

REPUBLIC OF DJIBOUTI
UNITY – EQUALITY - PEACE

POVERTY REDUCTION
STRATEGY PAPER



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Translated from French

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EXECUTIVE SUMMARY

INTRODUCTION

During the last two decades, the economy of Djibouti performed poorly, owing to a succession of both political (regional wars, armed conflict in the country) and economic crises (drought, in particular). These crises contributed to a continued deterioration in the country's competitiveness, financial position, and economic and social infrastructure. As a result, income per capita decreased by more than 25 percent from 1984 to 1995, while the state budget deficit reached 10.1 percent of GDP in 1995. At the same time, key indicators of sustainable human development, such as gross enrollment, child, juvenile, and maternal death rates, and access to drinking water, continued to deteriorate.

To tackle this situation, the government began in 1996 economic adjustment and restructuring programs supported by the IMF and the World Bank. It also implemented reforms in several key areas: public finance, social security, public enterprise, education, and health. In 2000, the government produced an Interim-poverty reduction strategy paper (I-PRSP), whose main objectives were to (i) boost economic growth, (ii) develop human resources, (iii) strengthen social safety nets, and (iv) modernize the state and promote good governance.

THE EXTENT OF POVERTY

The results of the programs implemented since 1996 have been mixed. Important progress has been achieved in the macroeconomic domain with reductions in the budget and the external current account deficits, which decreased to 2.1 percent and 4.3 percent of the GDP, respectively, in 2001. Nevertheless, despite this progress, the deterioration of the social situation was not reversed. The data from the EDAM-IS (Household Survey of Social Indicators) study show, in fact, that the incidence of relative poverty¹ and extreme poverty between 1996 and 2002 rose sharply, from 64.9 percent to 74.4 percent and from 34.5 percent to 42.2 percent, respectively. The results of the study also show that poverty is generalized, and that it touches all geographical areas and social classes. The largest concentration of the poor is found, however, in the outskirts of urban areas. Two districts in Djibouti City account for 41.6 percent and 45.7 percent of relative and extreme poverty, respectively. The four interior districts of the country together account for 45.1 percent of relative poverty and 33.5 percent of extreme poverty. It is in rural area, nevertheless, where poverty rises to a catastrophic rate of nearly 96.7 percent for relative poverty, of which about 83 percent live in complete destitution.

The analysis of poverty related to living conditions shows continued progress in the area of schooling. Based on current statistics on education, schooling at the primary level has rapidly progressed in the last five years, increasing to 42.7 percent in 2001/02 versus 39 percent in 1999/00. This rise reflects important efforts made to build classrooms and to recruit students since the adoption of the ten-year program on education in 2000. Enrollment is progressing in all regions of the country, but it remains particularly low in the four interior districts where the gross enrollment varies between 20.6 percent and 30.5 percent. It also appears that profound disparities in access to primary education exist between urban (52.9 percent) and rural (12.4

¹ The relative poverty line is evaluated at DF198,229 per adult per year, or about \$3 per day, which is very high in the African context. The extreme or indigent poverty line evaluated at DF114,096 per adult per year, or \$1.8 per day, appears more significant and is closer to international comparisons.

percent) areas. Net enrollment (34.7 percent) also remains low, highlighting the need for a sustained effort in raising the rate of access as well as in improving the efficiency of education. Gender inequalities remain important at the primary level, with an index of parity for girls and boys evaluated at 0.77 in the urban areas and 0.50 in the rural areas. Gross enrollment is evaluated at 23.9 percent for primary education and 15.1 percent for secondary education (general, technical, and professional). This low enrollment is accompanied by very strong inequalities linked to geographical confinement, the standards of living, and gender. Extremely poor households devote 5.5 percent of their expenditures to education. This modest amount reflects a weaker access to education, but also economic choices at the level of these households. These choices are unfavorable to schooling and result from both weak household revenue and from the high opportunity cost of schooling, especially for girls. Thus, from this point of view, the Djibouti woman experiences considerable disadvantages, as reflected in a gap favoring men by 13.2 percentage points in the gross primary school enrollment and by 34 points for secondary school enrollment.

In addition, poor and extremely poor women face two types of inequality, one associated with living standard and another one associated with gender. Supply and demand factors behind the low rate of school enrollment governed by a backward mentality that gives priority to boys' school enrollment and also by the high opportunity cost of girls' education. Weak performance in the education system is reflected in the rate of literacy. According to the data from the: EDSF/PAPFA²M and EDAM-IS2 studies, the percentage of the adult population aged fifteen and older, that knows how to read and write is 27.3, and specifically for women, 22.2 percent. This disparity in gender is accompanied by inequalities in the standard of living, the literacy rate of the non-poor being 39.3 percent lower than that of the extremely poor and 18.2 percent higher than that of the relative poor. Its literacy rate places Djibouti among the African countries least endowed with human capital. This literacy rate conveys the extreme vulnerability of its poor populations whose potential for taking an active part in life and for addressing external shocks is thereby considerably reduced.

Djibouti suffers from a gross lack of reliable health statistics. Available information gives only a fragmented picture of reality, but globally it reveals a difficult health situation. The Djibouti population is growing rapidly (nearly 3 percent per year), pushed by a high total fertility rate (4.2 children per woman) and a significant migratory influx. Life expectancy, estimated at forty-nine years, is among the lowest in the world. Respiratory ailments and tuberculosis, diarrheic illnesses, and malaria are the main causes of clinic visits. The infective nature of the environment tied to the lack of sewage disposal on the one hand, and poverty and malnutrition on the other hand, contribute to a worsening of the overall health situation. The condition of mother and child is particularly worrisome. Immunization rates for sicknesses targeted by the expanded program for immunization (EPI) cover only 45 percent of families for the entire territory and remains at a low level in rural areas (11.1 percent). Malnutrition touches more than 21.9 percent of children younger than five years; diarrheic illnesses and acute respiratory infections are the most current causes of death and infant mortality. Infant and infant-juvenile mortality rates decreased to 103.1 and 124.4 per thousand, respectively, in 2002 (versus 114 and 154 per thousand in 1989). It must be noted, however, that infant and juvenile mortality are much higher among girls, 100.5 and 110.4 per thousand, respectively. High fertility rates, poor emergency obstetrical care, and the persistence of harmful practices (excision, infibulations) gravely affect the health of mothers and explain the persistence of a significant maternal mortality rate evaluated at 690.2 per 100,000 live births in 2002 (versus 714 in 1991). Extremely poor women are the most affected with a significant maternal mortality rate of 9 percent. Similarly, women are particularly vulnerable to the spread of HIV/AIDS and sexually transmitted diseases. According to a study done in 2002, the rate of prevalence for HIV/AIDS was 2.9 percent but was as high as 6 percent in the 15–35

age brackets. The country's geographical location, massive youth unemployment, and continuous immigration make the country particularly vulnerable to a generalized epidemic. This high prevalence of HIV/AIDS, the endemic tuberculosis, and malaria are among the main problems of public health. Even if the meeting of physical sanitation needs appears to be satisfactory, there are huge disparities in access, notably between Djibouti City and the rest of the country. The quality of care and the availability of medications are also very inadequate, and the health care system is centered on curative care, which gives little benefit to the poor. In addition, financing health care remains problematic since the health care portion of the state budget continues to be cut, while the system of cost recovery is not yet operational.

The quality of water is also a determining health factor in any population. Poor water quality most affects the poorest social groups since it leads to numerous illnesses such as malaria and diarrheic sicknesses linked to cholera for the poorest social groups. In addition, the excess of salt in distributed water in town and in numerous rural water sources (2g/l in Djibouti City) risk generating, in the short and long term, cardiovascular illnesses tied to hypertension and renal illnesses. Supplying drinking water remains difficult, even if the situation is less dire than the dry climate could actually cause it to be. Disparities in access, geographical or tied to the standard of living, seem to be the most significant factor, reflecting inadequate planning and difficulties in affordability. Thus, the coverage is more than 80 percent in the cities but remains at 49.1 percent in rural areas where most households (30 percent) have access only to traditional wells, which are in bad hygienic condition. The water connection rate is higher than 60 percent in certain neighborhoods in Djibouti city, but is less than 20 percent in the extremely poor neighborhoods of Balbala and PK12. The supplying of water is also marked by widespread disorganization in Djibouti City where nearly 40 percent of households buy water from their neighbors, while 8 percent of the population buys water from tank trucks at prices that are four to six times higher than official tariffs. These inequalities in water consumption seem to be explained, in large measure, by the insufficient availability of water due to seasonal variations. It is estimated that 69 percent of the demand is met at the national level. In the rural and semi-urban areas, only 60.8 percent of the demand from people, agriculture, and livestock is being met. In rural areas, water collection is shared most often between women and girls, and can be a full time activity when the water source is more than ten kilometers away.

The problem of water treatment and hygiene, by its scope and complexity, is a major environmental threat for the country and is particularly, acute in Djibouti City, which has nearly two-thirds of the country's population. This problem causes the health situation to worsen. Water treatment consists of devices that allow the escape of used water and the draining of rain water. Two types of water treatment exist: (i) collective water treatment, only in certain neighborhoods of Djibouti City, with an access rate among users of 25 percent; and (ii) individual water treatment through dry latrines, leaking cesspools, and septic tanks, with an access rate of 75 percent. Both channels of access are responsible for wide pollution of the ground and water tables. Solid waste also presents a major problem in Djibouti City. Sixty-two percent of 240 tons of waste products are put directly into the dump daily, without any sorting or prior treatment. Incineration is done only sporadically and generally for small quantities of mixed waste products.

The country has one of the highest urbanization rates in Africa. In fact, nearly two-thirds of the population resides in the metropolitan area of Djibouti City and 11 percent in the cities of Ali Sabieh, Dikhil, Tadjourah, and Obock. However, the country's urban centers, notably Djibouti City, are experiencing a rapid and unplanned expansion of precarious dwellings. These areas do not provide access to basic infrastructures, drinking water, water treatment, housing, or transportation and are places where unemployment and exclusion are rapidly developing. Provisional occupation statutes exacerbate the vulnerability of the households, only 34 percent of

Djibouti dwellings are permanent. This reflects high construction costs for housing (six times the average annual income of households for permanent housing and two and half times for temporary housing) owing to the preponderance of imported materials, the high cost of manual labor, as well as limited number of dwellings (four to seven people living per room). Only close to half own the dwellings they occupy. Rent represents 40 percent of household expenditure. To all these housing problems, one must also add the poor quality or absence of basic services (transportation, health care, water, trash collection, etc.), and the human and physical costs of living too far away from job opportunities. In such a context, it becomes evident that the most disadvantaged group has hardly any access to decent housing conditions.

Recent studies reveal that 49.7 percent of sedentary households, of which 99.5 percent are urban, use electricity as their main source of lighting. Average annual consumption per person is estimated at 288 kilowatt-hours.² This figure is relatively high compared to certain African countries or to the region³. This dependence on energy for Djibouti households, however, masks the enormous disparities in access tied to availability and high production costs⁴. In fact, only 15.9 percent of extremely poor and 32.9 percent of relatively poor households have access to electricity. Petroleum and/or butane are used for lighting in 48.2 percent of all households combined, and in 80.4 percent and 64.3 percent of extremely and relatively poor households, respectively. This relationship between access to energy and poverty is reflected in the unequal distribution of the household budget. Extremely and relatively poor households respectively devote only 2 percent and 4 percent of their budgets to energy versus 9 percent for non-poor households. Almost all Djibouti households use kerosene for domestic needs but its cost⁵ remains a factor limiting access to poor households, who use firewood instead, mainly in rural areas and in nomadic camps. Overgrazing and using wood for heating have disastrous consequences for the country's rare vegetation and tend to exacerbate desertification. Almost all consumed energy, with the exception of firewood, comes from the transformation of hydrocarbons from an imported base. Its high cost is one of the main factors limiting the country's economic competitiveness. In the domains of education, health care, access to drinking water, and particularly in the rural areas, the absence of access to energy has a negative and significant impact on (i) the development of youth; (ii) the effectiveness of health care centers and the permanent availability of medical treatment; and (iii) the pumping and supplying of drinking water. The development of economic activities at the rural level is handicapped by the unavailability and/or limited accessibility to adequate and authorized energy sources.

Studies have shown that growth of poverty and extreme poverty is strongly linked to the rise in unemployment. Employment data reveal, in fact, a true crisis in the job market, with an unemployment rate of 59 percent, rising quickly compared to its level in 1996. This rate is particularly high among the extreme poor (72 percent) and relatively poor (66 percent). Unemployment first concerns those thirty years old and younger, which represent 60.5 percent of the total unemployed. Finally, the combination of high unemployment rates and weak activity rates led to particularly low employment rates among the relatively poor (33.5 percent) and the extremely poor (27.6 percent) as well as very high dependency rates. Unemployment stems from several factors: (i) inadequate level of economic activity; (ii) the high cost of production factors, notably energy; (iii) weak human capital, which limits the possibilities for the exploitation of opportunities that the economy offers; (iv) a significant and permanent immigration influx and

² Including the consumption of energy by the French armed forces stationed in Djibouti.

³ The World Report on human development of 2002 indicates an average consumption in 1999 of 21 kilowatt-hours for Ethiopia and 110 kilowatt-hours for Yemen.

⁴ The price for electricity is nearly five times less expensive in Ethiopia.

⁵ The government has just lowered the price of kerosene from DF103 to DF60.

effects from certain stabilization measures, which have also contributed to an imbalance in the job market.

The promotion of a coherent and integrated employment policy must be one of the cornerstones of the poverty reduction strategy. To guarantee success, such a policy must take into account several imperatives: (i) improvement of the economy's competitiveness and growth, as sustainable factors in the creation of jobs through their direct and indirect effects on the economy; (ii) the setting up of a true human resources development policy, through the development of education, the expansion of literacy, and the strengthening of job training; (iii) the implementation of employment programs (high intensity manual labor programs, supported by the development of self-employment, micro-finance, and micro-enterprise) targeted towards helping particular parts of the population (unqualified unemployed people, women, etc.).

The problem of poverty seems, however, to be closely linked with economic growth activity and economic policy measures. Sensitivity analysis done with data from the EDAM study shows that an increase of 1 percent in expenditures was accompanied by a reduction in extreme poverty to 1.5 percent, and to 0.7 percent for relative poverty. Similarly, the continued decrease in per capita revenue of nearly 3 percent on average per year between 1996 and 2002 appears to be the main factor explaining the worsening of extreme poverty and unemployment. In addition, the rapid worsening of inequalities, (the Gini index rose from 39.5 percent to 40.9 percent between 1996 and 2002), suggests that the current economic structure is not helping the poor and that the mechanisms for redistribution and protection, notably through public spending, have been ineffective. Based on these three relationships, it seems clear that the poverty reduction strategy must aim for an annual real economic growth per capita of at least 2 percent and an average decrease in inequalities in income distribution of at least 2 percent per year. The combination of these two necessary factors will help reduce the incidence of extreme poverty from 42.2 percent of the population in 2002 to 21.6 percent by 2015. Between 2003 and 2015, all economic growth that is lower than 2 percent per year and is not equitably shared will not have a significant impact on poverty reduction.

The absence of a natural resources base, weak human capital, high costs of labor and production factors (energy, telecommunications, and water), inadequate financial intermediation, and administrative constraints of all kinds are the key obstacles to economic growth and to the development of private initiative. Exacerbating these different constraints are governance problems that are also causes of poverty. Being a new country with few human resources, Djibouti's governance problems considerably limit the effectiveness of government economic and social programs on the poor. The relationship between governance and poverty can be seen on several levels: (i) ineffective public spending, despite a substantial level of domestic resources mobilization and substantial foreign aid, causes public service performance to remain mediocre for the country as a whole; (ii) the entire budget management process is dysfunctional; (iii) the dire financial situation of key public enterprises, which for most operate with no appropriate management information system or program contracts that clearly state their objectives and obligations; (iv) weak capacities in public administration and the civic society; and (v) minimal participation of women in decision-making process and public life, despite the national legislation that recognizes and protects all internationally recognized rights for women⁶.

⁶ Djibouti has ratified the CEDEF, the CADHP, and the agreement on children's rights. A modern family code was adopted and the penal code was modified to include articles denouncing genital mutilation practices.

THE POVERTY REDUCTION STRATEGY FRAMEWORK (PRSP)

The Vision

Analysis of poverty in Djibouti shows that it has become structural⁷. Income poverty, tied to insufficient revenues and limited access to employment, appears to have a strong correlation with poverty related to living conditions. Income poverty is also tied to inadequate access to education, health care, drinking water, and basic infrastructures. Poverty in Djibouti, by its extent and depth, is thus not only a social problem, but it poses a true challenge to development. It is thus crucially important to clarify the country's vision for the future and to implement in a sustained manner policies and reforms that create conditions suitable for strong and equitable economic growth. Also important is the need for continued reduction in unemployment.

The poverty reduction strategy paper (PRSP) responds to these needs. A fundamental objective is to create a dynamic of growth and accumulation of human capital leading to sustainable reductions in poverty and unemployment and to improvements in living conditions for all citizens. The PRSP is structured around a long-term vision that builds on the country's strategic strengths, its geographic location and its port, and that seeks to develop human resources to ensure that competitiveness is radically improved and the country can be integrated into the world economy. The strategy will be implemented in stages, and three time horizons are being considered: 2006, 2010, and 2015. In the long term, measures are envisaged that should open up rapid development in the services sector, generate strong growth, and create jobs; the country should see results from the following: the construction of new port infrastructure (a container port, a petroleum terminal, and free trade zones), human resources development, the construction of infrastructure, and the impact of reforms aimed at stimulating private investment. In the short term, by the year 2005, the strategy aims to reinforce the economic growth base, by pursuing and consolidating reforms in several key economic domains (public finances, public enterprise, promotion of the private sector, transportation). At the same time, it focuses on developing human capital and encourages investment in sectors that contribute to the creation of jobs, and the improvement of the living conditions of the poor.

The Objectives

The main quantitative objectives of the PRSP are as follows: (i) to reduce the incidence of extreme poverty from 42.2 percent in 2002 to 36.1 percent in 2006, to 27.9 percent in 2010, and to 19.2 percent in 2015; (ii) to increase the average real GDP growth⁸ to 4.6⁹ percent in 2004–06, to 5.5 percent in 2006–10, and to 6.5 percent in 2010–15, and to simultaneously reduce the inequalities in income distribution by 2 percent average per year during 2003–15; (iii) to increase gross primary school enrollment from 42.7 percent in 2001/2 to 73 percent in 2005/06 and to achieve universal enrollment by 2015; (iv) to reduce the infant mortality rate from 103.1 per thousand in 2002 to 75 per thousand in 2006, and to 50 per thousand in 2015; (v) to reduce the infant-juvenile mortality rate from 124.5 per thousand in 2002 to 85 per thousand in 2006, and to

⁷ The synthetic index for human poverty, which takes into account monetary poverty, life expectancy, adult literacy, access to drinking water, and the malnutrition rate for children aged five and younger, is estimated at 42.5 percent. This rate is very close to that for the incidence of extreme poverty (45 percent). In addition, the correlation between these two indexes is perfect for all regions of the country and all districts in Djibouti City.

⁸ The population growth rate being estimated at 3 percent per year, the goals for average annual growth of GDP per capita are 1.6 percent in 2004–06, 2.5 percent in 2006–10, and 3.5 percent in 2010–15.

⁹ Simple arithmetic average

70 per thousand in 2015; (vi) to reduce the maternal mortality rate from 690.2 per 100, 000 live births in 2002 to 570 in 2006, and to 400 in 2015; (vii) to stabilize the rate of prevalence of HIV by approximately 3 percent by 2015.

The Strategy

The strategy rests on four pillars:

The first pillar seeks to strengthen the country's competitiveness and to create conditions conducive to a strong and sustainable economic growth through (i) the pursuit of stabilization policies in the macroeconomic framework and structural reforms; (ii) the implementation of a judicial and institutional framework that attracts investment and removes obstacles to the development of the private sector; (iii) the promotion of Djibouti as an economic and financial hub that is competitive at the regional level, and the optimal exploitation of the country's growth potential; (iv) the construction of infrastructures and reduction in the costs of production factors.

