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# Project Information Document (PID)

Appraisal Stage | Date Prepared/Updated: 27-Sep-2022 | Report No: PIDA34174



**BASIC INFORMATION**

**A. Basic Project Data**

Country Djibouti	Project ID P178988	Project Name Djibouti Emergency Food Security Crisis Response Project	Parent Project ID (if any)
Region MIDDLE EAST AND NORTH AFRICA	Estimated Appraisal Date 26-Sep-2022	Estimated Board Date 29-Sep-2022	Practice Area (Lead) Agriculture and Food
Financing Instrument Investment Project Financing	Borrower(s) Republic of Djibouti	Implementing Agency Ministry of Social Affairs and National Solidarity	

Proposed Development Objective(s)

The project development objective is to contribute to mitigating food security risks posed by food supply shocks and drought.

Components

- Mitigating food security risks posed by food supply shocks
- Mitigating food security risks posed by drought
- Project management

The processing of this project is applying the policy requirements exceptions for situations of urgent need of assistance or capacity constraints that are outlined in OP 10.00, paragraph 12.

Yes

**PROJECT FINANCING DATA (US\$, Millions)**

**SUMMARY**

<b>Total Project Cost</b>	20.00
<b>Total Financing</b>	20.00
<b>of which IBRD/IDA</b>	20.00
<b>Financing Gap</b>	0.00

**DETAILS**

**World Bank Group Financing**



International Development Association (IDA)	20.00
IDA Grant	20.00

Environmental and Social Risk Classification

Substantial

Decision

## B. Introduction and Context

### Country Context

1. **Djibouti is a small lower-middle income country with a strategic geopolitical and trade position in the Horn of Africa and Gulf of Aden.** Djibouti overcame violent civil conflict in the early 1990s through a brokered peace and power-sharing agreement among major ethnic groups in the country and has enjoyed a peace-dividend with steady economic growth enabled by foreign capital inflows to the transportation and logistics sectors and rental fees from foreign countries’ military bases. The country is located near some of the world’s busiest shipping lanes, controlling access to the Red Sea and Indian Ocean. It serves as a key refueling and transshipment center, and the principal maritime port for imports and exports to neighboring Ethiopia, Somalia and Yemen. Consequently, while the flow of goods through the port of Djibouti to supply the region is large, the Djibouti market alone accounts only for approximately 2 percent of the total flow.

2. **The combined effects of the war in Ukraine, the COVID-19 pandemic, the spillover of the conflict in Ethiopia and the current drought have led to a deterioration in the country’s economic situation and could lead to a further worsening in the coming months.** Djibouti’s economy was hard hit by the pandemic in 2020. GDP growth fell from 5.5 percent in 2019 to 1.2 percent in 2020. The economic recovery that began in the fourth quarter of 2020 and continued through the second half of 2021 was dampened by a fall in the Ethiopian demand for logistic services during the second half of 2021. GDP growth reached 4.8 percent in 2021, 1.5 points below the level expected before the war in Ethiopia and more than 0.7 points below the pre pandemic level. Growth is projected to soften to 3.6 percent in 2022 reflecting spillover effects of the crisis in Ethiopia and the war in Ukraine. These reductions in economic activity, combined with the severe drought in Q1 2022, directly reduce consumers’ purchasing power and the affordability of food, threatening food and nutrition security in the country. Furthermore, the ongoing drought is severely impacting water availability, livestock and vegetable production and consequently household incomes in rural areas.

3. **The multiple crisis the country is facing put pressure on fiscal and external accounts.** The COVID-19 pandemic and the conflict in neighboring Ethiopia have already exacerbated fiscal pressures as domestic revenue has fallen by 4.1 percent of GDP to about 19.4 percent of GDP in 2021 and is expected to further decline in the medium term. Furthermore, while the external debt-to-GDP ratio was on a downward trend from 71.2 percent of GDP in 2017 to 69.8 percent in 2019, it rebounded to 75.6 percent in 2020, mostly due to external financing to support the COVID-19 response and the contraction of GDP. Fiscal pressures are likely to arise in



the medium term, due to new tax exemptions to support local production of cooking oil, and continued pandemic-related tax reliefs. As a net importer of food and energy, the economic consequences of the war in Ukraine affect Djibouti's external account through higher import bills. Higher commodity prices and the growing costs of maritime freight, reflecting supply chain tensions are causing a significant worsening of the external current account which is projected to turn from a comfortable surplus in 2020 and 2021 to a deficit in 2022 and 2023.

