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PROJECT PERFORMANCE ASSESSMENT REPORT

REPUBLIC OF DJIBOUTI

**FOOD CRISIS RESPONSE DEVELOPMENT POLICY GRANT
(TF 92328)**

April 30, 2012

IEG Public Sector Evaluation
Independent Evaluation Group

Currency Equivalents (annual averages)

Currency Unit = Djibouti Franc (DJF)

2008 (Appraisal) US\$1.00 = 178 DJF

2009 (ICR) US\$1.00 = 176 DJF

Abbreviations and Acronyms

DISED	Djiboutian Institute of Statistics and Demographic Studies
GFPR	Global Food Price Response Program
FEWSNET	Famine Early Warning System Network (USAID)
ICR	Implementation Completion Report
IEG	Independent Evaluation Group
IEGPS	IEG Public Sector Evaluation
IFPRI	International Food Policy Research Institute
IMF	International Monetary Fund
INDS	Djiboutian Initiative for Social Development
PPAR	Project Performance Assessment Report
UNICEF	United Nations Children's Fund
USAID	United States Agency for International Development
WFP	World Food Program

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This report was prepared by John Heath, who visited Djibouti in September 2011. The report was peer reviewed by Jorge Garcia-Garcia and panel reviewed by Rene Vandendries and Ismail Arslan. Marie Charles provided administrative support.

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Principal Ratings

	<i>ICR*</i>	<i>ICR Review*</i>	<i>PPAR</i>
Outcome	Satisfactory	Moderately Unsatisfactory	Unsatisfactory
Risk to Development Outcome	Moderate	Moderate	Significant
Bank Performance	Moderately Satisfactory	Moderately Unsatisfactory	Moderately Satisfactory
Borrower Performance	Satisfactory	Moderately Unsatisfactory	Moderately Unsatisfactory

* The Implementation Completion Report (ICR) is a self-evaluation by the responsible Bank department. The ICR Review is an intermediate IEGWB product that seeks to independently verify the findings of the ICR.

Key Staff Responsible

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About this Report

The Independent Evaluation Group assesses the programs and activities of the World Bank for two purposes: first, to ensure the integrity of the Bank's self-evaluation process and to verify that the Bank's work is producing the expected results, and second, to help develop improved directions, policies, and procedures through the dissemination of lessons drawn from experience. As part of this work, IEG annually assesses 20-25 percent of the Bank's lending operations through field work. In selecting operations for assessment, preference is given to those that are innovative, large, or complex; those that are relevant to upcoming studies or country evaluations; those for which Executive Directors or Bank management have requested assessments; and those that are likely to generate important lessons.

To prepare a Project Performance Assessment Report (PPAR), IEG staff examine project files and other documents, visit the borrowing country to discuss the operation with the government, and other in-country stakeholders, and interview Bank staff and other donor agency staff both at headquarters and in local offices as appropriate.

Each PPAR is subject to internal IEG peer review, Panel review, and management approval. Once cleared internally, the PPAR is commented on by the responsible Bank department. The PPAR is also sent to the borrower for review. IEG incorporates both Bank and borrower comments as appropriate, and the borrowers' comments are attached to the document that is sent to the Bank's Board of Executive Directors. After an assessment report has been sent to the Board, it is disclosed to the public.

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Outcome: The extent to which the operation's major relevant objectives were achieved, or are expected to be achieved, efficiently. The rating has three dimensions: relevance, efficacy, and efficiency. *Relevance* includes relevance of objectives and relevance of design. Relevance of objectives is the extent to which the project's objectives are consistent with the country's current development priorities and with current Bank country and sectoral assistance strategies and corporate goals (expressed in Poverty Reduction Strategy Papers, Country Assistance Strategies, Sector Strategy Papers, Operational Policies). Relevance of design is the extent to which the project's design is consistent with the stated objectives. *Efficacy* is the extent to which the project's objectives were achieved, or are expected to be achieved, taking into account their relative importance. *Efficiency* is the extent to which the project achieved, or is expected to achieve, a return higher than the opportunity cost of capital and benefits at least cost compared to alternatives. The efficiency dimension generally is not applied to adjustment operations. *Possible ratings for Outcome:* Highly Satisfactory, Satisfactory, Moderately Satisfactory, Moderately Unsatisfactory, Unsatisfactory, Highly Unsatisfactory.

Risk to Development Outcome: The risk, at the time of evaluation, that development outcomes (or expected outcomes) will not be maintained (or realized). *Possible ratings for Risk to Development Outcome:* High, Significant, Moderate, Negligible to Low, Not Evaluable.

Bank Performance: The extent to which services provided by the Bank ensured quality at entry of the operation and supported effective implementation through appropriate supervision (including ensuring adequate transition arrangements for regular operation of supported activities after loan/credit closing, toward the achievement of development outcomes. The rating has two dimensions: quality at entry and quality of supervision. *Possible ratings for Bank Performance:* Highly Satisfactory, Satisfactory, Moderately Satisfactory, Moderately Unsatisfactory, Unsatisfactory, Highly Unsatisfactory.

Borrower Performance: The extent to which the borrower (including the government and implementing agency or agencies) ensured quality of preparation and implementation, and complied with covenants and agreements, toward the achievement of development outcomes. The rating has two dimensions: government performance and implementing agency(ies) performance. *Possible ratings for Borrower Performance:* Highly Satisfactory, Satisfactory, Moderately Satisfactory, Moderately Unsatisfactory, Unsatisfactory, Highly Unsatisfactory.

Preface

This is the Project Performance Assessment Report (PPAR) for the Food Crisis Response Development Policy Grant (Trust Fund 92328), which was issued under the auspices of the Global Food Crisis Response Program.

The grant was approved on May 29, 2008 and closed, as expected, on June 30, 2009. The grant was for US\$5.0 million. A first tranche of US\$4.0 million was released, as expected, on July 1, 2008. A second tranche of US\$1.0 million was due to be released on December 30, 2008 but release was delayed until January 23, 2009.

The report presents findings based on review of the Program Document, the Implementation Completion and Results Report, aide-memoires and supervision reports, and other relevant material. John Heath visited Djibouti for IEG in September 2011 to interview government officials, the staff of partnership agencies, project staff, beneficiaries, donor representatives, and academics. Bank staff members were interviewed at headquarters and by phone. Marcellin Diagne carried out the rice price regression analysis.

The assessment aims, first, to serve an accountability purpose by verifying whether the operation achieved its intended outcome. Second, the report draws lessons that are intended to inform future emergency response initiatives of this nature. Third, the assessment will contribute to a forthcoming IEG study on the global food crisis response.

Following standard IEG procedures, the Government of Djibouti was invited to comment on the draft PPAR, but no comments were received.

Summary

Since 2005 world-wide increases in commodity prices have potentially reduced the ability of the poor in Djibouti to feed themselves. The country has few of the natural resources needed for farming and imports almost all of the food it consumes. Inflation jumped from 5 percent to 14 percent in the 12-month period to August 2008 as a result of the global spike in energy and food prices. Under the auspices of the Global Food Crisis Response Program, which was launched in mid-2008, the Bank prepared a budget support operation for Djibouti, involving a grant of US\$5.0 million.

The objective of the operation was “to help the Government of Djibouti in reducing hunger, preventing an increase in poverty and social unrest, and ensuring the fiscal stability needed to foster medium-term social and economic development.” The operation addressed the following policy areas: food prices; food supply; access to water; targeted social assistance; and macroeconomic stability. Before the grant was approved on May 29, 2008 the Government adopted a draft additional budget law for fiscal year 2008, exempting from tax five basic food items (rice, sugar, cooking oil, wheat flour and powder milk). In each case the tax rate went down from 8 percent to zero, resulting in a combined fiscal loss equivalent to US\$4.0 million. When the grant was approved the first tranche exactly offset this loss. Release of the second tranche (US\$1.0 million) was conditional on the government’s preparation of an Action Plan to channel direct support to the most vulnerable households. As supplementary conditions for the second tranche release the government was expected to provide evidence that (a) progress had been made in carrying out the agreed program; and (b) the macroeconomic policy framework was appropriate.

The relevance of project objectives is rated substantial. The objective of preventing an increase in poverty was relevant when the grant was approved in May 2008 and, despite the easing of food price inflation in late 2008—which proved to be only a temporary respite—the objectives of the operation remained relevant at closing in June 2009. The objectives of the grant operation fitted in well with the strategy developed by the government and the Bank. Several supporting measures had been taken by government before the grant was approved: a National Food Security Council was set up in October 2006; a National Food Security and Nutrition Strategy was issued in December 2007; and a National Social Development Initiative was launched in January 2007. The relevance of project design is rated modest. The project logic was sound in the sense that it contained actions needed to address both the short-term and the long-term outcomes presupposed by the objectives. The design combined a short-term, crisis intervention (offsetting the loss of tax revenue) with an attempt to strengthen the capacity to withstand food crises in the longer term. But there were gaps in the results framework. Given the market structure in Djibouti, it was not clear that removing taxes from basic foods would reduce their prices as intended. The means by which the objective of containing social unrest would be achieved were not spelled out.

The objectives of reducing hunger, preventing an increase in poverty, and ensuring fiscal stability were modestly achieved; the objective of preventing more social unrest was negligibly achieved. With respect to the objective of reducing hunger, there is no compelling evidence that the tax exoneration led to a drop in the price of the relevant

staples or prevented it from rising. IEG was unable to find any progress reports on implementation of measures in the Action Plan that were intended to strengthen domestic food supply. In the course of the grant operation there was a drop in acute malnutrition among children aged between 6 and 59 months but this was probably the result of food distribution to vulnerable groups and school feeding, commitments made by other donors before the food crisis grant was approved, and not through the policies associated with the grant operation.

There is an overlap between the objectives of reducing hunger and preventing an increase in poverty (each modestly achieved). The operation did not appear to have any effect on food prices, which could have helped to prevent an increase in poverty. There is mixed evidence that preparedness to tackle poverty in the medium term was enhanced by the grant—on the one hand, completion of the population census was an input toward better targeting of the poor but, on the other hand, government statements about reform of social safety nets suggest that the official strategy has evolved less than expected. Since the operation appears to have had no effect on food prices, it is difficult to conclude that the containment of social unrest—another project objective (negligibly achieved)—was driven by actions taken under the grant operation. Finally, the macroeconomic stability objective was modestly achieved: there was no sustained progress on the three indicators cited in Policy Matrix (inflation, fiscal deficit, debt sustainability).

Taking into account the ratings for relevance of the objectives (substantial) and relevance of design (modest), and the modest-to-negligible achievement of the objectives, the outcome of the operation is assessed as unsatisfactory. The risk to development outcome is rated significant because commodity prices rose again after the grant operation, there was a major drought, government social protection strategy is still lacking in detail and the Action Plan was too sketchy to have much prospect of bearing fruit. Bank Performance is rated moderately satisfactory. The Bank responded rapidly to Djibouti's needs, preparing the project in less than three weeks. The options for intervention were limited given that that Djibouti's small IDA allocation was already fully committed. The Bank was able to combine immediate measures (offsetting the tax exemption) that were easy to implement with measures intended to enhance social protection in the longer term. The forward-looking approach toward social protection paved the way for a follow-on operation, the Employment and Human Capital Social Safety Net Project. On the other hand, although acknowledging evidence of collusion among food importers, the Bank failed to consider that the food tax reduction conceivably would not be passed on to households. There were weaknesses in the results framework and the Bank did not ensure that monitoring indicators were tracked. Borrower Performance is rated moderately unsatisfactory. Although government and implementing agency (the Ministry of Finance) provided appropriate support for the operation, they share with the Bank responsibility for the shortfall in monitoring. The Action Plan prepared by government was little more than a list of anticipated commitments from a variety of donors, with no serious weighing of priorities for addressing constraints on the poor's access to food.

IEG draws three lessons from the evaluation:

- There is a trade-off between speed and targeting accuracy in the preparation of emergency response operations.

- Emergency response can be fruitfully combined with the development of a longer-term program.
- It is not self-evident that reducing taxes on food staples will lower their prices: if tax reduction is to be used as an instrument there should be sufficient evidence to demonstrate that the proceeds will be passed through to the consumer and that the poor will be targeted.

Emmanuel Jimenez
Director-General
Evaluation (Acting)

1. Background and Context

COUNTRY BACKGROUND

1.1 Djibouti is a tiny country of 830,000 people. Almost three-quarters of the population are urban, with 58 percent of the nation's residents living in the capital, Djibouti-Ville.¹ The structure of the economy has changed little since the country became independent from France in 1977. The country depends on rents deriving from its strategic location – port revenues and military revenues (Djibouti is a base for counter-terrorist and anti-piracy operations) – and foreign aid.

1.2 Djibouti has exceptionally good access to world markets through the international port of Djibouti on the Gulf of Aden, which has recently been extended and upgraded with investment from the United Arab Emirates. The port is the lynchpin of the economy, mainly thanks to carriage trade: it is the sole conduit for goods transiting to and from landlocked Ethiopia, a market of 80 million people. In 2009, through-trade with Ethiopia accounted for 78 percent of the goods passing through the Port of Djibouti.²

1.3 In recent years, Djibouti's economic growth has been strong, fueled by fiscal expansion and large foreign direct investments in the port, tourism, and construction sectors. Real GDP growth exceeded 5 percent in each of the years from 2007 to 2009, averaging 5.3 percent.³ Per capita income is relatively high (around US\$1,250 in nominal terms) but the distribution of income is highly skewed. In 1996, the bottom quintile of the income distribution captured 6.4 percent of national income, falling to 6.0 percent in 2002 (the most recent year for which data are available).⁴ On poverty levels, according to the most recent comprehensive survey (2002), 42 percent of the population lived in absolute poverty and 75 percent were poor relative to the nation's median level of consumption.⁵ Unemployment is the main cause of poverty: 45-60 percent of people of working age are without a job.⁶ The major investments in port infrastructure created only 1,000 jobs, of which around 200 went to foreign workers.⁷

1.4 The country has few of the natural resources needed for farming. It is short of rainfall, water, and arable land. Rainfall averages 150 mm of rain per year and there are no perennial surface water courses. Less than five percent of total rainfall reaches the

¹ Preliminary results of the Second General Census of Population and Housing, 2009.

² Banque Centrale de Djibouti 2010: 24.

³ Economist Intelligence Unit 2011b: 6. (Latest EIU estimates report real GDP growth rates of 3.5 percent in 2010 and 4.6 percent in 2011.)