The second pillar seeks to accelerate the development of human resources through the implementation of programs targeted to poverty areas and vulnerable populations. It will deal, in particular, with the following: (i) improving access to health care and education for the poor; (ii) implementing an unemployment promotion policy through the development of high intensity methods for manual labor, the promotion of micro-finance, the development of job training, and the support of sectors that directly benefit the poor (agriculture, husbandry, etc.); (iii) setting up social protection nets for the most vulnerable segments of the population (children living on the streets, nomads, the homeless); and (iv) implementing the National Strategy for Women Integration to the development effort that although based on four priority sectors (decision taking, health, education and economy) also recommend some measures to include a gender perspective in all sectoral strategies of the PRSP.

The third pillar more specifically seeks to reduce poverty. It will deal, in particular, with improving access to water and basic services for the poor. The policies and programs will center on the four neighborhoods in the outskirts of Djibouti City (in particular, districts 4 and 5), on cities in the interior, and on rural areas.

The fourth pillar seeks to promote good political, local, economic, and financial governance, and to strengthen the capacities for planning and for administrative management, and to modernize its ways and means. The priority will be to strengthen the management of public expenditure and to improve its equity and effectiveness in order to create a true instrument for combating poverty.

Financing the Strategy

The poverty reduction strategy necessitates the mobilization of important foreign resources to implement plans of action, whether at country level or at sector level. Priority public investment, (except the surveying and strengthening of institutional capacity) that will have a direct impact on the realization of the objectives for poverty reduction, will require foreign financial assistance valued at DF47.336 billion (\$266.351 million). It is estimated that 50 percent of the financing to be secured (DF23.669 billion or \$133 million) should materialize between 2004 and 2006. It is assumed that 60 percent of the financing shortfall still to be found will consist of grants and that the rest will be loans. Foreign aid already acquired for 2004–06 amounts to DF20.725 billion (\$116.6 million), of which 60 percent consists of grants and the rest loans. This foreign assistance is complemented by national counterpart funding representing an average 10 percent of foreign assistance, to which is added recurring charges of approximately 5 percent of all priority public

investment programs. To maintain the fiscal deficit objective of less than 3.1 percent of GDP, it would require that at least 75 percent of the financing to be secured be in grants and the remaining in loans.

The external financing to be secured is essential to balance the distribution between sectors of the priority investment program and, thereby, to bring about (i) a global and coherent response to public financing for the poverty reduction strategy; (ii) conditions for a rebound in economic activity as well as the fundamentals of sustainable and equitable growth based on the development of the private sector.

Monitoring and Evaluating the Strategy

The practice of monitoring and evaluating is not widespread in the administration, nor is the management of programs based on results. In addition, the statistical system has serious deficiencies, principally tied to the absence of reliable demographic and population data. Statistics relative to poverty and access to social services are marked with uncertainty. Economic data, notably national counts and data on foreign trade are equally deficient. The national statistical system, consisting of the direction of statistics and studies on population (DISED), and different sector departments (health care, education, water, finance), is confronted with problems of technical capacity and operational coordination. This situation is the source of the scattering of effort and lack of harmonized methodologies in data collection, making comparison of sporadic information collected by these different data sources very difficult. The weaknesses in the national statistical system increase the difficulty of understanding the different dimensions of poverty, their causes, and the exact measures of poverty across socioeconomic groups and regions. For these reasons, there are few reliable indicators on performance in the real sector, on monetary poverty and employment, on access to basic social services, and on budget programming and spending. The current state of the budgetary information system does not allow the creation of a multiyear reference framework needed to mobilize funds devoted to public investment and, more globally, to the allocation of public resources, foreign or national.

The inadequacies in the statistical system strongly affect the planning of development operations, as well as the formulation, monitoring and evaluation of policies. Improvements, however, are taking place with the strengthening of administrative statistics in the sectors of education and health care as well as the realization of new studies attempting to meet priority information needs in the PRSP. Globally, the national statistical system does not have the capacity to respond to the growing demand for the information that will generate the monitoring and evaluation of the poverty reduction strategy.

The implementation of the PRSP as a reference framework for the sector or cross-sectoral strategies is based on five complementary pillars. These are (i) good coordination of the implementation process through the adoption of a global framework for the organization of employment and the sharing of information between the different parties involved; (ii) strengthening conditions for producing a good system of statistical information—both quantitative and qualitative—to allow improvement in the quality of policies and programs aimed at poverty reduction; (iii) the regular production of overview documents and analysis reports, and expanded communication on national strategy and the policies and programs already implemented; (iv) the consolidation of the participatory process, undertaken when the PRSP was formed, in the context of monitoring actions and the definition of new policy and strategy orientations; and (v) a sustained dialogue between the government and the partners in development. Monitoring and evaluation is at the heart of the implementation process of the PRSP and is designed to meet the needs stemming from these five conditions.

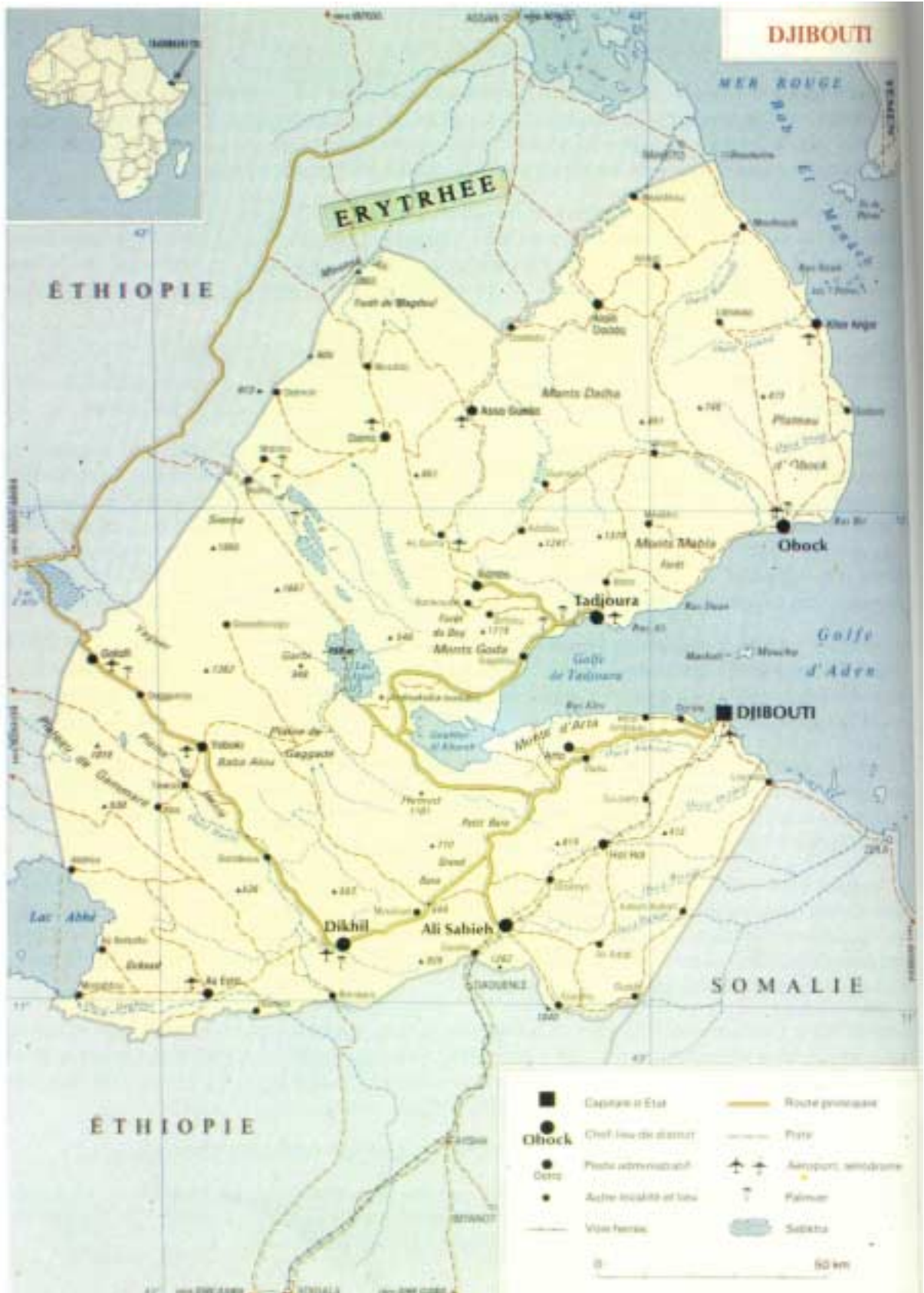
Monitoring and evaluation of the poverty reduction strategy lie within the scope of an evolving framework, based on the mechanisms of existing monitoring in the different structures and on the judicious exploitation of different instruments already being used. Progressively, new mechanisms and instruments will be used to strengthen the existing system in order to help the process evolve into a global, performing, coherent, and complementary system. This new system will then be able to give an account of the performance of the strategy's implementation and its impact on poverty reduction.

Current thinking is leaning toward setting up an independent and operational plan from the implementation of the poverty reduction strategy (PRS). This plan would take into account inadequacies existing at the time of the formulation of the PRSP and, in general, all the constraints facing the implementation, monitoring, and evaluation of strategies and public programs. It will be necessary to create a commission for growth and poverty reduction as well as a committee for monitoring and evaluation within the DISED. These two organizations would each be made up of three to five experts given the necessary powers and resources to accomplish their missions and work. With appropriate autonomy, these two groups would be accessible to numerous public employees and non-government organizations involved in the implementation of the SRP, as well as to technical and financial partners. This operational plan would be completed by the creation of an independent observatory on poverty in charge of analysis and exchanges on public policies and poverty reduction programs, including all parties (government, civic society, private sector, NGOs, development partners) involved in the PRS implementation process. This operational plan would be completed at the decision-making level by the institutional group for monitoring and piloting the program of economic reforms. This group would include the Inter-ministerial Committee for Government Action, and the Technical Committee for Monitoring and Coordinating the Reform Program. In order to complete this goal, the missions and mandates of these two groups should include the relevant powers for, putting in hand, monitoring, and evaluating the PRS.

Risks of the Strategy

The poverty reduction strategy is very ambitious. However, such a level of ambition is vital to bringing about a radical change in the entire economic management system, the piloting, the implementation, and the monitoring of the programs and the reforms. The strategy has three main risks: They are as follows: (i) an eventual slowing down in the implementation of reforms, notably in the domains of public finance and public enterprise; (ii) a decrease in port activities and private investment in the sector; (iii) foreseeable difficulties in the coordination and monitoring of an ambitious and complex program.

REPUBLIC OF DJIBOUTI



INTRODUCTION

The Republic of Djibouti, located at the South entrance of the Red Sea, covers an area of 23,000 km² with 370 kilometers of coastline and a population of approximately 500,000 inhabitants, two-thirds of whom live in the capital, Djibouti. The rest of the population lives principally in secondary towns. The rural population is estimated at 15 percent of the total population. The country borders Ethiopia, Eritrea, and Somalia. During 1993–99, the average birthrate was estimated at 2.8 percent per year, but the real growth rate is clearly higher (6 percent) due to the presence of refugees in the territory. These refugees for the most part come from bordering countries. Djibouti's climate is desert-like and temperatures are high, especially between May and September when the average temperature surpasses 40°C.

The Republic of Djibouti gained independence on June 27, 1977. A former French colony since 1862, the territory has had different names: French Coast of Somalis (FCS) from 1862 to 1967; then French Territory of Afars and Issas (FTAI) until independence. The two ethnic majorities in Djibouti are the Afars and the Somalis, nomadic sheep herding peoples. Djibouti also has an important Arab community of Yemen origin. The largest foreign populations are the Somalis, the Ethiopians, and the French. The Djibouti population is 99 percent Muslim. French and Arabic are the official languages but the most frequently spoken languages are Afar and Somali.

At independence, Djibouti inherited a structurally open economy, mainly focused on demand for external services. The economy heavily relies on the service sector, which accounts for 80 percent of the gross national product (GNP) and 80 percent of jobs. In addition to lacking natural resources, the country's primary and industrial sectors are poorly developed and represent 5 percent and 15 percent of the GNP, respectively.

Djibouti's lack of resources and its strategic geographical position are important factors in its economy. Services make up about 70 percent of the GDP and are mainly centered on port activity and road and railway connections. The public administration's share in added value represents 27 percent and transport and telecommunications 18 percent. Agriculture and industry make up only 3 percent and 17 percent of the GDP, respectively. With little fertile land and limited rainfall (less than 0.3 percent of land is arable), agriculture plays a limited role. The peach sector, a potentially important resource, remains unexploited due to a lack of interior demand, and to noncompetitive price and work policies.

The Djibouti economy during the last two decades has seen uneven growth marked by a succession of political crises (regional wars, armed conflict in the country) and by economic crises (drought, in particular). All of these problems have caused a continued weakening of the country's competitiveness, its financial standing, and its economic and social infrastructures. As direct results, the income per capita has decreased by more than 25 percent compared to its level in 1984, while the state budget deficit has increased to 10.1 percent of the GDP in 1995. During this same time, key indicators of sustainable human development, such as gross enrollment, child, juvenile, and maternal death rates, as well as access to drinking water, continued to deteriorate.

To tackle this situation, the government in 1996 began economic adjustment and restructuring programs supported by the IMF and the World Bank. It also implemented reforms in several key areas: public finance, social security, public enterprise, education, and health. In 2000, the government worked out a temporary PSRP whose main objectives were to (i) boost economic growth, (ii) develop human resources, (iii) strengthen social security nets, and (iv) modernize the state and promote good governance.

The results of the programs implemented since 1996 have been encouraging but are still insufficient. Important progress occurred in the macroeconomic domain with reductions in the budget deficit and in the balance of current transactions decreasing, respectively, to 2.1 percent and 4.3 percent of GDP in 2001. However, this progress was not accompanied by a reversal in the trend towards greater deterioration of the social situation. The data from the EDAM household study of social indicators show, in fact, that the incidence of relative poverty¹⁰ and of extreme poverty during 1996–2002 has seen a dramatic rise, going from 64.9 percent to 74.4 percent and from 34.5 percent to 42.2 percent, respectively. The results of the study also show that poverty is generalized and that it touches all social classes.

In the education sector, despite important progress in the last three years with regard to schooling, education still faces numerous challenges: insufficiencies in quality, effectiveness, access, and strong disparities that are tied to the standard of living and type of life. The data on health also show a difficult sanitation situation. The condition of mothers and children is particularly worrisome, with immunization rates for sicknesses targeted by the expanded program for immunization (EPI) at only 45.0 percent, and infant and maternal mortality rates reaching extremely high levels. The HIV/AIDS epidemic poses another grave threat to public health. Another major challenge that Djibouti faces is maintaining an adequate supply of drinking water, which is tied to inadequate resources and the country's extreme climatic conditions. Water supply is directly affected by pronounced production deficits, problems with water quality, regional disparities in access to water, and inequalities in the standard of living.

In addition to problems with water supply, Djibouti faces a grave problem with employment. Data from the job market reveal a true crisis, with the global unemployment rate at 59 percent and the employment rate for the poorest at a mere 27 percent. Unemployment and poverty strongly correlate with the lack of consistent economic growth, with weaknesses in human capital, with difficulties in gaining access to basic social services, and with serious problems in governance.

Such are the challenges that the country faces, and the essential stakes that the PRSP attempts to resolve. The government's active participation for more than a year in studying these problems has brought about a wide consensus on the assessment of the causes and solutions. The main objectives are to reduce poverty and inequalities, and to allow all Djiboutians equal access to social services and to basic infrastructures. The PRSP sets forth a long-term vision for development aimed at exploiting the country's strategic opportunities, its geographic location, and its port. It also seeks to develop its human resources in order to improve, in a radical manner, the economy's competitiveness and to insure itself an advantageous integration into the world economy.

The strategy will be implemented in stages, and three time horizons are being considered: 2006, 2010, and 2015. In the long term, the strategies should open up rapid development in the service sector, generate strong growth, and also create jobs; the country should see results from the following: the construction of new port infrastructures (a container port, a petroleum port, and free trade zones), human resources development, the construction of infrastructure, and the impact of reforms aimed at stimulating private investment. In the short term by the year 2005, the strategy aims to reinforce the economic growth base, by pursuing and consolidating reforms in several key economic domains (public finances, public enterprise, promotion of the private sector, transport channels). At the same time, the strategy implements a voluntary investment

¹⁰ The relative poverty line is evaluated at 194 205 FDJ per adult per year, or an expense of \$3 US/J, which is very high in the African context. The extreme poverty line, evaluated at 114 096 FDJ per adult per year is an expense of \$1.8 US/J, which appears more significant and is closer to international comparisons.

policy for the development of human resources, for the sectors that contribute to the creation of jobs, and for the improvement of the living conditions of the poor.

The present PRSP represents the first phase of the implementation of this strategy and covers the period 2004–06. The document consists of seven parts: the first part presents an assessment of the poverty situation; the second part reviews past strategies for poverty reduction and the process for elaboration of the PRSP; the third part is devoted to the strategic orientation and vision of the PRSP; the fourth part deals with the strategy's pillars for poverty reduction; the fifth part is devoted to the financing of the strategy; the sixth part to the policy for the development of human resources under a monitoring-evaluation system; and the seventh part to the risks of the strategy.

1 POVERTY IN DJIBOUTI: CHARACTERISTICS AND CAUSES

1.1. Definition and Measure of Poverty

The information system on poverty in Djibouti, and more broadly the statistical system, suffers from numerous deficiencies, which make it difficult to truly apprehend the poverty situation and to elaborate coherent strategies and development programs. The knowledge base on poverty stems primarily from the EDAM IS household surveys of social infrastructures of 1996 and 2002, and from the EDSF/PAPFAM household study of family health of 2002, completed with administrative data available from sector-based departments.

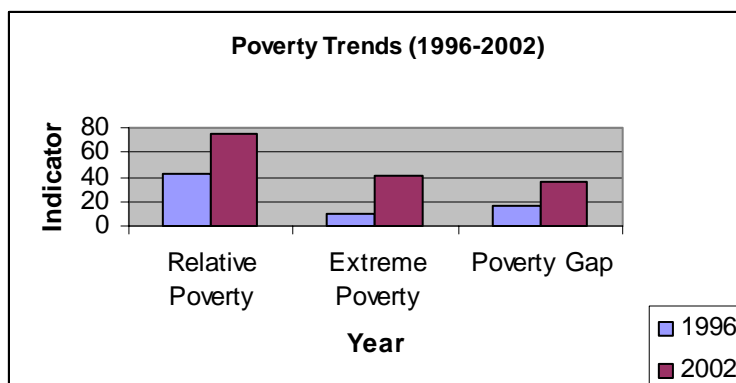
Poverty is a concept with many dimensions that include lack of income, lack of work, and difficulties in access to essential needs. Monetary poverty comes from a monetary income insufficient to meet expenditure for food and nonfood essentials.

Monetary poverty is measured through two poverty lines under which a person is considered relatively poor or extremely poor. The first is a relative poverty line, calculated by looking at food expenditure as a proportion of the total household expenditures in the second quintile. The other is an extreme poverty line, determined from minimal basic food needs corresponding to a daily caloric intake of 2115 calories per adult. The relative poverty line was estimated in 2002 at 198 229 FDJ and the absolute poverty line at 114 096 FDJ per year, which corresponds to \$3.3 and \$1.8 per person per day, respectively. The particularly high relative poverty line, compared to that fixed in the framework of the Declaration for the Millennium (\$2 per person per day), reflects the high level and incidence of prices in Djibouti on household living conditions. Thus, monetary poverty is created by a lack of funds and weak buying power, in a context strongly marked by a crisis in the job market.

Poverty related to living conditions, whose PNUD human poverty indicator constitutes a good approximation, is caused by a series of inadequacies in the areas of health, education, drinking water and its treatment, food, access to energy, and housing. Poverty can also be manifested in deficits in potentialities, in weak participation in life overall, which can result in citizens being deprived of basic human rights, in marginalization, and exclusion.

Furthermore, the EDAM-IS studies as well as the preliminary data of the demographic and health study show that women, who represent a little more than half the population, suffer from considerable disparities. Barely present in the modern sector of the economy, their participation in decision making remains very limited.