4. **Poverty affects one out of six people and is subject to spatial disparities.** According to the 2019 Poverty Assessment, using data from the 2017 Household Survey, 17 percent of the population lived in extreme poverty, with less than US\$1.90 per day (in 2011 purchasing power parity terms). The regional distribution shows extreme poverty at 10 percent in Djibouti City, 23 percent in Ali Sabieh, 28 percent in Arta, 35 percent in Obock, 51 percent in Dikhil, and 61 percent in Tadjourah. Djibouti's Gini coefficient was estimated at 0.4511 in 2012, decreasing to 0.416 in 2017. The country ranked 71st out of 95 countries in 2015 in terms of inequality. Compared to Djibouti City, where economic activities are concentrated, the rest of the country is characterized by marked differences in welfare levels between urban and rural areas. In Tadjourah, for example, where extreme poverty is highest, households in the 90th percentile enjoy levels of consumption 8.2 times higher than those in the 10th percentile. Djibouti's extreme poverty rate is estimated to have increased to 23–30 percent in 2020 (versus 15 percent in 2019) due to the pandemic and the related income losses resulting from job losses, price shocks, reduced economic activity and other factors.

5. **The war in Ukraine has had sudden ripple effects on global grain markets and on food, fuel and fertilizer prices, representing major risks to global food and nutrition security.** Ukraine and the Russian Federation are major exporters of food (grains, especially wheat, and edible oil), and the Russian Federation and Belarus are also among the largest exporters of fertilizer globally. The sudden halt in exports of these critical commodities has added to the immediate pressures on food and nutrition security, particularly for import-dependent countries, such as Djibouti. The war has resulted in unprecedented disruptions of exports of grains and edible oils from Ukraine and the Russian Federation, with impacts on shipping logistics beyond the Black Sea region and food price hikes. As of May 2022, the scale of current export restrictions had surpassed that of the 2007/08 food crisis, affecting 17.3 percent of total calories traded globally. Although prices of grain have eased over the summer, high prices and market disruptions are likely to persist with uncertainties linked to the evolution of the war in Ukraine and they may lead to continuing market volatility. The impacts will continue to unfold as both exporters and importers are adjusting to lower global supply, and with signals that some exporters may slow down or limit exports as the crisis continues to unfold. These impacts will be particularly felt for small countries, like Djibouti.

6. **Djibouti's high vulnerability to climate change results in additional risks for the country's food and nutrition security.** Djibouti is one of the world's most arid countries and currently experiencing drought conditions caused by rising seasonal temperatures and limited rains. In 2021 the average temperature recorded in Djibouti reached its highest value since 1981, with an increase of approximately + 3.7°C compared to the values recorded during the 1981-2021 period. During the last 12 months, Djibouti experienced exceptionally low rainfall of less than 145 mm in most districts. The almost total absence of rains during the month of February 2022, combined with the lack of rains over most of the territory in 2021, has sharply accentuated the deterioration of vegetation and pasture and resulted in a rapid drop in groundwater levels in traditional wells and cisterns that constitute the water sources for livestock and the drinking water supply of nomadic rural

<sup>1</sup> Enquête Djiboutienne Au près des Ménages / Indicateurs Sociaux (EDAM4-IS).



populations. In the near future, the country is expected to experience adverse impacts from increased temperatures, increased aridity, reduced precipitation and rising sea levels. Increasing temperatures are expected to reduce soil moisture, surface water, and underground water stocks and significantly increase desertification. The consequent increase in evapotranspiration and decrease in soil moisture will likely negatively affect the country's water availability, notably for human use but also for agriculture and livestock activities.<sup>2</sup>

7. **Refugees and their host communities are among the most affected by these crises.** Djibouti has remained relatively peaceful in the unstable Horn of Africa region, but it continues to face security and economic challenges from the war in Ethiopia and the related trade shock and increased security expenditures, as well as increased social expenditures to support COVID-19 outlays and the inflows of refugees. Djibouti hosts approximately 35,000 displaced people, including over 23,000 refugees and 11,000 asylum-seekers. It has registered an increased inflow of refugees and migrants of close to 8 percent since January 2021.