⁴ United Nations Statistical Division (cited in <http://www.indexmundi.com/djibouti/income-inequality.html>).

⁵ Per capita income data are from IMF and refer to 2011. Poverty data are based on a national household survey conducted in 2002 (EDAM), cited in Government of Djibouti 2010: 16.

⁶ Ministère de Santé 2007 : 32.

⁷ World Bank 2008b: 2.

water table, with the remainder lost through evapotranspiration or discharge to the sea following flash floods. Under more favorable conditions in the Northwest, Southeast, and Central zones rainfall averages 200 mm per year; but the seasonal distribution is uneven. Only 6 percent of the total land area of 23,000 km² is cultivated. Crops, livestock and fisheries make up 4 percent of GDP but 20 percent of the population depends on those activities for its livelihood. Less than 10 percent of the calorie intake derives from food produced in Djibouti.⁸ This is a country that imports almost all of the food it consumes.⁹

1.5 More than 80 percent of the rural population consists of nomadic and semi-nomadic herders who manage about 1 million head of small ruminants (goats and sheep) as well as 50,000 camels and 40,000 head of cattle. Nomads are the most vulnerable group in Djibouti. They are the first victims of water scarcity, adverse weather, and hunger. They often lack access to basic health services and their children do not attend school. In addition to poor rains, pastoral areas in the Northwest and Southeast have been affected by above-average cereal prices and reduced remittances from abroad. In these areas, limited pasture and grazing land has affected animal body conditions and reproduction. Consequently, over the years, income from livestock has fallen.¹⁰ In rural areas, the food consumed by households comes from the following sources: purchases (75 percent); food aid (13 percent); own production—notably milk (4 percent); community gifts (4 percent); and transfers from family members living in towns (4 percent).¹¹ Fish is a locally available source of protein but does not play a central part in the diet. According to one estimate, the potential annual catch of fish and seafood is 50,000 tonnes but, owing to the lack of appropriate vessels and refrigeration, the industry remains an artisanal activity, with the catch limited to 1,000 tonnes per year.¹²

1.6 Malnutrition is a significant problem in Djibouti. In 2007, the country's overall acute malnutrition rate for children aged 6-59 months was measured at 16.8 percent, with a 17.4 percent rate in rural areas, well above the 15 percent emergency threshold established by the World Health Organization. The prevalence of acute malnutrition was highest in the Northwest Pastoral zone (25 percent of children 6-59 months, Table 1); but, at 17 percent, it was also relatively high among children in the capital city.

⁸ Government of Djibouti 2011: 39.

⁹ World Bank 2011b: 1.

¹⁰ World Bank 2006: 162.

¹¹ World Food Program 2010a:1.

¹² Economist Intelligence Unit 2008: 18; Banque Centrale de Djibouti 2010.

TABLE 1: ACUTE MALNUTRITION BY LIVELIHOOD ZONE AMONG CHILDREN 6-59 MONTHS, 2007

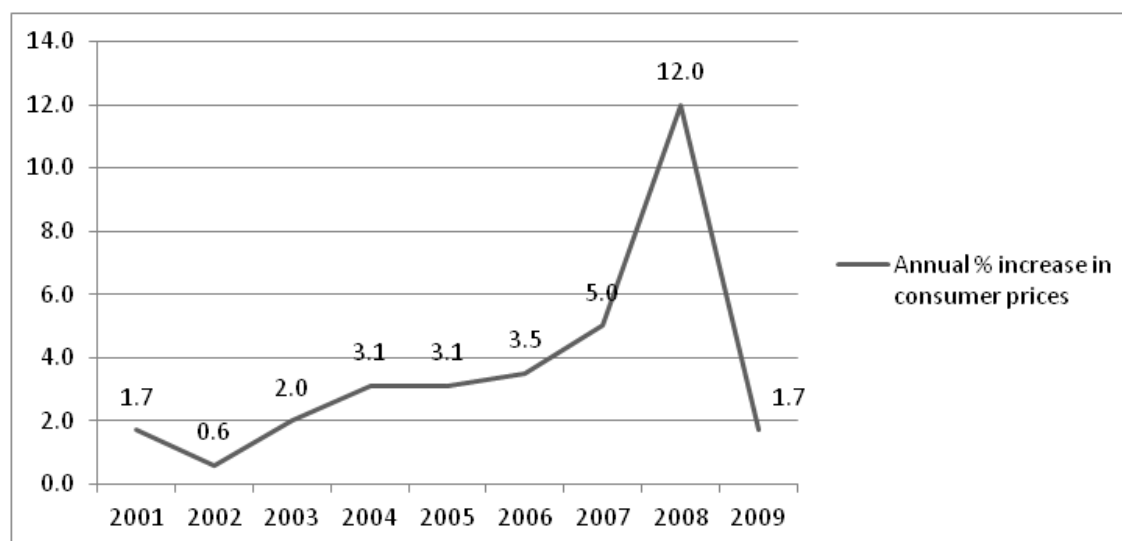
Livelihood Zone	No. of Households	Prevalence of Wasting ^a (%)		
		Overall	Moderate	Severe
Zone 1 NW Pastoral	488	24.8	21.3	3.5
Zone 2a Central Pastoral Lowlands	545	19.3	18.0	1.3
Zone 2b Central Pastoral Highlands	479	9.8	8.8	1.0
Zone 3a SE Pastoral Transport Corridor	560	17.1	14.6	2.5
Zone 3b SE Pastoral Frontier	500	15.8	13.6	2.2
Djibouti City	479	17.1	14.2	2.9
Other urban areas	583	11.8	10.8	1.0

a. Wasting is a measure of acute malnutrition, defined as weight for height more than two standard deviations below the median of the reference population. Moderate wasting is between 2 and 3 standard deviations below the median, while severe wasting is more than 3 standard deviations below the reference median.

Source: Enquête de nutrition, 2007 (Ministère de Santé 2007: 28).

1.7 Since 2005 the world-wide increases in commodity prices have potentially reduced the ability of the poor in Djibouti to buy the food needed to meet their nutritional requirements. Inflation jumped from 5 percent to 14 percent in the 12-month period to August 2008 as a result of the global spike in energy and food prices (Figure 1). The retail price of the low-quality rice that is a staple in Djibouti jumped by 121 percent between February 2006 and March 2008. Among the more food insecure were those persons displaced by conflict in neighboring countries. Djibouti sheltered 15,000 refugees, most from Somalia.¹³ Two assessments carried out by the World Food Program (WFP) in 2008 estimated that about 80,000 people in rural areas were food insecure owing to the combined effect of price shocks and droughts.¹⁴

Figure 1: Djibouti—Consumer Price Inflation



Source: World Bank, WDI database.

¹³ United Nations High Commission for Refugees (Djibouti: 2011 Country Operations Profile).

¹⁴ World Bank 2011b : 2.

1.8 In Djibouti, social assistance initiatives (safety nets)—comprising in-kind and in-cash transfers, micro-credit, and public works programs—have, by international standards, been substantial, absorbing 4.0-4.5 percent of GDP. (In Latin America and Eastern Europe expenditures have averaged 2.0 percent of GDP.) But social assistance in Djibouti has been poorly targeted, with poor and vulnerable groups receiving the equivalent of only 0.5 percent of GDP.¹⁵ Most government assistance programs, especially food and nutrition-related assistance, are targeted to the extreme poor in rural areas. The majority of poor people who live in urban areas do not receive any direct public assistance, either in the form of cash or other means, except for access to microcredit. Targeting mechanisms are weak, particularly for the urban poor.¹⁶ Until recently, government's social protection strategy was limited; until the Bank raised the issue there was no discussion, for example, of conditional cash transfers.

PROJECT CONTEXT

1.9 The Djibouti Food Crisis Response Development Policy Grant was one of a series of operations funded through the Global Food Crisis Response Program (GFRP). The GFRP was launched by the World Bank in mid-2008 to mitigate the harmful effects of soaring food prices and to help countries adapt to higher and more volatile prices. At the 2008 Spring Meetings of the World Bank and International Monetary Fund (IMF), Governors made clear that they considered alleviating the short run welfare impacts of spiking food prices, and helping to ensure that countries could be better prepared to cope with similar future crises, top priorities for World Bank Group assistance. The Governors also made clear that the World Bank needed to work with the UN system, other donors, the private sector and civil society organizations to find rapid and effective solutions to the crisis.¹⁷

1.10 The objectives of the GFRP were to:

- Reduce the negative impacts of high and volatile food prices on the lives of the poor in a timely manner;
- Support governments in the design of sustainable policies that mitigate the adverse impacts of high and more volatile food prices on poverty; and
- Support broad based growth in productivity and market participation in agriculture to ensure an adequate supply response as part of a sustained improvement in food supply.¹⁸

1.11 The Djibouti Food Crisis Response Policy Grant complemented both earlier and current operations by the Bank and the IMF. At the same time that the food crisis grant was being prepared, the IMF was developing a US\$6.5 million Poverty Reduction and Growth Facility (PRGF) whose purpose was to improve Djibouti's fiscal stance, increase

¹⁵ World Bank 2006: 175.

¹⁶ World Bank 2009b: 15.

¹⁷ World Bank 2008a: 1.

¹⁸ World Bank 2008a: 22.

the share of social and infrastructure projects in total spending and improve competitiveness. The Bank worked closely with the IMF team on the PRGF, helping to formulate performance criteria, particularly for energy, public administration reform and social protection, the sectors in which the Bank had invested. Of these investments, the most relevant to the food crisis was a Bank-supported FY2008 Urban Poverty Reduction Project which centered on employment creation through public works, potentially bolstering the food purchasing power of the urban poor. Also, relevant was a FY2008 grant from the Institutional Development Fund (IDF) which sought to establish a national monitoring and evaluation system. When the food crisis grant was prepared, the Bank team sought simultaneously to use the IDF grant to strengthen capacity for tracking the well-being of groups vulnerable to food and fuel price spikes. The team also planned to engage the government more actively in a dialogue about the reform of social assistance.

1.12 The Program Document refers to limited donor involvement in Djibouti, but goes on to list several agencies at work in the country (European Commission, African Development Bank, Arab Bank for Development Cooperation, World Food Program, United Nations Development Program and UNICEF). The largest provider of grant assistance was the European Union which committed to invest US\$31.3 million in the water and energy sectors between 2008 and 2012. With respect to the donor assistance most relevant to the food crisis, the World Food Program offered the largest support (US\$19.8 million in 2007-2012), shared between feeding vulnerable groups and school feeding. The first of these initiatives provides food relief to rural populations in the seasons and zones with the greatest famine risk. This entails provision of emergency food rations, aid to refugees, and food-for-work programs. The school feeding program provides two meals per day to each child in rural primary schools, as well as take-home food for girls in grades 3-5 who attend school for at least 80 percent of the academic year. In addition to this work by WFP, UNICEF runs vitamin A supplementation and deworming initiatives in rural schools. In towns, local nongovernment organizations—including the Union Nationale des Femmes Djiboutiennes (National Djiboutian Women’s Union)—have small programs that distribute food to the poor.¹⁹

2. Objectives, Design, and their Relevance

2.1 According to the main text of the Program Document, “The objective of the proposed Grant is to help the Government of Djibouti in reducing hunger, preventing an increase in poverty and social unrest, and ensuring the fiscal stability needed to foster medium-term social and economic development.”²⁰ The Policy Matrix (further elaborated in the government’s Letter of Development Policy)²¹ identifies the main

¹⁹ These data are based on mission interviews with donors and the Program Document.

²⁰ World Bank 2008b: 13. (The Grant Agreement does not refer to the objective of the operation, only to the actions that the grant would support.)

²¹ The main points of the Letter of Development Policy are excerpted in Annex A, Box A1 of this report.

policy areas, actions/outputs, and expected outcomes of the operation (Figure 2).²² Some of the policy areas affect achievement of more than one of the outcomes flagged in the statement of objectives. To illustrate, elimination of the tax on basic food items (an output) may make food more affordable for the poor (an intermediate outcome) which may in turn help to reduce hunger, prevent an increase in poverty, and prevent an increased in social unrest (outcomes in the statement of objectives).

Figure 2: The Results Framework

Objective: Reduce hunger, prevent an increase in poverty and social unrest, and ensure the fiscal stability needed to foster medium-term social and economic development

Policy Areas	Outputs (Actions)	Outcomes needed for objectives to be achieved	Quality of Evidence
(1) Reduce the negative impact of food price increase on the poor	Tax eliminated on 5 basic food items	(a) Poor able to buy more food	Strong
(2) Ensure food supply	Fisheries program scaled up	(a) Food import dependency reduced (b) Household income increased	Weak
(3) Improve access to water of the most vulnerable population	Wells repaired and upgraded	(a) Share of rural population with access to potable water increased (b) Livestock mortality reduced (c) Nomad incomes more secure	Weak
(4) Improve targeting and cost-effective social assistance	Poor households identified & mapped Targeting mechanisms developed Action Plan prepared	(a) Support channeled cost-effectively to the most vulnerable households	Strong
(5) Maintain macroeconomic stability	Government maintains its commitment to improve macroeconomic stability in line with medium-term framework	(a) Inflation contained (b) Fiscal deficit controlled (c) Debt more sustainable	Strong

Source: Adapted from the Policy Matrix in World Bank 2008b.

2.2 The project approach was fully consistent with the menu of options offered by the Global Food Crisis Response Program (GFRP), as outlined in Box 1 below. On the face of it, there was a choice to use grant resources for budget support or fund an emergency investment operation. In reality, the options were more constrained. The Program Document indicates that the Bank chose budget support because the IDA allocation to Djibouti was small and fully committed to health, education and urban development.²³ The only option was to go for emergency assistance through the GFRP. In any event, budget support was an attractive option because it was easy to administer and quick to disburse, offsetting, at one stroke, the loss in revenue to the government from the tax exoneration. The decision to make delivery of the second tranche contingent on the

²² The Policy Matrix in the Program Document groups the expected actions/outputs under headings labeled as sub-objectives, which essentially constitute the main policy areas that will be addressed to achieve the objectives in the main text, in the same way that components group the outputs and activities of an investment loan. Therefore, IEG organizes the discussion in this report around the statement of objectives in the main text of the Program Document, examining the evidence on the outputs and outcomes identified in the main policy areas flagged in the Policy Matrix as they bear on achievement of the objectives.

²³ World Bank 2008b: 13.

government's preparation of an Action Plan would address ways to target assistance to the poor and also identify productivity-enhancing investments that would strengthen domestic food supply.

