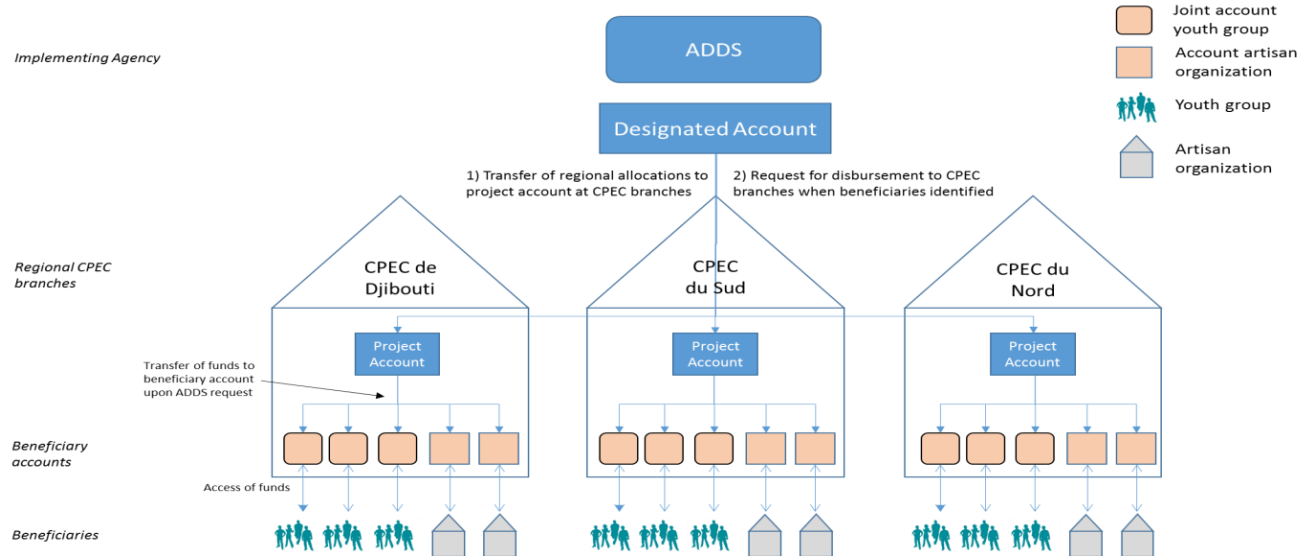
*Project reporting:* The project financial reporting includes quarterly IFRs and yearly Project Financial Statements (PFS). IFRs should include data on the financial situation of the project, including:

- 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.

The IFRs should be certified by the external auditor and should be produced by ADDS 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; and (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 Designated Account; (g) statement of cash payments made using Statements of Expenditures (SOE) basis.

*Flow of funds:* The funds will be channeled through the project Designated Account (DA) to the various beneficiaries through the Caisse Nationale d’Epargne et de Credit (CPEC), which will serve as payment agency to manage the disbursement of cash transfers. Disbursements methods will include advances, replenishments, reimbursements and special commitments. ADDS will be responsible of monitoring the flow of funds related to the components of the project. Details, mutual responsibilities and conditions for the cash transfers to youth groups and artisan cluster organizations will be specified in formal agreements between ADDS and the respective beneficiary groups. A detailed scheme of the flow of funds for each component will be included in the operation manual (a tentative flow of funds is outlined below). The disbursement of funds to beneficiaries through CPEC will be monitored by the PIU. The PIU will request monthly bank statements from CPEC to verify that all payments have been actually made to the beneficiaries and will prepare bank reconciliation statements accordingly.

Figure 2: Flow of funds (indicative)



*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 statements of expenditures (SOEs). An external auditor will be appointed according to Terms of Reference acceptable to the Bank and should conduct the audit 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.

*Flow of information:* ADDS will be responsible for preparing periodic reports on project implementation progress and on both physical and financial achievements. These reports will be based on project activity progress (by component and expenditure category), including technical and physical information reported on a quarterly basis. ADDS will maintain the project bookkeeping, and will produce annual PFSs and quarterly IFRs.