#### Sectoral and Institutional Context

8. **Djibouti's food security is strongly exposed to global risks on international markets (food availability and price fluctuations) and climate change, including the impacts of the war in Ukraine and of the conflict in neighboring Ethiopia, and the severe drought that has affected the country over the last years.** The war in Ukraine has delivered a major shock to global food, fuel, and fertilizer markets, which drove up prices and could contribute to a further increase of food and nutrition insecurity. Djibouti meets up to 90 percent of its food needs through imports, as domestic agricultural and livestock production can only meet 10 percent of the country's consumption needs. Djibouti is relying exclusively on imports to meet its domestic demand for wheat and wheat-based products. While Djibouti's direct imports from Ukraine are small, it imports 60 percent of its wheat flour from Turkey - which purchases 74 percent of its wheat from the Russian Federation. In March 2022, Turkey partially banned the export of wheat flour as well as several other basic food commodities, joining other countries in imposing trade restrictions, thereby further adding to market disruptions. The conflict in neighboring Ethiopia has also taken a heavy toll on Djibouti's economy, with effects felt by households through the reduction in economic activities related to the port of Djibouti, the decline of cross-border trade and of the availability of food resulting in increased food prices. In addition, the ongoing drought in the Horn of Africa is having devastating effects on Djibouti's livestock herds and water tables contributing a deterioration of the country's food security situation in rural areas.

9. **For the first time since 2011, food prices particularly the prices of wheat, vegetable oil, fruits and vegetables increased significantly in 2022.** During the month of June 2022, Djibouti's Consumer Price Index increased by 6.0 percent compared to the month of May 2022, mainly due to a rise in the prices of food products and non-alcoholic beverages. The general level of consumer prices increased by 8.5 percent quarter-on-quarter and inflation calculated on a year-on-year basis was 11.5 percent. The prices of food and non-alcoholic beverages recorded a rise of 13.1 percent compared to the previous month. In addition, the prices of food products and non-alcoholic beverages recorded an increase of 19.7 percent quarter-on-quarter and an increase of 25.6 percent over the last twelve months.

<sup>2</sup><https://climateknowledgeportal.worldbank.org/country/djibouti#:~:text=Djibouti%20is%20considered%20highly%20vulnerable,precipitation%2C%20and%20rising%20sea%20levels.>



10. **Increasing food prices and potential food import disruptions have recently caused concerns and civil unrest in the country.** Concerns over possible food shortages and the sudden spike of food prices in domestic markets in the current global market context have recently led to several riots in the country as the population grew anxious over the further deterioration of the food and nutrition security situation. In addition, there have been protests among bakers and some bakeries in turn closed as the Government did not authorize a bread price increase. Inflationary trends have put pressure on households' welfare and productive sectors and have affected the poor and vulnerable disproportionately. This has prompted the Government of Djibouti (GoD) not only to immediately seek short-term solutions to manage tensions on domestic food markets to avoid panic among the public, but also to set up a more sustainable system that would allow to mitigate food security risks.

11. **There are six food commodities of strategic importance for Djibouti, these are wheat flour, rice, sugar, pasta, powder milk and vegetable oil.** These products represent more than 75 percent of daily needed caloric intake (sugar contributes 19 percent, rice 17 percent, wheat flour 16 percent, vegetable oil 15 percent, and pasta 8 percent to total daily caloric consumption by Djiboutians). The country consumes on average 4,190 mt of wheat flour, 1,240 mt of rice and 2,930 mt of sugar, per month. Given that these products constitute a large part of the food basket, the Government exempts private importers from payment of value-added and import taxes on them. This allows the Government to closely monitor import prices and, in turn, set price margins for these products to be sold on national markets. Compliance with these fixed price margins is verified by the Ministry of Commerce and Tourism (MCT) on a regular basis.