Box 1. Options Available under the Global Food Crisis Response Program

In the GFRP Framework Document, the following was proposed as an “indicative but non-exhaustive” list of the interventions that were eligible for support under the program:

“(i) **Enhancing household food security** by strengthening targeted safety nets and maternal and child health and nutrition services and improving both availability of food and the ability of vulnerable groups to buy food. Interventions might include cash transfer programs, self-targeted public works or feeding programs, provision of subsidized food to poor households, and so forth. The Bank could also provide emergency financing for food imports. These interventions could be financed through development policy operations, rapid response investment lending, or a combination of the two.

(ii) **Lowering domestic food prices in the short term.** This includes financing the revenue losses to the budget associated with lowering or removing import tariffs, removal of government monopolies over the import or procurement of grains, and so forth.

(iii) **Stabilizing highly volatile food prices** and assisting governments to make better use of risk management instruments in dealing with food price unpredictability. The Bank would also provide financing and risk management tools and technical assistance with risk mitigation and commodity market hedging products.

(iv) **Enhancing the consistency between emergency price policy measures and longer term measures required for lasting solutions.** This includes funding for rapid assessments, improved communications strategies and removing policy distortions related to food pricing.

(v) **Enhancing long-term food security** by helping ensure that short-term supply responses are consistent with and can transition to sustainable medium and longer-term responses to the changing world food situation. Thus, by way of example, the GFRP might finance the immediate import and distribution of seeds and fertilizer. It would also prepare the groundwork for longer term funding of technology dissemination and extension programs, investment in irrigation rehabilitation and improved logistics (e.g., storage, handling, transport, other infrastructure).”

Source: World Bank 2008a: 18

2.3 IEG rates the relevance of the operation's *objectives* as **substantial**. The objective of preventing an increase in poverty was relevant when the grant was approved in May 2008 and, despite the easing of food price inflation in late 2008, the objectives of the operation remained relevant at closing in June 2009. Without significant food production of its own, without buffer stocks and with weak border controls, Djibouti is peculiarly vulnerable to volatility in world markets. Commodity price spikes have an immediate effect on the welfare of the poor calling for an emergency operation of the type that the Bank mounted. The inclusion of an objective seeking to prevent an increase in social

unrest reflected the spirit of the discussion with government and development partners during the preparation mission. There was a consensus that the commodity price spikes threatened to sabotage any prospect of restoring peace to the region.

2.4 The objectives of the grant operation were consistent with the strategy developed by the government and the Bank. Well before the grant was prepared, a National Food Security Council had been established in the President’s Office in October 2006. In December 2007, the National Food Security and Nutrition Strategy was released by the Ministry of Agriculture. On a parallel track, the National Social Development Initiative (INSD)²⁴ was launched in January 2007—comprising a “second generation” of the poverty reduction strategy that had been launched in 2004. Both strategies combined measures to increase food availability and measures to enhance access to food by the poor (by stimulating employment and increasing purchasing power).

2.5 The objectives of the grant operation are echoed in the latest statement of Bank strategy for Djibouti. The FY2009-2012 Country Assistance Strategy includes among the outcomes the Bank expects to influence, “strengthening social protection and direct support to the poor.” In addition to supporting social safety nets, this document also indicates that the Bank will invest in crop and livestock development and in improvements to wells and other hydraulic infrastructure.²⁵ However, there were also elements of overlap and overstretch in the objectives for the short time frame of the operation (for example, reducing hunger) and they appear to have been boilerplate rather than specific to Djibouti: the exact same statement was used for the Burundi food crisis grant (evaluated separately by IEG).

2.6 The *relevance of design* refers to the quality of the results framework: the project logic linking the project’s inputs and outputs to the outcomes that the project seeks to achieve. The logic was sound in the sense that it contained actions needed to address both the short-term and the long-term outcomes presupposed by the objectives. The design combined a short-term, crisis intervention (offsetting the loss of tax revenue) with an attempt to strengthen the capacity to withstand food crises in the longer term. This was in tune with the spirit of the GFRP, which argued that, in the long run, reducing global hunger would require substantial investments in agricultural productivity growth and support for safety nets and nutrition programs.²⁶ The designers of the grant operation sought, through the medium of the Action Plan, to launch investments appropriate to boosting farming and fishing, as well as stimulate a dialogue between the different arms of government, about how best to develop a more comprehensive safety net.

2.7 Repairing and upgrading wells was a sound means to reduce livestock mortality and improved the livelihood of pastoral nomads. Buying small fishing boats would have a direct impact on the incomes of artisanal fishermen. (The impact on food import

²⁴ International Monetary Fund 2009.

²⁵ World Bank 2009a: 31.

²⁶ World Bank 2010b: 4. This was also a key message in the 2008 World Development Report (World Bank 2007).

dependency was less clear, partly because most of the population is not accustomed to eating fish and, even if they changed their habits, the amount by which the catch could be increased would not allow for much substitution of other foods.) Poverty mapping and the development of targeting mechanisms would help channel assistance more cost-effectively to the poor.

2.8 But there were two flaws in the results framework. First, the project logic assumes that the elimination of tax on basic food items will necessarily increase the poor's ability to buy food. The Program Documents admits that, in terms of feeding the poor, there were limits to the effectiveness of the tax exoneration.²⁷ (Indeed, a recent study conducted by the World Food Program demonstrates this lack of effectiveness.²⁸) On the one hand, the five items selected for tax exoneration were representative of the typical food basket of non-expatriate residents of Djibouti. Three of the staples—sugar, rice and wheat flour—between them accounted for 62 percent of the cost of the food basket and 66 percent of its calorific content. On the other hand, there was a problem of leakage, the removal of taxes on these items benefiting the better off as well as the poorest households. Also, there were only a handful of importers, competition was limited and traders were able to agree among themselves about the prices they would set, and whether or not (and with what delay) they would pass on the proceeds of the tax cut to consumers by proportionately lowering retail prices. This problem of trader collusion was acknowledged in the Program Document.²⁹ There was second problem with the results framework: it is not clear from the Policy Matrix which actions support attainment of the objective of preventing an increase in social unrest.

2.9 Balancing these considerations, the *relevance of design* is rated **modest**.

3. Implementation

3.1 Annex B includes a timeline for the grant operation. An identification mission visited Djibouti in May 2008, two weeks after the government had decreed that the tax be lifted on the five food staples. From that point preparation of the grant was swift. The operation concept was reviewed on May 16 and on May 29 the Board approved the grant. Given that—in the Bank's judgment—the government, in concert with other donors, was already taking steps to address the water supply and agriculture production challenges that it had committed to in the letter of development policy (see Annex B, Box B1), the supervision missions concentrated on advancing the cause of improved social protection, with a focus on the urban poor. In September 2008, the Bank organized a social protection workshop, intended to stimulate debate about the diversity of options and to introduce government officials to approaches (including conditional cash transfers) that had been successfully pursued in other countries. Follow-up consisted of preparation by the Bank of a technical note on social protection options, delivered to government in June

²⁷ World Bank 2008b: 3.

²⁸ World Food Program 2011.

²⁹ World Bank 2008b: 3.

2009; and participation by six government officials in study tours to two countries implementing vanguard social protection schemes (under the auspices of the South/South Exchange trust fund).

3.2 The Grant Agreement records that the following action was taken before approval of the operation: “the Government has adopted a draft additional budget law for fiscal year 2008 providing, in particular, for the exemption from payment of the domestic consumption tax on five basic food items (rice, sugar, cooking oil, wheat flour and powder milk)”.³⁰ In each case the tax rate went down from 8 percent to zero, resulting in a combined fiscal loss equivalent to US\$4.0 million. The first tranche of the grant—released as soon as the operation was approved—exactly offset the drop in government revenue. Release of the second tranche (US\$1.0 million) was conditional on the government’s preparation of “an action plan, satisfactory to the World Bank, to channel direct support to the most vulnerable households”. As supplementary conditions for the second tranche release the government was expected to provide evidence: (a) that progress had been made in carrying out the agreed program; and (b) that the macroeconomic policy framework was appropriate. The terms of the “agreed program” were set out in a Letter of Development Policy that was annexed to the grant program document (Annex B, Box B1).

3.3 Delivery of the second tranche was authorized in January 2009, one month later than planned, following submission by the government of an Action Plan for addressing food security and social assistance, and confirmation by the IMF that Djibouti was implementing the agreed measures to contain inflation and reduce the fiscal deficit. The operation closed, as initially expected, on June 30, 2009.

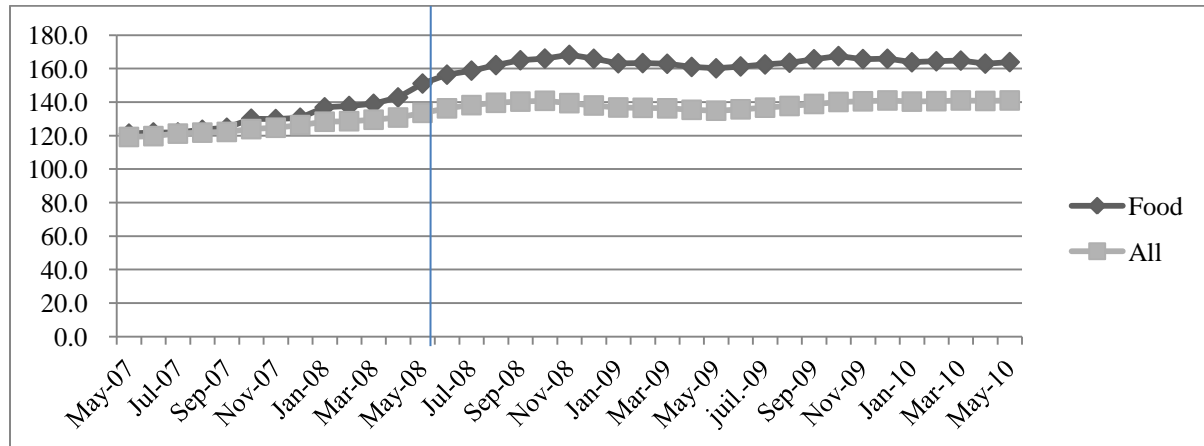
3.4 During implementation, but outside the framework of the grant operation, the government took steps to broaden the tax base. These measures included the introduction of a value-added tax in January 2009. However, the VAT was not applied to the food staples that were targeted for exoneration under the program supported by the grant operation.

4. Achievement of the Objectives

Reduce hunger

4.1 Of the various outputs cited in the Policy Matrix, the ones that would appear to bear most directly on the objective of reducing hunger are: removal of tax from imports of basic food items; scaling up of fisheries; and upgrading of wells. The first of these would help to reduce hunger by making food more affordable. The second and third would tackle hunger from the domestic supply side, aiming to promote production by fishermen and herders.

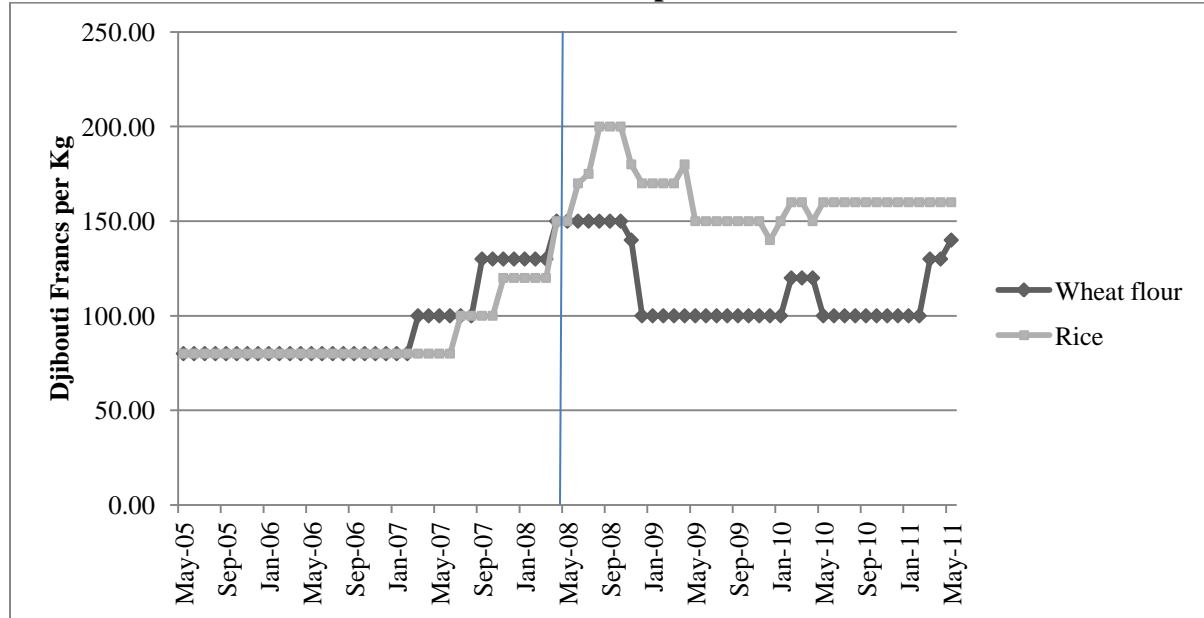
³⁰ More precisely, this referred to low-quality rice (*riz Belem*), crystallized sugar and palm oil for cooking.

Figure 3: Consumer Price Index, May 2007 to May 2010

Source: DISED. Note. Vertical line indicates date (May 2008) when tax was removed from five staples (rice, wheat flour, sugar, powdered milk and vegetable oil).

4.2 There is little evidence to suggest that the tax exoneration—implemented on April 29, 2008—led to a reduction in the price of food (in the sense that prices were lower than they would have been without the exoneration). Taking the food basket as a whole, prices were higher after the tax exoneration than before it, rising at a higher rate than the overall consumer price index (Figure 3). With respect to the five staples from which tax was removed, in the period covered by the grant operation (June 2008 to June 2009) the price of these staples declined relative to the 2008 peak—but the drop occurred several months after this. This is unexpected because storage capacity around Djibouti-Ville harbor is fairly limited and the small volumes of goods imported are released quickly to the market: there is no obvious reason for local prices to substantially lag world prices. Figure 4 presents the data for rice and wheat flour, which account respectively for 22 percent and 20 percent of the caloric content of the typical family food basket. Prices were, on average, higher when the operation closed (and have remained higher since), compared to the period before the price shock of 2007-2008—mirroring worldwide trends.