### *Disbursement*

The grant funds will be disbursed according to the World Bank guidelines and should be used to finance project activities. The proceeds of the project will be disbursed in accordance with the traditional disbursement procedures of the Bank and will be used to finance activities through the disbursement procedures currently used: i.e., Advances, Direct Payment, Reimbursement and special commitment accompanied by appropriate supporting documentation (Summary Sheets with records and/or Statement of Expenditures (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 Value of Applications for Direct Payment, Reimbursement and Special Commitment Issuance is 20 percent of the Designated Account Advance. Prior to the disbursement of cash



transfers an official agreement between the implementing agency and CPEC will be developed to formalize the CPEC's role as payment agency.

Allocation of the Grant's Proceeds:

<b>Category</b>	<b>Amount Allocated (US\$)</b>	<b>Percentage of Expenditures to be Financed (Inclusive of Taxes)</b>
(1) Goods	58,000	100%
(2) Consultants services including audits	460,400	100%
(3) Training and workshops	1,027,700	100%
(4) Cash transfers	1,005,000	100%
(5) Incremental operating costs	178,900	100%
<b>Total</b>	<b>2,730,000</b>	

### **Designated Account**

On behalf of the ADDS, the Department of External Financing of the Ministry of Finance will open a segregated DA at the Bank of Africa in Djibouti in US Dollars to cover the Project's share of eligible project expenditures. The Ceiling of the DA will be US\$ 400,000 of the grant's amount. ADDS will be responsible for submitting monthly replenishment applications with appropriate supporting documentation.

*E – Disbursement:* The World Bank has introduced e-disbursement for all Djibouti supported projects. Under e-disbursement, all transactions will be conducted and associated supporting documents scanned and transmitted on line through the Bank's Client Connection system. E-disbursement will considerably speed up disbursements and facilitate project implementation.

### **Statement of Expenditures (SOEs):**

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

- Records evidencing eligible expenditures (e.g., copies of receipts, supplier invoices) for payments for (a) goods and non-consulting services against contracts valued at US\$ 200,000 or more, (c) consulting firms against contracts valued at US\$ 100,000 or more and, (d) individual consultants against contracts valued at US\$ 50,000 or more, and
- Records evidencing eligible expenditures (e.g., copies of receipts, supplier invoices etc...) for all other expenditures, namely those against contracts exceeding the above indicated amounts.

### **Governance and anti-corruption**

Fraud and corruption may affect the Project resources, thus impact negatively the Project outcomes. The World Bank FMS worked closely with Project’s Task Team Leader (TTL) 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 POM with a detailed FM chapter, internal audit arrangements, 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.

*Procurement*

**General :** Procurement for the proposed project will be carried out in accordance with the World Bank’s “Guidelines: Procurement of goods, works, and non-consulting services under IBRD loans and IDA credits and grants by World Bank borrowers,” dated January 2011 (“Procurement Guidelines”); “Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers,” dated January 2011 (“Consultant Guidelines”); “Guidelines on Preventing and Combating Fraud and Corruption in Project Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 and revised in January 2011; as well as the provisions stipulated in the Credit Agreement. National Competitive Bidding (NCB) will be carried out with procedures acceptable the Bank. Overall, the new Djiboutian Procurement Manual of Procedures for goods, works, and employment of consultants is aligned with the Bank’s procedures. Since May 2010, the country has had adequate standard bidding documents and requests for proposals similar to the Bank’s.

**Project Management :** The Djiboutian Agency for Social Development, *Agence Djiboutienne de Développement Social* (ADDS), will be the project implementation agency. The ADDS will be responsible for the overall supervision and coordination of the project. The ADDS will be the interlocutor with the World Bank during supervision and appraisal missions.

**Procurement Capacity Assessment :** The assessment of the ADDS’s capacity to execute procurement activities within the framework of this project has been updated. The report will be filed in the Procurement Risk Assessment Management System (P-RAMS). Despite the few weaknesses and problems in some kinds of procurement, the ADDS’s capacity to oversee the procurement management has been judged **Moderate**. However, this capacity could be improved, provided the recommended actions are taken before the project’s effectiveness. The **frequency** of procurement supervision, including PPR/Audit, will be **every six months**.

The detailed capacity assessment report will be uploaded to P-RAMS. The summary assessment and recommendations are shown in the table below.