Poverty is thus reflected in a circular relationship between monetary poverty, poverty of living conditions, and poverty of potentialities. This problem of multidimensional poverty is discussed in the Participatory Evaluation on Poverty (EPP 1996) dealing with vulnerable populations in Djibouti city. This Evaluation gives the following definition: *“The poor are those who cannot satisfy basic essential needs for housing, clothing, and food, in absolute and relative terms. Poverty is perceived as being caused by individuals and by society. The factors which influence poverty are war, drought, but also lack of schooling, late payment of salaries, unemployment, economic policies of the government, bad physical or mental health, and lack of jobs.”*



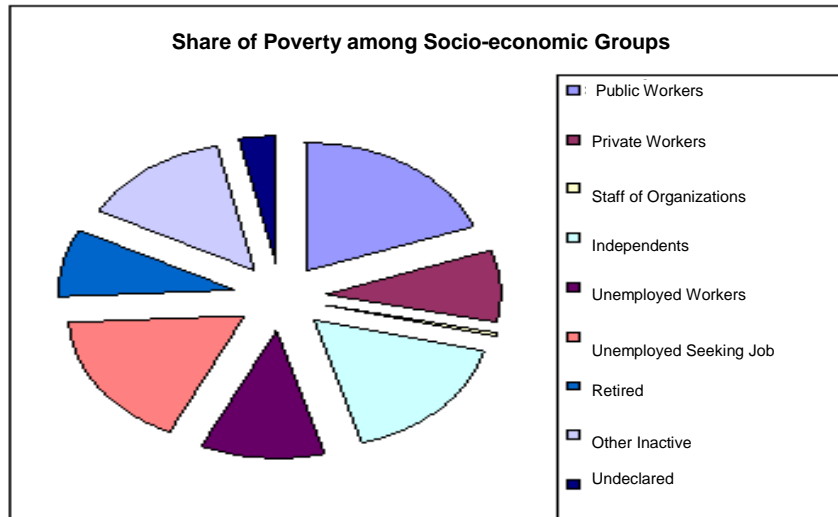
1.2. Monetary Poverty

The data from the EDAM-IS2 study focuses on five important developments in poverty. Poverty increased dramatically in Djibouti between 1996 and 2002. Almost two thirds of Djiboutians (74 percent) live under the relative poverty line compared to 45 percent in 1996. Of them, 42 percent live in extreme poverty, compared to only 9.6 percent in 1996. It must be noted that poverty data are not rigorously comparable between the EDAM and EPP studies mentioned on the previous section; however, everything indicates that the scope of poverty in 1996 was also large (see Box 2), thus confirming the structural and massive character of poverty observed in 2002. The results of the EDAM IS2 study also show that poverty is generalized, that it touches all geographical areas and all social categories. The increase of poverty and extreme poverty are also accompanied by a rise in indexes measuring its depth and severity, thus reflecting a strong deterioration in the standard of living of the poorest.

Poverty is high everywhere, but its incidence is the most dramatic in the rural areas. Almost 96.7 percent of rural Djiboutians live below the relative poverty line and 83.0 percent of them live in extreme poverty. The incidence of poverty and of extreme poverty is very high in the four interior districts. These account for 33.5 percent of those living in overall poverty and 45.1 percent of those in extreme poverty for a demographic weight of 27.1 percent. In terms of concentration, it is the city of Djibouti that shelters the largest numbers of poor, with a contribution of 65.2 percent and 57.4 percent for relative and extreme poverty, respectively. Districts 4 and 5, which were born of the impoverishment caused by the rural exodus and migratory push in the last few years, by themselves account for 41.6 percent of those living in overall poverty and for 45.7 percent of those in households of extreme poverty. Unlike other African countries, poverty in Djibouti is first an urban phenomenon that refers to a specific context marked by the small dimensions of the country and its strong urbanization, the absence of an important rural sector, conflicts, and migrations.

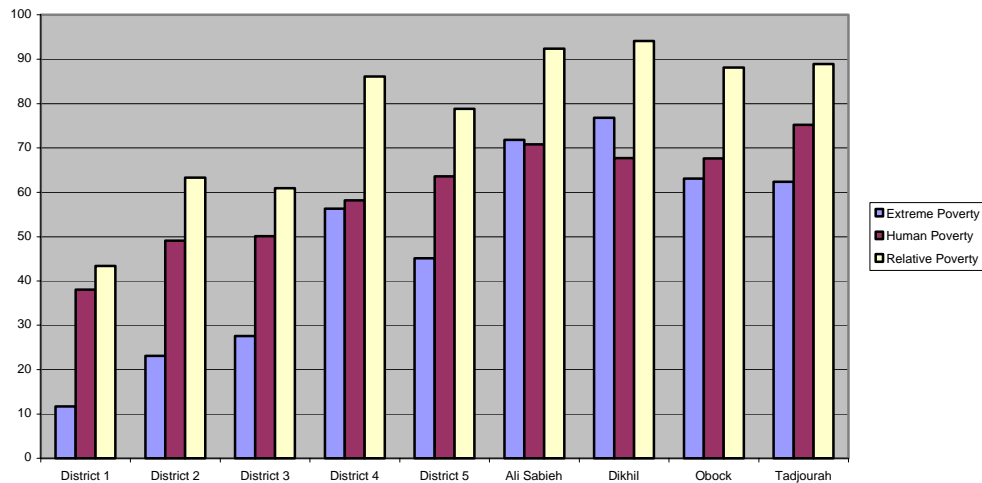
Poverty touches all socioeconomic categories in varying degrees. The incidence of extreme or relative poverty is the strongest among households whose heads are unemployed and looking for a first job, or are unemployed after previously holding a job, or are independent workers, or are non-workers. These four categories contribute nearly 65 percent of global extreme poverty. Households whose head draws a salary from the public sector account for an incidence of relative poverty of 55 percent and for an incidence of extreme poverty of 24 percent. This category contributes to 15 percent of global extreme poverty and for 19 percent of relative poverty. The strong rise in poverty among wage and salary earners in the public sector is probably linked to

measures of salary reduction, as well as to the repeated tardiness in the paying of salaries. Both the EDAM-ISI and the EDAM-IS2 studies show that employers account for a small portion (1.3 percent of households in 2002), which testifies to the weakness of private initiative and to weak development in the informal sector.



The strong progression in poverty is accompanied by profound inequalities in the standards of living: 20 percent of the poorest households have average expenditures per adult eight times lower than those in 20 percent of the wealthiest households. The EDAM-IS2 also reveals that inequalities are more pronounced; the Gini index went from 39.5 percent in 1996 to 40.9 percent in 2002. The breakdown of inequality following the Theil index indicates that inequality among the poor and non-poor accounts for 57.8 percent of total inequality, but that inequality between the non-poor is also pronounced since it represents 31.5 percent of total inequality. Assessment through socioeconomic categories reveals strong inequalities among employees for the public and private sectors, which contributes to nearly 40 percent of total inequality. This evolution along with increased poverty suggests strong discrepancies in status and pay among the group of salary earners.

Monetary Poverty and Human Poverty



Monetary poverty and human poverty go hand in hand. The synthetic index for human poverty calculated for different areas of the country and the incidence of extreme poverty seem to be strongly correlated. In all, individuals who live under the extreme poverty line all have a strong probability of lacking food, access to education, access to health care, and access to drinking water.

1.3 Poverty in living conditions

1.3.1 Access to Education

Level of education determines in large measure the many other capabilities needed for active participation in life.

Assessment of data on access to education from the EDAM-IS2 and EDSF/PAPFAM studies as well as from current relative statistics reveals contrasting trends due to imperfect knowledge about the status and structure of the school-age population. It turns out, however, that these three data sources provide convergent estimations of the school-age population by level of schooling, and reveal disparities in access, problems of equity, and internal effectiveness of the education system.

Based on current statistics on education, schooling at the primary level has progressed rapidly in the last five years. Gross enrollment, evaluated at 42.7 percent in 2001/02 compared to 30 percent in 1999/00, reflects important efforts made to build classrooms and to recruit students since the adoption of the decennial program on education in 2000. Enrollment is progressing in all regions of the country but it remains particularly weak in the four interior districts where the raw rate of enrollment in school varies between 20.6 percent and 30.5 percent. It also appears that profound disparities in access to primary education exist between urban (52.9 percent) and rural (12.4 percent) areas. Net enrollment (34.7 percent) also remains low, highlighting the need for a sustained effort to raise the rate of access as well as to improve the internal efficiency of schools. Gender inequalities remain important at the primary level, with an index of parity for girls and boys evaluated at 0.77 in the urban set and 0.50 in the rural set.

Repeater rates (12 percent on average) and drop-out rates (28 percent on average) are particularly high in the last year of primary school, due to the very selective nature of the education system. Overall, in present conditions, only 51.2 percent of students will not have to repeat their last year of primary school, which reflects the weak internal effectiveness of the primary schools and the resulting squandering of resources. Children who do not attend school do not benefit from any type of integration whatsoever. Vocational training is poorly developed, and most of its graduates tend to join the pool of unskilled and unemployed workers. The EDSF/PAPFAM study reveals that drop-out rates are very high among girls (61.7 percent). However, there are no apparent or confirmed reasons tied to gender. Factors that affect the drop-out rate for both sexes are the need to help with activities of the parents (30.8 percent), living too far from the school (22.8 percent), health reasons (16.7 percent), and school failure (15.9 percent). However, those children who drop out of school must not mask the numerical importance of the children who have never been to school. In fact, the EDSF/PAPFAM study concludes that 52.9 percent of children, and in particular 57.3 percent of girls between the ages of six and sixteen, have never been to school, even though laws state that schooling is mandatory for this age group.

The overall enrollment is evaluated at 23.9 percent for primary education and at 15.1 percent for secondary education—general, technical, and professional. This weak enrollment is accompanied by very strong inequalities linked to geographical limitations, to the standard of living, and to gender. In fact, for the two levels of schooling, the index of parity for girls and boys is on average only 0.6, which is much more pronounced for girls coming from poor or extremely poor households. The EDAM-IS2 study indicates particularly marked disparities between the different districts in Djibouti City on the one hand, and between Djibouti City and the four interior districts on the other. In Djibouti City, the overall enrollments for primary and secondary education in Districts 3, 4, and 5 are 44, 30, and 42 points, respectively. These rates are lower than that in District 1. The schooling disparities vary between 64 and 71 points between Djibouti City and the four interior districts. Independent of geographical restrictions, the rates for primary and secondary schooling for the extremely poor are more than 25 points lower than rates for the non-poor.

Education expenditure represents on average 6.8 percent of total household expenditures. Poor households spend a relatively important sum on education; their education expenditure represents, on average, 7.1 percent of their total expenditures. In nominal terms, the education expenditure of poor households is 3.8 times greater than that of extremely poor households, and remains approximately equal to that of the non-poor. In comparison, extremely poor households devote 5.5 percent of their expenditures to education. This more modest amount reflects a weaker access to education, but also economic arbitrages on the level of these households, which are unfavorable to schooling, resulting from weak revenue and from the high appropriated cost of schooling, especially for girls. Thus, from this point of view, the Djibouti woman experiences considerable disadvantages, with discrepancies favoring men by 13.2 percentage points in the overall rate of primary schooling and by 34 points for secondary schooling. In addition, poor and extremely poor women suffer from two types of inequalities, one tied to standard of living and the other to being female. Factors unfavorable to the schooling of girls reveal as many supply factors as demand factors. They are tied to retrograde thinking that grants priority to the schooling of boys, as well as to the high opportunity cost of the schooling of girls.

Overall, the evolution of the education sector needs is related to three basic determinants: First, important progress made in the areas of expanding primary education and encouraging secondary schooling has brought about a 5.4 percent increase in the total number of students per year for all primary education, a 9.5 percent increase per year for the total number of school age children in an average cycle, and a tripling of the number of general secondary students between 1999 and

2002. The strong priority placed on the education sector is reflected in the continued increase of the education budget in the state's functioning budget, which has risen from 10.8 percent in 1996 to 16.6 percent in 2002. Second, the persistence of substantial deficits in providing access to primary schooling will necessitate a sustained investment effort in the capacity to welcome students to school and a raising of the functioning budget for national education in order to meet the costs of recruiting new students. Third, the great inequalities in access necessitate new policies and voluntary programs targeted at girls and poverty areas.

1.3.2 Literacy

Weak performance in the education system is reflected in the rate of literacy. According to the data from the EDSF/PAPFAM¹¹ and EDAM-IS2 studies, the proportion of the adult population fifteen and older that knows how to read and write is 27.3 percent overall and for women specifically, 22.2 percent. This disparity in gender is accompanied by inequalities in the standard of living, the literacy rate of the non-poor being 39.3 percent higher than that of the extremely poor and 18.2% higher than that of the relative poor. Its literacy rate places Djibouti among the African countries that are the most weakly endowed in human capital. This literacy rate conveys the extreme vulnerability of poor populations whose potential for taking an active part in life and for meeting external shocks is considerably reduced. The scope of adult literacy requires a comprehensive policy and voluntary literacy programs that must target poor populations and women.

1.3.3 Access to Health

Djibouti lacks reliable health statistics. The data available provide only a slice of reality but reveal a difficult overall health situation. The Djibouti population is in a rapid growth mode, fueled by a high rate of fertility (4.2 children per woman) and an important migratory flow (foreign-origin population represents 15 percent of the total population). The life expectancy at birth, estimated at forty-nine years, is among the lowest in the world. Respiratory affections and tuberculosis, diarrheal diseases, and malaria are the major causes of clinic visits. The infectious pressure of the environment due to a lack of adequate sanitation and hygiene on the one hand, poverty and malnutrition, on the other hand, contributes to degrade the overall health situation.

According to preliminary data from the EDSF/PAPFAM, the main health indicators for mother and child well-being had clearly improved compared to their 1989 levels, but remain very alarming. The infant mortality rates and child mortality rates have changed from 114 and 154 per thousand respectively in 1989 to 103.1 and 128.9 per thousand in 2002. It should however be noted that the infant mortality and child mortality rates are much higher for girls at 100.5 per thousand and 110.4 per thousand, respectively. The rates of immunization for diseases included in the expanded program of immunization (EPI) have increased with regards to BCG (84 percent), but have stagnated for five or more years at very low levels, in respect of DPT/OPV3 (43 percent), OPV3 (21.4 percent) and measles (43 percent). However, there are significant differences between urban and rural zones, and the EDSF/PAPFAM reveals that the overall rate of complete vaccination is only 45 percent for the country as a whole and at a very low level in rural zones (11.1 percent)

¹¹ Variations in enrollment due to different denominators used by the Ministry of Education and DISED have been reconciled. The current version uses enrollment statistics from the Ministry of Education.

Immunization rates by geographic zone

	BCG	DPT/OPV3	POLIO3	MEASLES	COMPLETE VACCINATION
Overall	76.8	53.1	39.2	58.1	32.9
Urban	87	62.5	45.1	71.2	38.6
Rural	45.9	24.3	21.2	38.6	15.5

Malnutrition, which affects more than 17.9 percent of children under five, diarrheal diseases, and acute respiratory infections are the most prevalent causes of morbidity and infant mortality. The rate of maternal death, estimated by a survey to be 690.2 per 100,000 live births in 2002, shows a clear improvement compared to 1991 when it was 714 per 100,000 live births. However EDAM IS2 shows a non-negligible disparity of 9 percentage points in maternal mortality among the very poor compared to the poor, whose rate is essentially similar to that of non-poor. Elevated fertility rates, malnutrition and anemia, weak coverage in obstetrical emergency care are major causes of maternal mortality. Overall, reproductive health remains weak in a context of high fertility rates. Contraceptive methods are rarely used (only 16 percent of women of fertile age use them).

The high prevalence of genital mutilation, clitoridectomy, excision and infibulation (98 percent of women have undergone genital mutilation) also contribute to the high mortality and morbidity rates of women and young girls. Genital mutilation is often practiced by paramedical personnel with no medical knowledge and without the necessary hygiene. The Article 333 of the Penal Code condemns these practices. However, information and awareness campaigns about the risks of these practices have proved insufficient.

These health indicators conceal geographical and gender disparities. The DSF/PAPFAM shows excess infant mortality for girls (114.6 per thousand) as compared to boys (102.8 per thousand) and child mortality (134.6 per thousand for girls versus 123.1 per thousand for boys). This gender disparity can also be seen in respect of chronic morbidity.¹² The rate of 6.4% for girls compares with 3.8 percent for boys; in rural areas, the rate stands at 8.4 percent, much higher than the national average of 5.2 percent. No figures exist on gender disparity for vaccination rates, but the rate of completed vaccination is only 27 percent in rural areas in contrast to 40.2 percent in urban areas.

Water quality is a recognized determinant of public health, particularly for the weakest socioeconomic strata. Water is indeed the vector of many diseases. In Djibouti, one is only reminded of diarrheal diseases associated with the fecal contamination of drinking water (Particularly in respect of problems associated with sanitary storage and transport and polluted rural wells), cholera, and malaria. In addition, the excess salt content of the water distributed in urban areas and in many rural water points (2 g/l in Djibouti City) increases the risk in the medium and long term of cardiovascular diseases associated with hypertension and renal diseases.

HIV/AIDS is the single major public health problem of Djibouti, but the real extent of the pandemic is still largely unknown. According to a survey conducted in 2002, the prevalence rate of HIV/AIDS was 2.9 percent but could reach as high as 6 percent in the fifteen to thirty-five year old age bracket. The geographical location of the country, massive youth unemployment, and

¹² The EDSF/PAPFAM has classified 24 chronic diseases including diabetes, tuberculosis, the typhoid one, respiratory diseases, skin diseases or mental disorders. For details, refer to the module of general health.

strong currents of immigration all contribute to make the country particularly vulnerable to a generalized epidemic.

The overall health coverage and the geographical accessibility to medical care are relatively satisfactory, compared to other sub-Saharan African countries. This conclusion is, however, very theoretical because of several factors, as follows: (i) the shortage of qualified health personnel and the poor geographical distribution of the existing personnel (75 percent of health personnel are assigned to Djibouti City); (ii) the insufficiency of resources assigned to operations and training; and (iii) frequent breakdowns in drug supplies. In addition, the health system is based on curative care, which reaches the poor only marginally. Peltier General Hospital alone absorbs 40 percent of the human and financial resources of the sector.

The per capita health care expenditure, which was \$8(US) in 1999, places Djibouti in the mid-range of African countries, but remains well below the World Bank standard set at \$13(US) per capita per annum as the minimal expenditure to ensure overall coverage for basic medical care. The health care expenditure is financed by the state (27 percent), investors (29 percent), households (24 percent) and by assessments on employers and wages¹³ (20 percent). The share of the operational budget of the state devoted to health expenditure declined steadily for more than five years, stabilizing at around 4.5 percent, whereas the international standard is around 10 percent. Household expenditure on health represents only 1.5 percent of total expenditure regardless of individual standards of living. Although the Djibouti health system is theoretically based on the Bamako Initiative, cost recovery is applied in an unequal and irregular manner. The issuance of certificates of indigence that provides access to free care lacks an appropriate legal framework. The inadequacy of credits allocated to health and the lack of effective cost recovery mechanisms raise serious doubts about the sustainability and the equity of the health system.

1.3.4. Access to Water and Water Treatment

(i) Access to Water

Supplying drinking water remains difficult. The disparities in access, both geographical and those tied to the standard of living, seem to be the most important feature, reflecting three major constraints: (i) insufficiencies in quantity and quality of water resources; (ii) inadequacies in the planning and management of drinking water programs; (iii) difficulties in affordability. The principal characteristic of Djibouti's situation is the large disparity in the condition of access to drinking water, not only from a geographical viewpoint but also in terms of the economic condition of water access. Urban and rural areas must be analyzed in completely different ways.

The water problem in Djibouti

The Republic of Djibouti has a dry climate with an average of 100 to 150 mm of precipitation per year, due to its regional geographical context. Thus, because of the almost complete absence of lasting surface waters, Djibouti exclusively exploits underground water, which provides more than 95 percent of the country's water consumption. Fresh water consumption has currently risen 20 to 22 Mm³ per year, of which 16 Mm³ was distributed by ONED in the main urban centers, and 5 to 7 Mm³ in rural areas in part at the expense of the Direction of Hydraulics. Agriculture will consume 70 percent of the water in the rural areas. According to estimates of urban and rural water needs, the Republic of Djibouti today experiences a water shortage of between 5 to 7 Mm³ per year.