**Figure 4: Retail price of wheat flour and rice in Djibouti-Ville
36 months before and 36 months after tax exemption**



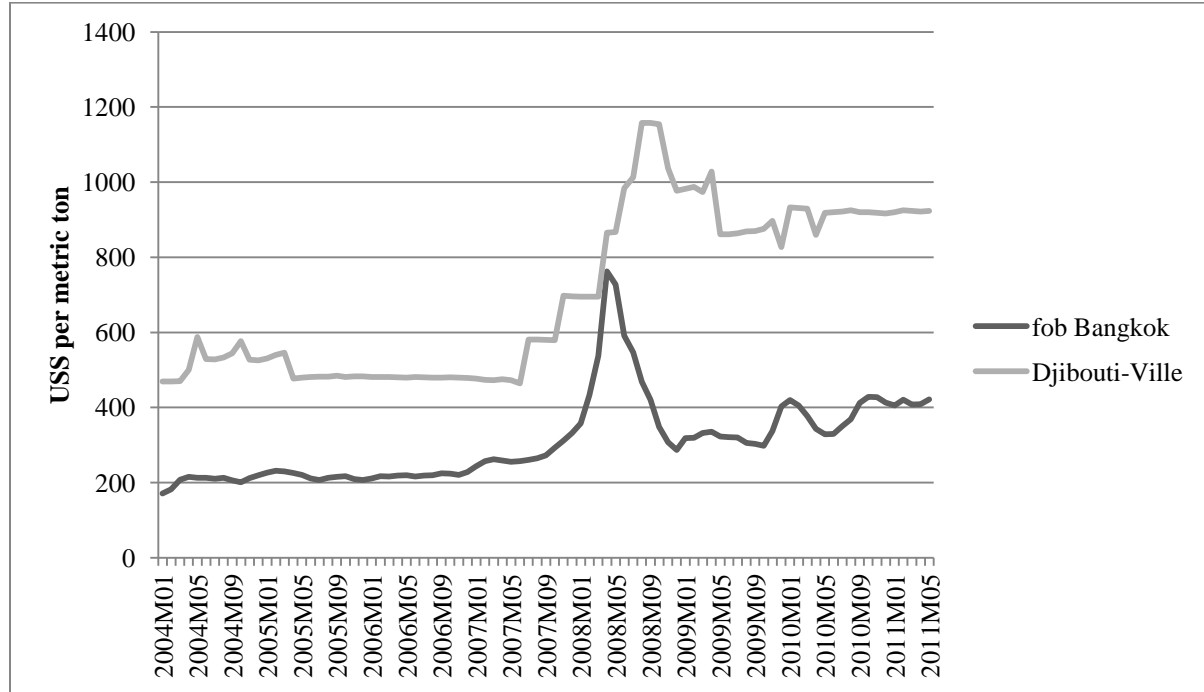
Source: The retail price in Djibouti City is from the FEWSNET data series (USAID) and refers to low-quality ("Belem") rice. The vertical line indicates the date when the 8 percent import tax on these staples was removed (April 29, 2008).

4.3 Given Djibouti's dependence on imports and the openness of the trade regime, it is reasonable to suppose that the easing of prices in late 2008 was driven more by the fall of world prices than removal of the tax (the rate of which was only 8 percent). Evidence from a recent survey of urban food markets suggests that, overall, food markets in Djibouti are closely aligned with world markets.³¹ Data for comparable products and for a long enough period are only available for rice (Figure 5). A regression of prices of Belem rice in Djibouti-Ville on world prices of an equivalent grade of rice and a dummy variable flagging the food found no statistically significant relationship between the presence or absence of tax and the retail price of rice in Djibouti.³² It is possible that removal of taxes increased traders' margins rather than being passed through to consumers (an observation supported by various accounts about collusion between the five or so large-scale enterprises that control imports). Given that rice is a key staple (second only to sugar), the scope for reducing hunger via the reduction in food tax may have been constrained by collusion, preventing a price reduction.

³¹ World Food Program 2011.

³² The logarithm of monthly local prices for Belem rice in Djibouti, for the period January 2004-May 2011 (88 observations) was regressed on the logarithm of contemporaneous monthly world prices for an equivalent product (Thai Rice A1, 100 percent broken, fob Bangkok) and a dummy variable equal to one when the food tax was applied and zero when it was not. The coefficient on the monthly world price of rice was 0.13 ($p=0.000$), and the coefficient on the dummy variable for the food tax was 0.024 ($p=0.3835$). The correlation between domestic and international rice prices was 0.71.

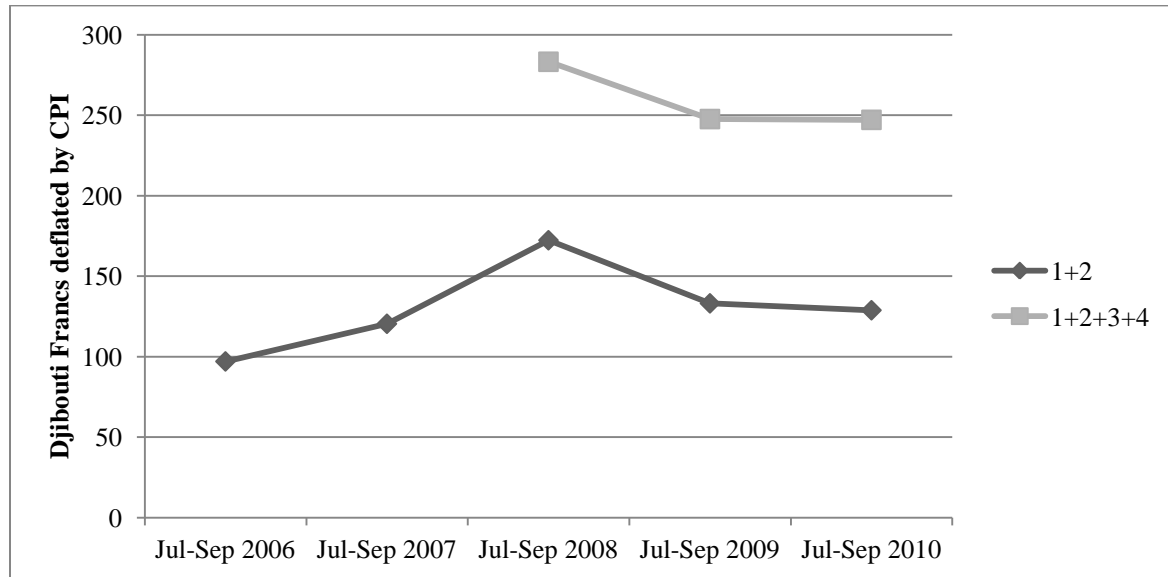
Figure 5: Rice—Wedge between the world price and Djibouti-Ville retail price



Source: The retail price in the capital of Djibouti (Djibouti-Ville) is from the FEWSNET data series (USAID) and refers to low-quality ("Belem") rice. The world price refers to a comparable rice variety (Thai, A1, 100% broken, fob Bangkok) cited in the World Bank Commodity Price Series. The data refer to the 88 months between January 2004 and May 2011.

4.4 What was the overall trend in the cost of the food basket? The data for the main staples in the food basket show that, taken together and allowing for the weight of each item in typical calorie intake, the cost of the basket declined in real terms between 2008 and 2009, but leveled off at a position well above that in 2006 (Figure 6). The biggest single contributor to calories in Djibouti—sugar, accounting for 24 percent of the typical intake—bucks the overall trend: costs for this item continued to rise after 2008 (Annex B, Table B3; Figure B3a).

**Figure 6: Djibouti-Ville—Cost of main items in the food basket
(Constant DJF retail prices)**



Source: DISED for price data; World Food Program for composition of food basket.
 Average daily cost for a family of 6 (native Djiboutians, excluding expatriates).
 1+2 = Rice + Wheat flour (38 percent of typical calorie intake).
 1+2+3+4 = Rice + Wheat flour + Sugar + Vegetable oil (78 percent of typical calorie intake).
 Note: No data were available for sugar and vegetable oil in 2006 and 2007.

4.5 In addition to the tax exoneration, the grant operation contemplated other measures that were intended to contribute to the objective of reducing hunger. The measures bearing most directly on this objective were scaling up fisheries and upgrading wells, both intended to strengthen domestic food supply. These measures formed part of an Action Plan that the government was required to prepare—as a condition for release of the second tranche of the grant. Government submitted this plan to the Bank in December 2008. Most of the initiatives in the Action Plan had previously been presented in the government’s National Food Security Strategy (2007) and in the Djiboutian Social Development Initiative (INDS, 2008).

4.6 According to the Action Plan, US\$1.0 million would be sought (from a donor yet to be specified) to buy fishing boats for the poor (see Annex B, Table B4 of this report for details). The aim was to increase fish output and create employment by expanding artisanal fishing, benefiting 1,080 households directly; and benefiting a larger number of poor households indirectly by making available an alternative source of cheap food. In addition, US\$12.0 million would be solicited from the African Development Bank, IFAD and the Saudi Fund to finance water supply for expanding crop and livestock production. It was estimated that the rehabilitation of 10 rural water pumps would benefit around 10,000 people, including nomadic pastoralists who have lost part of their herd to drought.³³

³³ World Bank 2008b: 12.

4.7 IEG requested but was unable to obtain progress reports on action plan implementation. It also asked unsuccessfully for a copy of the 2011 budget, with a view to assessing whether the expected financing showed up in the public investment plan. IEG was unable to determine whether the intended investments in the fishery sector and in water supply were actually made, or whether output from crop farming, livestock raising and fishing picked up following the grant operation.

4.8 As Annex B, Table B4 of this report shows, commitments for agriculture rose from US\$11.5 million at the end of 2007 to US\$12.6 million at the end of 2009. There is no indication how much of this went to fisheries or agricultural water supply. Less than half of the measures listed in the Action Plan are to be found in the Public Investment Program (PIP) published by government; and all of those listed at the end of 2009 had already been posted by the end of 2007 (Annex B, Table B4). This suggests either that preparation of the Action Plan did not lead to the mobilization of fresh resources or that the PIP presented by government does not list all the spending made. Both explanations are likely true. There are obvious omissions: the World Food Program has a major involvement in Djibouti but it is not listed in the PIP; the government is known to have bought farms in Ethiopia and Sudan but the purchase has been described by the IMF as “off-budget”.³⁴ These extra-territorial farms³⁵ are a personal project of the president and there has been no formal cost-benefit analysis of the viability of purchasing and operating them. During the mission, IEG encountered many skeptics who argued that, given low crop yields and high overland transport costs, food from this source would cost much more than supplies purchased on world markets and delivered by ship.³⁶

4.9 The evidence reviewed so far in this section does not support the conclusion that steps taken under the grant operation helped to reduce hunger. To put matters in historical perspective, based on data from various sources, the International Food Policy Research Institute has estimated that there is a slight downward trend in the prevalence of hunger in Djibouti. The country’s score on Global Hunger Index was 30.8 for 1990, 25.8 for 1996, 25.3 for 2001 and 22.5 for 2011 (with data for this last reference year taken from sources spanning 2004-2009).³⁷ More specifically, there is some evidence that chronic hunger eased over the period of the operation. Two comparable nutrition surveys were conducted by UNICEF in 2007 and 2010, conveniently bracketing the food crisis grant operation. The survey results show that between 2007 and 2010 *acute* malnutrition (wasting, or low weight for height) declined, but *chronic* malnutrition (stunting, or low height for age) increased. This pattern was the same in both urban and rural areas (Figure 7).

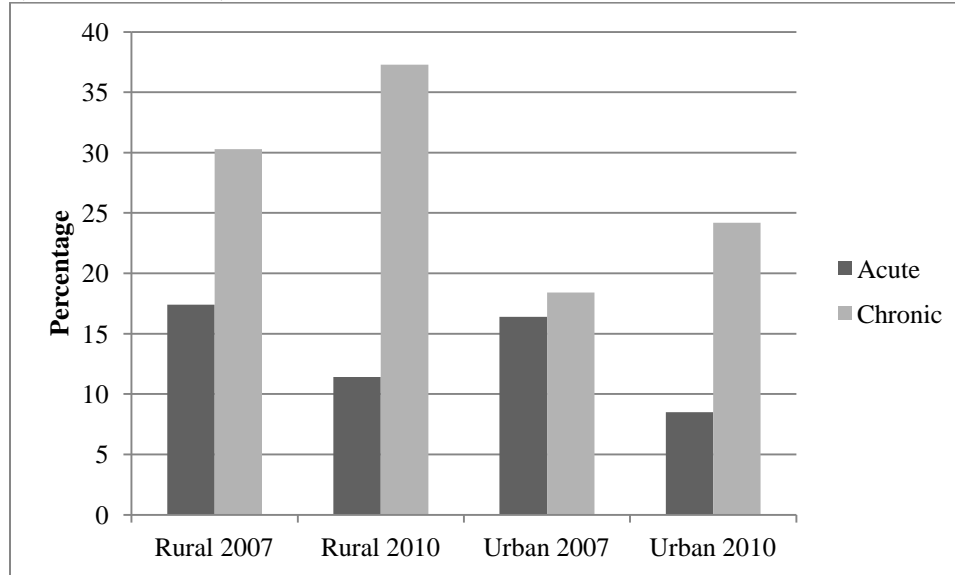
³⁴ International Monetary Fund 2011a: 4.

³⁵ The farms are located in Ethiopia (5,000 ha in wheat), Sudan (5,000 ha in sorghum) and Malawi (50,000 ha in various crops—under negotiation). See Government of Djibouti 2010: 70.

³⁶ World Food Program 2010b.

³⁷ International Food Policy Research Institute 2011: 17. (Table B1 in Annex B of this report explains the method used to estimate the Index.)

Figure 7: Djibouti—Prevalence of Acute and Chronic Malnutrition (2007 and 2010)



Source: Ministère de Santé 2011: 49. Note. The background data and survey details are shown in the Annex (Table A3 and Figures A1 and A2). Acute malnutrition refers to low weight for height (wasting), while chronic malnutrition refers to low height for age (stunting).

4.10 The Action Plan prepared under the auspices of the grant operation does list investments in food distribution to vulnerable groups and school feeding (by the World Food Program) and it is probably these crisis interventions rather than other measures that brought down the level of acute malnutrition. IEG interviewed representatives of agencies responsible for these interventions (UNICEF as well as the World Food Program) and confirmed that the relevant programs had proceeded. In particular, the number of children benefiting from WFP school feeding in rural areas has increased steadily: 12,000 children were covered in 2008 and by 2012 the program is on track to reach 18,000 children. Given the lack of apparent effect of dropping the food tax on food prices, it would be difficult to make the case that the actions supported by the operation were responsible for reducing hunger in Djibouti.