<b>Analysis of Procurement Capacity</b>	<b>Issues/Risks</b>	<b>Mitigation Measures</b>
1. <i>Record Keeping and Document Management System</i> . Procurement	ADDS will not have all the necessary and mandatory documentation to present for each	Ensure that instructions to ADDS are included in the Operations Manual (OM), and that trainings are held to

records will be kept with the responsible unit.	contract during post reviews.	ensure that project-specific files are kept for all procurement, and related transactions and are recorded contract by contract.
<b>2. Staffing.</b> Previous Human capacities reflected insufficient competencies to manage the entire project.	The project implementation can be delayed.	The current PS will be trained under IDA project and the assistant will be received full support and necessary training
<b>3. Procurement Planning.</b> Procurement plans are not systematically prepared, updated, and published.	The absence of appropriate procurement plans will delay project implementation and result in bottlenecks.	As part of project preparation, the ADDS shall prepare a preliminary Procurement Plan, including all contracts for which procurement action is to take place in the first 18 months of implementation. The ADDS shall update procurement plans throughout the duration of the project, at least annually, by including contracts previously awarded and to be procured in the next 12 months.
<b>4. Bidding Document, Short-listing and Evaluation Criteria</b>		Train all staff on the latest version of the Bank's consultant and procurement guidelines.
<b>5. Evaluation and Award Contract.</b> Proposal and bid evaluation is not yet well mastered by the staff.		Train the ADDS's members involved in the evaluation process in good practices, and describe this process well in the project.

**Procurements methods:** The methods to be used for the procurement under this project, and the estimated amounts for each method, as well as the prior review thresholds are set in Table A below. These thresholds are meant to be used for procurement planning at the beginning of project implementation. They could be revised after each Procurement Post Review, depending on the findings and recommendations of the reviewer, and in view of the improvement (or otherwise) of the procurement implementation and the subsequent risk assessment.

### Prior Review Thresholds (in USD)

Procurement Type			Moderate Risk Implementing Agency Prior Review Thresholds			
Works			0.5 million			
Goods			0.2 million			
Non-consulting Services			0.2 million			
Consulting Firms			0.2 million			
Individual Consultants			0.075 million			
Procurement Method Thresholds (in USD)						
Djibouti	Goods/Non-consulting Services			Works		
	ICB	NCB	Shopping	ICB	NCB	Shopping
	> 300,000	≤ 300,000	≤ 50,000	> 2 million	≤ 2 million	≤ 200,000

**Training:** The proposed Project is expected to finance expenses i) of basic life-skill training and coaching in business plan development through community facilitators and technical training for youth, ii) of training for institution building, product development, and functional literacy training for female beneficiaries and iii) workshops of the community facilitators and regional management committees in all three target regions. Selection of training institutions for workshops/training should be based on a competitive process, using the consultant’s qualification method of selection.

**Procurement plan:** All procurement activities will be carried out in accordance with the approved original or updated Procurement Plans. The Procurement Plans will be updated at least annually or as required to reflect the actual project implementation needs and capacity improvements. All Procurement Plans should be published on the Bank website according to the guidelines. ADDS and the Bank will agree on a Procurement Plan covering the first 18 months of the project prior to negotiations.

*Environmental and Social (including safeguards)*

The environmental category assigned to this project is C. This implies that environmental impacts are unlikely to occur or can be avoided altogether. Indeed, income-generating activities supported by the project are expected to be environmentally neutral. From the social safeguards perspective, the project does not trigger OP 4.12 due to the fact that the activities envisaged under both components 1 and 2 will not result in any form of land take, leading to loss of or loss of access to assets, or impact negatively on livelihoods or restrict access to legally designated parks.

The project will proactively put in place guidelines and procedures in order to avoid potential negative environmental or social impacts. These include:

- A document comprising the “General conditions for environmental and social management” has been prepared by the project team and will be included in the Operations Manual.
- The Operations Manual will feature specific safeguards related wording and a negative list of economic activities which shall be excluded from funding. Excluded activities include

those that require the involuntary acquisition of land, such as construction leading to involuntary resettlement of people and/or loss of access to assets, revenues and/or means of livelihoods and/or restriction to legally designated parks. No purchase or use of pesticides will be financed through this project.

- The Operations Manual will further provide a checklist for the regional selection committees to capture potential social and environmental risks of beneficiary projects.
- For due diligence purposes, the agreements between the implementing agency and the selected livelihood groups will include general social and environmental safeguard clauses derived from the general conditions for environmental and social management.

Compliance with the general conditions for environmental and social management will be monitored in two different ways:

- The regional committee in charge of the technical monitoring of supported beneficiary projects will be instructed to verify compliance with the environmental and social guidelines. To this end, they will be provided with an appropriate checklist as part of their overall monitoring documentation. The monitoring by the regional committee will serve as an early warning system with the intention to resolve possible issues in a decentralized and timely manner.
- The implementing agency's safeguards specialist will join selected field visits by the project implementation unit to verify compliance with the low environmental and social risk rating and identify additional mitigating measures as needed.