¹³ This financing is ensured through a 3 percent deduction from the wages of the public and private sector employees to which an employers' share of 17.5 percent is added.

A limited filling of underground water tables (5 percent of precipitation), population growth, urban development, and the development of agro pastoral activities (1,000 hectares) have caused an intensive exploitation of underground waters in the last several decades, which have in turn caused an over-exploitation of water tables. Water table levels and water quality have declined as a result. It must be noted that due to inadequate refilling, certain water tables remain naturally unclean and unfit for consumption. Numerous projects in urban and rural hydraulics have been undertaken to improve conditions for mobilizing water resources, but they have essentially focused on underground water, the extension of fields where underground water is tapped, and the realization and improvement of production infrastructures, neglecting the evaluation of water resources and their protection.

In the current situation, to allow sustainable development of water resources and to maintain a supply of drinking water for urban and rural populations, it is important and urgent to begin hydro geological and hydrological studies in order to finally plan for the management and protection of water tables.

The EDSF/PAPFAM study shows that 15.9 percent of individuals countrywide are deprived of access to water. This rate is generally low in Djibouti City (less than 7.4 percent). Of individuals in rural areas, 49.1 percent do not have access to an improved drinking water source. How water is supplied varies considerably from one area to another. In Djibouti City, most dwellings are connected to the water system. However, nearly 48 percent of households are supplied through pipes hooked up at the homes of neighbors, thus reflecting the huge disorganization in water distribution and marketing, as well as the numerous institutional and management problems which ONED must face. A large proportion of households in the first and second quintile are supplied with public fountains and tank trucks. In the other urban centers, supply through public fountains is the dominant method. In sedentary rural areas, nearly 30 percent of households have access to water through traditional wells that are in poor hygienic condition.

Average water consumption is estimated at 102 liters per day per person, but this figure varies strongly depending on the standard of living. In Djibouti City, for example, water consumption is only 15 liters for households in the first quintile compared to 344 liters for those in the fifth quintile. The same figures prevail in other urban centers and in the rural sedentary areas. The inequalities in consumption seem to be explained in large measure by the availability of water. In fact, water in Djibouti is a rare commodity affected by seasonal variations, and an estimated 69.0 percent of the demand is met at the national level. In the rural and semi-urban areas, only 60.8 percent of the demand from people, agriculture, and cattle are being met. This deficit in water quantities is also accompanied by a deficit in quality: (i) the salinity rate has been widely above normal WHO tolerance levels, with the presence of 830 mg/l of chloride, a conductivity of 2900 $\mu\text{S}/\text{cm}$, and (ii) water leaving drilling holes registers temperatures higher than 40°C. This lack in quality has repercussions on health and slows down development in agriculture and cattle farming.

On the other hand, water remains expensive for an important fringe of the poor urban population, notably in the non-poor districts not hooked up to the water system. In these areas, water is delivered by tanker trucks, at a price reaching eight times the price of the first slice of consumption from ONED's tariffs (500:FD/m³ versus 62 FD/m³, ONED tariff). Due to the high cost of water, economic resources spent for water from the budget of the poor households cannot be used for medications or other priority activities such as education. The average water expenditure represents 3.6 percent of household expenditures. This figure varies according to the geographical area; it is much lower in the other urban centers and sedentary rural areas than in Djibouti City. This situation is essentially tied to the lower price of water in these areas. The relative data on prices also reveal that poor households in Djibouti City pay on average 2 to 3 times more for water than non-poor households, due especially to the high prices of water sold by

the tank trucks. Water tank trucks account for a significant portion (11 percent) of water supply for populations in poor districts.

As already mentioned in the section dealing with access to health, water is an essential factor in public health. Its poor quality is the cause of numerous sicknesses (diarrhea, cholera, and high blood pressure due notably to salt). Besides impacting health issues, water used for drinking is a key parameter in the national food security equation. It is also an important input in the quality of agriculture (1,000 hectares irrigated in Djibouti) and cattle farming in pastures or near-urban areas.

Free time for women is often limited by domestic constraints and in particular by the fetching of water, including in urban areas when the home is not equipped with individual water hook-up, which is still a frequent problem. Water collection is shared most often between women and girls, and takes time from important activities, notably generating income activities or school, in the case of girls. In the rural areas, water collection can become a full time activity when the water source is more than ten kilometers away. In this case, water collection takes up several days between the water source and the camp. The women use donkeys to transport water cans and bring goats so they can drink before returning to the grazing ground. These trips back and forth to the water source are necessary in certain rural regions lacking in water sources, mainly during the hot season (June to September). These water collection trips often leave everyone exhausted, men and women, as well as the livestock, making the humans more vulnerable from a health and nutrition point of view (because milk production is thus considerably reduced.)

(ii) Access to Water Treatment

The ties between access to water and health are directly reflected in the lack of hygiene and water treatment with, as immediate consequences, increases in the prevalence of certain transmittable diseases – diarrhea, malaria, and respiratory illnesses. Access to water treatment consists of the installation of devices allowing the escape of used water and the drainage of rainwater. Two types of water purification exist: (i) collective purification, with an access rate by consumers of 25 percent only in certain neighborhoods of Djibouti City, and (ii) individual purification of dry latrines, leaking cesspools, septic tanks, with an access rate of 75 percent, all responsible for punctually polluting the ground and water tables at the immediate origins of ground and surface water pollution.

Solid waste is also a major problem in Djibouti City. 62 percent of 240 tons of daily waste products is directly put in the garbage dump, without any type of sorting or prior treatment. Incineration is carried out only sporadically and involves only small quantities of mixed rubbish. The stagnation of rainwater and used water is another serious problem, due to the particular topography of the city. The problem of water treatment, by its scope and its complexity, is one of the main environmental menaces for the country and exacerbates the deterioration in the health situation. The causes of mortality in Djibouti, which particularly hit the poor, are often due to environmental factors and are especially caused by the lack of water treatment. Sicknesses caused by diarrhea, malaria, and respiratory sicknesses are attributable to the lack of hygiene and water treatment.

1.3.5. Access to Housing

In the Republic of Djibouti where more than 71.5 percent of the population lives in the cities and whose economy relies on a service activity concentrated almost exclusively in Djibouti's urban areas, urbanization has become so important that the concept of city-state is more and more talked

about. The country has one of the highest rates of urbanization in Africa. In fact, nearly two-thirds of the population resides principally in the metropolitan area of Djibouti City and 11.0 percent in the cities of Ali Sabieh, Dikhil, Tadjourah, and Obock. Since 1960, the population of Djibouti City has been rapidly growing at an average annual rate of nearly 4.5 percent, resulting from the combined effects of internal population growth and from important external migratory influxes. More than 2000 new dwellings per year are needed for new urban dwellers, of whom more than 50% end up residing in the urban extensions of Balbala .

Despite important efforts at development by the government and its partners , both relative and extreme urban poverty have greatly increased in the last few years. As a consequence, the country's main urban centers, notably Djibouti City, are experiencing a rapid and unplanned expansion of unstable dwellings. These unplanned dwellings lack many things—access to basic infrastructure, drinking water, water treatment, housing, and transportation. In these areas, unemployment and exclusion from society develop rapidly.

Urban poor are made more vulnerable by the provisional tenure of their housing and the instability of their dwellings as only 34 percent of Djibouti housing is permanent. Construction costs for housing are high—six times the average annual income of households for permanent dwellings and 2.5 times for those built with lightweight materials. These costs are due to the domination of imported materials and to the high cost of labor and they lead to overcrowding (4 to 7 people per room). At most, up to 50 percent of households own the dwellings they occupy. Rent represents 40 percent of household expenditures. To these problems must be added the mediocre quality or absence of basic services (transportation, health care, water, refuse collection, etc.) and the distance from any opportunity for work. In such a context, it becomes apparent that the most disadvantaged social group has hardly any access to decent housing conditions.

1.3.6 Access to Energy

The EDAM-IS2 study reveals that 49.7 percent of sedentary households, of which 99.5 percent are urban, use electricity as the main type of lighting, with an average consumption estimated at 288 kilowatt hours per year per person. This level is relatively high compared to certain African countries or regions¹⁴. However, the importance of energy for Djibouti households masks enormous disparities in access tied to availability and to high production costs¹⁵. In fact, only 15.9 percent of extremely poor households and 32.9 percent of those of the relative poor have access to electricity. For 48.2 percent of all households, the dominant source of lighting is petroleum and/or butane. 80.4 percent and 64.3 percent of households belonging to the two poverty classes, respectively. This relationship between access to energy and poverty is reflected in the share of energy in the household budgets. Extremely poor and relatively poor households only spend 2 percent and 4 percent of their budgets on energy, respectively, versus 9 percent for the non-poor.

Almost all Djibouti households use kerosene for domestic needs but its high cost (103 FD/liter) continues to limit its availability to poor households. Instead wood is used for heating in the rural areas and in the nomadic camps. Overgrazing and the use of wood for heating have disastrous consequences on the country's rare vegetation and land and seriously aggravates desertification.

Almost all consumed energy, with the exception of firewood, comes mainly from the transformation of imported fuel. Its very high cost constitutes one of the principal factors limiting

¹⁴ The 2002 World Report on human development indicates an average consumption in 1999 of 21 kilowatt hoursWh for Ethiopia and 110 kilowatt hours for Yemen.

¹⁵ The price of electricity is nearly five times less expensive in Ethiopia.

the competitiveness of the country. In the domains of education and health care, particularly in rural areas, lack of access to energy has various negative and significant effects. Two in particular are the following: (i) adverse effects on the developmental cycle of youth by creating an unsuitable environment for homework; and (ii) diminished effectiveness of health centers and destabilizing of the permanent availability of medical treatments. To compensate for the lack of energy especially in the rural areas, new efforts have been deployed to use solar energy in schooling and health centers; but energy needs are far from being met. The development of economic activities at the rural level is also handicapped by the unavailability and/or limited accessibility of adequate and suitable energy. The use of renewable energy such as geothermic energy and wind energy will make it possible to start addressing local development and in particular, employments.

1.4. Poverty and Gender

The EDAM studies as well as the preliminary data of the demographic and health study show that women, who represent a little more than half of the population, suffer from considerable disparities. Hardly present in the modern sector of the economy, their participation in decision making also remains very limited.

To remedy this unfavorable situation, the government has developed a national strategy for the integration of Djibouti women in development, through the year 2015. The main objectives of this strategy are: (i) to rehabilitate and promote Djibouti women; (ii) to assure full participation of women in the realization of the national objective for a lasting development. A short-term plan of action covering up to 2006 was adopted. This plan seeks to enhance significantly the status of Djibouti women in four priority areas: (i) decision making; (ii) health; (iii) education; (iv) the economy. The strategy and plan of action were developed in the framework of a vast participatory process, shared by the administration, the NGO, the traditional authorities, representatives of organizations, and women's associations.

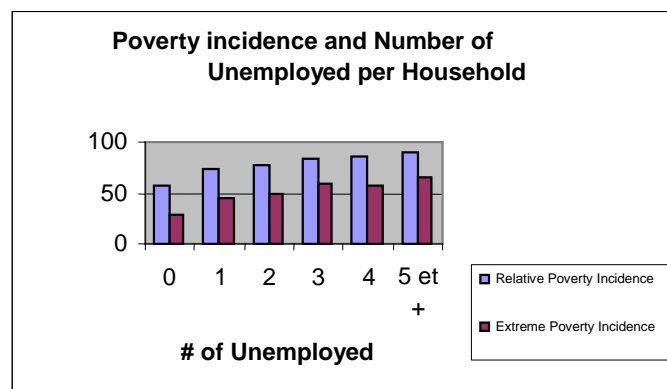
Assessment of the disparities between sexes is integrated in the principal documented sectors such as health care, education, employment, and decision making. In some other sectors, gender-based analysis is poorly documented because available data is lacking. Examples of these sectors include the macroeconomic framework, ports, transportation, water, housing, NTIC, energy, and management of natural resources. Additional studies will take place in these sectors to clarify problems tied to inequalities based on gender and to furnish foundations for the development of policies and programs.

1.5. The Determinants of Poverty

The lack of reliable information and the absence of statistical series over a long period make it difficult to apprehend all the causes of poverty. Despite these limits, it clearly appears that unemployment, insufficient growth, and inequalities are at the heart of the poverty problem in Djibouti. Poverty can also have sector or local origins, which explain its high incidence in certain areas or for certain population categories.

1.5.1. Unemployment and Poverty

Unemployment and poverty are intricately linked in Djibouti. Indeed, labor is the factor of production of which the poor have in abundant supply. Access to paying jobs remains the best way of climbing out of poverty. This affirmation is still truer in Djibouti, a country with high urbanization but lacking a significant rural sector.



The EDAM-IS2 data reveal a true crisis in the labor market, which has an unemployment rate of 59 percent and growing rapidly since its level at 44 percent in 1996. Fifty percent of the unemployed are looking for their first job. Above all, unemployment affects those under thirty, a group that contributes 58 percent of general unemployment. In addition, unemployment and lack of education have a strong correlation. Finally, the incidence of unemployment is particularly high among the poor (66 percent of the relatively poor) and the extremely poor (72 percent). The conjunction of low activity rates and high unemployment rates among the poor and extreme poor is reflected in high levels of dependency: a working person supports, on average, 3.2 nonworking individuals 15 years old and older in non-poor households. This figure rises to four for the poor and to 4.9 for the extremely poor.

The overview above shows that unemployment in Djibouti results from the combination of several factors, as follows: (i) the demographic factor that explains the rapid growth in the working population, its relative youth, and the large number of poor and extremely poor households; (ii) failures in the education system and the generally low level of human capital that explain the predominance on the job market of young unemployed people who have had no schooling, and even more importantly, who are unqualified. To the factors affecting job availability, are added structural causes; these are tied to insufficient economic activity and to job creation, which reflect several determinants: (i) the high cost of labor and its weak productivity, which are true obstacles to the development of both private enterprise and the informal sector; (ii) insufficient infrastructure and an environment unfavorable to private investment, which limits Djibouti's ability to compete for foreign investments in the global market; (iii) poor potential for self-employment in which the rate of access for at least average production was only 24.4 percent of households; this figure was 21.9 percent for women who are heads of household. Finally, the job market suffers pressures tied to the permanence of a large immigration influx. Some of the measures of stabilization (demobilization) have also contributed to the general imbalance.

The integration of women in economic life is still very limited. The participation of women in the job market is marked by a very low employment supply rate (35 percent versus 73 percent for men). The job rate for women seems to be determined by three factors: (i) it increases with the level of education, thus confirming the effect of access to education on the economic integration of women; (ii) it is influenced by marital status, being much lower for married women; (iii) finally, limited employment opportunities discourage numerous segments of this active population. Unemployment affects women (68 percent) more than men (54 percent), despite women's lower employment supply rate. Higher unemployment for women remains significant, whatever the level of education, reflecting discrimination against women in access to employment. Women are not only disadvantaged with regard to employment, but also with regard to capital. Financial intermediation essentially benefits large enterprises in the modern formal sector. And micro-credit initiatives financing small revenue generating activities and targeting women are still too new.

The promotion of a coherent and integrated employment policy is one of the key elements in the strategy for poverty reduction. In order to have the greatest chance for success, such a policy must take into account several imperatives, as follows: (i) improvement in the competitiveness and growth of the economy, which through their direct and indirect effects, can be sustainable factors in the creation of jobs; (ii) the setting up of a true human resources development policy, through the development of education, the expansion of literacy, and the strengthening of job training; (iii) the implementation of targeted employment programs (manual labor intensive programs, support for the development of self-employment, of micro-finance and of microenterprise)

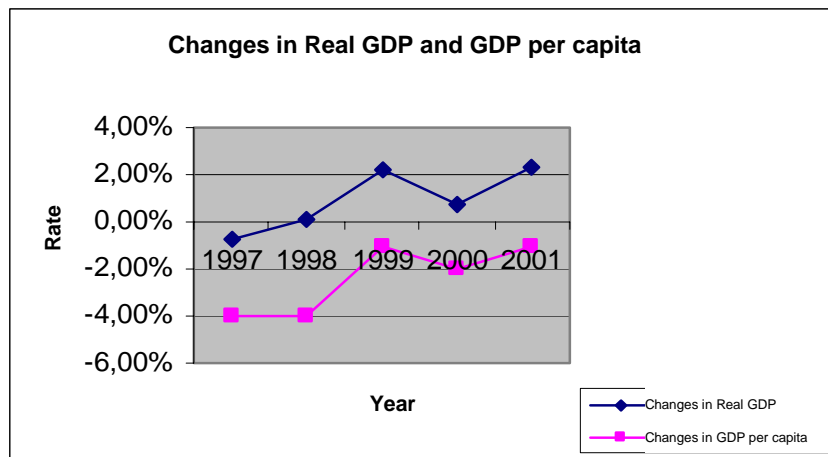
targeted towards helping specific segments of the population (the unqualified unemployed, women...).

1.5.2. Growth, Inequality, and the Problem of Poverty

Poverty in Djibouti does not only affect the unemployed. In reality it is a widespread problem that touches all social classes and that is at root caused by insufficient revenues. The generation of revenues and their evolution reflect economic growth activity and its terms and conditions, which determine the creation of national wealth, the size of the “national pie,” and its distribution.

With per capita income of \$890 US per person, Djibouti is theoretically classified among the countries with medium income. Measured in purchasing power parity, the country’s per capita income would rank it more appropriately among the poorest nations. In reality, the bulk of the national income is generated by the administration sector and by activities tied to the port sector. The Djibouti national domestic product also reflects the heavy burden of a strong presence of expatriates whose high buying power and lifestyle cause a rise in prices. The rural sector, public works, and small and medium enterprises, which are sectors with strong potential for generating employment , account for a small portion of the GDP. The singular structure of the national domestic product reflects the double nature of the economy, which brings about an unequal distribution of revenues and high prices.

A positive growth in the per capita GDP is needed to improve average revenue. Countries with strong performance in poverty reduction have in general brought about high growth rates over a sustained period. A positive growth trend is not the only condition needed to assure a sustainable reduction in poverty; this growth must help the poor. The modalities of growth, which include the growth-generating sectors and their impact on employment and on areas with high concentrations of poor, are also important. Assessment of the relationship between economic growth, poverty, and inequality, according to the EDAM-IS2 data brings to light the challenge that poverty reduction poses (see Box 2). Thus, the increase in poverty between 1996 and 2002 seems to be explained by the continued decrease of the per capita GDP by 1 percent per year and by increasing inequalities. The rise in the Gini index by nearly 3.5 percent during the same period shows a shrinking of the share of the poorest in national revenue, which is itself decreasing. These factors thus explain the dramatic increase in poverty gap indicators.



All of these results lead to putting the search for strong and equitable growth at the heart of the strategy for poverty reduction. The simulations clearly show the need to bring about annual per

capita growth that is higher than 2 percent and to reduce inequality by 2 percent per year to obtain tangible results in the reduction of relative poverty and extreme poverty. Bearing in mind the particular configuration of poverty in Djibouti, priority will have to be given to the reduction of extreme poverty. The strategy for growth with equity must rest on several pillars: (i) reinforcement of external competitiveness, which means implementing structural measures aimed at improving the environment of the private sector, reducing production costs, and improving the quality of infrastructures; (ii) exploitation of the country's overall potential for economic growth and support to sectors with great potential for job creation; (iii) development of human resources and improvement of the qualifications and productivity of the national labor force; (iv) taming uncontrolled population growth through better reproductive health service delivery.

1.5.3. Governance and Capacity Weakness

Because Djibouti is a new country with few human resources, it has serious problems regarding economic and financial governance, which considerably limits the impact of government economic programs on the poor. The relationship between governance and poverty is seen on several levels.

Public spending is ineffective, despite a level of mobilization of domestic resources and foreign aid per capita that is among the highest in Africa, and the performance of public services remains globally mediocre. There are several reasons for this: (i) Due to the size and the high level of salaries of Djibouti's civil service, payroll makes up a huge portion of the national budget; (ii) not enough resources are allocated to the development of human resources. Health care, education, employment, and the promotion of women are still notably under-financed. In addition, the allocation of resources within sectors and their distribution between investment and operating expenditures are still far from being optimal for poverty reduction.