4.11 All in all, the gaps in the results chain lead IEG to the conclusion that attainment of the hunger reduction objective attributable to the grant was **modest**.

Prevent an increase in poverty

4.12 The evidence presented in the previous section also bears on attainment of the objective of preventing an increase in poverty and by extension the modest rating applies to achievement of this objective. However, the grant operation also involved preparation of an Action Plan by government, a key aspect of which was to lay the foundation for medium-term measures to tackle poverty. Did preparation of the Action Plan result in a strengthening of the approach to reducing poverty that, even if not realized in the course of the grant operation, might pay off in the medium term?

4.13 First, the Action Plan included measures to improve targeting of the poor. A step in this direction involved completion of the 2009 population and housing census—which was halted in mid-2008 owing to lack of financing. Before the 2009 census was finalized, population statistics were extrapolations from a 1991 demographic survey; there had been no census conducted since 1983. Government officials told IEG that without the support from the food crisis grant it is unlikely that the 2009 census would have been completed; and without that data it would not have been possible to refine the system of geographic targeting—a process that was underway at the time of IEG’s mission. The census results are being used to define living standard zones of 100 households each. The grant has thus made an important, long-term contribution to poverty tracking.

4.14 Second, the Action Plan sought to identify more cost-effective measures of social assistance. A key output to achieving this was the launch of a dialogue about social protection. The Bank organized a workshop around that theme in September 2008, it promoted study tours for officials (with visits to Benin and Ethiopia), and in June 2009 it shared with government a Policy Note on social protection, an output of the operation.

4.15 Did the government’s preparation of the Action Plan lead to an evolution of thinking about social protection and its bearing on the food crisis? The scale of the adjustment needed was quite substantial, as the Bank noted: “Although there is a clear understanding that responses to the food crisis require a multidimensional approach, the food security strategy is dominated by programs to ensure food supply through agricultural production, domestic and abroad. Some programs in the food security strategy show conflicting objectives with those of the Djiboutian Initiative for Social Development (INDS). Moreover, neither the food security strategy nor the INDS propose actions which could effectively help to reduce the vulnerabilities of the poor population in short-term. Embedding the food security strategy into the INDS and formulating a coherent strategy for social assistance are therefore paramount for an effective response to the challenges posed by the food crisis.”³⁸

4.16 One way to assess whether Action Plan preparation promoted an evolution of government thinking on social protection is to compare the content of three drafts of the INDS strategy, prepared between 2007 and 2011.³⁹ The first of these drafts (prepared in 2007, released in 2008) makes no reference to food security, and provides little detail on social protection (but notes that safety net initiatives launched under the first poverty reduction strategy were “not implemented satisfactorily”).⁴⁰ The second draft has a long discussion of food security but the relevant government interventions are focused on the production side with limited linkage to social protection and safety nets. The government measures taken are listed as follows: (i) gifts of farm machinery to market garden cooperatives; (ii) removal of taxes on farm machinery and agricultural inputs; (iii) elimination of taxes on basic commodities; (iv) improved management of surface water; (v) famine emergency warning systems; (vi) price subsidies for essential products; and

³⁸ World Bank 2008b.

³⁹ IMF 2009; Government of Djibouti 2010; Government of Djibouti 2011.

⁴⁰ IMF 2009: 40.

(vii) distribution of food to the vulnerable. In addition, the strategy outlines a new initiative to build up strategic stocks, based on the output of staple foods from farms that the Djibouti government had just acquired in Sudan (16,000 ha) and Ethiopia (5,000 ha).⁴¹ The third draft (which was prepared in February 2011 and provides a preliminary overview of strategy for the next phase of INDS: 2011-2015) has a section on “food security and rural development” but the actions proposed are all production related: development of water supply; oasis agriculture; livestock; small-scale fishing; and (once again) “offshore farming” linked to the buildup of security stocks.⁴² While the latest version of INDS refers to education, health and poverty reduction it has no section on social protection and there is no reference to cash transfers as a possible approach (even though this was the key topic in the September 2008 workshop).⁴³

4.17 There is further evidence of the absence of fundamental change in the Djiboutian mindset on responses to the food crisis. A high-profile seminar chaired by the President of the Republic in May 2009 involved presentations by each ministry of actions that would be taken in 2009-2011 followed by questions from members of the public.⁴⁴ This detailed set of presentations reveals substantial overlap on the *production side* with the Action Plan that the government presented to the Bank in December 2008 (although surprisingly perhaps there was no reference to the government’s purchase of farms in other countries). With the exception of calls to control marketing margins on food staples, there was next to nothing presented about food security from the *demand side*—ways to prop up the purchasing power and increase food access by the poor and vulnerable.

4.18 To conclude, attainment of the objective of preventing an increase in poverty is rated **modest** because the elimination of the food tax seems to have had virtually no impact on food prices faced by the poor and because there is no evidence that the government’s preparation of the Action Plan led to an evolution in thinking on ways to address poverty that might bear fruit in the medium-term.

Prevent an increase in social unrest

4.19 In this case, the aim was to prevent unrest and riots from higher food prices. During the period before and after approval of the grant there is no evidence (for example, newspaper reports) of civil disturbance in Djibouti. (There were some protests in early 2011 but these seem to have been a gesture of solidarity with pro-democracy movements in other countries—the “Arab Spring” uprisings.) Informal comments picked up during the IEG mission stressed the lack of a culture of protest and a general quiescence in poor neighborhoods. The lack of a dense net of civil society organizations possibly reduces the scope for popular mobilization.

⁴¹ Government of Djibouti 2010: 45.

⁴² Government of Djibouti 2011: 39-40.

⁴³ Participants at this workshop expressed doubts about the appropriateness of such a measure in Djibouti, expressing, among other concerns, that it might encourage “welfare dependency.”

⁴⁴ Office du Président de la République 2009.

4.20 The absence of social unrest cannot be attributed to the removal of the food tax associated with the operation. As already demonstrated, removing the tax appears not to have led to lower food prices. Food prices continued to be high, and there was still no unrest. Other than tax removal, none of the other actions sponsored by the operation had a direct bearing on social unrest. Therefore, attainment of the objective of preventing more social unrest is rated **negligible**.

Ensure the fiscal stability needed to foster medium-term economic and social development

4.21 The policy area supporting this objective stressed macroeconomic (rather than merely fiscal) stability. The outcomes that government actions were expected to affect were: containment of inflation; control of the fiscal deficit; and preservation (or improvement) of debt sustainability.⁴⁵ This section examines the extent to which these three outcomes were achieved.

4.22 First, inflation dropped sharply between the start and the end of the grant operation, falling from 12.0 percent in 2008 to 1.7 percent in 2009 (see Figure 1 above), but it was not maintained over the medium term. The initial steep drop reflected the worldwide trend in commodity prices, particularly for food and fuel. The subsequent rebound in world prices pushed the inflation rate in Djibouti to 4 percent in 2010 with expectations that it will reach 8.5 percent in 2011.⁴⁶ These trends illustrate the close integration of Djibouti with the world market, reflecting the openness of the trade regime.

4.23 Second, over the course of the grant operation, the fiscal position improved initially, exceeding expectations (Table 2). By the end of 2008 there was a fiscal surplus (1.3 percent of GDP), largely explained by a tripling in the inflow of foreign grants. However, the fiscal position deteriorated sharply in 2009: the balance was -4.9 percent of GDP compared to the -2.4 percent projected when the grant was prepared. This deterioration was the result of a jump in spending and a drop in the value of grants. Some of the spending increase derived from the extra-budgetary outlays on inputs and equipment for state-owned farms in Ethiopia and Sudan.⁴⁷

4.24 Third, since the start of the grant operation there has been no improvement in debt sustainability. In 2007, the IMF drew attention to the “high risk of debt distress” bearing on both external and domestic government debt.⁴⁸ External debt, comprising public and public guaranteed debt was estimated at 55-60 percent of GDP. Domestic government debt, including domestic arrears, was estimated at 20-25 percent of GDP. Contrary to IMF projections when the grant operation was launched, debt sustainability did not improve. According to a recent projection, “the net present value of public debt as a share

⁴⁵ World Bank 2008b: 27.

⁴⁶ International Monetary Fund 2011b: 1.

⁴⁷ International Monetary Fund 2011a: 4.

⁴⁸ IMF Assessment Letter to World Bank on Djibouti Macroeconomic Performance, cited in World Bank 2008b: 29.

of GDP (estimated at roughly 50 percent) will remain above the 30 percent threshold that the IMF deems sustainable, given Djibouti's economic fundamentals.⁴⁹

4.25 Attainment of the fiscal stability objective is rated **modest**, because none of the data cited in this section show sustained progress over the medium term.

Table 2: Djibouti—Actual and Expected Fiscal Position, 2007-2009
(Millions of current Djibouti Francs unless otherwise stated)

	2007	2008		2009	
	Actual	Expected	Actual	Expected	Actual
GDP (current prices)	150,693		174,617		186,406
Revenue and Grants (% of GDP)	53,002 (35.2%)	(34.2%*)	73,091 41.9%	(34.2%*)	68,916 (37.0%)
(1) Budgetary receipts	45,533		50,253		56,968
(2) Official grants	7,469		22,838		11,948
Expenditures (% of GDP)	56,885 (37.7%)	(36.8%*)	70,902 (40.6%)	(36.6%*)	77,983 (41.8%)
(1) Current expenditure % of GDP	40,026 (26.6%)	(27.2%*)	46,738 (26.8%)	(26.2%*)	45,862 (24.6%)
(2) Capital expenditure % of GDP	16,859 (11.2%)	(9.6%*)	24,164 (13.8%)	(10.3%*)	32,121 (17.2%)
Balance (commitment basis, grants included)	-3,883		2,189		-9,067
(% of GDP)	(-2.6%)	(-2.6%*)	(1.3%)	(-2.4%*)	(-4.9%)
Arrears	-999		-5,591		-2,154
Balance inc. Arrears	-4,882		-3,402		-11,221
Financing					
Internal	-309		-1,103		-131
External	5,011		4,463		11,090
Residual Deficit	-180		-42		-262

Source: Banque Centrale de Djibouti 2010 : 26 ; World Bank 2008b : 6).

*Estimate in Program Document for Food Crisis Grant.

5. Ratings

Outcome

5.1 The outcome of the grant operation is rated **unsatisfactory**. The objectives were substantially relevant, finding an echo in the government and Bank strategies that were current at closing. The design of the program was modestly relevant to the objectives. In particular, the project logic assumed that the elimination of tax on basic food items would necessarily increase the poor's ability to buy food, which was not the case. Three of objectives were modestly achieved; achievement of the social unrest objective was negligible. There is no compelling evidence that the tax exemption or other measures taken under the project contained food prices and contributed to the objective of reducing

⁴⁹ Economist Intelligence Unit 2011a: 10.

hunger. The fall in acute malnutrition was more likely driven by emergency feeding programs sponsored by other donors, commitments that preceded the operation and the results of other efforts outside the actions of the program. The Action Plan that government prepared under grant auspices was an opportunity to prepare better approaches to social protection; but this evaluation was not able to find decisive evidence of a change in the government strategy on these matters. The project results chain does not support the inference that the absence of social unrest was the result of actions taken under the project. Finally, although the fiscal situation improved somewhat during the first half of the grant operation they deteriorated in 2009, so therefore did not achieve stability in the medium term.

Risk to Development Outcome

5.2 Risk to development outcome is rated **significant**. After weathering the price shock of 2007-2008, Djibouti has been hit by the effects of three successive years of drought. Conditions are particularly dire in areas dependent on livestock incomes—herd losses of 70 to 100 percent have been reported. Currently the Northwest, Central Highlands, and Southeast Corridor have severe difficulties in obtaining food at an accessible price, while the Central Lowlands and Southeast Border have moderate difficulties in this respect. Household food deficits are developing in the poorer quarters of Djibouti City and other urban areas.⁵⁰ Overall, 14 percent of urban households faced food deficits; the proportion in rural areas was 38 percent. In the drought appeal that was launched by the government in 2010, 120,000 people (farmers, nomads, pastoral communities and refugees) were identified as at risk.⁵¹ Food deficits will likely increase in Djibouti in the coming years, owing to the growing volatility of world prices and more frequent periods of severe drought. “This situation constitutes a major threat to human development, particularly among children who face one of the highest rates of malnutrition in the world.”⁵²

5.3 The government’s decision to continue the tax exemption for the food imports targeted by the grant operation may ease pressure on household budgets, although the evidence presented in this report suggests that tax cuts did not significantly influence retail prices and were probably not passed on to consumers.

5.4 The outlook for improved social protection is mixed. On the one hand, the Bank-supported Employment and Human Capital Social Safety Net Project, approved in June 2010, extended the dialogue with government that had taken place under the food crisis response grant. Although the food security action plan developed under grant auspices was, as noted above, sketchy, the dialogue that it triggered was an important step, one that the follow-on project could build on. It is now helping to strengthen the social assistance options (for example, through workfare or cash transfer programs) that were suggested but not fleshed out in the action plan that the food crisis grant supported. The

⁵⁰ International Monetary Fund 2011:7.

⁵¹ United Nations 2010.

⁵² Government of Djibouti 2011 : 39.

aim is to develop a core safety net program which extends to urban areas (where most of the poor live), thus creating a means to mitigate future food price hikes like that addressed by the food crisis response grant.

5.5 On the other hand, as this report has argued, the preliminary draft of the next phase of the Djiboutian Social Development Initiative (INDS, 2011-2015) shows that much more work is needed to develop the more comprehensive social protection strategy that the Bank has been advocating; and the government's continuing support for off-shore farming (despite persuasive counter-arguments from the World Food Program⁵³) is neither fiscally prudent nor transparent (since the expenses are off-budget). Finally, the Action Plan prepared by government was too schematic to offer much prospect that it would subsequently generate significant results.

Bank Performance

5.6 *Quality at entry* is rated **moderately satisfactory**. The project's objectives were substantially relevant given the clear risks that the commodity price spikes represented to the poor in import-dependent Djibouti. They also meshed well with simultaneous efforts by the Bank to strengthen the national monitoring and evaluation system and to broaden the dialogue on social safety nets. The Bank had limited room for maneuver in Djibouti: the IDA allocation was small and already fully committed to health, education and urban development. The only option was to go for emergency assistance through the Global Food Crisis Response Program. Budget support was the right vehicle in the circumstances because it was easy to administer and quick to disburse, offsetting, at one stroke, the loss in revenue to the government from the tax exoneration; it also provided government with the necessary flexibility to efficiently allocate their available resources. The funds could have been passed through to other donors with existing emergency programs.⁵⁴ The Bank investigated this option and found that the potential for rapid and effective scale-up of the existing programs was limited.

