



Project Information Document (PID)

Appraisal Stage | Date Prepared/Updated: 07-Jun-2022 | Report No: PIDA34163



BASIC INFORMATION

A. Basic Project Data

Country Djibouti	Project ID P178992	Project Name Djibouti - Social Protection Emergency Crisis Response Project (SPECR)	Parent Project ID (if any)
Region MIDDLE EAST AND NORTH AFRICA	Estimated Appraisal Date 07-Jun-2022	Estimated Board Date 27-Jun-2022	Practice Area (Lead) Social Protection & Jobs
Financing Instrument Investment Project Financing	Borrower(s) Ministry of Economy and Finance	Implementing Agency Ministry of Social Affairs Solidarity	

Proposed Development Objective(s)

The PDO is to provide safety net transfers to targeted households affected by the multiple crises facing Djibouti and strengthen adaptive social protection mechanisms to respond to future crises

Components

Emergency Safety Nets Transfers
Strengthening Adaptive Social Protection and Community Resilience Mechanisms
Project Management and Coordination

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

Total Project Cost	30.00
Total Financing	30.00
of which IBRD/IDA	30.00
Financing Gap	0.00

DETAILS



World Bank Group Financing

International Development Association (IDA)	30.00
IDA Credit	30.00

Environmental and Social Risk Classification

Moderate

Decision

Other Decision (as needed)

B. Introduction and Context

The Covid-19 pandemic had a significant negative impact on Djibouti’s economy and is estimated to have doubled the country’s extreme poverty rates, with spatial inequality a persistent challenge. Gross Domestic Product (GDP) growth fell from 7.8 percent in 2019 to 0.5 percent in 2020, its lowest level since 2000. The percentage of extreme poor increased from 17 percent in 2019 to an estimated 23-30 percent in 2021.

The war in Ukraine, the current drought, and the spillover of the conflict in Ethiopia further compounded the COVID-19 impacts on Djibouti. GDP growth reached 4.3 percent in 2021, 2 points below the level expected before the war in Ethiopia and more than 3 points below the pre-pandemic level. According to a survey of 118 heads of enterprises conducted by the National Institute of Statistics (*Institut nationale de la statistique de Djibouti* - INSD) in 2020, 54 percent of businesses have seen more than 75 percent of their activities affected by the lockdown from March 27 to May 17, 2021. Growth is projected to soften to 3.3 percent in 2022, reflecting the spillover effects of the crisis in Ethiopia and the war in Ukraine. These reductions in economic activity directly reduce consumers’ purchasing power and their economic access to services, hence adversely affecting consumption smoothing for households. Furthermore, Djibouti, which hosts approximately 35,000 displaced people, including over 23,000 refugees and 11,000 asylum seekers, has registered an increased inflow of refugees/migrants of close to 8 percent since January 2021, mainly due to the conflict in Ethiopia and Yemen. The flow of migrants and asylum seekers has further increased pressure on the already low capacitated systems for essential services, especially among the poor and vulnerable.

Djibouti is highly dependent on imports for local consumption, particularly refined petroleum, and food products, representing 39 percent and 16.5 percent of Djibouti’s total imports respectively. As a result, the country meets up to 90 percent of its food needs through imports. Domestic agricultural and livestock production account for about 3 to 4 percent of the total GDP and can only meet 10 percent of the country’s food consumption needs. This high reliance on imports makes Djibouti extremely vulnerable to shocks in international trade.

Food prices, particularly wheat, vegetable oil, fruits, and vegetables have increased significantly since February 2022, affecting the poor and vulnerable disproportionately. Compared with January 2022, the cost of the food



basket increased by over 4 percent by February 2022. In addition, in March 2022, the price of wheat flour and cooking oil recorded, in one week, a sudden increase of 27 percent and 33 percent, respectively, triggering protests from bakers. While the Government did not authorize a bread price increase, these inflationary trends put pressure on household welfare and productive sectors and disproportionately affect the poor and vulnerable.