12. **The risk of availability shortfalls and price increases of basic food commodities on international markets depends on several factors.** Given that the number of global rice exporters is relatively limited, any adverse event in exporting countries could induce both shortages as well as substantial price increases on international markets. While the number of global producers of wheat flour and sugar is considerable, therefore resulting in a moderate risk of shortages or price volatility for these products, the war in Ukraine has showed the potential effect of unforeseen crises on global prices. Furthermore, extreme climatic events increasing in frequency could potentially result in shortages and substantial price increases in the future. As the number of global producers of durum wheat, the input for pasta, is relatively limited with a few specialized trading companies active on the market, the related availability and price risks may be considered high. The market for skimmed milk powder depicts a moderate risk for shortages, but price risks could be considered high due to the high costs of changing the production process and potential reluctance of producers to shift the production from high value (fresh milk products) to low value-added dairy products, such as skimmed milk powder.

13. **Despite the country's high dependency on global food markets, the GoD has no system in place to track global trends in food trade and assess the availability of key food commodities in domestic markets.** This makes it difficult for GoD to forecast food supply shortages and formulate an early response to possible food security crises. While MCT collects data on food prices and consumption on a monthly basis for the domestic market, there is an urgent need for a systematic analysis of international agricultural commodity markets as well as related markets (processing costs, maritime freight) and reference markets, such as futures or Over-The-Counter markets. A dedicated database on such markets as well as adequate models of analysis are required to support risk management approaches. Furthermore, a detailed analysis of the domestic market is equally necessary, such as monitoring of private stocks to assess the risk of food shortage.

14. **Food trade is fully liberalized, with food imports, storage and distribution fully managed by the private sector.** There is a network of local wholesalers, semi-wholesalers and retailers involved in the full cycle of trade with most of them either renting or owning storage facilities. However, storage facilities in the country are prone



to flooding and have limited air-conditioning, which substantially affects the quality of stored goods, particularly of wheat flour. To mitigate this, wheat flour is currently stored for only one month. For humanitarian purposes (free food distribution), the Government uses storage facilities that are either owned or rented by the World Food Programme (WFP) and National Office for the Assistance to Refugees and Disaster-Stricken People (Office National d'Assistance aux Réfugiés et Sinistrés, ONARS).

**15. Djibouti's food security is strongly exposed to climate change risks and adverse climate events, including the ongoing drought which is having severe impacts on water availability, livestock and vegetable production and consequently household incomes.** On February 13, 2021, the GoD issued a drought alert in the country, citing critically low ground water levels and deteriorated vegetation and pasture following the lack of rains over the last three years extending to February 2022 and the high record temperatures since 1981. The reduced water availability has already resulted in the drying up of water points (cisterns, open-air reservoirs, wadis, etc.) and a filling rate of wells below 50 percent the level considered normal for Djibouti. In addition, numerous water points require repair, which is usually hampered due to the lack of necessary equipment. Vegetable crops have been affected by the lack of water which has forced the majority of farmers to decrease their plots this year. Djibouti's livestock resources are important as approximately 60 percent of the population depend on them as a source of livelihood. There is an estimated 1 million head of sheep and goats and 300,000 cattle in the country.<sup>[1]</sup> According to the February 2022 Food Security and Nutrition Monitoring System (FSNMS) Report carried nationwide in Djibouti (both rural and urban areas), drought was the leading shock experienced by households in rural areas. The drought in rural areas has impacted pastoral livelihoods across the country and 22 percent of rural households have reported that the number of livestock currently owned has reduced compared to the same time last year<sup>[2]</sup>. This is a serious concern as livestock is the main asset of this particularly poor segment of the population, and an indicator of negative coping strategies. In March 2022, the Ministry of Agriculture jointly with FAO prepared a Drought Assessment Report along with an Action Plan to respond to the drought in the total amount of US\$30.4 million.

**16. The country has a weak institutional capacity related to climate risk management.** There is no warning system on the risks and impacts of climate change, nor for drought, substantially affecting Djibouti's capacity to respond to pre-crisis signals. There is no national emergency response plan in place that would allow for a concerted response of local and international institutions to adverse climate events. The expected increase in the intensity and frequency of precipitation and drought in the country calls for increasing the capacity to manage those risks including the establishment of efficient risk management systems.

