

**PROJECT INFORMATION DOCUMENT (PID)  
APPRAISAL STAGE**

Report No.: 92608

<b>Project Name</b>	<i>Enhancing Income Opportunities in Djibouti</i>
<b>Region</b>	Middle East and North Africa Region
<b>Country</b>	Republic of Djibouti
<b>Sector</b>	Social Protection
<b>Lending Instrument</b>	<i>Grant</i>
<b>Project ID</b>	P148586
<b>Recipient</b>	Ministry of Economy and Finance
<b>Implementing Agency</b>	Agence Djiboutienne de Développement Social (ADDS)
<b>Environmental Screening Category</b>	[ ]A [ ]B [X]C [ ]FI [ ]TBD (to be determined)
<b>Date PID Prepared</b>	October 15, 2014
<b>Estimated Date of Appraisal Completion</b>	November 15, 2014
<b>Estimated Date of Approval</b>	January 1, 2015
<b>Concept Review Decision</b>	Following the review of the concept, the decision was taken to proceed with the preparation of the operation under Small Recipient-Executed Trust Fund Grant Procedures.

## I. Introduction and 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. 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>1</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>2</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 over 17.8 percent of children acutely

<sup>1</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>2</sup> World Food Program (2012): Emergency Food Security Assessment in Rural Areas: Djibouti. Rome

malnourished.<sup>3</sup>

**3. 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>4</sup> While the primary gross enrollment rate increased from 52 percent in 2005 to 70 percent in 2012<sup>5</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>6</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.

B. Sectoral and Institutional Context

**4. 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. 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>7</sup> The supply of vocational training opportunities is not keeping up with increasing demands. 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.

**5. 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>8</sup> Although no official data as to women's economic activity was included in Government's publication of the recent survey data,<sup>9</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>10</sup> In addition to high levels of inactivity, women are at particular

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<sup>3</sup> SMART survey 2013.

<sup>4</sup> INDS (2013): Evaluation globale de l'INDS 2008-2012

<sup>5</sup> UNESCO (2012): Education: Djibouti. Québec: UNESCO Institute for Statistics.

<sup>6</sup> Government of Djibouti (2012).

<sup>7</sup> World Bank (2014).

<sup>8</sup> Government of Djibouti (2012).

<sup>9</sup> Ibid.

<sup>10</sup> Unicef (2007): Analyse de la situation des femmes et des enfants en République de Djibouti.

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 and household responsibilities<sup>11</sup>, household poverty, early marriages, and limited access to health facilities.

**6. 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. 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>12</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.

### C. Relationship to CAS

**7.** The proposed project targets poor women and youth to build their human and social capital, facilitate their access to income-generating activities, and strengthening 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.

**8.** 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.

**9.** 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. Proposed Development Objective(s)

### A. Proposed Development Objective(s)

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<sup>11</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>12</sup> World Bank (2012a).

**10.** 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.

## B. Key Results

**11.** 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 60% 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%)

## III. Project Description

**12.** 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 producer groups and integrating them into value chains.

**13.** The project's geographic scope would initially include three regions in Djibouti, namely the capital city Djibouti-ville and neighboring Arta, the northern region of Obock/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).

**14. Component 1 : Basic training and Mini-Business-Plan Competition for Youth.** 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. 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. 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. It is expected that all

activities to be Category C. The following are key sub-components: (i) Identification and training of peer facilitators; (ii) Youth mobilization and basic training; (iii) Mini-business-plan competition; and (iv) follow-up coaching.

**15. Component 2 : Cluster development and value chain integration.** 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: (i) cluster development (i.e., identifying and aggregating existing producer groups); (ii) product design and development (i.e., development of new product designs, capacity building of artisan communities, quality control mechanisms); (iii) business development and marketing (i.e., market analysis, participation in exhibitions, brand development, creating linkages to bulk buyers); (iv) providing access to working capital; and (vii) functional literacy and basic business training.

**16. Component 3 : Project Management, Monitoring and Evaluation.** 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.

**IV. Financing**

Source:	(\$m.)
Borrower/Recipient	0.0 M
IBRD	

IDA	
Others (JSDF)	2.73 M
Total	2.73 M

## V. Implementation

**17.** The Djiboutian Social Development Agency (ADDS) under the Ministry of National Solidarity will be the responsible implementing agency for the project. 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.

## VI. Safeguard Policies that might apply

**18. 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.

Safeguard Policies Triggered by the Project	Yes	No	TBD
<a href="#">Environmental Assessment (OP/BP 4.01)</a>		X	
Natural Habitats ( <a href="#">OP/BP 4.04</a> )		X	
Pest Management ( <a href="#">OP 4.09</a> )		X	
Physical Cultural Resources (OP/BP 4.11)		X	
Involuntary Resettlement ( <a href="#">OP/BP 4.12</a> )		X	
Indigenous Peoples ( <a href="#">OP/BP 4.10</a> )		X	
Forests ( <a href="#">OP/BP 4.36</a> )		X	
Safety of Dams ( <a href="#">OP/BP 4.37</a> )		X	
Projects in Disputed Areas ( <a href="#">OP/BP 7.60</a> )*		X	
Projects on International Waterways ( <a href="#">OP/BP 7.50</a> )		X	

## VII. Contact point

### World Bank

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\* By supporting the proposed project, the Bank does not intend to prejudice the final determination of the parties' claims on the disputed areas

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