5.7 The project was a timely response to the crisis in Djibouti and was prepared in less than three weeks. Preparation made the best use of available guidance from the Bank network about design options available under the Global Food Crisis Response Program. The identification and preparation mission was well staffed. The analysis underpinning the operation was facilitated by Bank inputs that were available shortly before the grant was prepared: an evaluation of results from the first Poverty Reduction Strategy (2004-2006); a poverty map prepared in 2007; and a Country Economic Memorandum and a Public Expenditure Review completed in late 2006. The Bank took care to verify that government actions outside the proposed grant operation were supportive of the overall project aim of alleviating the effects of food price rises: specifically, government had already backed the distribution of food vouchers in poor neighborhoods of Djibouti Ville; and the launch of a new food-for-work program (supported by the World Food Program).

⁵³ World Food Program 2010b.

⁵⁴ Under the GFRP, funds could only go from the Bank to government; but government could then transfer an equivalent amount to other donors—the approach taken in Burundi, for example.

Combining the measure to boost fiscal space with attempts to start a dialogue with government around social protection was astute and forward looking, making it more likely that this small, emergency operation would leave some trace in the long run.

5.8 Nevertheless, there were some significant weaknesses in design relevance—in particular, the false assumption that removing taxes would make food more accessible to the poor. Given the crisis response nature of this operation, the Program Document invokes Operational Policy 8.60, stating that the team had insufficient time to adequately address all design considerations.⁵⁵ However, in its description of the country context, the same document goes into some detail on the uncompetitive structure of the market in Djibouti, giving ample cause for concern that the operation’s primary instrument (tax exoneration) would not have the desired effect on food prices.⁵⁶ The Bank apparently had the necessary information to make an informed judgment about the viability of the proposed approach. Yet the market constraint is not mentioned in the discussion of risks connected to the operation.⁵⁷ Also, the design of monitoring and evaluation was flawed (see below).

5.9 *Supervision quality* is rated **moderately satisfactory**. The missions were used not just to supervise the food crisis grant but also to support complementary institutional development funds aimed at strengthening monitoring and evaluation for social protection, and social security reform.⁵⁸ This helped lay the foundation for the follow-on Employment and Human Capital Social Safety Net Project, which extended the dialogue with government on social protection. The September 2008 workshop included a comprehensive presentation by the Bank of international experience on social protection. It was apparently well attended and the presentations reportedly provoked a lively discussion. There was solid follow-up involving study tours for senior officials to Benin and Ethiopia (to study social safety programs in practice); and preparation by Bank staff of a Policy Note, which benefited from detailed peer review and was technically sound. However, there was no reporting on the monitoring indicators identified in the Policy Matrix and in Table 3 of the Program Document.

5.10 *Overall*, Bank performance is rated **moderately satisfactory**.

⁵⁵ World Bank 2008b: 14.

⁵⁶ “...the domestic market organization is unfavorable. There are only 20-30 traders serving the local market, controlling all of the supplies to the country. Since a single cargo ship of rice covers several months of Djibouti’s consumption, there are only few market operations which are highly specialized (there are no more than 2-3 operators per product). The oligopolistic market structure incites collusive behavior and traders are believed to be in tacit agreements. There are also local monopolies in the retail market. This causes higher price levels than in neighboring markets” (World Bank 2008b: 3).

⁵⁷ World Bank 2008b: p. v and p. 18.

⁵⁸ These initiatives were financed respectively by Trust Funds 92311 and 90574.

Borrower Performance

5.11 The performance of the *government* is rated **moderately unsatisfactory** owing to shortcomings in monitoring and the Action Plan. Preparation of the grant operation proceeded smoothly. Although it was not a condition for grant financing the government took various actions that were consistent with the spirit of the operation: it extended the tax exemption program to pasta (an important component of the staple food basket) and did not tax staples when the value-added tax was introduced in January 2009. In the November 2008 supervision mission the Bank reported that the government had not yet completed all parts of the Action Plan, finalization of which was a condition for release of the second tranche. The plan that was eventually submitted in December 2008 was rather schematic—little more than a summary of existing donor operations, rather than an attempt to develop new approaches and mobilize new funding. Also, there was no monitoring framework and two years later, at the time of the IEG mission, no progress reports had been filed. A household expenditure survey (EDAM-3) was scheduled for 2008 but not launched until 2011—a significant omission because no such survey had been conducted since 2002 (EDAM-2), complicating the attempt to monitor poverty trends. (As far back as January 2007, when the National Initiative for Social Development (INDS) was first launched, government had acknowledged that “the lack of recent reliable and comprehensive population and poverty data” would slow the development of the INDS program.⁵⁹)

5.12 The performance of the *implementing agency* (the Ministry of Finance) is rated **moderately satisfactory**. The Bank’s primary interlocutor for the operation was consistently supportive and did the best that could be expected with the limited technical staff on hand. Financial management was sound and the main deliverable (the Action Plan) was submitted with only a slight delay, enabling timely release of the second tranche (thereby ensuring that the 2009 population census was completed). The project audit for 2008 expenses was due on June 30, 2009. In the event, a single audit report was delivered covering 2009 as well as 2008. This was dated September 27, 2010 (four months after the completion report was released). The auditors reported that no expenditures were made on items excluded by the grant agreement. However, the implementing agency shared responsibility for the failure to track monitoring indicators.

5.13 *Overall*, Borrower performance is rated **moderately unsatisfactory**.

Monitoring and Evaluation

5.14 Overall, M&E quality is rated **negligible**. This assessment acknowledges the special circumstances governing emergency operations. Circumstances in Djibouti were particularly challenging, given the thinness of the technical staff engaged on M&E and the absence of up-to-date poverty data that could serve as a baseline—the delay in launching the household expenditure survey has already been noted. The *design* of M&E included the specification of a plausible set of indicators, baselines and targets in the program document, although the objectives were framed over ambitiously so there was

⁵⁹ International Monetary Fund 2009: 30.

some misalignment with indicators.⁶⁰ However, at the *implementation* phase the specified indicators were not systematically tracked. In terms of *utilization*, the short span of the operation and the lack of key data on consumption patterns made it impossible for the M&E to influence decisions bearing on progress toward objectives.

6. Lessons

6.1 ***There is a trade-off between speed and targeting accuracy in the preparation of emergency response operations.*** Although the staples on which taxes were lifted in Djibouti were key components of the food basket of low-income households, there was necessarily a significant leakage to better-off groups. On the other hand, budget support allowed for rapid response and was appropriate to the circumstances of Djibouti. More investment lending was not an option given that Bank commitments had already hit the IDA allocation limit.

6.2 ***Emergency response can be fruitfully combined with the development of a longer-term program.*** The raison d'être of the Bank is to support long-run social and economic development and in responding to emergencies it should keep this mandate in view. The Djibouti operation showcased this approach. Given the small size of the grant the fiscal space created by offsetting tax exoneration was ultimately of less importance than the opportunity to stimulate a dialogue on new approaches to safety nets. This opening was consolidated by the simultaneous deployment of institutional development funds aimed at strengthening the capacity to target social protection to the poor.

6.3 ***It is not self-evident that reducing taxes on food staples will lower their prices: if tax reduction is to be used as an instrument there should be sufficient evidence to demonstrate that the proceeds will be passed through to the consumer and that the poor will be targeted.*** The food market in Djibouti is dominated by a small group of importers, facilitating collusion in the setting of prices. In the event of a tax reduction, pass through to consumers may therefore be less than expected. It would have helped if the Bank had sought more information about market structure and the consumer demand profile before choosing tax reduction as the preferred instrument to support.

⁶⁰ World Bank 2008b: 14.

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Annex A. Basic Data Sheet

FOOD CRISIS RESPONSE DEVELOPMENT POLICY GRANT (P112017; TF 92328)

Key Project Data (amounts in US\$ million)

	<i>Appraisal estimate</i>	<i>Actual or current estimate</i>	<i>Actual as % of appraisal estimate</i>
Total project costs	5.0	5.0	100
Loan amount	5.0	5.0	100
Co financing	n/a	n/a	n/a
Cancellation	n/a	n/a	n/a

Cumulative Estimated and Actual Disbursements

	<i>FY09</i>
Appraisal estimate (US\$M)	5.0
Actual (US\$M)	5.0
Actual as % of appraisal	100

Date of final disbursement (2nd tranche release): January 23, 2009

Project Dates

	<i>Original</i>	<i>Actual</i>
Concept Review	05/16/2008	05/16/2008
Appraisal	05/19/2008	05/19/2008
Board approval	05/29/2008	05/29/2008
Signing	06/05/2008	06/05/2008
Effectiveness	07/01/2008	07/01/2008
Closing date	06/30/2009	06/30/2009

Task Team Members

Names	Responsibility/Specialty
Lending	
Nassif, Claudia	Country Economist, TTL
Yemtsov, Ruslan G.	Lead Economist
Rurangwa, Guido	Country Officer
Katayama, Roy	Economist
Kwindja, Bernard	Consultant
Touhami, Abdelkhalek	Consultant
Supervision	
Nassif, Claudia	Country Economist, TTL
Silva, Joana C.G.	Economist
De La Briere, Benedicte Leroy	Senior Economist
Rurangwa, Guido	Senior Country Officer
Vergne, Clemence	Consultant
Anas, Abou El Mikias	Sr. Financial Management Spec.
Reddi, Sheela	Program Assistant
Korotimi, Sylvie Traore	Program Assistant

Stage of Project Cycle	Staff Time and Cost (Bank Budget Only)	
	No. of staff weeks	US\$ Thousands (including travel and consultant costs)
Lending		
FY08/FY09	10.00	67.1
Supervision/ICR		
FY09/FY10	5.00	37.9
Total	15.00	104.9

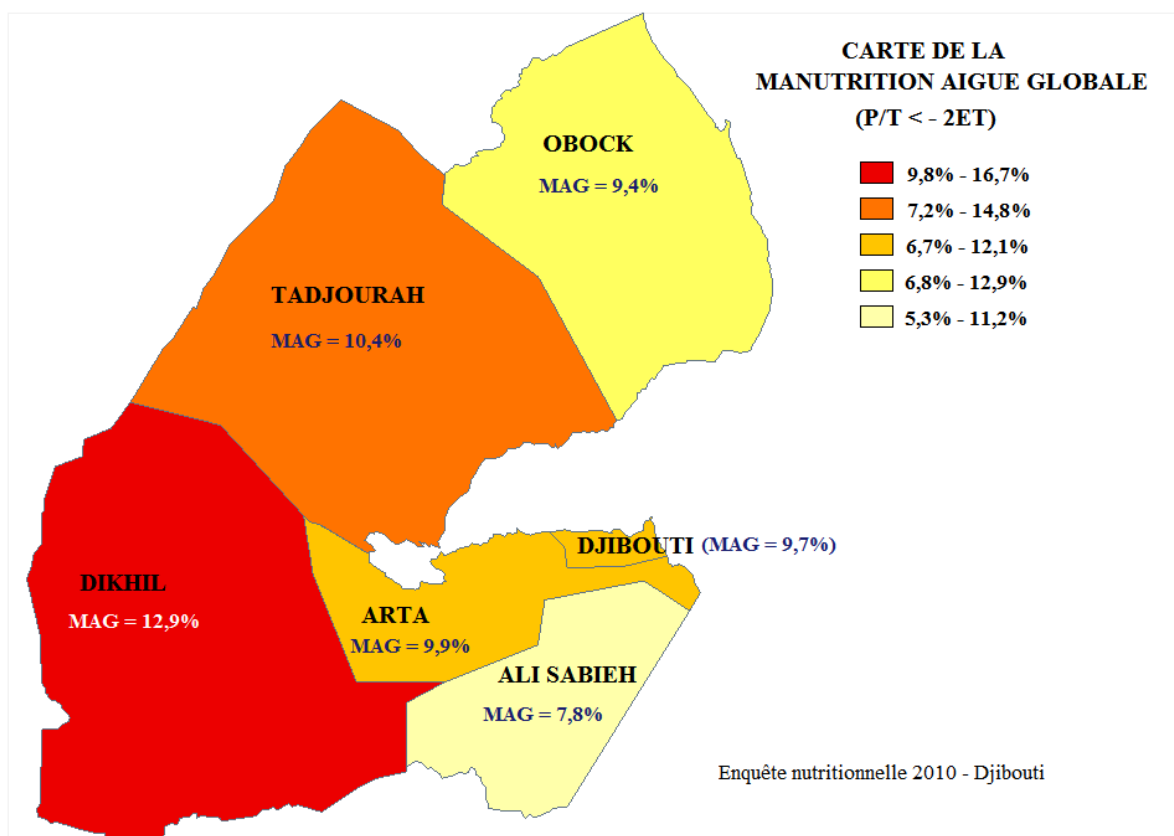
Other Project Data

Borrower/Executing Agency: Ministry of Economy, Finance & Planning in charge of Privatization			
Follow-on Operations			
Operation	Trust Fund no.	Amount (US\$ million)	Board date
Employment and Human Capital Social Safety Net Project	97217	3.6	06/21/2010

Annex B. Figures, Tables, Boxes, Timeline

Figure B1

Djibouti—Regional Variations in the Prevalence of Acute Malnutrition among Children aged 6-59 months, 2010