### *Monitoring & Evaluation*

The project's Monitoring and Evaluation will be based on the Results framework presented in Annex 1.

***Beneficiary registry and Management Information System.*** Prospective beneficiaries will be asked to submit an expression of interest to be considered for the program. Upon verification of eligibility and a potential selection process selected beneficiaries will be registered in the project's Management Information System. The project will tap into ADDS's existing MIS by creating a new module specific to the project.

***Process and outcome monitoring.*** The project's monitoring system will track activities, outputs, and outcomes. Process monitoring will include: i) collecting attendance information during project activities (e.g. training), ii) monthly progress reports by the local facilitators, iii) ad-hoc site visits by facilitator coordinators, iv) quarterly site visits by the project management team, and v) monitoring meetings with fund recipients by facilitators and regional committee members. In addition, outcome monitoring will be carried out through i) an exit survey of beneficiaries completing the basic training, ii) a 6-month follow-up survey of cash transfer recipients, and a iii) 18-month follow-up survey of cash transfer recipients.

***Participatory monitoring.*** The project will actively leverage several project stakeholders as part of its monitoring system. In particular, these include:

- **Beneficiaries:** The project seeks to periodically assess beneficiary satisfaction with program activities (esp. capacity development) in order to identify potential issues early on and be able to make adjustments as needed. For instance, this would include collecting data

on facilitators' presence at the trainings and the quality of the trainings received (skills and knowledge acquired) from the beneficiaries. In urban areas, the project would explore the possibility of leveraging ADDS's SMS-based platform to be developed for use in another project, which would allow to send mini-surveys to participants for just-in-time feedback. Alternatively, the use of periodic phone calls building on the database of project participants will be explored. In rural areas, where mobile-phone use is more limited and low literacy may render the above approach not feasible, information on beneficiary satisfaction will be collected in the context of periodic field visits by facilitator coordinators and project team members.

- Local facilitators: Local facilitators will be responsible for collecting attendance information and providing monthly updates to the project management unit regarding progress of activities.
- Community development committees: The community development committees responsible for the selection of livelihood projects to receive cash transfers are expected to also nominate and elect among their members selected individuals who will be responsible for the monitoring of funding recipients. The main goal of the monitoring is to ensure the responsible use of funds as well as to identify any potential issues the group might be facing in order to proactively facilitate potential solutions. In addition, monitors could collect selected information about the income-generating activities (e.g. business practices, sales) to capture relevant outcome data. Monitors would receive specific training to carry out the assigned tasks. The specific description of their responsibilities (e.g. frequency of visits, use of monitoring tools, etc.) will be outlined in the Operations Manual. In case livelihood groups are located in remote areas difficult to access for the monitors of the community development committee, the committee may nominate a representative of the local village/community to carry out the monitoring.

***Evaluation.*** As part of the World Bank's implementation support, a project Mid-Term Review will be conducted approximately 18 months after project effectiveness with the objective of assessing implementation progress and achievement of the PDO and intermediate outcomes. The Mid-Term Review will be the basis for restructuring the project design if required to respond to lessons learned from project implementation and realities on the ground at that point of time. An Implementation Completion Report (ICR) will be prepared by the WB and the implementing agency upon project completion.

### *Grievance Redress Mechanism*

The program plans for a grievance redress mechanism that can capture issues related to project activities in a context of low literacy and weak communication infrastructure.

The grievance redress will be handled by the following stakeholders:

- "Lead" participants. Beneficiaries will be encouraged to elect among themselves 1-2 peer representatives who shall be responsible to communicate the beneficiaries' needs and demands when needed.
- Local facilitators. General issues and suggestions will be addressed to the local facilitators who are the first point of contact for beneficiaries. The facilitator will record the grievances and communicate them to the project management team on a monthly basis. To the extent

possible, the facilitator is expected to resolve the issues independently or in coordination with the project management team. (Proposed) solutions to the emerged grievances shall be communicated to the person who voiced the grievance and recorded.

