

Djibouti: Poverty Reduction Strategy Paper

Poverty Reduction Strategy Papers (PRSPs) are prepared by member countries in broad consultation with stakeholders and development partners, including the staffs of the World Bank and the IMF. Updated every three years with annual progress reports, they describe the country's macroeconomic, structural, and social policies in support of growth and poverty reduction, as well as associated external financing needs and major sources of financing. This country document for Djibouti, dated April 2008, is being made available on the IMF website by agreement with the member country as a service to users of the IMF website.

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REPUBLIC OF DJIBOUTI

Unity—Equality—Peace



National Initiative for Social Development (INDS)

(Strategic Framework)

**REPORT ON IMPLEMENTATION
OF THE PRSP, 2004–06**

COMPONENTS OF THE OUTLOOK FOR 2008–11

APRIL 2008

NOTICE

This is a preliminary draft assessment of the implementation of Djibouti's first Poverty Reduction Strategy Paper (PRSP), adopted in 2004 and relating, as regards its medium-term action plan, to the period 2004–06.

The first of its type in Djibouti, this exercise proved particularly difficult to carry out as best and as quickly as possible. Indeed, the novelty of the exercise and the still-inadequate capacities of the Djibouti Administration, in particular with respect to monitoring and assessment, led to the drafting of a paper with missing information, especially on the overview of achievements and on the indicators (Chapter 1). The situation was further complicated by the absence of recent and reliable data, for instance on population and poverty.

By contrast, the part on the outlook components (Chapter 2) has much more substance, as it drew strongly on the policies adopted and the arrangements made in the context of the National Initiative for Social Development (INDS), which is now the reference framework for economic and social development in Djibouti.

“The INDS is neither a one-time project nor a program designed solely for the current economic circumstances. It is an ongoing setting of tasks, constantly open to review and possible reformulation.”

**His Excellency Mr. ISMAÏL OMAR GUELLEH,
President of the Republic of Djibouti,
January 9, 2007**

LIST OF ACRONYMS AND ABBREVIATIONS

| | |
|----------|---|
| ADB | African Development Bank |
| ACBF | African Capacity Building Foundation |
| ADDS | Djibouti Social Development Agency |
| ADETIP | Djibouti Public Service Project Implementation Agency |
| AFESD | Arab Fund for Economic and Social Development |
| ANEFIP | National Employment, Training, and Job Placement Agency |
| BCD | Central Bank of Djibouti |
| CDC | Community Development Center |
| CEDAW | Convention on the Elimination of All Forms of Discrimination Against Women |
| CERD | Djibouti Studies and Research Center |
| CFPA | Adult Vocational Training Center |
| CFPEN | National Education Personnel Training Center |
| CNJD | Djibouti National Youth Council |
| CNR | National Retirement Fund |
| CNSS | National Social Security Fund |
| COMESA | Common Market for Eastern and Southern Africa |
| CRIPEN | National Education, Research, Information, and Production Center |
| DEFIP | Department of Employment, Training, and Job Placement |
| DF | Djibouti franc |
| DISED | Department of Statistics and Demographic Studies |
| DOTS | Directly Observed, Treatment, Short-course |
| DPI | Dubai Ports International |
| DPW | Dubai Ports World |
| DSN | Department of National Solidarity |
| EDAM-IS2 | Djibouti Household Survey—Social Indicators II |
| EDD | Djibouti Electricity Corporation |
| EDF | European Development Fund |
| EDIM | Djibouti Multiple-Indicator Survey |
| EPI | Expanded Program on Immunization |
| EU | European Union |
| FDDED | Djibouti Economic Development Fund |
| FDI | Foreign direct investment |
| FGM | Female genital mutilation |
| FSD | Social Development Fund |
| FTI | Fast Track Initiative |
| GDP | Gross domestic product |
| GER | Gross enrollment ratio |
| ICT | Information and communication technology |
| IDB | Islamic Development Bank |
| IFAD | International Fund for Agricultural Development |
| IJMR | Infant-juvenile mortality rate |
| IMCI | Integrated Management of Childhood Illnesses |
| IMF | International Monetary Fund |
| IMR | Infant mortality rate |
| INAP | National Institute of Public Administration |
| INDS | National Initiative for Social Development |
| MAEM-RH | Ministry of Agriculture, Livestock Production, and Marine Affairs-Water Resources |
| MCI | Ministry of Commerce and Industry |
| MCCPT | Ministry of Communication, Culture, Post and Telecommunications |
| MDGs | Millennium development goals |