B. Sectoral and Institutional Context

Extreme poverty and vulnerability among several segments of Djibouti's population remain high. Djibouti city accounts for about 42 percent of poor households with about three-quarters of its population, despite its lower poverty rates. Rural areas lag behind the capital city, with higher rates of extreme poverty (62.6 percent) and limited access to services. Women tend to be among the most vulnerable, with lower labor force participation, higher unemployment than men, and more limited access to services. Refugees and host communities are among the most affected by these crises. In addition, Djibouti continues to face security and economic challenges from a trade shock with Ethiopia, which has increased security and social expenditures to support COVID-19 outlays and inflows of refugees.

The global economic impact of the Ukraine war and the severe drought affecting Djibouti are causing price increases and affecting the poor and vulnerable. Djibouti relies exclusively on imports to meet its domestic demand for wheat and wheat-based products. The country consumes, on average, 3,900 metric tons (mt) of wheat flour and 1,922 mt of pasta per month, which constitute approximately 30 percent of the country's daily caloric intake. 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 Russia. In March 2022, Turkey partially banned the export of wheat flour and other basic food commodities, joining other countries in imposing trade restrictions, further adding to market disruptions and increasing Djibouti's already high vulnerability to shocks.

Over the past six months, severe drought conditions led to reduced harvests and significantly affected households' consumption smoothing. In 2021, the average temperature recorded in Djibouti increased by more than +3.7°C compared to the values recorded during the 1981-2021 period. The almost total absence of rains during February 2022, combined with the lack of rains over most of the territory in 2021, has sharply accentuated the deterioration of vegetation and pastures and resulted in a rapid drop in groundwater levels in traditional wells and cisterns constituting the water sources for livestock and drinking water supply of nomadic rural populations. Reduced water availability has already resulted in the drying up of water points (wells, cisterns, and wadis). A filling rate of wells fell below 50 percent; the level considered normal for Djibouti. Vegetable crops have also been affected by the lack of water. These factors forced most farmers to decrease their plots this year, which will result in reduced local food production for household consumption due to drought. These further exacerbate the shortage of food caused by shocks to imports as described above.

Poorer Djiboutian households spend a larger proportion of their total household expenditure on food than richer ones making them more susceptible to food prices increase. Households in the first and second deciles of the consumption distribution spend over 50 percent of their total consumption on food. Given the national poverty rate of 17 percent, as measured in 2019, these first two deciles capture most of the poor population in the country. In contrast, the top decile, i.e., the richer households, spend around 32 percent of their consumption on food. These disparities suggest that poorer households are significantly more susceptible to price shocks than richer ones. As a result of higher food share in poorer households' consumption basket and the faster increase in food prices over the last decade, poorer households in Djibouti face a higher price index than the average consumer price index.



Female head of households are especially vulnerable to food insecurity as they are more likely to lack access and less likely to consume the necessary nutrition compared to households headed by men. Furthermore, many female-headed households' resort to negative coping mechanisms (20 percent) compared to their male counterparts (15 percent). Additionally, fewer women than men, at nine vs. 17 percent respectively, own bank accounts at a financial institution or a service provider.

Climate change poses a very serious threat to Djibouti's human capital development, and the low-income households targeted by the proposed project lack resources to deploy positive coping mechanisms. Severe weather endangers local food production capacity, water availability, public health, and economic livelihoods. Djibouti is highly vulnerable to natural disasters, including extreme heat, multi-annual drought, flash floods, coastal storm surges, and water. Over the past 30 years, the country has suffered from eight major droughts, including one in 2008 that affected 380,000 people, killed 70 percent of the livestock, and cut agricultural output in half. Aridity is increasing, as temperatures are already 0.7 °C (Djibouti City) to 1.4 °C (Ali Sabieh) above preindustrial annual averages and may rise by a total of 5.2 °C by the end of the century. Prolonged drought is often followed by heavy rains resulting in flash floods, which displaced tens of thousands, extended the range of vector-borne disease, and damage critical water and sanitation infrastructure. With 88 percent of the country's one million population living on the coast, sea-level rise and tropical cyclones constitute significant risks. Djibouti is also forecasted to experience more unusual (3-sigma) and unprecedented (5-sigma) summer months of extreme temperature anomalies than other Middle Eastern and North African countries. Almost every Djiboutian resident is subject to one or more climate-related risks. The low-income, vulnerable populations targeted by this project lack the resources to prepare and adapt to extreme weather risks. As a result, they are likely to suffer the highest economic losses from floods, drought, and storms.