Budget management suffers from numerous problems: (i) weak expenditure planning and budgeting system; (ii) over-centralized expenditure management and execution resulting in a lack of financial accountability within technical departments; (iii) insufficient monitoring and control of public spending.

Failures in governance can also be seen in the situation of public enterprises. Key public enterprises are facing serious financial difficulties, and they work without appropriate management tools or program contracts that clearly state their objectives and obligations.

To a large extent, poor economic governance can be traced to the administration's weak capacities; the main constraints are the following: (i) the weak statistics system with its inadequate system for collection and analysis of economic and poverty data; (ii) inadequate planning capacity in the key departments; (iii) poor coordination of development and poverty reduction programs; (iv) weak capacity to absorb foreign investment.

The participation of women in decision making and in public life remains minimal, despite a relatively complete and dedicated judicial arsenal that protects all of their internationally recognized rights.¹⁶ Despite their demographic and electoral weight, there are in fact only seven congresswomen and one woman minister. The permanence of backward thinking and outdated traditions is a true obstacle to the full development of women.

¹⁶ Djibouti has ratified the CEDEF, the CADHP, and an agreement on children's rights. A code for the modern family was adopted and the penal code was modified to include articles denouncing the practice of genital mutilation.

1.5.4. *Other Obstacles*

(i) The geo-natural context

The causes of poverty do not only come from within Djibouti. External shocks with grave consequences have also contributed to the deterioration of the country's economic and social situation. Repeated wars in the sub region since the 1970's, and a domestic conflict in the late 1980's have caused devastation in the war zones, destabilized the state, and disorganized economic systems in rural areas. In addition, they are responsible for the flood of refugees towards cities that are inadequately prepared to welcome them.

Djibouti's excessively dry climate is manifested in very irregular rainfall and limited resources of water and fodder crops. The recurring droughts have reduced rural resources (drying up of wadis and wells, loss of livestock), and broken down the nomadic lifestyle, causing a massive rural exodus.

The combination of external shocks and weak economic growth explains the rapid development of urban impoverishment areas, of which certain vulnerable populations (displaced persons, street children) are the most visible victims.

(ii) Civil Society Capacity

It is now a well established fact that poverty reduction rests on the successful integration of disadvantaged groups in a productive life and on society's active participation in decisions that concern it. Effective integration and participation of the population require, in turn, a strong and responsible civil society. However, there is very little participation of the civil society in the design of public policies even though local NGOs have at their disposal a body of information and experience that is not negligible.

As in other African countries that have adopted a democratic system, Djibouti has witnessed since the 1990's a boom in the creation of grassroots associations that are capable of mobilizing communities, are determined and dynamic, and are involving women and youth. Democracy generally tends to be manifest in neighborhood associations. However, the scope of their actions is limited by lack of structure, weak technical and institutional capacity, and severely limited financial means. The latter prompts them, in some cases, to collect dues from their members who are among the poorest segment of the population. As a result of these weaknesses the community sector is not yet in a position to play to the full its rightful role in making constructive proposals in the dialogue on public policy, in speeding up employment for women and the young, and in outreach service delivery to the poor. Partnership experiences with NGOs and local associations in projects such as the ADÉTIP and the Social Development Fund testify to the potential in involving grassroots associations. A number of challenges confront that part of governance that is civil society if it is to play a significant and sustainable role in poverty reduction, and better contribute to the implementation of the poverty reduction strategy. These challenges are: to develop an appropriate legal framework, to make associations more professional, to support the development of their capacities, to help them mobilize financial resources, to develop a management culture based on monitoring and evaluation, and to establish better structured partnership frameworks between public powers, local authorities, and communities.

The arduous path of poverty reduction

Analysis of the relationship between monetary poverty, economic growth, inequalities in the distribution of revenue, and the economic impact of HIV/AIDS bring to light the major challenge that poverty reduction in Djibouti poses. This analysis is based on the data from the EDAM IS2 and Sero-prevalence of HIV/AIDS surveys.

It is technically difficult to identify trends in poverty in the absence of rigorously comparable panel data. However, if one begins at the poverty line of \$2 per person per day set in the Millennium Development Objectives, it becomes possible to measure and compare the incidence of poverty in Djibouti. In fact, the extreme poverty line set in 1996 based on the EDAM-IS1 study was \$1.5 per person per day, versus \$1.8 in 2002. This line is based on the same methodology and more particularly, on the same food basket needed for a caloric ration of 2115 calories per day per equivalent adult. Conversely, in Djibouti, the relative poverty line calculated in 1996 and 2002 was \$3.3 and \$3.1 per person per day, respectively, thus reflecting the high level of prices in Djibouti and its effect on household living conditions.

With the quality of the data and difficulties in statistical measures in mind, and based on these defined poverty lines, the incidence of extreme poverty in 2002 was calculated at 42.2 percent of individuals and 74.4 percent for relative poverty. Looking at the impact of negative real economic growth of at least 1 percent per head, the increase in inequalities, and the Gini index increase from 39.5 percent to 40.9 percent, it seems that the incidence was 34.5 percent for extreme poverty and 64.9 percent for relative poverty in 1996. Even though the incidence in 1996 was calculated at 9.8 percent for the extreme poor and 45.1 percent for the relative poor, it must be remembered that these estimates were based on a population of 260,000 sedentary people. The 1996 population count of 400,000 of whom 110,000 were nomadic and 30,000 homeless, resulted in the figures of 34.5 percent for the extreme poor and 64.9 percent for the relative poor. These different estimates of the incidence of poverty in Djibouti prove to be comparable. The poverty incidence is further confirmed by the high global rates of unemployment evaluated at 44.1 percent and 59.5 percent, respectively. These rates are based on the same two studies - EDAMS IS1 (1996) and EDAM IS2 (2002).

Analysis of the relationship between economic growth, inequality, and poverty, made through calculations of poverty index elasticities based on the EDAM IS2 study, brings to light the following three key relationships: (i) an increase in expenditures per head induced, all other things being equal, a decrease in extreme poverty of 1.5 percent and of 0.7 percent for relative poverty; (ii) a reduction of 1 percent of revenue inequality, measured by the Gini index, induced a decrease of 1.0 percent for extreme poverty, but the effect on relative poverty seems to have almost nil; (iii) nevertheless, the elasticities of the variables and the intensity of the poverty are all sensitive to an increase in expenditures and/or a decrease in revenue inequality.

Based on these three relationships, it seems clear that the strategy for poverty reduction must aim for an annual real economic growth per capita of at least 2 percent and an average decrease of at least 2 percent per year in inequalities of income distribution. Both targets must be met to help the incidence of extreme poverty to decrease by half between 2002 and 2015. This objective of reducing extreme poverty by half is not ambitious when you consider that if the poverty rate continues to climb at current levels, relative poverty will jump to 61.7% of individuals by 2015. If, rather than 2 percent per head, there is an average rise in GDP of 1 percent together with an annual drop in the Gini index of only 1 percent, by 2015, 30.3 percent of extremely poor will have been created and 67.8 percent of relatively poor. These results combine to focus the strategy on the reduction of extreme poverty through strong and equitable growth. Taking into account the current economic structure and the prior need to lay down the foundations of progressive, strong, and sustainable growth, the projected rate of economic growth of 1 percent in 2003–05 should be accompanied by an annual real growth rate per capita of 2.5 percent in 2005–10 and of 3.5 percent in 2010–15. In addition to these increases, a regular reduction of inequalities of 2 percent per year should follow, with the end goal of the incidence of extreme poverty falling to 19.3 percent in 2015.

2 REVIEW OF PAST STRATEGIES AND PRSP FORMULATION PROCESS

2.1. Fiscal Policy

Over the last ten years, the economy of Djibouti has faced severe internal and external upheavals, more importantly a civil war during which the number of armed forces personnel increased from 4,000 to 16,000 in one year; an influx of refugees from neighboring countries; continuous regional conflicts (most recently between Ethiopia and Eritrea), as well as a sharp decline in foreign aid.

This unstable regional situation definitely had negative impacts on the fiscal position, as well as on the overall country's macroeconomic performance. As a result, the stock of domestic arrears increased, resulting in the country's loss of credibility and a precarious social and economic situation.

2.1.1. Macroeconomic Performance during the period 1991- 1995

In light of the structure of GDP and the country's exchange rate regime (the currency board), Djibouti's growth depends mostly on external factors, particularly the regional demand for services as well as foreign aid. Between 1991 and 1995, GDP grew on average by 2.1 percent per year, much lower than the population growth rate (around 2.8 percent) and the inflation rate.

This economic stagnation led to a widening of the overall balance of payment deficit. The trade deficit reached 47 percent of GDP in 1991. Since 1991, the current account deficit continued to widen, resulting in an accumulation of arrears and a decrease in official reserves (the import coverage ratio fell from 6.3 months to less than 5 months).

Similarly, the State budget was structurally in deficit. Deficits were typically financed by recourse to foreign assistance, mainly through grants. In 1991, the budget deficit represented 17 percent of GDP. The 1991 civil war made the situation considerably worse: the armed forces tripled in number which led to an explosion of the State's wage bill (a more than 30 percent increase between 1991 and 1992), a budget deficit reaching 27 percent of GDP, and an accumulation of arrears owed to public enterprises and private suppliers. In parallel, external revenues considerably decreased (a 50 percent drop between 1991 and 1995).

Because of its exchange rate regime, the State was faced with the sole option of borrowing from public enterprises who then were in serious financial difficulties and accumulating domestic arrears to private suppliers and after 1995, to civil servants. The 1991 civil war precipitated a crisis which was, in fact, inevitable, due to the State's budgetary structure.

Evolution of the fiscal position (in DF million)

	1991	1992	1993	1994	1995
Revenues	20 898	22 463	23 751	25 591	24 970
<i>of which taxes</i>	19 583	21 193	22 461	24 320	23 550
Current Expenditures	25 741	34 783	35 116	32 409	29 918
<i>of which wages</i>	15 723	19 838	20 135	20 997	20 600
Investment Expenditures	7 474	7 797	6 866	4 808	5 375
Deficit	-12 318	-20 117	-18 231	-11 626	-10 323
<i>Arrears</i>	-2 785	286	3 131	1 984	2 482
Internal Financing	3 776	8 021	4 899	3 204	1 383
External Financing	11 326	11 809	10 201	6 438	6 458
<i>Grants</i>	9 891	10 366	7 382	4 314	4 867

2.1.2. Macroeconomic Adjustment Programs and their Impact (1996-1999)

In order to reverse the declining economic trend, Government implemented a macroeconomic adjustment program during the period 1996-1998 through a Stand-by Arrangement (SBA) supported by the International Monetary Fund (IMF). Through this program based mainly on expenditure reductions, Government was able to temporarily redress the macroeconomic imbalance. The budget deficit of almost 8.1 percent of GDP in 1995 was countered by a slight budget surplus in 1998, due in part to wage bill reductions through demobilization of military personnel.

(i) Tax Reforms

In terms of revenues, the goal was to improve the efficiency and elasticity of the tax system and achieve tax simplification by increasing reliance on a more profitable indirect taxation and by reducing direct tax rates:

- Completion of the census of arrears incurred in income tax and private supplier tax collection in 1996. The customs administration was also strengthened through the re-organization of the personnel in charge of indirect taxes, following the recommendations of a French technical assistance mission.
- Petroleum Product Taxation: a reform of petroleum product taxation and its administration was initiated in conjunction with a full freeing up of this market. The objective was to implement a Domestic Consumption Tax (DCT) with the same rate for the three petroleum products. There were also limitation on specific exemptions.

(ii) Expenditure Reforms

The program's objective was to reduce non-productive expenditures and improve the quality of outlays through higher spending on priority sectors such as health, education and basic infrastructure. From 1996 to 1998, the ratio of total public expenditures to GDP reached 34 percent. The reform program was largely based on a significant reduction in expenditures through wage bill reductions and clearing domestic payment arrears.

The following structural measures were also implemented:

- Appointment of the Ministry of Finance as solely responsible for committing State budget funds;
- Completion of a housing allowance survey to identify legal recipients; and
- Accelerating the rate of demobilization.

At the end of 1995, there were 23,000 Government officials, of which 12,400 regular staff including the police and army, and 10,600 mobilized personnel following the armed conflict in the north. Wage bill cuts were made at a rate of 20 percent for government staff and 60 percent for mobilized personnel. At the end of 1998, the number of Government officials had fallen to 14,000. Thus, the wage bill declined from 24 percent to 16 percent of GDP.

- Regarding structural measures aiming at improving overall public finance management, in the context of the preparation of the 1998 budget, the Government launched the main recommendations of a 1997 technical assistance mission from the Public Finance Department of the IMF which focused on stronger budgetary controls.
- Other actions were taken, namely: the creation of central single data file of civil service, merging the payroll and administrative management data files; and a cash management plan to clear arrears and transactions between the State and public enterprises as of September 1997.

Together, these measures were able to generate fiscal savings, channeling them to priority expenditures. In the context of the budget management reform aiming at improving formulation, control and monitoring of the budget, the Government was able to implement for the preparation of the 1998 budget the main budget execution procedures recommended by the IMF's Public Finance Department mission of July 1997, namely:

- Better financial commitment and payment procedures, to be monitored at all Government levels, and monthly expenditure controls in accordance with the legal framework;
- Integration of the investment budget into the ordinary budget to create a unique budget encompassing all sources of financing, including grants and external loans under the PIP;
- The creation of the General Inspectorate of Finance in charge of administrative and financial operations within the Ministry of Finance, February 1998 ;
- Moreover, a monitoring system of programs, especially for expenditures, was improved through : (a) the creation of a general secretariat in charge of coordination and monitoring of all Ministry of Finance departments ; (b) the implementation of a debt accounting module (module 4) within the Treasury's accounting reform to improve debt management, as well as arrears monitoring system (end of December 1998); and (c) integration of all special accounts in the finance law of 1999 (end of December 1998).

- Strengthening of public expenditure activities under strict regulations for non-committed expenses; and the restructuring of the Ministry of Finance in March 1999 by decree, and through the creation of the Department of Budgetary Control.

The Stand-by Program results are indeed positive:

- The budget deficit has been reduced to 2.1 percent of GDP in 1999 (as compared to 17 percent in 1991 and 5 percent in 1995) ;
- Inflation has stabilized at 2 percent, compared to 5 percent between 1993 and 1995;
- External debt service in terms of exports was 7 percent, and the debt ratio/GDP stood at 59 percent;
- Increase of GDP to 1.5 percent in 1998; and
- Demobilization of approximately 5,000 military personnel.

In order to raise the additional funds necessary for program execution, the Government organized a donors' conference in Geneva in May 1997 with the assistance of UNDP. Financial requirements were estimated at DF 15.5 million (US\$87 million equivalent) and repayment of arrears represented an important component of the program. The donors' financial commitments were approximately US\$45 million.

Also, to ensure stabilization and lay adequate groundwork for sustainable growth, Government launched a medium-term structural adjustment program (1999-2002) through a Poverty Reduction and Growth Facility (PRGF) supported by the IMF and the World Bank. The Program's main objectives are: (a) to strengthen public finances, limit budget deficits and attain macroeconomic stability; (b) to reduce expenditures and reallocate resources to priority sectors such as education, health, employment and social protection; and (c) to implement a series of structural reforms aimed at elimination of obstacles to private sector-led growth.

2.1.3. Evaluation of the macroeconomic performance under the Poverty Reduction Growth Facility (PRGF)

In 2000, Djibouti's GDP grew by approximately 1 percent. The consumer price index showed a price increase of 2.4 percent between December 1999 and the end of 2000 (as compared to 2 percent in 1999). Transport price increases due to higher oil prices during the second half of 2000 explain this slight increase in inflation. The budget deficit settled at around 1.8 percent of GDP in 2000, compared to a more balanced fiscal stance targeted under the program. This slippage was due to the insufficient revenue collection efforts, lower than projected grant disbursement rates and higher than expected current expenditures.

In terms of tax reforms, the main measures were as follows:

- The DCT reform, as of 2000, aiming at simplifying the tax system. The number of different rates was reduced from seven to three during the first phase. Moreover, Djibouti adopted a general customs regulation for imported good from non-COMESA member countries, within the framework of a single external trade tariff in 2004;
- A comprehensive census of all taxable persons, physical and moral, in order to: (i) strengthen the tax coverage; (ii) widen the tax base; and (iii) improve tax yields through more efficient tax coverage;
- The implementation of a tax control system for accurate and timely reconciliation; and

- In 2001, a new tax on certain services was imposed. Also, in order to ensure better coordination between tax issuance and collection, the units in charge of tax collection were reorganized, with the responsibilities were transferred from the department of tax collection at the Treasury to the department of revenue collection.

On the expenditure side, the wage bill declined even more due to the following initiatives:

- Achievement of the second phase of demobilization before the end of 1999, and the third before 2000. Under the military and police demobilization program implemented in early September 1997, 2,448 military personnel were demobilized by end December 1997, and 337 in 1998, which marked the end of the program financed by France (DF 887 million, equivalent to US\$5 million). The second phase of the program was carried out with assistance from the European Union (EU). Subsequently, the World Bank helped to develop a reinsertion program for demobilized personnel (PRAC), which took place during the second trimester of 1998. This program included assistance for professional development, and orientation for demobilized individuals to facilitate their reentry into the private sector.
- Retirement of eligible civil servants and military personnel, funded in part the Public Expenditure Reform Credit (PERC) financed by the World bank, helped settle cases for 773 legal age retirees.
- A hiring/wage freeze for all sectors except education and health;
- Early retirement incentives;
- Scholarship expenditure control by providing college education locally for Djibouti students by opening a university in Djibouti or by sending them abroad to less expensive schools in Africa or the Maghreb;
- In order to meet the fiscal targets, a cash management plan was implemented in April 2001 which included a reorganization of the public expenditure chain to reinforce transparency through greater control. Also, to strengthen public expenditure management and to avoid the slippages which occurred during 2000, compensation operations were eliminated. New accounting regulations implemented in early 2001 restricted uncommitted expenditure payments to external debt service operations and pre-approved expenses.
- Repayment of domestic budgetary arrears was one of the major goals of the Government's reform program. With the support of EU funds, a partial audit of current private sector arrears was conducted and finalized by an auditing firm financed by the World Bank. The audit focused on the Government's arrears for private suppliers, public enterprises and civil servants. Djibouti's outstanding domestic debt as of December 31, 2001, stood at DF 29,028,126,751 (US\$163 million equivalent), broken down as follows: DF 19,400 million owed to public enterprises, DF 7,600 million owed to civil servants and DF 1,910 million owed to private creditors.

Under the Enhanced Structural Adjustment Facility (ESAF), efforts have also been made to streamline the legal framework for public finances and to reorganize the Ministry of Finance with a view to simplifying and improving the process of budget preparation and focused mainly on the following issues:

- Streamlining the legal framework for public expenditures through the adoption of a legal text relevant to the Finance Law of October 29, 2000 (new nomenclature of budgetary documentation) based on functional and economic classifications, the adoption of a national accounting plan (Decree of January 15, 2001, general procedures for government spending including the adoption of newly defined supporting documents for expenditures to strengthen public financial management, and the passing of a new law in February 2001 on public finances to replace the old law of 1968;
- The implementation of a new cash management plan as of April 2001 to be used as an instrument for control and monitoring of Government expenditure commitments. This plan would be supported by a re-organization of the expenditure chain as well as administrative measures to improve direct and indirect tax collection;
- Strengthening of audit and control mechanisms for public accounts through the creation of an independent authority to act as external controller and auditor general for the government (*Cour des Comptes*) as of early 2001, as stipulated in the law of July 2, 1997. The objective was to increase the transparency of public financial management through efficient ex-post audit and control mechanisms on public accounts, expenditure commitment and procurement procedures, and to enhance accountability through the requirement to provide accounting documentation to the *Cour des Comptes* for review;
- In September 2003, a Budget Department was created, responsible for the preparation, monitoring and oversight of expense approval and centralized authority within the Ministry of Finance. Thus, the Ministry of Finance's management role was streamlined yet strengthened in terms of overall budget control; and
- A central single data file of civil service was finalized, merging the payroll and administrative management data files.