| | |
|---------|---|
| MEFPP | Ministry of Economy, Finance, and Planning, Responsible for Privatization |
| MENESUP | Ministry of National Education and Higher Learning |
| MERN | Ministry of Energy and Natural Resources |
| MESN | Ministry of Employment and National Solidarity |
| MET | Ministry of Community Facilities and Transport |
| MFI | Microfinance institution |
| MHUEAT | Ministry of Housing, Urban Development, Environment, and Land Development |
| MID | Ministry of the Interior and Decentralization |
| MJDH | Ministry of Justice and Human Rights |
| MJSLT | Ministry of Youth, Sport, Leisure, and Tourism |
| MMR | Maternal mortality rate |
| MPF | Ministry for the Promotion of Women |
| MSP | Ministry of Public Health |
| MTBF | Medium-term budgetary framework |
| MTEF | Medium-term expenditure framework |
| NGO | Nongovernmental organization |
| ODA | Official development assistance |
| ONEAD | Djibouti National Water and Sanitation Office |
| OPS | Social Welfare Agency |
| PIP | Public Investment Program |
| PRSP | Poverty Reduction Strategy Paper (PRSP) |
| RGPH | General Population and Housing Survey |
| SID | Djibouti Building Society |
| SMEs | Small and medium-sized enterprises |
| SMIs | Small and medium-sized industries |
| SMUR | Medical Emergency Unit |
| SNA | Modified National Service |
| SNDS | National Statistics Development Strategy |
| SNIFD | National Strategy for Women's Integration into Development |
| SSN | National Statistics System |
| STIs | Sexually transmissible infections |
| TOFE | Government fiscal reporting table |
| UNDP | United Nations Development Programme |
| UNICEF | United Nations Children's Fund |
| WB | World Bank |
| WHO | World Health Organization |

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Summary

1. The first Poverty Reduction Strategy Paper (PRSP) of the Republic of Djibouti, adopted in May 2004, had responded to a particularly alarming poverty situation, as regards both monetary poverty and poverty of living conditions.
2. For example, the incidence of extreme monetary poverty has risen from 34.5 percent in 1996 to 42.2 percent in 2002 and relative poverty increased from 64.9 percent to 74.4 percent¹ during the same period. In addition, the situation of the country's social indicators was improving (in 2002) but was also still a source of some considerable concern:
 - The gross enrollment ratio (GER) at the primary level was only 42.7 percent;
 - The literacy rate for persons aged 15 or older was 18.3 percent;
 - The infant mortality rate (IMR), infant-juvenile mortality rate (IJMR) and maternal mortality rate (MMR) were respectively 94.6 per thousand, 106.2 per thousand and 690.2 per 100,000 live births.

The situation was also characterized by glaring geographical disparities between the urban and rural areas, on the one hand, and between Djibouti City and the other inland cities, on the other.

Djibouti's first PRSP

3. Following a participatory process involving all development players, the PRSP set goals for poverty reduction and improvement of the inhabitants' living conditions that would place Djibouti on the path to achieving the Millennium Development Goals (MDGs). The main goals were:
 - To increase average GDP growth over the period 2004–06 to 4.6 percent;
 - To reduce the incidence of extreme poverty to 36.1 percent;
 - To increase the GER to 73 percent;
 - To reduce the IMR to 90 per thousand and the IJMR to 110 per thousand.
4. To achieve these goals, the government, working with its national and international partners, identified priority measures and actions reflecting four complementary strategic pillars: (i) resumption of economic growth and strengthening of competitiveness; (ii) human resources development; (iii) promotion of integrated local development; and (iv) improvement of governance and capacity-building.

Results of the first PRSP

5. Analysis of the results of the first three years of implementation of the PRSP reveals a number of significant achievements but also shows that chronic weaknesses are still undermining the country's development efforts.
6. As regards the progress achieved, reference may be made, inter alia, to:
 - Improved access to primary education (66.2 percent in 2006), and one excellent achievement in that gender disparities have been virtually eliminated (gender parity index of 0.98);
 - Improved literacy rate among women between 15 and 24 years of age (47.5 percent);
 - Significant IMR decrease, to 67 per thousand;
 - Rebound in economic growth, which averaged 3.7 percent over the period 2004–06; this is below the PRSP goal (4.6 percent) but is promising, particularly as regards the 2006 level (4.8 percent).