Djibouti's Social Protection Systems (SPSs) center around effective response to crises and have demonstrated flexibility to respond and mitigate impacts in the past crises. The SPSs have evolved in recent years and are closely aligned with the Government of Djibouti's (GoD) Vision 2035 and its National Social Protection Strategy. They both recognize the importance of a long-term, development-oriented approach to building national adaptive SPSs that can effectively respond to the crises and mitigate their impacts on the poor and vulnerable Djiboutians. The Ministry of Social Affairs and Solidarity (MASS) has established a social registry that facilitates the scale-up of the national safety net program to increase safety nets coverage of the poor and vulnerable. The MASS also has an established delivery system for benefits, including reaching the difficult-to-reach areas through mobile banking. The existing system enables emergency response and can be improved to facilitate recovery, and further strengthened to increase resilience and adaptability. The social registry integrates different government programs, such as the National Program for Solidarity and Family cash transfer program (*Programme Nationale de Solidarité Famille-PNSF*), subsidized healthcare, and social housing. In addition, the social registry includes biometric information on enrolled beneficiaries who are issued national ID cards. The social registry has been effectively implementing the mitigation measures taken by the GoD during the COVID-19 crisis to reach intended beneficiaries in an efficient and timely manner.

The proposed emergency project will build on and scale the Integrated Cash Transfers and Human Capital Project (P166220) (*Projet intégré de transferts monétaires du renforcement du capital humain -PITCH*). It will expand coverage horizontally and contribute to strengthening adaptive social protection systems.

C. Proposed Development Objective(s) (PDO)



PDO

The PDO is to provide safety nets transfers to targeted households affected by the multiple crises facing Djibouti and strengthen adaptive social protection mechanisms to respond to future crises.

The following are the proposed PDO level indicators:

- Beneficiaries of social safety net transfers under the project (number)
 - Beneficiaries of social safety net transfers under the project – Female (number)
 - Beneficiaries of social safety net transfer under the project - In-kind transfers (number)
- Targeted localities with improved mechanisms for linking social protection and crises response (percentage)
- Beneficiaries of safety net transfers with an account in an acceptable financial institution (percentage)
- Beneficiaries of livelihoods grants with fully implemented sub-projects (number)

D. Project Description

The proposed project will provide safety nets transfers to the target households affected by the crises and strengthen adaptive social protection mechanisms for response to future crises. The project will also contribute to community recovery and resilience. Support will also include digitization of social protection delivery mechanisms to improve the efficiency of the delivery of benefits and strengthen comprehensive digital innovations in future operations and responses. Implementation is underpinned by lessons from over a decade of World Bank's strong engagement in social protection in Djibouti, including the ongoing PITCH operation, which this project contributes to scaling up.

Component 1: Emergency Safety Nets Transfers

This component will support the horizontal scale-up of the national safety net program by providing targeted transfers in cash and in-kind to the poor and vulnerable households affected by drought, food, and fuel price increases. Safety nets transfers will be provided to the targeted poor and vulnerable households in rural and urban areas. The MASS has estimated that rural households in hard-to-reach localities have disproportionately been affected by the impacts of the crises, yet they benefit less from existing programs. The project will therefore have a stronger rural focus. Support to target households will be provided for a maximum of eight calendar quarters equivalent to 24 months and paid quarterly. In-kind transfers, in form of food, will be applied where cash transfers cannot be provided due to nonfunctioning financial institutions and the high risks involved in using actual cash.

Component 2: Strengthening Adaptive Social Protection and Community Resilience Mechanisms

Component 2 will finance activities to strengthen and further develop adaptive social protection systems. It will scale up productive inclusion activities under the ongoing Bank-Finance PITCH project by making the activities more responsive to crises and contribute to the overall community engagement and awareness about crises impacts, preparedness, and mitigations.