2.1.4 Structural Reforms

In order to improve public sector performance, the Government of Djibouti adopted a strategy to civil service reform in January 2001. This strategy includes a complete census of government employees, greater public financial management and transparency through the implementation of efficient control mechanisms in budget execution, and the implementation of a public disclosure policy which would improve the circulation of Government information.

As regards the insurance sector, Government passed a law in 1999 to address social insurance issues which so far had been regulated by outdated texts, not geared towards the country's economic development. The new law had the following objectives: (a) to give clear direction to the use of domestic savings generated by newly created insurance companies and to help the national economy; (b) to support and develop national capacities through the creation of legal insurance companies; (c) to develop a variety of new types of insurance, such as health insurance; and (d) to alleviate the risks associated with regional transport activities.

Regarding the restructuring of public enterprises, Government passed three new laws during 1998: the Law of January 21 which defines the management of statutory bodies, the Law of March 11 on the reform of public and semi-public corporations, industrial and commercial public enterprises, and the Law of March 11 on reforming the Postal and Telecommunications sectors. These new laws will facilitate management of public sector enterprises as if they were private sector companies and will avoid political interference in the management of public enterprises by strengthening the role of the Managing Director at the head of the Executive Board in charge of

enterprise management. Moreover, a 1997 law on Privatization of Public Enterprises was passed to address certain Government activities outside the public service sector. Based on this legal text, Government was able to privatize the Sheraton Hotel (1997), the Independence Pharmacy (1999), the ONAC (1999) and the assets of three public entities (dairy, livestock foodstuffs, and water production units) were completely sold off, management concession contracts were granted to four other public entities (the merchandize and fishing ports, the Autonomous Port in 2000) and more recently to the Djibouti International Airport (June 2002).

In June 2000, Government signed an agreement with the Port of Dubai representatives (DPI) for a 20-year management concession contract for the Port of Djibouti, which was in line with the national disengagement policy for managing public enterprises.

In September 2001, Government adopted a national privatization strategy aimed at privatizing the four public enterprises slated for privatization (EDD, ONED, Djibouti Telecom and the Airport). To support this strategy, the National Privatization Committee was revived.

In order to ensure a favorable environment for private sector development, the Government established the National Agency for Investment Promotion (NAIP) in 2001. This Agency will progressively take over responsibility for private sector promotion activities, a function which was previously divided between various state enterprises, thus providing one-stop-shop to facilitate the establishment of new entrepreneurs. The NAIP's mandate would be as follows: (a) to set up an adequate legal and regulatory framework for the creation of new enterprises; (b) to foster a business-friendly investment climate by providing to potential investors the necessary legal, financial and economic information needed to start up and expand their businesses; and (c) to act as intermediaries to bring together various partners; and (d) identify potential investors.

To ensure the integrity and effectiveness of the Djibouti's banking system, in 2002 the authorities carried out a revision of banking law texts and the Central Bank of Djibouti (CBD) statutes. Consistent with the Djibouti currency board, CBD will still abstain from financing projects from the non-financial sector and will focus on strengthening its banking supervision activities. CBD will also ensure that all financial institutions adhere to current regulations with non-compliant institutions facing the risk of termination. Also, to strengthen CBD's audit capacities, external auditors will be recruited through a bidding process to audit accounts for years 1999, 2000 and 2001 according to international audit standards. Finally, Government set up a committee to fight terrorism in 2001 (of which the Governor of CBD is a member) to be in compliance with Resolution 1373 of the UN Security Council aiming at strengthening the legal framework to combat money laundering.

2.2. Sector Strategies

In order to strengthen budget policy and promote development, significant efforts were made by the government to design new sector-specific strategies and legal tools, affecting particularly the following fields: health care, HIV/AIDS, education, water, gender, housing-urbanization-development, environment, decentralization, and information technology. The PRSP integrates the previous strategic planning and orientation plans, summarized in the following table. But it is obvious these plans rested upon sector-specific program approaches, without a clearly articulated framework linking growth and poverty-reduction objectives, sector-specific policies, and a medium-term budget program.

Recent studies have shown the structural character and the massive extent of poverty in Djibouti, making it imperative and urgent to develop and implement a poverty-reduction strategy. The proposed strategy rests on a global and long-term vision that takes advantage of the country's

strategic assets as well as policies and reforms conducive to strong and equitable economic growth and a long-term decrease in unemployment

By adopting the interim-PRSP in June, 2001, the government committed itself to fighting poverty by way of a 5-pronged strategy, to do the following: (i) to consolidate political stability and peace, (ii) to apply structures in support of a viable macroeconomic environment, (iii) to strengthen sector-specific policies – education, health, water, urbanization, housing, work, and environment-, (iv) to protect vulnerable groups, and (v) to ensure good governance and transparency.

However, in implementing I-PRSP, five priorities for action have emerged:

- Need to improve the knowledge of trends and components of poverty;
- Need to conduct a more open and systematic participatory process that includes all stakeholders;
- Need for a firm structural-reform commitment, for a prudent budgetary policy, and for conditions that are conducive to strong, long-term economic growth;
- Urgent need to define priorities and develop overall as well as targeted sector-specific and relevant programs that would contribute to a sustainable and significant reduction in poverty level; and
- Need to improve monitoring and evaluation system for public policies, projects, and programs.

The five priorities above have consistently guided the final PRSP drafting process. A first clear response to government actions was given at a retreat that was held between 3 and 10 February, 2002. This retreat brought together the president of the Republic of Djibouti, members of government, civil society representatives, private sector representatives, and members of the administration. The retreat's goal was to evaluate the government's actions, halfway through the president's first mandate, and to debate the relevance of the orientations. A second response was provided through the creation by decree, on 9 November, 2002, of an institutional framework for monitoring and evaluation programs of economic reform. These included the following: (i) an inter-ministerial steering committee for government action, and (ii) a technical committee for coordination and monitoring of program reform . A third response is provided in the PRSP draft, which integrates strategic planning and orientation efforts into coherent and complementary objectives, with the ultimate goal of reducing poverty.

However, the formulation and execution of these sector-specific strategies, policies, and public programs are faced with several challenges, as follows:

- Human resources to take charge of policy implementation at public institutions are lacking appropriate skills –
- Information systems needed to fine-tune the planning and targeting of action and to ensure proper monitoring are weak.
- Efficiency of coordination systems
- The state budget is financially constrained .
- A real external assistance strategy is lacking; Such a strategy would link efforts to mobilize resources to in-depth understanding of their supply (donor procedures, resource allocation with nontraditional partners) and to an appropriate analysis of requirements (indebtedness, recurrent budgets, etc.).

Acknowledging these challenges is necessary, as is learning from the so far brief experience of sectoral planning and strategic orientation. Both are necessary in order to implement the PRSP to the greatest degree possible in the context of an overall reference for development.

Main sectoral strategic documents :

Sector	Strategic orientation document	Year
Government action	<ul style="list-style-type: none"> Document -framework: government actions retreat, 3-10 February, 2002 	2002
Poverty	<ul style="list-style-type: none"> Intermediate poverty-reduction strategy (PRSP-I) 	2001
Health	<ul style="list-style-type: none"> Strategic plan 2002-2011 National Health Development Plan (PNDS) 2002-2006 	2001 2001
HIV/AIDS	<ul style="list-style-type: none"> Intersector strategic framework 2003-2007 National multisector action plan 2003-2005 	2002 2002
Education	<ul style="list-style-type: none"> Action plans and blueprint for education (2001-2005) 	2000
Water	<ul style="list-style-type: none"> Water blueprint Water code and application decrees 	1999 2000
Gender	<ul style="list-style-type: none"> National women's integration into development (SNIFD) 	2002
Habitat, Urbanization, development.	<ul style="list-style-type: none"> Blueprint for planning and urbanization of Djibouti-Ville and regional capitals. MHUEAT 2002-2004 action plan 	1998 2002
Environment	<ul style="list-style-type: none"> National Environment Action Plan (NEAP) Biological diversity program Climatic changes program Environmental framework legislation 	2000 2000
Decentralization	<ul style="list-style-type: none"> Decentralization framework legislation Decree on provisional regional councils and on FSPDC 	2002 2000
Justice	<ul style="list-style-type: none"> Legal reforms action plan 	2000

2.3. The PRSP Formulation Process

Developing and implementing the PRSP-I has highlighted the following: (i) poor knowledge of the trends and components of poverty, resulting in the establishment of a special research program—EDAM IS2 and EDSF/PAPFAM--that was completed in 2002; (ii) the need to conduct a more open and systematic participatory process that includes all stakeholders; (iii) the need for strong adherence to structural reform, to a prudent budgetary policy, and to fostering conditions needed to induce strong, sustainable, and equitable growth; (iv) the urgency of defining priorities and developing both general and targeted programs that are sector-specific and relevant--programs that which would contribute to a sustainable and significant reduction in poverty; and

(v) the absence of a plan for monitoring and evaluation of public policies, projects, and programs. These five challenges have consistently guided the final PRSP drafting process

The process of developing the strategic framework for the fight against poverty was both iterative and participatory. It was iterative because the PRSP is designed for the progressive advancement of strategic thinking on the best policies for reducing poverty; it is participatory because it includes all concerned parties (administration, civil society, private sector, donors) in a process that goes beyond the simple validation of documents. It allows for real contributions both in formulating policies and programs and in the follow-up that involves their implementation. Hence, the PRSP reflects a partnership between the government, civil society, the private sector, and development partners.

This approach ensured ownership of the PRSF among all stakeholders and involvement of the administration. In theory, it ensures adequate information sharing and coordination, both at the technical level (national commission) and at the political level (inter-ministerial committee).

Supervision of the development and validation of the PRSP was performed by an inter-ministerial committee presided over by the prime minister. Work was coordinated by the minister of the economy and involved people from all the affected administrations, the private sector, and civil society. The national commission has a permanent secretariat and eight sub-commissions in charge of preparing topics to be included in the PRSP. The themes covered include competitiveness and infrastructures, growth and macroeconomic assistance, education, health, safety nets, decentralization, state modernization, governance, information, and participation.

The PRSP development process designed by the national commission involved several steps: development of sector-specific contributions and of topics by workgroups, briefs and drafts by a restricted drafting committee, presentation of the document at regional seminars and national consultations, and finally, submission to World Bank and IMF administrations.

A national workshop was organized in July of 2003 to discuss and approve the final PRSP. These meetings, true “general assemblies” for the fight against poverty, included representatives of government, parliament, the administration, NGOs, labor, development partners, and experts known for their involvement in the fight against poverty.

Throughout the implementation of the PRSP, this consultative process will be consolidated in the context of the monitoring, evaluating and completion of the national strategy and of the corresponding programs. Of the latter, implementation will depend on the combined action of government, local communities, economic powers, and civil society.

Upon completion, the PRSP was submitted for approval to the Council of Ministers and to Parliament. Government intends to strengthen the dialogue in the future throughout the implementation process in the context of follow-up, evaluation, and updating of the national strategy and of corresponding programs. Implementation will depend on a concerted joint effort that includes government, local communities, economic operators and civil society.

The dynamics created with the participation of all stakeholders is aimed at turning the PRSP, once adopted, into the sole reference source for government actions and partner interventions in development. But this assumes that a coherent strategy for monitoring and evaluating the implementation of the PRSP will be defined and adopted by all stakeholders from the outset.

In the past, civil society was involved in elaborating government policy. But it was only apparent at the stage of document validation. With the PRSP, a new reality was born: the effective (real)

involvement of civil society and the equal representation of men and women in the consultative process.

Compared to previous national sources of reference, the PRSP has the merit of being a detailed analysis of poverty in Djibouti. The macroeconomic framework was well developed and included the objective of reaching a high growth rate of 4.5 percent by 2006. Causes of poverty were well explained; the most vulnerable areas were identified; intervention priorities by area were defined as well as priority actions needing to be implemented by 2006. Cost of implementing these actions, the players responsible for their implementation, and indicators of follow-up-evaluation were defined.

It should be noted that the PRSP is supported by a multi-annual public investment program (PIP) made up of development projects and programs.

3 DJIBOUTI'S LONG-TERM DEVELOPMENT AND POVERTY-REDUCTION VISION

3.1. Strategic Orientations

Djibouti is witnessing a rapid extension of structural poverty. There are several causes for this. Analysis of these causes demonstrates the essential role of growth and employment in reducing poverty. Djibouti's strategic vision subscribes to such an approach. That vision is also based on the economic, geographic, and human realities of a country that is a crossroad of civilizations; it takes into account Djibouti aspirations, while adhering to the development vision of the international community. This vision rests on five strategic orientations:

- **First:** The quest for rapid and equitable economic growth associated with a high employment rate is the main objective of the fight against poverty. Djibouti is a small country with limited natural resources and serious human development problems. It will only be able to achieve its growth and employment objectives by continuously strengthening its competitiveness. Keys to the success of its new policy will be creating an environment that is favorable to the development of the private sector, reduction in costs production (especially for the energy sector), development of human resources, decreasing reliance on the public sector, and improving the output of the administration.
- **Second:** Improving competitiveness and maintaining sustainable growth will not be achieved in the short term and will not translate immediately into an improvement in the standard of living. Available data suggests that in the short and medium term, weak human capital limits Djibouti's ability to profit from the economic gains achieved through growth. For quite some time, extensive policies and targeted programs focusing on the poor and centered on employment and access to basic services will remain necessary in order to reduce poverty on a local level.
- **Third:** An analysis of poverty reveals that the contributions and the status of the Djibouti woman are under-appreciated because of disparities in fundamental rights, her lack of access to and control of resources as well as her participation in civil life. The strategy for fighting poverty will only have long-lasting effects if it is able to change policies, institutions, and social and legal practices that perpetuate gender inequality. Improvements in social indicators and the reduction of poverty require the development of an institutional approach to gender issues in government undertakings, egalitarian educational efforts, and involvement of all of society's actors in achieving this strategic development objective.
- **Fourth:** The importance of implementation and of decentralized follow-up is underscored in the fight against poverty. This global and integrated strategy rests on the inclusion of all the development players and on the involvement of all citizens. The implementation and monitoring of different programs must be an opportunity increasingly to take into account the specifics of different regions, while sharing responsibilities between the state and communities. The later would be in the context of the renewed policy of land management and decentralization.
- **Fifth:** This strategic orientation reaffirms the importance of good governance and the strengthening of the state's capabilities. Overall, problems have been observed at the level of both competitiveness and performance in the social sector; they are the result of inefficiencies in

resource management and the poor management and planning capabilities of the state. The extent of monetary poverty and extreme poverty is such that the country must improve management of its rare budget resources by allocating them and using them in an optimal manner. Improving public spending management, planning, and monitoring capabilities is therefore at the heart of the fight against poverty.

3.2. The Strategy's Objectives

Strategies will be implemented with a long-term (2015) time horizon, through the successive implementation of medium-term strategies.

(i) Long-term objectives

The government's long-term goal is to achieve – or get as close as possible to achieving – the main poverty reduction and human development objectives determined by the international community (millennium summit). Long-term qualitative objectives are to eliminate extreme poverty, to give every Djibouti access to basic education and health care, to eradicate illiteracy, and to eliminate gender and social disparities in access to essential social services.

Objectives with the deadline of 2015 are the following: (i) to increase per capita growth rate to 4.6 percent, (ii) to reduce extreme poverty levels to less than 10 percent and relative poverty to less than 30 percent; (iii) to achieve universal schooling and eliminate disparities in access to education, (iv) to reduce the infant mortality rate to 50 per thousand, infant-juvenile mortality rate to 80 per thousand, and the maternal mortality rate to 350 per 100,000 of live births.

(ii) Medium-term objectives

Medium-term objectives are the result of macroeconomic assistance, sector-specific policies, and public investment programs.

The PRSP's main objectives for the period to 2006 are: (i) to achieve an average GDP growth rate over this period of 4.6 percent, and (ii) to decrease extreme poverty rates to 40 percent. Specific priority objectives are: (i) to increase gross school enrollment to 73 percent; (ii) to lower infant mortality rates to 90 per thousand and infant-juvenile mortality rate to 110 per thousand, and (iii) to stabilize the HIV infection rates to around 3 percent.

Quantified objectives for poverty reduction in Djibouti (percentage)

INDICATORS	CURRENT SITUATION		OBJECTIVES	
	DATE	INDICATOR VALUE	2006	2015
REDUCE INCIDENCE OF EXTREME POVERTY				
Extreme monetary poverty incidence at the national level (%)	2002	42.2	36.1	21.6
Gini Index (%)	2002	40.9	38.5	31.5
Revive economic growth and increase Djibouti's competitiveness by stabilizing the macroeconomic framework 2004-06				
GDP Growth ¹⁷ (percentage, per year)	2003	3.5	4.6	
GDP growth per capita (percentage)	2003	0.5	1.6	
Average annual public investment rate ¹⁸ (percentage of GDP)	2003	6.7	12.0	
Inflation rate (percentage)	2003	2	2	
Global average annual budgetary balance (Commitment base, grants included, % of GDP)	2003	-2.3	-4.8	
Average annual current account balance (including official transfers, % of GDP)	2003	-7.6	-16.4	
SECTOR-SPECIFIC OBJECTIVES				
Improve access to, and quality of, education at all levels and guarantee equitable and unrestricted access to basic education				
			2006	2015
Gross admission rate	2001/02	43.6		
Gross primary education enrollment rate	2001/02	42.7	73	100
Female/male parity index in primary education	2001/02	0.75	0.85	
Dropout rate in primary education (%)	2001/02	27.2	14.5	
Gross enrollment rate in general middle school	2001/02	23.9		
Primary-middle school transition rate	2001/02	48.6	60.0	
Adult literacy rate	2002	18.3	26.5	
Significantly increase access to healthcare, especially for the poor, and improve the quality of care and equity of the system's				
			2006	2015
Infant-juvenile mortality rate (per thousand)	2002	106.2	85.0	70.0
Infant mortality rate (per thousand)	2002	94.6	75.0	50.0
Maternal mortality rate (per 100,000 live births)	2002	690.2	570.0	400.0
HIV Seroprevalence rate	2002	2.9	3.0	3.0
Access to drinking water				
			2006	2015
Population having access to drinking water in urban areas	2002	91.2		
Rural population with access to drinking water distribution point	2002	50.9		
Access to electricity				
			2006	2015
Access to electricity rate	2002	49.7		

¹⁷ A simple arithmetical average

¹⁸ The average public investment rate for the period 2004–06 is calculated on the basis of projects for which financing has been secured plus financing to be secured

4 POVERTY REDUCTION STRATEGY'S MAIN OBJECTIVES

The poverty reduction strategy is part of Djibouti's long-term vision. The overall goal of the strategy is to reduce unemployment. The country has a stake in increasing competitiveness and creating conditions that foster strong and equitable growth. The strategy has four pillars:

1. The first aims to revive economic growth and strengthen Djibouti's competitiveness through a collection of measures and structural reforms. These would be in the macroeconomic realm, in the legal environment of business, in public enterprise, and in the transport sector.
2. The second pillar aims to promote gradual development of human resources by implementing coherent education and healthcare strategies, promoting the role of women, promoting employment and income generating activities in the immediate environment of the poor, and protecting vulnerable populations.
3. The third pillar aims to encourage sustainable development and improve access to drinking water and basic universal services.
4. The fourth pillar aims to encourage good governance by strengthening democracy, decentralization, and the transparent management of public resources and by making them more efficient.

Each of these four pillars will contribute, in its own way, to the reduction of poverty and unemployment. In the medium-term, poverty and decreases in unemployment will be the result of competitiveness and of policies for the development of human resources. In the short-term, however, targeted policies will have the greatest impact. Finally, good governance and improving public spending management will determine the success of all state policies.

Implementing this strategy will require significant human and financial capital, which might not be immediately available and will necessitate strengthening of capabilities at all levels. Hence the strategy has identified six priority areas – education, health, drinking water, energy, local integrated development, and governance – for their impact on employment, human resources development, and improvement in living conditions for the poor. These areas will be the prime beneficiaries of these investments.