**17. The combined impacts of market disruptions, high prices and drought are negatively affecting consumers' purchasing power and consequently reduce their economic access to food, further threatening food and nutrition security in the country.** The market disruptions and increase in food prices coupled with the reduction in incomes from lower agricultural and livestock production and productivity as well as reduced economic activity will mainly affect Djibouti's poorest population, who on average spends 77 percent of its income on food products<sup>3</sup>. The April 2022 Issue of the World Food Program (WFP) Food Security and Nutrition Monitoring System report reveals that, as of February 2022, the number of people facing severe and moderate food insecurity in rural areas has increased by 10 percent compared to January 2020. Moderate and severe food

<sup>[1]</sup> IGAD, April 2022

<https://www.igad.int/programs/95-icpald/1342-validation-of-djibouti-livestock-development-fund-ldf-report-undertaken#:~:text=Djibouti's%20livestock%20resources%20are%20important,300%2C000%20cattle%20in%20the%20country>

<sup>[2]</sup> WFP, Drought Impact in Djibouti, Issue 1, as of March 3, 2022

<sup>3</sup> <https://www.wfpusa.org/countries/djibouti/>





insecurity currently affects 37.1 percent of the rural population and 9.7 percent of urban dwellers in five regions, an estimated 124,359 people. The latest IPC<sup>3</sup> analysis (which did not include the effects of the war in Ukraine) estimates that the number of people in crisis or worse food insecurity (IPC3+) will increase between July and December 2022 from the current 131,997 (127,074 in IPC3 and 4,923 in IPC4) to 192,189, representing 16 percent of the total population – out of which 179,799 will be in IPC3 (15 percent of the population) and 12,390 (1 percent of the population) in IPC4. The war in Ukraine is expected to lead to even more people in Djibouti in IPC3+ conditions.

18. **The GoD’s Vision 2035 recognizes the importance of a long term, development-oriented approach to ensuring the food and nutrition security of Djibouti’s population.** In its Vision 2035 the GoD equally highlights its objective to ensure the availability of food products for its population to secure the country’s food and nutrition security and in this context highlights the importance of the role of the private sector. At the Government level, the Ministry of Social Affairs and Solidarity (MASS) has been assigned to coordinate the overall country’s food security crisis response. The proposed Emergency Food Security Crisis Response Project aims to (i) establish of a small physical food stock and food shortage preparedness fund, rightsized to avoid hoarding but sufficient to ensure the availability of basic food commodities in the context of market and shipping disruptions, and (ii) strengthen Djibouti’s capacity to address food security risks and potential future crises. The project will also provide support to drought-impacted households, including farmers and pastoralists, to improve their access to water, protect and restore their income and livelihoods and strengthen their resilience to climatic calamities, through the design of a drought preparedness system.

19. **The proposed Emergency Food Security Crisis Response Project (EFSCR, P178988) aims to complement the Social Protection Emergency Crisis Response Project (SPECRP, P178992), which are both prepared under condensed emergency procedures.** Initially, US\$30 million from the IDA 19 CRW ERF window were made available for Djibouti to respond to the multiple crisis the country is currently facing. These funds were used for the SPECRP, which aims to provide safety net transfers<sup>4</sup> to targeted households and strengthen adaptive social protection mechanisms to respond to future crises. As required by CRW ERF, the GoD is requested to prepare a Food Security Crisis Preparedness Plan, and the SPECRP is in the early stages of its preparation. The EFSCR complements the Bank’s support to the GoD through an allocation of US\$20 million, drawn from the IDA20 CRW ERF window. The EFSCR is prepared under the application of Paragraph 12 of Section III of the Bank Policy: Investment Project Financing (IPF) (Situations in Urgent Need of Assistance or Capacity Constraints), including the application of condensed procedures, and deferral of Environmental and Social Framework (ESF) instruments to project implementation stage. The rationale for processing the EFSCR under condensed procedures is the urgent need for assistance to address the deteriorating food security situation in Djibouti due to the combination of (i) the impacts on food security of global food price increases and agri-food supply chain disruptions resulting from the war in Ukraine; and (ii) the severe drought which is affecting vulnerable households’ livelihoods in rural areas.

### C. Proposed Development Objective(s)

Development Objective(s) (From PAD)

20. The project development objective is to contribute to mitigating food security risks posed by food supply shocks and drought.

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<sup>4</sup> Djibouti has a functioning safety net system under the responsibility of the Ministry of Social Affairs and Solidarity, currently aiming to gradually ensure nation-wide coverage of Djibouti’s poorest and most vulnerable population.