¹ The extreme poverty line was set at just under US\$1.8 per person per day and the relative poverty line was set at just under US\$3 per person per day. The exchange rate of US\$1 = DF 177.72 has been fixed since 1977.

7. These results were achieved through implementation – admittedly partial, as will be shown below – of priority measures in the social sectors (particularly health, education, advancement of women) and in the areas of growth support and preservation of macroeconomic stability. The latter measures, in particular, made it possible to attract foreign direct investment (FDI), which should reach record levels in the next few years.
8. The shortcomings relate, firstly, to the fact that most social indicators are still weak. Admittedly this was to be expected because of the base situation (very worrying, as indicated above) and the relatively short PRSP implementation period (three years). The level of these indicators leads to the conclusion that sizeable fringes of the population are still living in precarious conditions that are barely decent and are incompatible with human dignity.
9. Even more worrying, however, are the major shortcomings noted in the implementation of the priority actions included in the first PRSP. The implementation rate is only just over 43 percent. In addition, the percentage of actions fully completed is less than 17 percent and that of actions more than half completed is barely 30 percent. Over one third of the actions planned have not been started. Lastly, there are important disparities between the strategic pillars, with a surprisingly low level (about 46 percent) for pillar 2, which concerns human resources development, although this had been announced as one of the top priorities of the poverty reduction strategy. One must therefore conclude that the sectoral departments responsible for implementation of the first PRSP did not really assume ownership of it.
10. Moreover, Djibouti faces a number of challenges to create the conditions of sustainable development that will fully benefit all its nationals. These challenges concern: (i) strengthening of the rule of law; (ii) preparation of the inhabitants and businesses of Djibouti so that they can benefit fully from, for example, FDI and the opportunities offered by transit-related services; (iii) development of competitive and high-quality human resources; and (iv) basic water and energy issues.

The INDS: a second-generation PRSP

11. In view of these findings, the President of the Republic launched the National Initiative for Social Development (INDS) in January 2007. The INDS is a true society project, requiring the adoption of integrated policies, as part of a global and coherent project in which all aspects are related and complementary. It also sets major priorities: (i) promotion of access to basic social services; (ii) restructuring of the national productive base; and (iii) assistance to highly vulnerable people. Lastly, it must be based on the principles of good political, social, economic, and financial governance.
12. This focus means that the INDS is the new central framework for the country's economic and social development policy. It broadly reflects the principles of second-generation PRSPs, adopted by poor countries to improve their performance as regards development and poverty reduction.

Looking to the future

13. In the light of these findings, an in-depth review is needed of the goals of the country's economic and social development policy. However, this review cannot be envisaged without reliable and recent data on population, monetary policy, and living conditions in general. The INDS approach will therefore be a gradual one. This document will first describe the main thrust of the INDS for the 2008–11 medium term, and thus constitute a provisional version of the main document of this Initiative. Lastly, the complete INDS document will be finalized when the results of the General Population and Housing Census (RGPH-2) and the Djibouti Household Survey (EDAM-3) are available (late 2008).
14. At this stage already, the government is reaffirming its determination to lead the country towards achievement of the MDGs in 2015. Government policies will henceforth reflect this determination. For the medium term (by 2011), the main goals are: (i) reduction of the incidence of extreme poverty

and of relative poverty; (ii) increase in average annual economic growth to over 7 percent; (iii) increase in the GER to 83 percent in primary schools and to 61 percent in secondary schools, with a reduction in gender and geographical disparities; and (iv) reduction in the IMR to 60 per thousand, in the IJMR to 80 per thousand, and in the MMR to 400 per 100,000 live births.

15. To achieve these goals, four strategic approaches will be adopted: (i) acceleration of growth and preservation of the main macroeconomic balances; (ii) development of human resources and achievement of universal access to basic services; (iii) promotion of harmonious and balanced local development and preservation of the environment; and (iv) consolidation of good governance principles and capacity-building. These strategic approaches will be pursued through a priority action plan (see **Annex 6**) and will be subject to strict monitoring and periodic evaluation.

