



C O U N T R Y B R I E F



Middle East & North Africa Region (MENA) - Djibouti

Djibouti HIV/AIDS, Malaria And Tuberculosis Control Project

The World Bank approved a \$12 million IDA grant in May 2003 to support the Government of Djibouti in setting up and implementing a response against HIV/AIDS, sexually transmitted infections (STIs), malaria and tuberculosis (TB), of which the latter two are important risk cofactors.

The project will support the implementation of Djibouti's HIV/AIDS National Strategic Plan, the National Malaria Strategic Plan, and the National Tuberculosis Strategic Plan through a wide variety of public sector agencies, private and non-governmental organizations, and community-based organizations.

The development objective of the project is to contribute to the change in behavior of the population in order to contain or reduce the spread of the HIV/AIDS epidemic, to mitigate its impact on infected and affected persons, and to contribute to the control of malaria and tuberculosis. It will do so through a multisector approach, including prevention of the spread of HIV/AIDS by reducing transmission, in particular among high-risk groups; expanding access to treatment of opportunistic illnesses, malaria, and tuberculosis, providing care, support, and treatment of those inflicted with the diseases; and supporting multisectoral, civil society, and community initiatives for HIV/AIDS prevention and care, and malaria and tuberculosis prevention.

Djibouti has been an independent country since 1977. It experienced a civil war between 1991 and 1994 that had catastrophic consequences for the economy. Since that time, Djibouti has benefited from political stability. The most recent elections took place in April 2005 (presidential) and in February 2008 (legislative).

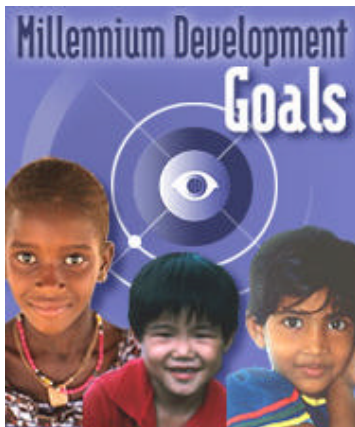
The economy is based on service activities (82% of GDP) related to the country's strategic location and status as a free trade zone in northeast Africa. Due to scanty rainfall, agriculture production is limited and counts for only 4% of GDP, while industry (14% of GDP) is very limited. Djibouti provides services as a transit port, mainly for Ethiopia, and an international transshipment and refueling center.

Over the past few years, Djibouti's macroeconomic performance growth has been strong, with some imbalances. Real economic growth averaged 4.1 percent between 2004 and 2007, and has accelerated in recent years, with 4.9 percent in 2006 and 5.2 percent in 2007. The growth is driven by an increase in investments in the Free Zone and port facilities. The share of investment to GDP grew from 19 percent in 2005 to 29.6 percent in 2006 and further to 38.3 percent in 2007, and foreign direct investment (FDI) constitutes a large part of total investments – FDI grew from US\$22 million in 2005 to US\$176 million in 2007. Consumer price inflation increased in 2007 to over 5 percent and reached an annualized inflation rate of 9 percent in the first months of 2008, mainly on account of higher energy prices and food prices. The trade deficit worsened because of higher imports of equipment and capital goods related to the new investments. The current account balance deficit reached 25.3 percent of GDP in 2007, despite a strong performance in service exports. However, the increase in FDI more than offset the deficit in the current account, contributing to a strong build-up of official reserves.

Current Challenges: poverty reduction through employment creation

Poverty reduction remains Djibouti's most compelling development challenge. Despite its relatively high per capita income (Atlas gross national income [GNI] per capita of US\$1,060 for 2006), which places it in the ranks of lower-middle-income countries, Djibouti has some of the highest rates of illiteracy, morbidity, and maternal and infant mortality in the developing world. In 2002, 42 percent of the population lived on less than US\$2 a day. The unemployment rate is close to 56 percent, with the most disadvantaged economic groups having unemployment rates higher than 60 percent. Most households that are able to escape poverty do so because of their earnings from employment.

In recent years, **only few new jobs have been created through the new investments**, not enough to absorb the unemployed population and to alleviate the pervasive poverty. The development impact of new investments has been minimal so far for at least three reasons: (i) investments, especially in the Free Zone, take place mainly in capital intensive that produce only few jobs like warehousing or transit hubs; (ii) there is mismatch between existing skills and the labor market demand; and (iii) high energy costs weigh heavily on Djibouti's competitiveness.



Reaching for the Millennium Development Goals in Djibouti

The World Bank approved a US\$15 million loan in June 2003 that will finance the Government of Djibouti's long-term health sector development program aimed at meeting the Millennium Development Goals for the reduction of child mortality and maternal mortality rates.

The first in a series of three projects slated for 2002-2015 period, the Health Sector Development Project (HSDP) falls in line with the World Bank's country assistance strategy of improving human development indicators by providing the poor with better access to health and basic services. Plans for the project were widely discussed in the country through open town meetings, and endorsed by the government, civil society and the international donor community in Djibouti.

Despite a relatively high per capita income of \$780 in comparison to the average for sub-Saharan Africa, Djibouti suffers from a precarious health situation. Infant mortality rate stands at 106 per 1,000 live births and health facilities are constrained by lack of basic medicine and qualified personnel. Maternal mortality rates, estimated at about 800 per 100,000 live births, is one of the highest in the world. In addition, the incidence of endemic and infectious diseases such as HIV/AIDS, malaria and tuberculosis are on the rise. As a result, the Government of Djibouti developed a long-term strategy to respond to the challenges and reform of the health sector.

The government launched a new social and economic initiative in 2007, the National Initiative for Social Development (French acronym: INDS), **which is based on PRSP principles and aims to reduce unemployment and inequalities**. A sound interim action plan has been formulated and implementation institutions have been set up. As part of the INDS, the government intends to move ahead among other things with civil service and budgetary reforms, to modernize the commercial code and judiciary system, and to improve statistical capacity.

World Bank Assistance

Relations between the Bank and the Government of Djibouti have continued to improve. The Board discussed on March 24, 2005, a Country Assistance Strategy (CAS) for FY06-08, aligned with the PRSP pillars of (i) improving competitiveness, growth and income distribution; (ii) human resource development and poverty alleviation; and (iii) promoting good governance. A new CAS for FY09-FY11 is under preparation.

As of the end of July 2008, IDA had approved 20 projects for Djibouti since 1982. Total net value of IDA assistance (including grants) to Djibouti amounted to about US\$180 million. Of this amount, about US\$160 million (including grants) had been disbursed, leaving an undisbursed amount of about US\$20 million. Out of the approved 20 projects, 18 were investment operations and two adjustment program /Development Policy Grant.

The current portfolio has seven active projects valued at US\$60.5 million, of which 45 percent is for the health/HIV AIDS sector, 17 percent for education, 31 percent for infrastructure, and 8 percent for food crisis .

All dollar figures are in US dollar equivalents .

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