4.1. Revive Economic Growth and Strengthen Competitiveness

Analysis of the causes of poverty in Djibouti points to the strong correlation between increases in poverty and the continuing decline of per capita income. At the same time, slow economic growth limits the possibilities for budgetary expansion and, as a consequence, for improvements in the living conditions of the poor by way of public spending.

The first objective of the fight against poverty strategy is to break the vicious circle of poverty by a sustainable revival of economic growth and by strengthening economic competitiveness.

This strategy rests on the capacity to attract private investment, particularly foreign investment, and on identifying new budgetary resources in order to sustain expenditures in infrastructure and in social programs. It rests on three essential pillars: (i) to strengthen the macroeconomic environment; (ii) to create a legal framework that encourages private investment and reduces production factors costs; and (iii) to build on the country's comparative advantages and develop new sources of growth.

4.1.1. The medium-term macroeconomic framework

Macroeconomic stability is a prerequisite of economic growth and an important element of the strategy aimed at strengthening the country's competitiveness.

In the context of the PRSP, policies will aim at the following: (i) stimulating economic growth; (ii) controlling the deficit while reducing poverty through public spending; and (iii) controlling the external deficit and strengthening the financial sector.

(i) Medium-term growth potential

Djibouti has neither easily exploitable natural resources nor an important rural sector. The medium-term potential rests on taking maximum advantage of the port's strategic importance and of the country's location. This, in turn, depends upon the following three factors: (i) the country's attractiveness to private investment and improvements in the legal and institutional environments of the private sector; (ii) improvements in human resources, and (iii) infrastructure building. These factors are structural in nature, and any improvement thereof will not be completely felt for five to ten years. The medium-term economic framework is built on three key assumptions, as follows: (i) the progressive emergence of a changing dynamic in the services sector from ongoing private investments in transportation, and from the expected returns from the construction of a modern container port in Doraleh ; (ii) resumption of public investments in infrastructure and in productive sectors of the economy (fishing, breeding, agriculture, tourism,); (iii) the "catch-up effect" resulting from the recovery of sectors that were affected by the economic crisis.

Overall these changes should progressively restore economic growth. It is expected that, by the end of the program, the growth rate will reflect the effects of new developments in road transportation and the impact of PRSP programs and projects and thus will be a radical departure from past economic sluggishness.

Economic growth is projected to be 4.1 percent in 2004, 4.6 percent in 2005, and 5.2 percent in 2006. The growth rate per capita¹⁹ should experience an average annual growth of 1.6 percent during this period, which is modest but could significantly decrease extreme poverty. The incidence of monetary poverty, which is only sensitive to high levels of growth, will only experience a slight decrease.

(ii) Fiscal policy over the medium-term

Budget stabilization efforts within the framework of a structural adjustment program have reduced the public sector's deficit to around 2 percent of GDP in 2002. In spite of this, the budgetary situation remains fragile because of the high level of spending, especially wage-related spending, and the weight of internal arrears accumulated during the conflict and which now represent 26 percent of GDP. Three key elements will determine budgetary policy: they are (i) improving tax collection by increasing returns and intensifying tax coverage; (ii) limiting spending, making it more efficient, and reallocating resources to priority sectors in order to reduce poverty; and (iii) progressively reducing the state's domestic debt.

¹⁹ The annual population growth rate being estimated at 3 percent.

- *Revenue Trends*

Tax revenues, which represent 20 percent of Djibouti's GDP, are at a much higher level than most African nations. Hence raising revenues in the medium-term depends essentially on improvement in collection and on a boost in economic growth. In the past few years, the government has undertaken reforms in order to improve tax efficiency and strengthen tax collection. This was achieved by the following: (i) streamlining and unifying income tax systems; (ii) reorganizing tax collection ; (iii) expanding the tax basis and improving registration of taxpayers; (iv) implementing new legal instruments to improve compliance; (v) creating an audit service and a unit in charge of enforcing fiscal control; and (vi) reviewing, starting in 2003, the patent and property tax laws to simplify the taxable base. Priority in the coming years will be to consolidate these reforms, which for the most part took effect in 2002, and to computerize tax collection. Customs will also be reorganized in the context of the port's restructuring. It will therefore be possible to ensure, on-site, the simultaneous completion of all cargo importation and transit formalities.

These measures combined with the progressive return of economic growth should increase tax revenues by 5.5% per year on average for the period 2004–06. It is also assumed that there will be an increase in revenue reflecting the rent paid by the American forces for the use of Camp Lemonier and the compensatory payment made by the French forces. However, tax revenues are projected to grow less than GDP during the period 2004–06, representing only 21.3 percent of GDP in 2006. In the period 2004–06, the focus will be on the consolidation of the tax reforms initiated in 2002 and, in particular, the adoption of capacity-building measures. These comprise administrative reorganization and strengthening of collection services, fiscal oversight and customs, computerization of fiscal services, and creation of appropriate conditions for the introduction of VAT on 1 January 2006. Thus these measures will not have an appreciable impact on revenue mobilization until the medium term – in other words, as of 2006.

- *Expenditure trends*

State spending represents on average 33 percent of GDP, of which 40 percent is attributable to foreign aid. Since 1996, continuous adjustments have decreased spending by more than 5 percent of GDP. Strict budgetary policy will remain in vigor for the next three years, with the objective of progressively mobilizing additional resources to finance social expenditures and investments aimed at poverty reduction.

The adjustment effort will continue to focus on containing wages by the adoption of three measures: (i) no replacement of retirees and a public-sector hiring freeze except in the case of priority sectors of the strategy (education, health and justice); (ii) demobilization of 500 soldiers planned for the first semester of 2004; and (iii) clearing of payroll accounts.

The government will emphasize the need for more efficient spending by monitoring wages and reducing equipment expenses (particularly those associated with heating, water and telephone bills). These efforts will be accompanied by stabilization of other operating expenditures and of transfers not linked to poverty reduction. Under this scenario, total current expenses should grow less rapidly than GDP and stabilize at 25 percent of GDP in 2006. On the other hand, priority current expense categories will tend to rise, such as recurring charges connected with the PRSP public investment programs and additional expenses connected with the implementation of the strategy's social programs. The share of education in the operating budget should be slightly in excess of 18 percent, whereas that of healthcare should be close to 7 percent by 2005. Total

investment spending should gradually increase to reach 16 percent of GDP in 2006 compared to 6.7 percent in 2003, reflecting the poverty reduction strategy objectives.

In view of the level of investment envisaged, the global budget balance (including grants, commitment base) should remain at an average of about 4.8 percent of GDP during the period 2004–06. The goal of an average annual budget deficit (including grants, cash base) of 6.5 percent of GDP for the period 2004–06 is compatible with the proposed annual settlement of arrears (equivalent on average to 2.2 percent of GDP).

- *Plan for the settlement of internal arrears*

An audit of the government's arrears was completed and the total amount of validated arrears was around 29 billion FD (about US \$163 million). Following discussions with the IMF and the World Bank, the government adopted a plan to settle these arrears over a period of 10 years with annual repayments of 2.2 Billion FD, and the following priorities:

1. Private creditors (private suppliers and rent arrears)
2. State employees
3. Public sector social organizations (CMR, CNR, OPS)
4. Public enterprises having an impact on poverty reduction (EDD, ONED)
5. The remainder of public enterprises (Port, SID, Djibouti Telecom)

In consideration of the country's specific economic and social context, the government's goal in establishing priorities among creditors was to balance the need for equity while accounting for differences among creditors, and to get out of the current economic quandary caused by years of conflict and bad management. Hence the priority given to vulnerable creditors (private suppliers, rent collectors, state salaried employees as well as social funds, and public institutions playing a major role in poverty reduction).

The proposed schedule to clear the arrears addressed two concerns: first to help the most vulnerable creditors, who are facing emergencies, and second to reconcile state treasury constraints with these priorities.

In fact, in the case of private creditors, the government's goal is to give them a boost by paying their claims over a relatively short period (4 years overall), and by giving priority to small suppliers whose claims can be addressed by the state within the first year. The government is convinced that these actions will contribute to reducing poverty, which has reached alarming levels; this conviction is corroborated by the results of the last study on poverty.

Paying arrears due to public sector employees is also a priority because of its positive socioeconomic effects (improving living conditions for families, reinvesting money in the economy). It will also boost motivation within the administration, and thus improve, albeit slightly, public sector productivity in Djibouti.

With respect to public enterprises, the proposed calendar distinguishes between social institutions (with the exception of the military retirement fund) and public utilities (EDD, ONED) with serious budget constraints. For the former, no repayment is scheduled for the first three years, as the 2002 reforms and regular payments by the state will help them cover their needs. Repayment to other public enterprises will take place over ten years.

Aware of the key role of donors and external partners in clearing the domestic arrears, the government is committed to a fully transparent process in close collaboration with its partners. To that end, the government will strengthen the institutional mechanisms needed for the design and implementation of the repayment plan (arrears repayment committee) by including donors and private sector representatives (the chamber of commerce) as members of the committee and by clearly defining its competencies and its privileges. This committee must see to it that the repayment takes place in full transparency.

To this end, an external technical assistant will be recruited to help prepare an operational work plan that includes establishing a list of creditors and a repayment schedule and developing monitoring and control measures. The technical assistant will also help the committee adopt internal regulations and a procedures manual.

(iii) The external sector and the financial sector

- *Balance of Payments over the medium-term*

Strengthening external competitiveness is a fundamental objective of the fight against poverty. The priority here is to pursue prudent fiscal and monetary policies in order to maintain low levels of inflation. As for the export sector, the growth of the past few years should continue thanks to the dynamic activities in the port, which now operates in a better economic circumstances. The growth in salt exports should be sustained at the rate of recent years. The tourism and restaurant sectors should also benefit from factors such as a stronger presence of foreigners and increased port activities.

Since Djibouti is a net importer, some deterioration in the current account deficit of the balance of payments is to be expected. Accordingly, the trade balance should show a deficit equivalent to 43.2 percent of GDP in 2004, 50.5 percent in 2005 and 51.8 percent in 2006; [this takes into consideration the large share of imports in the public investment program envisaged in the PRSP. Exports should increase slightly from 14.7 percent of GDP in 2004 to 15.9 percent of GDP in 2006. However, this deficit will be offset by the large inflows of foreign aid. It is assumed that the current balance deficit (including official transfers) should be on average about 16.4 percent of GDP.

In order to ensure sustainability of the external debt, that represents about 67 percent of GDP, the financing needs will have to be met mostly with grants.

- *Maintain the integrity of the currency board and the sustainability of the financial sector*

Maintaining the sustainability of the banking system and the integrity of the currency board are essential to the country's competitiveness. In this context, the government's aim is as follows: (i) to reform the legal framework by reviewing the status of the Central Bank of Djibouti's (CBD) compliance with the currency board, the enactment of a new banking legislation, and the development of anti-money-laundering legislation: (i) Reform of the legal framework by revising the statute of the Central Bank of Djibouti (BCD) to be in conformity with the retail bank system and by the issue of a new banking law; (ii) improving CBD's management by conducting annual audits of its accounts in accordance with international bank audit standards; and (iii) strengthening CDB's capacity for bank surveillance through annual audits of all banks and foreign exchange offices, including field inspections when necessary. To this end, the CBD has developed a program to strengthen these capabilities based on training and staff development.

4.1.2. Promoting a global environment that encourages private investment

In spite of its strategic location and of its important assets made possible by a convertible currency and a liberal economy, Djibouti attracts very little foreign private investment and very few new businesses are created. Attracting private foreign investment and the development of a dynamic private sector are at the heart of the strategy aimed at boosting growth and the country's competitiveness.

An inadequate legal and institutional framework, weak competition, low individual savings, weak human resources development, restrictive employment legislation, high production factor costs, providing public utilities (water, electricity, and telephone) and other infrastructures costs, are limiting private sector activities. Furthermore, the Djibouti financial sector must deal with a low level of intermediation and a noncompetitive attitude among commercial banks.

The strategy here rests on three pillars: (i) developing a legal framework that attracts private investment; (ii) pursuing reforms that result in a reduction in factor production costs and improved management of public enterprises; and (iii) improving the work environment.

(i) Reviewing the legal framework

Significant progress in the development of a legal framework to attract private investment has been achieved with the creation of a national investment agency (ANPI). The agency acts as a focal point for investors by centralizing and facilitating administrative procedures. Its creation was followed by the development and adoption, in 2003 of a commercial code and an attractive investment code designed to encourage private investment. In this context, legislation relative to exemptions for investments and free trade zones will be streamlined.

Aware of the growing importance of the informal sector in the national economy and of its potential for creating employment and revenues, the authorities will take adequate measures to orient the sector toward the formal circuit (relaxing the fiscal and administrative rules and developing a system of micro-finance).

The government also conducted in 2003 a general study on the competitiveness of Djibouti's economy and its integration in the international economy. The objective of the study is to identify obstacles to private investment and to propose measures for developing interest in Djibouti's economy. This study will be part of a poverty-centered trade strategy to accelerate the country's integration into international and regional trade and to promote growth in exports and employment.

(ii) Reducing the costs of production factors

Improving the investment climate requires reducing the cost of production factors, primarily the tariffs for electricity and telecommunications. Government strategy is to disengage from these sectors and to increase the role of the private sector in their management and financing. The strategy should bring two benefits: (i) increase in productivity within these sectors through better management, technology, and transfer of know-how; and (ii) freeing of limited public resources, thereby reducing overall public debt.

Within this context, the priorities will be the following: (i) to restore the financial health of public enterprises based on the results of on-going financial audits; (ii) to promote the privatization of

the EDD based on specifications that would guarantee the development of the sector; (iii) to promote alternative solutions to thermal energy by comparing the advantages of interconnection with the Ethiopian network and the development of geothermal energy; (iv) to promote renewable energy sources to cover rural needs; (v) gradually to reduce international telecommunication tariffs; and (vi) to liberalize the sector and privatize Djibouti Telecom.

(iii) Improve the work environment

Improving the work environment is essential for the development of the private sector. High labor costs and weak human resources as well as over-regulation have traditionally discouraged private investments. The government has given a high priority to making the labor market more competitive, a prerequisite for raising employment.

The government's strategy is: to improve the labor market overall by revising labor legislation and introducing more flexibility in hiring and in the setting of salaries by the market; the strategy would also pursue reforms of the pension system, to make it equitable and financially sustainable. Measures already taken have resulted in the following: (i) revising of the system's parameters in order to guarantee its long-term sustainability; annuity rates have been reduced as has the totality; (ii) protecting the most vulnerable by introducing a minimal pension and a solidarity tax; (iii) streamlining institutional arrangements and management by merging two existing pension funds. Finally, the reform will help to improve the civil service payroll. Because of its economic, financial, and salary impact, the government plans to complete the reform by merging the social security funds and by developing a medium-term strategy for the management of financial products.

4.1.3. Positioning Djibouti as a commercial, financial, and economic center in the region

The services sector is the largest contributor to Djibouti's economy, with 57 percent of GDP, mostly due to the direct and indirect effects of port activities on the economy. The port is strategically located on a major shipping lane connecting East Africa and Asia. It is the principal supply source for Djibouti and neighboring Ethiopia.

Djibouti has not always known how to take advantage of this asset, partly as a result of successive exogenous shocks (conflicts and crises in the sub-region); in addition, the absence of a clear vision for the future and of the opportunities offered by the new international maritime organization have delayed work to align the port to meet international maritime trade requirement. The new opportunities include the containerization revolution, the globalization of maritime transport, the increasing size of ships, and the privatization of port operations. As a result of the missed trends, the competitiveness of Djibouti's port has gradually declined in the context of intense sub-regional competition, combined the expansion of port facilities in Aden, Salalah Oman, and Dubai.

Nonetheless, Djibouti has distinct advantages. It occupies a strategic location at the entrance of the Red Sea and along the Europe-Asia routes; it serves an important African hinterland, has a convertible currency, is a member of several regional organizations, and is a potentially important regional trade platform. The country's small size is an additional asset as it allows for a relatively easy development of services and infrastructures (services related to port activities and commercial free trade zones, airport and highway services, telecommunication services, financial services); because of their clustering, these services minimize production and trade costs for private firms. Developing this asset is the main strategic goal of the PRSP.

The goal is to turn the port of Djibouti into an infrastructure serving the region and the sub-region, a necessary trade and transshipment platform; in addition the goal is to develop around it a vast array of transport, trade, and industrial services and activities capable of having sound uplifting effects on the economy, on growth and on employment.

This strategy requires complementary policies based on exploiting and developing comparative advantages in the area of transport, on improved services, and on an increased use of new communication and information technologies.

(i) Developing the transport system

- *Port and maritime transport*

Port activity, long lackluster, has increased significantly since 1999 following the rapid growth in Ethiopian imports. However, in volume, it remains far below most competing ports in the sub-region. The port's impact on the economy remains limited as well. A free trade zone with insufficient capabilities has not been able to attract international trade companies, and operates instead as a storage area for Ethiopian and Djibouti importers. Other constraints hinder the development of the port, such as high labor costs, low productivity, and lengthy administrative procedures. In addition, the port is facing serious pollution problems.

In 2002, the government signed a cross-licensing agreement with a premiere international operator, Dubai Ports International (DPI), significantly improving the port's management and profitability. This partnership also enhances the prospects for infrastructure development. The development strategy for maritime transport and port activity, a cornerstone of the PRSP, has three important pillars:

The first strategic objective is to place the Djibouti corridor along the transit route leading to Ethiopia, north of Somalia, and the landlocked COMESA countries. The intention is to consolidate the port's current position within this market while increasing its share of sub-regional traffic. This objective will be reached in the following ways: (i) Through the reinforcement of measures to improve the quality of loans offered to operators, the raising of interest rates, and the limits on operating procedures. In this context, actions already undertaken by the port private operator will be complemented by streamlined and computerized customs procedures; (ii) implementing trade facilitation measures agreed between both countries, to decrease transaction costs and offer better guarantees to operators from both countries; (iii) attracting investments in road and rail transport through the rehabilitation now in progress of the Djibouti-Galafi road, by the already programmed building of the Djibouti Dire-Dawa road, and by the rehabilitation of the railroad. These investments will strengthen the port's strategic location, accelerating the flow of merchandise and reducing transport costs to Ethiopia and Somalia.

The second objective is to position the port securely on the regional transshipment and interline market. Trans-shipment is one of the most dynamic sectors of maritime traffic. Trans-shipment activity in the port of Djibouti is currently restricted to sub-regional traffic because of its limited container-handling capacity (ship draft and insufficient length) and of its free trade zone. Trans-shipments that are of strategic importance in a context of inter-regional and intercontinental trade and re-export activities constitute the area where the port is least competitive today. It handles less than 5 percent of Red Sea traffic (10 direct lines compared to 66 lines for its immediate competitor, the port of Jeddah). The government's strategic choice is to promote the port of

Djibouti as a regional center and to attract an increasing share of maritime traffic from the Red Sea. In this context, the government and its strategic partners (DPI) have proposed a BOT agreement to construct a new container-ready docking port at Doraleh, in compliance with new international norms, the construction of a new oil port, and a free trade zone. In the end, these infrastructures should help triple the container traffic and diversify port activities. Such improvement will also help current port facilities to specialize in bulk treatment, and would substantially increase handling and storage capacity in Djibouti. In the short term, modernization and capacity-building investments would aim at improving the current port's position on the market before the completion of the new port in 2006.

The third objective is to develop a premiere free trade zone in order to turn Djibouti into an exchange platform between the Middle East and Eastern and Central Africa by taking advantage of its membership in IGAD and COMESA and of its transport infrastructure. The aim is twofold: (i) to encourage transit and re-exports toward land-locked countries of the sub-region and to attract international trade operators; (ii) to encourage the development of trade that attracts investment, increases transportation, and produces high-employment activities. Currently, a feasibility study is being conducted for the free trade zone. This zone will be made up of a free port area and an airport zone that will facilitate trans-shipment and sea-air re-exports, and both will be subject to a single legal entity. A smaller scale pilot free trade zone is currently under construction and will soon become operational. This should be a promotional tool for Djibouti to showcase its location and will constitute a test regarding its capacity to attract business.

- *The development of road, railroad, and air transportation*

Making Djibouti a hub of regional trade requires good access to the city and its port as well as permanent facilities for moving goods and people between the city and the port and between the big regional centers. Djibouti offers several transport services, including road, railroad, and airport. These sub-sectors are all facing real challenges linked to a failing public management system and to the absence of a clear policy regarding the development of types of different transportation.