#### Key Results

21. The proposed PDO level indicators are:
- Food Security Crisis Market Analysis Unit established and reporting on a monthly basis (number);
  - Emergency Food Stock to respond to food security crisis procured and replenished (mt);
  - Affected households supported with improved water infrastructures to restore livelihoods (number);
  - Affected households supported with animals, and/or fodder, and/or agricultural inputs to restore livelihoods (number).

#### D. Project Description

22. **The project aims at supporting the GoD in mitigating the multiple food security risks that the country is facing.** In particular, the project aims at mitigating the risks related to food supply shocks and price volatility as well as climate change, such as drought. While the project aims at establishing a mechanism that would allow the GoD to mitigate risks due to food supply shocks, the project equally aims at supporting the country's emergency response to the current drought by restoring rural livelihoods and increasing food production and income generation in the medium run. The activities proposed under Component 1 and Component 2 of the project therefore aim at mutually reinforcing each other. The project would be financed through a US\$20 million grant from the IDA Crisis Response Window (CRW) Early Response Financing (ERF) and implemented over a period of three years. The project will comprise three components, which are described below.

23. **Component 1: Mitigating food security risks posed by food supply shocks (US\$13.2 million).** This component aims at establishing systems that would allow the GoD to mitigate risks related to food supply shocks in the future. The component will finance: (i) capacity strengthening for risk management, including the establishment and training of a Market Analysis Unit (MAU) to anticipate and report on potential food supply shocks and capacity building of the public and private sectors on price risk management; (ii) the establishment of an emergency food stock (one month of consumption) to ensure that the country can respond to potential food supply shocks and the rehabilitation and modernization of storage facilities used for the storage of purchased commodities under the project; and (iii) the establishment of a food shortage preparedness fund for the purchase of basic food commodities to reinforce the country's capacity to respond to potential food supply shocks; and overall technical assistance for the implementation of the component.

24. **Component 2: Mitigating food security risks posed by drought (US\$5 million).** The objective of this component is to mitigate food security risks posed by drought by improving water availability for rural households and restoring the livelihoods of pastoralists and farmers in the short run, as well as designing a drought warning system to strengthen the country's resilience to drought in the long run. In addition, the project includes selected agro-pastoral activities that aim at supporting Djibouti's adaptation to climate change in the long run. Project activities will be implemented in the five regions of the country, which are all affected by drought. The intervention areas will be defined based on available data, assessments conducted during field visits and proposals received from regional committees.

25. **Component 3: Project management and preparation of preparedness plan (US\$1.8 million).** The project will finance costs associated with project management and implementation support, including financial management (FM), procurement, Monitoring & Evaluation (M&E), and monitoring of project environmental and



social risks and impacts. The project will also support the Government of Djibouti in the preparation of a Food Security Preparedness Plan which needs to be completed within six months of project effectiveness under the terms of the CRW-ERF. Since activities under component 1 will require close monitoring of food markets, the PMU will be reinforced by an expert on market risks management.

Legal Operational Policies

	Triggered?
Projects on International Waterways OP 7.50	Yes
Projects in Disputed Areas OP 7.60	No

Summary of Assessment of Environmental and Social Risks and Impacts

56. While the project is expected to generate positive impacts, such as improving conditions for food security and rural livelihoods through improved agricultural productivity, its activities nevertheless entail substantial environmental and social risks.

57. In component 1, the environmental & social (E&S) risks could include imported impact such as biodiversity loss through trade and generic risks associated with minor civil works (i.e. risks associated with poor labor conditions, occupational health and safety, waste generation, hazardous material management, noise and vibration, wastewater discharges and air quality as well as community health and safety). Given that the civil works are expected to be minor and rely exclusively on national contractors, the Project is not expected to lead to a significant labor influx. Poor storage and occupational health and safety practices can increase the risk of combustible dust explosions and inhalation of dust particles that are harmful to the health of storage workers. Other risks/impacts include those associated with the subprojects of the matching grant program beneficiary selection among the private operators, the risks of forced labor in the supply chain, in particular related to solar power purchase.