Financing of the INDS, 2007–11

16. Ways of financing implementation of the programs and projects planned for achieving the ambitious INDS goals are currently under study. No definite conclusions can be reached until work has concluded on the medium-term budgetary framework and the sectoral medium-term expenditure frameworks. At present, the funding needed for the 2007–11 Public Investment Program amounts to over DF 112 billion, of which over 88 percent has already been secured (see Annex 8).

Partnership for the INDS

17. The success of the INDS will depend on the full involvement of all development players (Administration, elected officials, civil society, private sector, public, donors) and the effective mobilization of their energies, in the context of a new partnership that will stimulate the country's economic and social development efforts. In particular, a considerable increase in official development assistance (ODA) from donors will be needed. This ODA will consist of both financial aid and technical assistance.

This document

18. This document, which is the first stage of the INDS, briefly describes the implementation of the PRSP over the period 2004–06 and the main lessons learned. It then describes the medium-term INDS goals (by 2011), the strategic approaches and the priority actions for achieving them. Lastly, a number of Annexes give a more detailed presentation of the issues discussed in the text.

Introduction

19. The Republic of Djibouti adopted its first PRSP in May 2004, in a context marked by a worrying surge in the phenomenon of poverty, with an incidence of extreme monetary poverty rising from 34.5 percent in 1996 to 42.2 percent in 2002 and an incidence of relative poverty rising from 64.9 percent to 74.4 percent over the same period. In addition, the situation of the country's social indicators was improving but also remained a source of concern: in 2002, the GER for primary schools was only 42.7 percent, the literacy rate for persons aged 15 or older was 18.3 percent and the IMR and IJMR were 94.6 and 106.2 per thousand respectively. This situation was aggravated by glaring disparities, in which the rural areas were lagging far behind.
20. To deal with this alarming situation, Djibouti's PRSP had set long-term goals similar to those established by the international community at the Millennium Summit. It had also set medium-term goals (by 2006), including: (i) increasing average GDP growth over the period 2004–06 to 4.6 percent; (ii) reducing the incidence of extreme poverty to 36.1 per cent; (iii) increasing the GER to 73 percent; and (iv) reducing the IMR to 90 per thousand and the IJMR to 110 per thousand.
21. These goals were to be attained through four complementary strategic approaches: (i) resumption of economic growth and enhancement of competitiveness; (ii) development of human resources; (iii) promotion of integrated local development; and (iv) strengthening of governance.
22. After three years of PRSP implementation, significant progress has admittedly been made (see Box 1), but major obstacles still lie in the way of the country's advance towards sustainable economic and social development.
23. For example, economic growth averaged 3.7 percent over the period 2004–06, which is below the PRSP goal (average of 4.6 percent), but is at least higher than demographic growth (about 3 percent). In addition, provisional data from the Djibouti Multiple-Indicator Survey (EDIM) conducted in 2006 show, among other things, that: (i) net school enrollment in the primary cycle is 66.2 percent, with a gender parity index of 0.98; (ii) the literacy rate among women between 15 and 24 years of age is 47.5 percent; and (iii) the IMR is 67 per thousand and the IJMR is 94 per thousand.
24. However, these encouraging advances cannot mask the persistent reality of poverty and inequality. Even in the absence of recent data on poverty and particularly on monetary poverty, observation of living conditions in the poor districts of Djibouti City and in rural areas reveals that large fringes of the population continue to live in difficult conditions of poverty and marginalization. There is every indication that the considerable increase in the inflow of FDI and the current strengthening of Djibouti's position as a transit hub have been of little benefit to these people.
25. Indeed, the National Initiative for Social Development (INDS), launched by the President of the Republic in January 2007, is based on these findings. It reaffirms the authorities' obligation to adopt sustained and integrated measures not only to accelerate economic growth but also, and above all, to create the conditions for true sustainable development from which the poor can benefit fully and thus aspire to decent living conditions. Such development will help to introduce greater social justice and to strengthen national unity.
26. This **Report on implementation of the PRSP in 2004–06** represents the first stage of the INDS process. Its goals are: (i) to summarize the results of PRSP implementation over the period in question; (ii) to describe the main lessons learned; (iii) to identify the long-term and medium-term goals for the INDS, incorporating the MDGs; (iv) to outline the development and poverty reduction strategy for reaching these goals; and (v) to give a general outline of a medium-term priority action plan for the INDS, including costs and financing and technical assistance requirements.