Strengthening adaptive social protection systems involves scaling-up implementation of some productive inclusion training activities with a greater focus on recovery from the crises and building resilience to future shocks. This intervention will thus introduce training on crises response, promotion of financial literacy training, and voluntary savings promotion in rural and urban areas and to a new cohort of beneficiaries. Furthermore, capacity building support will be



provided to credit and savings associations and women local groups. To complement the work currently carried out on the social registry, the proposed project will support the development of policy and implementation guidelines to build links between social protection interventions and national disaster response programs. Component 2 will also support stronger and crisis sensitive institutional and community-driven development investments to improve the capacity of social protection response to crises at the MASS, the Djiboutian Agency for Social Development (ADDs), the CPEC of Djibouti (*Caisse populaire d'épargne et de retraite*), and the local administrations. Furthermore, investing in digital innovations to build more efficiency in delivering safety nets to the target households to develop mechanisms that can underpin the comprehensive digitalization of safety nets to respond to future crises will be supported. The project will provide one off grants to communities to help strengthen livelihoods and communities' recovery from the crises based on a set of predetermined criteria. Such criteria will include and not limited to participation in training and awareness activities on crisis response, mitigation and preparedness; preparation of a basic action plan to implement the grant funded activities; the identification of sustainability arrangements and relevance for crises responsiveness. A brief guideline will be developed to facilitate implementation of the livelihoods grants activities.

Component 3: Project Management and Coordination

This third component will support coordination, monitoring, evaluation, and the additional project operational costs at the MASS and other institutions involved in implementation support at the central and local levels. Operational costs will include transport costs, targeting and community mobilization costs, and additional day-to-day operational expenses which are detailed in the project's annual budgetary work plan.

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

Summary of Assessment of Environmental and Social Risks and Impacts

The Environmental and Social risks (E&S) are assessed as moderate.

Environmental Risk Rating.

The environmental risk is considered moderate. The activities supported by the project are not expected to have significant adverse environmental impacts. No large rehabilitation or construction of infrastructure or other actions that significantly impact the environment will be financed through this operation. The project will finance the rehabilitation of government storage areas when there are no available private storage operators under component 1 and community resilience infrastructure such as targeted water points, and solar panels, under component 2. Typical construction-related impacts are expected, including air, dust, and noise emissions from construction activities, and solid liquid, and hazardous waste and occupational health and safety risks. Therefore, the project will pay attention to occupational and community health and safety and ensure that points of payment are located countrywide, in addition to phasing payment days over weeks according to the beneficiary's ID



number to reduce the risk of large gatherings.

Social Risk Rating

The key risk associated with the project include the risks of elite capture, potential exclusion of vulnerable and disadvantaged groups from project benefits – although such risks can be significantly mitigated by features in the project design and stakeholder engagement efforts. Other risks include possible social discontent, and exposure to and propagation of the COVID-19 virus. The project will also generate risks associated with minor civil works, such as occupational and community health and safety risks. Any civil work that leads to land acquisition, restriction of access or land use, or involuntary resettlement will be excluded from the project financing. Since these risks are localized and can easily be mitigated with appropriate mitigation measures, the social risk rating has been assessed as moderate.

E. Implementation

Institutional and Implementation Arrangements

The proposed project will be implemented by the MASS as the main implementing agency. The implementation and funds flow arrangements for the project will follow the established delivery systems for the PITCH¹ operation currently implemented satisfactorily.

CONTACT POINT

World Bank

Alex Kamurase
Senior Social Protection Specialist

Borrower/Client/Recipient

Ministry of Economy and Finance

Implementing Agencies

¹ For the implementation of the PITCH operation, a project management unit and coordination team were established at the MASS and similar arrangement are already in place for community-driven development activities at the ADDS. Delegated responsibilities for project implementation at the local government levels at the province, sub province, and community administration levels are also in place.



Ministry of Social Affairs Solidarity
Amina Warsama
Secretary General
aminaliban8@gmail.com

FOR MORE INFORMATION CONTACT

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

APPROVAL

Task Team Leader(s):	Alex Kamurase
----------------------	---------------

Approved By

Practice Manager/Manager:		
Country Director:	Robert Bou Jaoude	09-Jun-2022