58. In component 2, there are a variety of E&S risks and impacts that could result from the proposed activities. These include E&S risks and impacts during the civil works activities of rural water infrastructures (e.g. air, waste, noise, water pollution, waste generation). Another key risk relates to the elite capture or the exclusion of disadvantaged and vulnerable groups and individuals from benefitting from the agricultural and husbandry inputs. Other risks/impacts include those associated with the operational phase of these improvements /rehabilitation as well as land and water management, the use and generation of waste from agrochemicals, manure and veterinary products. The rehabilitation of small dams is expected to have limited adverse effects on livelihoods and economic activity in nearby areas, as settlements near dams are restricted by the GoD.

59. Some of the potential impacts on groundwater levels and surface water due to rehabilitation and improvement of underground cisterns, construction of reservoirs for livestock and improved pumps could lead to an increased risk of communicable diseases, such as water and vector borne diseases, safety risk from the



exploitation of small dams and groundwater decline or depletion from excessive pumping which can lead to negative effects (e.g , drying up of wells, of water quality, increased pumping costs, land subsidence)

60. Any civil works that lead to land acquisition, the restriction of land use or access, and involuntary resettlement will be excluded from financing and as such ESS5 is not deemed relevant. Sexual Exploitation and Abuse and Sexual Harassment (SEA/SH) risks have been screened and assessed as moderate. Risks associated with exposure to and the propagation of COVID-19 have been identified as a transversal risk across all project activities.

61. To manage the above-mentioned E&S risks for both components 1 and 2, the MASS and MAEPE-RH will draw from the existing Environmental Social Management Framework (ESMF) that was prepared under the ongoing Locust Emergency Response Program (P173702) and disclosed on 17 December 2020, in line with relevant laws in Djibouti and the relevant requirements of the World Bank ESF. The existing ESMF already includes provisions and requirements to carry out site-specific Environmental and Social Management Plans (ESMPs) that are site-specific for each subproject. The ESMPs will have to be prepared and disclosed prior to the start of all civil works (i.e. water and storage infrastructures). The existing ESMF already includes SEA/SH, chance-find procedures and measures for occupational health and safety plans for civil works.

62. The updated ESMF will include a negative list of activities that are ineligible from project financing, such as activities leading to land use/acquisition impacts, involuntary resettlement, biodiversity and cultural heritage risks and impacts. The updated ESMF will refer to applicable Good International Industry Practice (GIIP) including WBG General Environmental, Health and Safety (EHS) Guidelines and the WBG EHS guidelines for crop production. The updated ESMF will include the eligibility criteria to benefit from the food staples, COVID-19 preventive measures as per the World Health Organization and Djiboutian guidelines, an updated waste management plan, as well as occupational health and safety measures for offloading/uploading activities. The updated ESMF will include the recommendations from the E&S reviews of the existing storage facilities which will be used in storing the imported sugar and rice will be conducted to identify gaps between the exiting environmental, with OHS management plans and implemented actions following the national legal requirements versus the ESF requirements and WBG EHS Guidelines. Terms of Reference will be prepared by the Borrower and cleared by the Bank prior to carrying out such reviews which should include time-bound gap filling actions, if needed. The updated ESMF will include guidance on environmental, social, health and safety (ESHS) specifications for the procurement documents and contracts with primary suppliers of basic food staples. Suppliers will have to clarify the source of origin of the wheat to be purchased under the project and declare that it has not been produced from areas where no significant degradation of natural habitats took place. Finally, the updated ESMF will also include a E&S review for the operation of the existing private storage facilities in Djibouti, as well as mechanisms to screen the risks and provide mitigation measures for the matching grant program. Although it is possible solar panels may be financed as part of this program, the proposals will be defined by the private operators according to their needs and as such, solar panels do not represent a core function for the project.

63. Moreover, the MASS and MAEPE-RH will update the Labor Management Procedures (LMP) prepared under the ongoing Locust Emergency Response Program (P173702) in line with relevant laws of Djibouti and World Bank ESS2. Labor requirements for contractors and primary suppliers will also be included in the bidding documents and their contracts. In addition to the ESMF and LMP to be prepared, the MASS and MAEPE-RH has prepared a preliminary Stakeholder Engagement Plan (preliminary SEP) that includes provisions particularly relating to the vulnerable and disadvantaged communities to ensure their access to project information and their



meaningful and effective participation in the project. The MASS and the Bank have also agreed on an Environmental and Social Commitment Plan (ESCP).