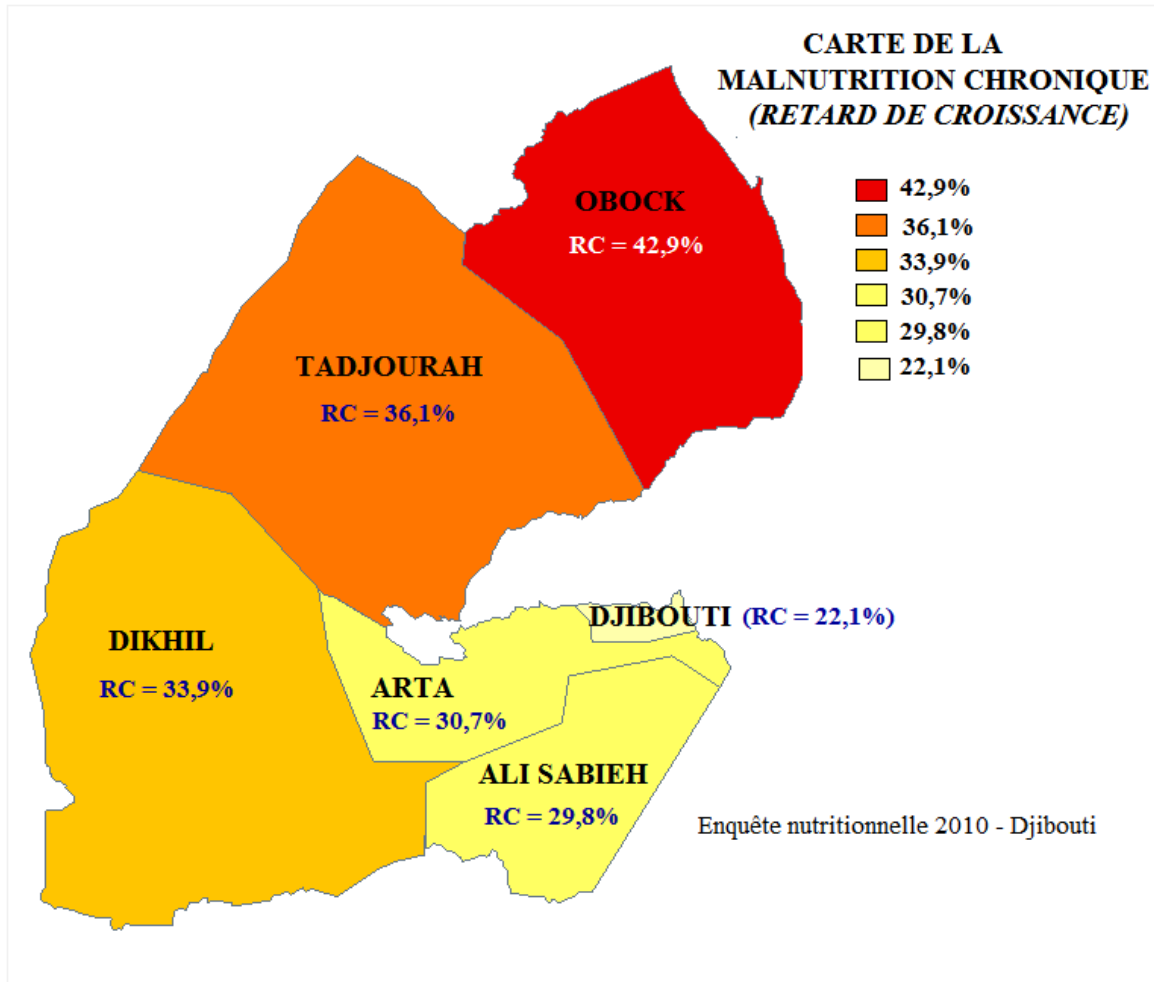


Source: Ministère de la Santé 2011: 55

Note : Legend refers to weight for height <- 2 standard deviations below the reference median.

Figure B2

Djibouti—Regional Variations in the Prevalence of Chronic Malnutrition among Children aged 6-59 months, 2010



Source: Ministère de la Santé 2011: 55.

Note : Legend refers to height for age

<- 2 standard deviations below the reference median.

Table B1: Djibouti—Trend in Global Hunger Index

Reference Year	Data Range	Proportion of undernourished in total population (%)	Prevalence of underweight in children under 5 years (%)	Under-five mortality rate (%)	Global Hunger Index
1990	1988-1992	60	20	12	31
1996	1994-1998	50	16	11	26
2001	1999-2003	40	25	11	25
2011	2004-2009	28	30	9	23

The Global Hunger Index [**GHI**] is calculated by the International Food Policy Research Institute based on three components: the proportion of all people in the country with calorie deficiency (based on data from the Food and Agriculture Organization of United Nations) [**PUN**]; the prevalence of underweight children, referring to the population aged less than five years (based on data from the World Health Organization) [**CDW**]; and the proportion of children who die before the age of 5 years (based on data from the United Nations Children’s Fund) [**CM**].

$$\text{GHI} = (\text{PUN} + \text{CDW} + \text{CM}) / 3$$

All three index components are expressed in percentages and weighted equally. Higher GHI values indicate more hunger. The Index varies between a minimum of zero and a maximum of 100, but these extremes do not occur in practice. The maximum value of 100 would be reached only if all children died before their fifth birthday, the whole population was undernourished, and all children younger than five were underweight. The minimum value of zero would mean that a country had no undernourished people in the population, no children younger than five who were underweight, and no children who died before their fifth birthday.

Source: International Food Policy Research Institute 2011: 17

Box B1. Excerpts from the Government's Letter of Development Policy

- "The Government emergency program will aim to minimize the negative impact of the current crisis situation and to satisfy the urgent needs of the poor and vulnerable populations... The Government program includes the following elements: (i) strengthening the food aid supply in rural and urban areas; (ii) rural water supply and assistance to fishing development; and (iii) putting in place a targeting system for the most affected populations in order to improve aid transfer." (Paragraphs 24 and 25).
- "The first component of the Program aims to strengthen the food aid program in rural and urban areas. In the context of food crisis and drought, with their impact on nutritional health, the authorities' priority is to constitute a food stock to provide for the pressing needs of the poorest populations living in both rural and urban areas. [Food would be channeled] preferably through the school feeding programs, the health centers nutrition programs, and the village or districts communities. This component would be executed using the "*Food for Work*" system, and implemented by institutions with the required knowhow and familiarity with this type of operations, such as ONARS, ADDS, WFP and some NGOs. A total amount of US\$2 million will be allocated to this component." (Paragraph 26).
- "The second component aims to improve water supply to rural areas and strengthen the assistance to fishermen to encourage fishing activity development. In rural areas, water scarcity is a severe issue for nomadic populations and their livestock. Livestock is likely to disappear if no action is undertaken to fight against water scarcity. This component will help rehabilitate existing wells in rural areas and make them operational by equipping them with solar pumps, to provide water to rural populations and their cattle, as well as to for food production. The budget for this component, estimated at US\$450,000, would allow rehabilitating ten wells in rural areas. This component will be implemented by the ADDS, given its knowledge of the rural areas and rural areas stakeholders (ONG). For the fishing sub-component, the objective will be to empower Djiboutian fishermen by helping them acquire small fishing vessels and the required equipment through in kind micro-credit (purchase of materials by the ADDS and total or partial reimbursement by fishermen)." (Paragraphs 27 and 28).
- "As regards the Program third component, the Government recognizes its limitation in identifying the poorest populations, as is the case in the majority of developing countries. The scope of the food crisis and the gravity of its impact on the neediest Djiboutians highlight this limitation. In particular, this limitation is evidenced by the relative incapacity of indirect means to reach the poorest, in comparison with a targeted and direct transfer towards the neediest. To address this situation, the Government is planning to make an effort to urgently develop an effective system of identification of the poorest, and to improve the infrastructure necessary for the system gradual improvement. To this end, the Government intends to undertake, by September 2008, the identification of at least 5,000 poorest households. Given the urgency of the situation, this targeting can be based on an identification system through Community commissions in the poorest areas for example. Obviously, such a system is far from being perfect, but it is relatively feasible and effective, and will be gradually improved, with the availability of the results of national population census and the household survey. The Government will develop, in collaboration with the World Bank, an action plan for the setting up and the future use of this system for assistance transfer to the poor." (Paragraph 29).

Source: Government of Djibouti, Letter of Development Policy, May 21, 2008, cited in World Bank 2008b: 41-46

Table B2: Djibouti—Cost of the primary ingredients of the food basket.

	Jul-Sep 2006	Jul- Sep 2007	Jul-Sep 2008	Jul- Sep 2009	Jul- Sep 2010	% change. 2009/2008
	<i>Current Djibouti Francs</i>					
(1) Rice (726g/day) <i>=22% of calorie intake</i>	58.1	72.6	139.4	116.2	111.1	-16.6
(2) Wheat flour (672g/day) <i>=16% of calorie intake</i>	53.8	73.9	100.8	67.2	75.9	-33.3
(3) Sugar (750g/day) <i>=24% of calorie intake</i>	NA	NA	76.5	97.5	122.3	27.5
(4) Vegetable oil (270g/day) <i>=16% of calorie intake</i>	NA	NA	78.1	48.6	49.3	-37.8
(1)+(2) <i>=38% of calorie intake</i>	111.9	146.5	240.2	183.4	187.0	-23.6
(1)+(2)+(3)+(4) <i>=78% of calorie intake</i>	NA	NA	394.8	329.5	358.6	-16.5
	<i>Prices deflated by CPI</i>					
Consumer Price Index (CPI)	115.4	121.7	139.4	137.8	145.1	
(1)+(2) <i>=38% of calorie intake</i>	97.0	120.4	172.3	133.1	128.8	-22.8
(1)+(2)+(3)+(4) <i>=78% of calorie intake</i>	NA	NA	283.2	247.6	247.1	-12.6

Source: World Food Program 2010a: 5. Average daily cost for a family of 6 (native Djiboutians, excluding expatriates).
NA Not available.

Table B3: Djibouti—Prevalence of Acute and Chronic Malnutrition among Children aged 6-59 months, 2007 and 2010 (percent)

Type of malnutrition	2007			2010		
	Nationwide	Urban	Rural	Nationwide	Urban	Rural
<i>Acute (Wasting)</i>						
Overall	16.8	16.4	17.4	10.0	8.5	11.4
Moderate	14.4	14.0	15.5	8.8	7.4	10.1
Severe	2.4	2.4	1.9	1.2	1.1	1.3
<i>Chronic (Stunting)</i>						
Overall	21.8	18.4	30.3	30.8	24.2	37.3
Moderate	15.6	13.8	20.0	20.5	16.4	24.4
Severe	6.2	4.6	10.2	10.4	7.8	12.8

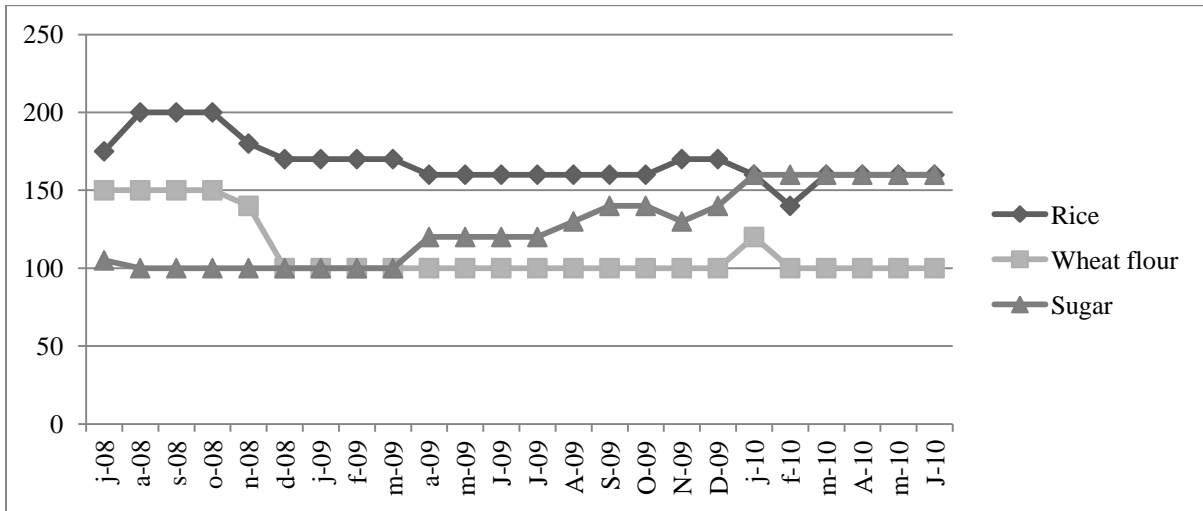
Source: Enquête Nutritionnelle 2010. (Ministère de Sante 2011 : 49).

Note: Wasting is the percent of children 2 SD or more below the median weight for height of the reference population. Stunting is the percent of children 2 SD or more below the median height for age of the reference population.

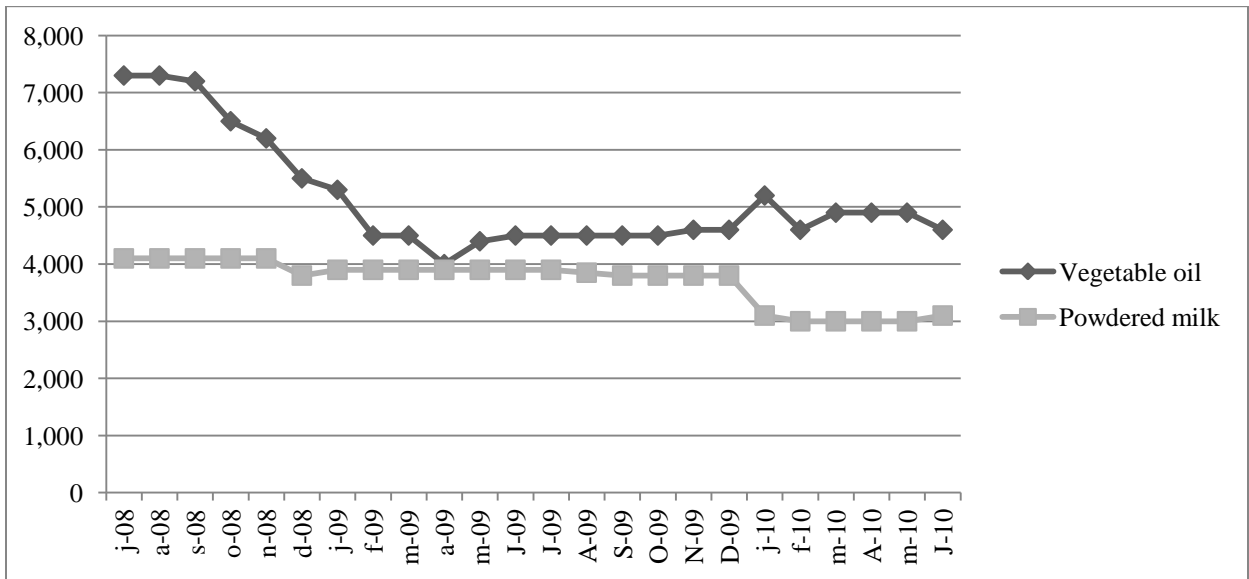
Both surveys were conducted by UNICEF using the same method. The 2007 survey was carried out between October 22 and November 16 and covered a sample of 3,635 households, representative at the national level and for urban and rural areas of the livelihood zones defined by USAID/FEWSNET. The 2010 survey was conducted between December 10 and 28 and included 4,275 households, representative at the national level and for urban and rural areas, using as a sampling frame the results from the 2009 population census.