- Coordinator of facilitators. The regional coordinator of facilitators will be the focal point for all grievances related to the facilitators themselves. To this end, beneficiaries across project sites will be provided with the contact information of the coordinator. The Coordinator shall also record the grievances reported and the proposed resolution/action taken.
- Regional committee. Grievances related to the selection of beneficiary projects will be directly addressed by the respective regional committee. To this end, the committees will organize “Question & Answer” sessions to discuss funding decisions with applicants. As a member of the committee, ADDS and the project management team will contribute to the resolution of issues as needed.

Moreover, facilitators and members of the regional committee will report on any potential misuse of funds by cash-transfer recipients. Reporting of such instances would be done to the regional committees (in charge of monitoring recipients from a fiduciary point of view) as well as to the PIU at ADDS. The PIU, in turn, would report on any potential misuse of funds to the World Bank.

## **Annex 4: Implementation Support Plan**

### **Strategy and Approach for Implementation Support**

1. The Bank's approach for Implementation Support (IS) takes into consideration the need to provide significant ongoing assistance to the implementing agency to enhance its capacity to implement and monitor the proposed project. The proposed project is novel for Djibouti and includes two different types of interventions thus requiring substantial technical assistance from the World Bank team.
2. Given the novel nature of the project, implementation support will put strong emphasis on establishing a strong monitoring system which will help the PIU track implementation progress as well as potential issues and take corrective action as needed.
3. The implementation support will further build on the lessons learned under the ongoing Social Protection Project. The Bank's team will ensure a continuous presence to support implementation. 2-3 missions will be conducted each calendar year, in addition to regular phone calls and video-conference meetings. The teams will agree on detailed implementation and disbursement schedules that will be monitored regularly.
4. Given the novel nature of the proposed project, the World Bank team will also continuously monitor opportunities for south-south exchange between Djibouti and other countries where similar interventions have been carried out in the past in order to leverage learning from other countries and projects.

### **Implementation Support Plan**

In order to ensure quality project execution, Bank implementation support will be crucial. The implementing agency has no substantial experience in some of the project areas, such as artisan value chain development, and will rely on continuous World Bank guidance and quality control.

Supervision would require roughly per year:

- 6 staff weeks for the TTL (estimated at \$20,000 per year)
- 6 staff weeks for a youth employment specialist (\$10,000 per year)
- 2 staff weeks for a senior rural development/value chain specialist (\$10,000 per year)
- 2 staff weeks each for a financial management and procurement expert respectively (\$10,000 per year)
- Implementation support would also require travel to the country and to locations where activities are held roughly twice a year (estimated at \$40,000 per year). These missions will make continuous assessment of implementation progress, identify evolving support needs of the implementing agency, and ensure that adjustments in design and implementation are made to prevent or mitigate any emerging issues.



Moreover, an Implementation Completion Report (\$30,000) would be developed at the end of the project.

The overall implementation support for 3.5 years (i.e. the implementation period) is estimated at \$345,000, of which \$270,000 is funded through a Bank-executed JSDF grant and the remainder \$75,000 from World Bank budget.

<i>Time</i>	<i>Focus</i>	<i>Skills Needed</i>	<i>Resource Estimate</i>	<i>Partner Role</i>
First twelve months	Compliance of conditions of effectiveness, Updating of Operations Manual, Setting up of a robust M&E system	<ul style="list-style-type: none"> <li>• Youth Employment</li> <li>• Value chain integration</li> <li>• Curriculum development</li> <li>• Procurement</li> <li>• Financial management</li> <li>• M&amp;E</li> </ul>	US\$90,000	n/a
12-42 months	Implementation support ADDS, quality control of service delivery, beneficiary survey	<ul style="list-style-type: none"> <li>• Youth Employment</li> <li>• Value chain integration</li> <li>• Procurement</li> <li>• Financial management</li> <li>• M&amp;E</li> </ul>	US\$225,000	n/a
Other	ICR	<ul style="list-style-type: none"> <li>• Program evaluation</li> </ul>	US\$30,000	

*Skills Mix Required*

<i>Skills Needed</i>	<i>Number of Staff Weeks</i>	<i>Number of Trips</i>	<i>Comments</i>
<i>Task Team Leader</i>	21	7	
<i>Youth Employment Specialist</i>	21	7	
<i>Sr. Rural Development Specialist</i>	7	3	
<i>Program Assistant</i>	4	0	
<i>Procurement Specialist</i>	7	0	
<i>Financial Management Specialist</i>	7	8	
<i>M&amp;E Specialist</i>	7	1	