64. The project will support further in-depth assessment under its TA activity to deepen the knowledge and provide actionable recommendations to address the food security challenge in Djibouti. The areas of analysis and studies will be further explored and selected during the course of project implementation. The TA activities include strengthening the national and regional public systems' response capacity to various shocks and stressors, thus enabling them to contribute to greater food system resilience. Any recommendations from the TA activities will be screened and assessed for their direct and indirect environmental and social impacts and necessary interventions will be designed for compliance with ESF.

65. The project has been prepared under emergency procedures, where it was agreed to defer the disclosure of the ESMF and LMP to within two months of the project effectiveness date and before the start of relevant project activities. The rationale for processing this project under the condensed procedures is the urgent need to secure financing for the continuation of food imports to the country at a time when the ongoing war in Ukraine is causing major disruptions in global grain markets and pushing prices of basic commodities to an all-time high. The preliminary SEP and ESCP will be approved and disclosed prior to appraisal and updated once consultations with local communities are conducted. This preliminary SEP was based on initial round of consultations that took place from June to August 2022, which were limited to relevant government ministries and entities. During this first series of meetings, the priority areas of the project to be considered were discussed without, however, any discussion with local governments or concerned communities, who will also be affected by, or benefit from, the project. This preliminary SEP will be updated with further consultations to reflect consultations with affected and vulnerable parties within two months of project effectiveness and before the start of relevant project activities and will be implemented throughout the project life cycle.

## E. Implementation

### Institutional and Implementation Arrangements

26. **On behalf of the Government of Djibouti, the Ministry of Social Affairs and Solidarities (MASS) will have responsibility for the overall coordination of project activities and will host the PMU.** The project is complementary to the Emergency Social Protection Crisis Response Project (P178992) in support of the GoD's emergency response efforts. The MASS will provide overall project oversight and will work through the existing PMU for the Integrated Cash Transfer and Human Capital Project (PITCH), which has extensive experience in implementing World Bank-funded projects. The PMU will report to the general secretary of the MASS and will be responsible for project management, procurement, FM, environmental and social safeguards and M&E. The Project Steering Committee (PSC) established and led by the MASS for the SPECRP will be extended by including the key line ministries of the EFSCR, in particular the MAEPE-RH, MCT, and the Ministry of Budget (MB), and will provide strategic guidance during project implementation. A Memorandum of Understanding (MoU) will be signed between the MASS and MCT as well as between the MASS and the MAEPE-RH.

27. **The MASS and MCT will ensure technical leadership for Component 1.** Framework Agreements between the MASS and selected local importers will be put in place to define the roles and responsibilities of each party, lay out the technical and contractual requirements for food import purchase, storage, and release, the rules for pricing and payments conditions, and responsibilities of local importers in case of damage or loss



to the food reserve. To be selected, local importers will have to meet predefined qualification criteria, in terms of compliance with World Bank eligibility requirements, such as number of years in food import business and volume of annual food imports. The selected importers will procure basic food commodities, using established market practices acceptable to the World Bank. Food distribution to the poorest and most vulnerable (incl. refugees) will follow the criteria and distribution channels established by MASS and will be conducted in close collaboration with the National Office for the Assistance to Refugees and Disaster-Stricken People (ONARS). The remainder of the food commodities will be sold at market prices by the private sector through their established networks.

28. **The MAEPE-RH, through the existing PMU for the Emergency Locust Response Program (P173702) will ensure technical leadership for Component 2.** A MoU will be signed between the MASS and MAEPE-RH specifying the obligations and responsibilities of each of the parties, including human and material resources to be made available, such as the designation of focal persons and recruitment of personnel at the MAEPE-RH. See Figure 3 for an overview of implementation arrangements.

29. **Project Operations Manual (POM).** The preparation of a POM is acceptable to the Bank is a project effectiveness condition. All staff of the PMU and the implementing agencies working on their respective components will be trained on the component implementation mechanisms, demarcation of roles and responsibilities, monitoring, verification/cross-verification and reporting mechanisms to ensure that the project achieves its objectives in a clear and transparent manner.

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