Figure B3: Djibouti-Ville—Retail price of five staples, July 2008-June 2010

(a) Rice, wheat flour and sugar (Djibouti Francs/kg)



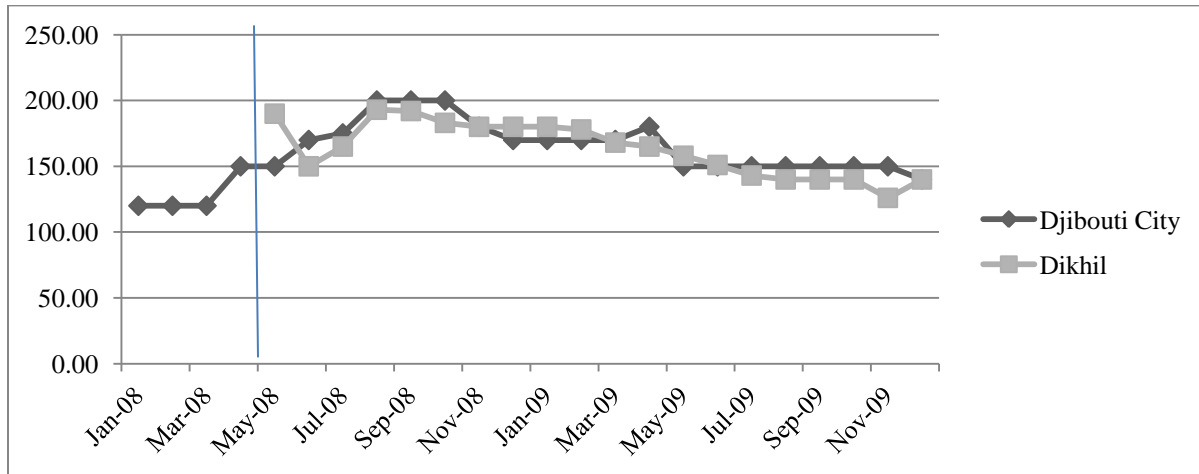
(b) Vegetable oil and powdered milk (Djibouti Francs per 25 liters and 2.5 kg respectively)



Source: DISED

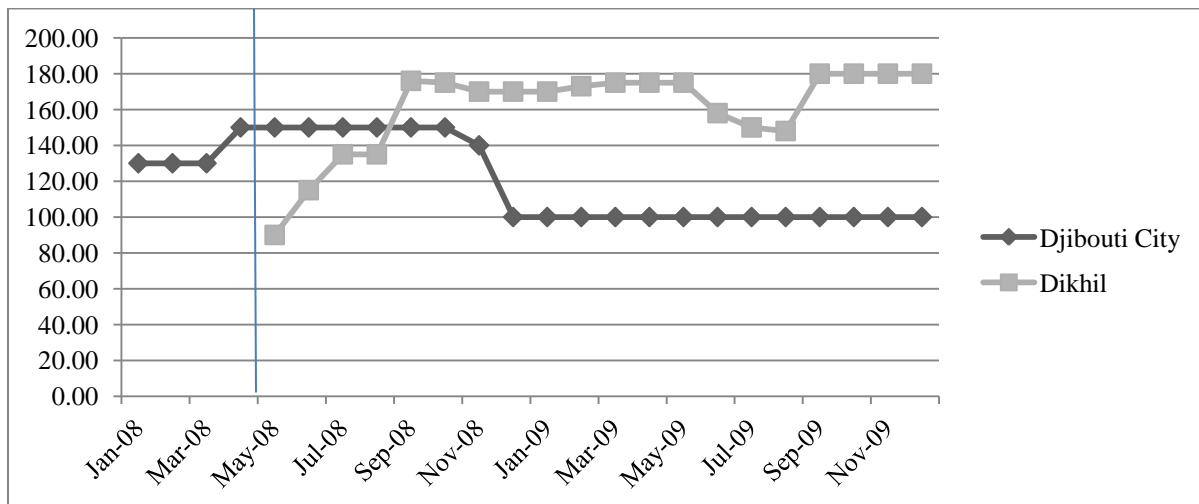
Note: IEG was unable to obtain data before July 2008 for these items (tax was removed in May 2008).

Figure B4: Djibouti—Rice: Retail price in two towns before and after the tax exemption (Djibouti Francs/kg)



Vertical line shows start of tax exemption (May 2008). Note. According to World Food Program 2011: 4 the provincial capital of Dikhil has one of the least competitive markets in Djibouti.
 Source: USAID (FEWSNET) database.

Figure B5: Djibouti—Wheat flour: Retail price in two towns before and after the tax exemption (Djibouti Francs/kg)



Note: Vertical line shows start of tax exemption (May 2008). According to World Food Program (2011: 4) the provincial capital of Dikhil has one of the least competitive markets in Djibouti.
 Source: USAID (FEWSNET) database.

Table B4: Djibouti—Public Investments Bearing on Food Security

	Partners	Commitment Amount	Listed in Public Investment Program	
			As of 31 December 2007	As of 31 December 2009
(1) Emergency Measures cited in December 2008 Action Plan				
Food distribution to vulnerable groups	WFP	US\$14.9m		
School feeding	WFP	US\$4.9m		
Extraterritorial farming	Gov, AfDB	Not specified		
Date palm and other agricultural programs	Gov, FAO, et al	US\$2.5m	✓	✓
Water supply for agriculture	AfDB, IFAD, et al	US\$9.0m	✓	✓
Livestock health and water supply	Gov, FAO	US\$0.1m	✓	✓
Provision of fishing boats to the poor	Not specified	US\$1.0m		
Removal of import taxes on food staples	Gov	US\$5.0m		
Ban on re-export of food staples	Gov	Not specified		
Control of profit margins of big food traders	Gov	Not specified		
Acquisition of buffer stocks	Gov	Not specified		
Provision of gifts in kind to orphans	Zakat	US\$0.5m		
Provision of wells and boreholes	Saudi Fund	US\$3.0m	✓	✓
Microcredit for petty food trading	Gov, AfDB, FIDA, UNFD	US\$1.5m	✓	✓
Food-for-work programs	Not specified	US\$11.5m		
Solar-powered cooking stoves	UNDP	US\$1.0m	✓	✓
TOTAL		US\$54.9		
(2) Investment spending on key sectors (commitments)				
Agriculture			US\$11.5m	US\$12.6m
Education			US\$107.9m	US\$125.2m
Health			US\$117.0m	US\$119.0m
Social Protection			US\$64.1m	US\$44.0m

Source: Details of Action Plan taken from completion report (World Bank 2010: 41-43; Public Investment Program data from website of Ministère de l'Economie.

Timeline

Year	Project Events	National Events	Donor/International Events
1996		Start of economic reform program under IMF auspices	
2002		(EDAM-2) <i>Enquête Djiboutienne auprès des Ménages</i> (DISED) (July)	
2003			Djibouti Ville Urban Baseline Study: <i>An Assessment of Food and Livelihood Security in Djibouti Ville</i> (USAID/FEWSNET) (October)
2004		Health survey (PAPFAM) (April)	
2005			World Bank Country Assistance Strategy (FY2005-2008) issued (March)
2006		A National Food Security Council is established within the President's Office (October)	(EDIM) <i>Enquête Djiboutienne à Indicateurs Multiples</i> (DISED)
2007		President launches the National Initiative for Social Development (INDS); a State Secretariat for National Solidarity (SESN) is set up to prepare and execute INDS (January) A National Food Security and Nutritional Strategy is released. A follow-up Primary Sector Action Plan, 2010-2020 is prepared by the Ministry of Agriculture. (December)	UNICEF launches National Nutrition SMART Survey (October)
2008	Mission 1 (May 10-17) (Identification/Appraisal) Concept Review (May 16) Appraisal (May 19) Letter of Development Policy (2008-2011) submitted by government (May 21) Program Document issued (May 22) Board approval (May 29) Grant Agreement signed (June 6) Conditions for Tranche 1 release met (June 26)	Agence Djiboutienne de Developpement Sociale (ADDS) created Government issues National Initiative for Social Development (INDS) paper (April) 13 th Meeting of the Council of Ministers approved a draft additional budget law which removed the tax (Taxe Intérieure de Consommation, TIC) on rice, sugar, wheat flour, vegetable oil and powdered milk (April) Overall inflation peaks at 14.8 percent. (September) Price of basic food items peaks (November)	Spring Meetings of World Bank and IMF call for measures to alleviate the surge in food prices, eliciting strong commitment from World Bank President (April) IMF-supported Poverty Reduction and Growth Facility launched (October)

Year	Project Events	National Events	Donor/International Events
	<p>Tranche 1 (US\$4.0 m) released (July 1)</p> <p>Mission 2 (Supervision) Workshop to discuss response to food crisis, focusing on social protection measures (September 1-11)</p> <p>Review meeting for Concept Note on Food Crisis Response and Social Assistance (October 20)</p> <p>Mission 3 (Supervision) (November 16-23)</p> <p>Government submits Action Plan to the Bank (December 17)</p>		
2009	<p>IMF confirms that there is no immediate threat to macroeconomic stability (condition for release of 2nd tranche) (January 13)</p> <p>Conditions for Tranche 2 release met (January 21)</p> <p>Tranche 2 (US\$1.0 m) released (January 23)</p> <p>Mission 4 (Supervision) (March 8-21)</p> <p>Closing (June 30)</p>	<p>Government introduces a 7% VAT tax, but exemption of rice, sugar, wheat flour, vegetable oil and powdered milk is maintained; the Société Djiboutienne de Sécurité Alimentaire is established. (January)</p> <p>Public seminar with Q&A, chaired by the President of the Republic, to review government action plans for 2009-2011 : Séminaire de Réflexion sur l'Action Gouvernementale (May 2-9)</p> <p>Population Census completed (DISED), reporting that total population is 818,159 while rural population is 240,226.</p>	<p>World Bank Country Assistance Strategy (FY2009-2012) issued (March 30)</p> <p>World Bank sector report: <i>Options d'assistance sociale pour la lutte contre la malnutrition: Note de politique</i> (June)</p> <p>WFP conducts Emergency Food Security Assessment (EFSA) in Djibouti Ville (October)</p>
2010	<p>Government contribution to ICR issued (February)</p> <p>Mission 5 (Completion) (March)</p> <p>ICR issued (May 24)</p> <p>First and final project audit report issued by Ernst and Young (September 27)</p>		<p>WFP conducts an Emergency Food Security Assessment (EFSA-2) in rural areas (May)</p> <p>WFP issues report on relation between food reserves and food security (October)</p> <p>WFP conducts EFSA in urban areas (November)</p> <p>UNICEF launches the second National SMART Nutrition Survey (December)</p>

Year	Project Events	National Events	Donor/International Events
2011		<i>(EDAM-3) Enquête Djiboutienne auprès des Ménages (DISED)</i> launched ; provisional tabulations of 2009 Census released	UNICEF, FEWSNET & WFP release <i>Rapport sur les marches urbains</i> ; Preliminary draft of Initiative National pour le Développement Social, 2011-2015 is issued (February) WFP conducts an Emergency Food Security Assessment (EFSA-3) in rural areas. (May)

Annex C. List of Persons Met

NAME	DESIGNATION
<i>In Djibouti</i>	
Abdillahi, Almis Mohamed	Directeur du Financement Extérieur, Ministère de l'Economie, des Finances et de la Planification chargé de la Privatisation
Ahmed, Chafika	Directrice, Programmation et Suivi Evaluation, Agence Djiboutienne de Développement Social (ADDS)
Ali, Hassan	Programme Specialist, UNDP
Awaleh, Mahdi Osman	Directeur Général, Direction Général des Impôts, Ministère de l'Economie, des Finances et de la Planification chargé de la Privatisation
Issack, Degmo Mohamed	Secrétaire Générale, Union Nationale des Femmes de Djibouti
Dinucci, Alessandro	Chargé de Programme, Programme Alimentaire Mondiale
Hersi, Rachid Elmi	Country FEWS NET, Representative, Djibouti (USAID)
Idriss, Ali Soultan	Directeur, Direction de la Statistique et des Etudes Démographiques (DISED)
Izzi, Abdourahman Aouad	Directeur Adjoint des Douanes et Droits Indirects, Ministère de l'Economie, des Finances et de la Planification chargé de la Privatisation
La Noe, Dany	Chargé de la planification et suivi du programme des urgences, FAO
Kadar, Ismael Guelleh	Directeur Général, Agence Djiboutienne de Développement Social (ADDS)
Karroum, Fatima	Aid Coordinator, (European Union Technical Assistance Program), Direction du Financement Extérieur
Kouassi, Nicole F.	Représentant Résident Adjoint, UNDP
Ndiaye, Ndeye Ticke	Représentante de la FAO a Djibouti
Okimba-Bousquet, Marie-Antoinette	Représentante, Haut Commissariat des Nations Unies pour les Refugiés
Omar, Abdoukader Mohamed	Ingénieur Statisticien, Direction de la Statistique et des Etudes Démographiques (DISED)
Omar, Ron Osman	Directrice de l'Industrie et de l'Artisanat, Ministère Délégué auprès du Ministère de l'Economie et des Finances
Paillart, Emmanuel	Chef du projet PREPUD Agence Djiboutienne de Développement Social (ADDS)

Perez, Nuria Fouz	Chargé de Programme, Haut Commissariat des Nations Unies pour les Réfugiés
Sagbohan, Aristide	Nutrition Specialist, UNICEF
Tidiani, Konate Sekou	Expert Statisticien, Direction de la Statistique et des Etudes Démographiques (DISED)
Touchette, Mario	Représentant du Programme Alimentaire Mondial, Djibouti
Waberi, Mohamed Roble	Macroeconomist, Direction de Financement Extérieur, Ministère de l'Economie, des Finances et de la Planification charge de la Privatisation
<i>World Bank</i>	
Delgado, Christopher L.	Adviser, ARD
Nassif, Claudia	Senior Country Economist, SASEP
Rurangwa, Guido	Senior Country Officer, MNCA3
Silva, Joana C. G.	Economist, MNSSP
Yemtsov, Ruslan G.	Lead Economist, HDNSP