Aware of the importance of the transport system to the country's competitiveness, the government has set a goal to improve the level and quality of services and to strengthen complementarities between the different modes of transportation. The main strategies for the sector's policy are the following: (i) to encourage the involvement of the private sector in the management and the financing of infrastructure; (ii) to refocus the mission of the state on functions involving policymaking, regulation, planning, and monitoring; (iii) to apply, whenever possible, the principle of user fees to ensure the financing of the creation and maintenance of infrastructures; (iv) to promote consultation with users and their participation in the choice of policies and the monitoring of their implementation.

- *The road sub-sector*

The Djibouti road network is 1300 kilometers in length, of which only 330 kilometers are tarred. Most of the traffic (more than 80 percent) takes place along the international road corridor that links the port of Djibouti to Ethiopia. The effect of international road activity on employment and the fight against poverty remains limited, in spite of its important potential.

Road transportation faces numerous constraints including insufficient financing and lack of maintenance of the road network. The road maintenance fund established in 2000 has not yielded

the desired results as most of the revenues were used to pay for labor costs and operating costs. The dilapidation of the network and the isolation of some of the country's districts limit economic development activities for the poor (high transportation costs, difficulties of supply and the stabilization of local product prices) and the development of the country's potential.

Aware of the road sector's importance in maintaining external competitiveness and fighting poverty, the government is preparing, with the assistance of the World Bank, a strategic study related to the long-term development of this sector. This should lead to the elaboration and the adoption, by the end of 2003, of a ten-year sector development plan. The study will also help restructure the road management institutional framework, reform investments and maintenance financing modalities, and develop a program of investment priorities .

The government's main strategy objectives for the road sector are the following: : (i) to pursue construction programs on key roads along the international corridor as well as roads essential for the development of poverty areas; (i.a) to promote involvement of the private sector through concessional agreements for the management of the international highway corridor and through contracts by level of service for the management of maintenance for the urban highway network.(ii) to pursue efforts to mobilize funds to finance the construction of priority roads and road connectors in peri-urban areas; (iii) to help national trucking operators participate in international transport activities by easing restrictions (administrative, fiscal, etc.) on the importation of trucks; in the process, to study the possibility of introducing a low-interest-rate line of credit for the purchase of trucks and the training of road transport professionals; (iv) strengthen administrative capabilities by introducing planning and management tools, providing continuing training to staff, as well as appropriate equipment and technical assistance.

➤ *Rail transport*

The railway between the port of Djibouti and Ethiopia is 800 kilometers long; but only 100 kilometers of this lies in Djibouti. It is managed by a mixed-capital public enterprise. Long the principal link between Djibouti and the rest of the continent, the railroad has, for several years, been experiencing serious technical and financial difficulties. These arise from the decrepit state of its equipment, strong competition from the road, and high operating costs. The railroad remains of strategic importance, not only as a structural pillar of the economy, but above all for its potential to reduce the costs of transportation to Ethiopia and to the African hinterland. This is thanks to the economies of scale in the transportation of heavy-bulk goods and the security it offers in moving hazardous products (hydrocarbons, in particular). The government's strategy rests on three types of action, as follows: (i) finalizing with the Ethiopian authorities a reform to privatize the railway within the framework of a BOT; (ii) supporting the development of heavy bulk rail transport for the transit traffic to Ethiopia; (iii) promoting the development of containerized rail transportation for Ethiopian transit and for trade between Ethiopia and Djibouti, and for this purpose, putting in place appropriate logistics designed to become competitive in the long term; and (iv) improving service delivery for goods and people.

➤ *Air Transport*

The role of air transport in the overall transportation sector is limited. A regulatory framework that severely limited competition and limited traffic has discouraged layovers in Djibouti and has resulted in the financial deterioration of the public institution responsible for management of the sector. Since 2002, the airport has been managed contractually by DPI, which is also responsible for port activities. PRSP's strategy is to encourage the growth of traffic, to reduce transportation costs for passengers and freight and progressively to turn the airport into a dynamic element of

the transport sector. Key actions identified in the context of the PRSP are the following : (i) implementing an open-sky policy and eliminating all frequency and destination restrictions in order to decrease tariffs and to develop regional and international air traffic to and from Djibouti; (ii) positioning the Djibouti corridor along the transit route of landlocked African countries of the great lakes region; the strategy is designed to develop sea-air trans-shipments through the establishment of an airport free-trade zone and improving logistics and services; and (iii) attracting investments needed for airport modernization and equipment maintenance.

(ii) New Information Technologies

The telecommunication sector plays an important role in strengthening competitiveness, but so far, Djibouti is not getting the benefits that could be available. Djibouti has an almost unique telecommunication network in Africa controlling, with two earth stations, a landing point of three submarine cables linking Asia to the Middle East and Europe that gives it a key role as master station and as traffic node, However, the country has not benefited from these assets. Telecommunication traffic and revenues have remained lackluster for over a decade because of high tariffs and considerable delays in introducing new products (cellular telephony, internet). The institutional and regulatory framework that governs this activity has not evolved either, in spite of major changes and transformations (liberalization, privatization, regulation) at the international level. Finally, Djibouti-Telecom is facing serious management problems due to its inability to collect user fees, the lack of clear and reliable management tools, and the lack of a clear trade and development strategy.

ICT dissemination in the Republic of Djibouti

Indicators	Djibouti	Africa
PC/100 persons	1.09	1.06
IP Servers/ 1000 persons	0.13	1.38
Internet users	5.13/ 10 000 persons	85.21/ 10 000
Internet fees	USD 190/30 hours	USD 54 / 30 hours
Telephone density (fixed)	1.54	2.6
Number of cell phones / 100 persons	0.47	5.9

However, the Djibouti government is convinced that the development of an information society and the dissemination of ICT will help the economy become gradually more decentralized, better informed, and more participatory. It will help modernize the administration, improve the dissemination and sharing of information, and improve the quality of data, indices, and indicators. This will result in broader participation and will increase the country’s integration at the regional and international levels. The economy of Djibouti will benefit from privileged access to the internet and will exploit this resource to develop port and transit services that will turn it into a regional hub.

ICT dissemination will help the market for goods and especially for services markets to grow and become more efficient and open. The Internet will help Djibouti attract more foreign investors and increase economic and employment opportunities.

General access to ICT helped accomplish the following:

- Splitting the historic postal and telecommunication’s operator into two entities (Djibouti Post and Djibouti Telecom);
- Granting a GSM license in May of 2000; Djibouti Telecom, which operates the GSM service, has a current membership base of more than 16,000 subscribers;

- Reducing basic telecommunication tariffs, such as telephone and internet access, by 10 to 60 percent; this step was essential to Djibouti's transformation and modernization.

Since ICTs are essential to the country's competitiveness and to its fight against poverty, the ministry of communication and culture, which is in charge of Posts and Telecommunications, conducted an ICT awareness campaign, beginning in May 2002. This resulted in a broad consensus and helped develop guidelines for a national policy on new technologies.

The main objectives of this sector are to:

- Increase access to the new information and communication technologies' services;
- Further reduce telecommunication costs in order to increase Djibouti's external competitiveness;
- Strengthen telecommunications' role as a regional integration factor;
- Fight poverty and promote employment by developing activities linked to ICT.

This strategy is now complete and was adopted by the counsel of ministers followed by the parliament. Its ten objectives are as follows:

- Universal access (means of access for all to ICTs)
- Increased capabilities (human and logistical resources, especially in the field of education and research)
- Modernization of the state administrative apparatus
- Strengthening institutional, legal, and governance capabilities
- Increased use of ICT capabilities to help grow the private sector and create a regional hub
- Development of digital content as well as Djibouti's web presence
- Modernization and strengthening of the public health care system
- Management of the environment, disasters, famines and other ills, using ICT
- General motivational activities to strengthen the ICT sector – action plan
- Research development.

(iii) Energy

- *Diagnostics and strategy of the energy sector*

Energy is essential to Djibouti's economic and social development. Its availability and its costs of production are essential to growth and competitiveness.

Most of the energy, with the exception of fuel wood, comes from the transformation of imported fuel. Electricity coverage is 49.7 percent, 99.5 percent of which is in urban areas with a consumption rate of 288 kilowatt hours, per year, per inhabitant,²⁰ which is relatively high compared to some African nations. On the other hand, rural access to energy is very limited and availability does not go beyond the periphery of key areas. Among the nomads, electricity is unknown and other sources of energy available to them are quite limited. Fuel wood is the only source of energy for meal preparation, lighting, and to fight off mosquitoes.

Yet, considerable efforts have been made in the past twenty years on the one hand, to increase production and, on the other, to develop the country's potential for geothermal and other

²⁰ Including the French army

alternative sources of energy . Research in these fields is not extensive and has not led to concrete results. Expenditure on fuel always negatively affects the trade balance. Energy prices remain high and depend on fluctuating oil prices. Numerous Djibouti households have trouble paying their electricity bills and resort to fraudulent activities to preserve their purchasing power.

The cost of electric power is considered to be the primary obstacle to the development of the Republic of Djibouti. Very few industries are established. High electricity tariffs are considered to be a developmental handicap and hinder the creation of new activities that are a source of employment and revenue. Services face high energy bills that reduce their profitability and viability. For example, energy costs represent 11.23 percent of sales for the bottling company Coubéche (Crystal). The SODRAS Meat Company, which specializes in the export of cut meats and leathers, has trouble maintaining its competitiveness because of exorbitant energy prices that represent about 8 percent of its sales. As for Sémiramis, a trade center specializing in the sale of perishable foodstuffs; energy costs make up 3.26 percent of its sales and are its second greatest expense after wages.

Furthermore, energy costs impede the growth of the mining and the construction materials sectors. A unit specialized in cutting basaltic rocks, which is located in the industrial zone PK20, will soon shut down because of prohibitive electricity bills.

The availability of an adequate, cheap, multi-type source of energy could contribute to the development of small and medium sized enterprises. Equally, it would increase access to water for the underprivileged by reducing water production costs nationwide. Similarly, it would help preserve drugs and improve the distribution of health services for pastoralists and their livestock..

Furthermore, it would improve access to education and would largely help eliminate illiteracy within the nomadic populations. In brief, energy is the key to economic growth, to strengthening competitiveness, to improved living conditions, and to the fight against desertification.

Energy priorities are the following: (i) to reorganize the finances of EED on the basis of the an audit currently in progress; (ii) to privatize EED based on specifications that would guarantee the growth of the sector; (iii) to promote alternative geothermal or other sources of energy such as wind and to study the comparative advantages of interconnection with the Ethiopian electrical network ; (iv) to encourage the use of renewable energies in rural areas; (v) to strengthen the institutional framework of the energy sector in order to precisely define its tasks, responsibilities, and information sharing activities between institutions such as the CERD and the EDD; (vi) to improve training of senior and technical staff; (vii) to design and monitor a national energy plan; (viii) to conduct a study of electricity tariffs starting with a critical analysis of current fees and of the technical-economic management of the EDD ; and (ix) to develop an energy conservation program.

- *The development of alternative sources of energy*
- *Wind power*

The development of wind power was encouraged because of the urgent need to fight climatic change. Wind power does not emit carbon dioxide or any pollutants associated with fossil fuels or nuclear production. Growth in this market has significantly reduced wind power costs. Its presence has increased with the biggest commercial wind power station producing 2500 kilowatt hours.

Djibouti has always looked for alternative energies in order to overcome the high costs of thermal energy, which constitute an obstacle to the economic development of the country. Nowadays, electricity generated by wind power offers great advantages. Wind measurement stations have been built on sites that have been chosen for their wind source potential. These are the Grand Bara, Lake Assal, Galli Maaba, Ras Ali, Atar, Doudoub Alale, etc. Results of these experiments, especially at Assal and Galli Maaba, appear promising.

Wind speed measured over 24 hours averages 13 meters per second which is equivalent to 3.12 MW. It should be noted that the maximum electricity production capability in Djibouti is around 50MW. Wind turbine batteries installed in the Assal Site, which is the windiest area because of its geomorphologic configuration, could produce 100 MW. This is largely sufficient to valorize mining resources and construction materials within the integrated development pole of Lake Assal, and can help develop SMEs and substantially reduce costs to Djiboutians. The cost of a wind turbine is about 5 million dollars in the world market today. According to specialists' preliminary studies, the cost of energy production at Assal would be 6 FD per kilowatt hour.

➤ *Geothermal energy*

Geothermal exploration in Djibouti can be divided in two phases. The first phase consisted of the first exploration efforts in the country that located potential regions for the development of geothermal energy: the Assal rift, Lake Abhe, Allols, North-Ghoubet, Arta, and Obock. This phase was completed after two deep-reservoir drillings were conducted in the rift of Assal. The second phase started in 1981, after independence, and included several exploration projects.

The geothermal project (1987), which was financed by the World Bank, the ADB, OPEC, and Italy, was initially implemented in the Hanle plain. This project was deemed a setback for any geothermic development in that area because of the absence of sufficient heat. The project was then transferred to the Assal area with the goal of conducting drillings of greater-diameter while capturing the entire thickness of the deep reservoir that was discovered in 1975. This program was unable to reach its goals of evaluating the geothermal potential that would permit the construction of a geothermal power station.

Although this exploration phase in Assal helps the study of the deep reservoir and shows the important flows (debits) that can be attained, it also highlights the difficulties due to shell sedimentation in the drilling as well as surface equipment problems. In addition, the number of drillings that have reached the deep reservoir is insufficient to evaluate the exploitability of the reservoir, so new drillings will be needed.

It is important to note that the different drillings in Assal provide us with interesting indications regarding the possibility of having an intermediate reservoir, 300 to 600 meters deep, and with temperatures ranging between 130°C and 190°C. The confirmation of this reservoir by a program of exploratory drillings, and tests could make it possible to envisage the production of electricity based on the binary system that is, today, perfectly mastered throughout the world.

Today, information regarding geothermal energy in Assal clearly shows the possibility of using geothermal resources to produce electricity. To make this possible, the following program needs to be developed: (i) completion of the exploration and evaluation phase of the deep reservoir geothermal resources while seeking out the appropriate technology (whether the binary or flash system); (ii) At the same time, conducting a program for the exploration of the intermediate reservoir and evaluation of its potential; (iii) building of geothermal power stations and related

infrastructures (flash system and binary system) to generate electricity; and (iv) conducting of a reconnaissance program to seek out the geothermal potential in other areas.

The implementation of such a program takes advantage of several favorable circumstances. Developing geothermal resources as a clean source of energy in the entire East African rift region is of great interest for the concerned countries because it is a local resource. The region is a recipient of funds from numerous private-sector donors as was indicated at the geothermal conference in Nairobi (2003). The partnership of donors helps reduce risk during the different phases of geothermal energy development. A large-scale geothermal project in the East African region has been suggested with the cofinancing of the GEF (Global Environment Facility), KfW Group, (USTDA), United Nations Environment Programme (UNEP), Asian Development Bank (ADB), and others. In the context of this project, a network of national institutions in charge of geothermal energy was established and will be assisted by donors and international experts. The goal of this project is to choose three countries where geothermal development will take place.

➤ *Interconnection with Ethiopia*

Thanks to dams, Ethiopia has a hydroelectric energy source that is clean from an environmental standpoint. During the rainy season, which is also the hot season, Ethiopia generates a surplus of energy that Djibouti could use to supply urban and rural centers. In return, Djibouti could supply its surplus during Ethiopia's cool season. Using hydroelectric energy will be a large-scale project because of the transport aspect from Ethiopia to Djibouti. This link is part of a regional integration of electricity networks.

A 1990 study had proposed an alignment of the power lines. In 2003, the EDD undertook a new power line alignment study. In programming the path, the EDD is taking into account the possibility of using part of the line for the transport of energy generated by the future geothermal station in Assal.

From an economic standpoint, interconnection with Ethiopia will lower energy costs in Djibouti because of the low cost of hydroelectric power in Ethiopia. This could have an impact on economic development in Djibouti.

➤ *Improved cook stove for energy conservation*

As a primary cooking fuel, wood is today a widely used source of energy in rural communities as well as the Djibouti-city periphery. Growing demand for this commodity is the result of rapid demographic growth, poverty, and a massive influx of refugees and displaced populations from adjacent countries.

In an arid country such as Djibouti, which is suffering from pedo-climatic conditions that are unfavorable to the growth of vegetation, the consequences for the environment are visible throughout the country. Accelerated desertification affects biodiversity and food security, and impoverishes by the day the most deprived segments of the population.

The three-stone fireplace, widely used by local communities to cook their meals, uses wood fuel inefficiently. The rapid loss of heat and calorific energy of wood or charcoal leaves women and children little time to tend to activities other than the collection of wood, which needs to be fetched from further away every time.

Therefore, it has become urgent to identify energy efficient techniques to meet the needs of the population while preserving the environment. Sustainable management of natural resources is has become a great challenge, which must be met not only for the protection of the environment but to improve the living conditions and the well-being of populations. Within this framework, identification and duplication of successful projects in the country should be encouraged. The «Gender and Environment» project that was conducted by the CERD in the Ho-Hol and Ali-Adde regions could serve as an example; it is also a case study for the development and use of improved cook stoves that reduced energy consumption by 25 to 40percent compared to the widely used three-stone fireplace.

The first beneficiaries of these projects are rural communities in Djibouti, primarily women and children who generally are the collectors of fuel wood.

Specific goals are the following: (i) educating local populations regarding the sustainable management of fuel wood; (ii) helping them develop an energy conservation program; and (iii) promoting a know-how spirit in terms of energy conservation and best practices that will reduce fuel wood consumption and help protect the environment.

This approach will first identify the most vulnerable regions (high population density, threatened vegetation, accelerated desertification, etc.). In every district, efforts will be concentrated on two target villages or campgrounds in order to better focus technical team efforts and to reach desired objectives. These activities will be conducted in partnership with local communities to better ensure the dissemination of know-how among its members and to guarantee the sustainability of the project.

4.1.4. Developing new sources of growth

Although Djibouti must give priority to the service sector, it should not by the same token neglect the development of new sources of growth such as fishing, tourism, agriculture, breeding, and mining.

The country has important mining and energy resources, such as salt deposits from Lake Assal, which offer it a comparative advantage that should be made use of intelligently. The use of renewable sources of energy such as geothermal and wind energies could partially reduce the import of fuels. However, although new sources of energy exist, their development is limited by factors of production costs, inadequate infrastructure, and poor human resources.

- *Tourism*

Djibouti has an important tourism potential because of its geology, natural seabed resources, fauna and flora, and its ancient traditions and culture. In addition, the country's location between two major tourist destinations (Ethiopia and Yemen) puts it at an advantage. In spite of significant progress, this sector is limited by high transport and housing costs, lack of hotels, inaccessibility of the major tourist attractions, a weak private sector, and the absence of a policy that showcases the country's maritime and cultural assets.

The government has elaborated a strategic plan with the goal of developing tourism's potential, within the context of an overall approach. This approach would promote quality theme-oriented tourism (eco-tourism, deep-sea diving, cultural tourism, etc.), an approach with high yields, that protects the environment, and encourages the population's participation.

The objectives are as follows:

- Fight poverty and maximize the sector's contribution to job creation;
- Showcase and protect the tourism and cultural potential of this country (Fauna, flora, ecosystems);
- Strengthen women's participation in economic development;
- Strengthen national operators' capabilities.

The strategy depends on the following:

- Promoting Djibouti as a destination and developing an active partnership between the public sector and external and local private operators in order to market the country
 - Helping the development of tourist sites and regional circuits by connecting these sites and building an adequate infrastructure ;
 - Intensifying training for tourism-related employment and in project management and the support of small projects, especially those involving women ;
 - Developing tourism financing mechanisms through the Djibouti Economic Development Fund.
 - Educating the population in order to encourage local initiatives in this field and promote a climate of openness that encourages this sector's growth.
 - Finally, this sector will derive benefits from the new port of Doraleh and its free trade zone once they are completed (this is the project with greatest prestige in the country, with a strong presence of business people).
- *Livestock development*

Countries in the Horn of Africa have a significant reservoir of livestock. Ethiopia has the biggest African bovine herd, and Somalia has an estimated 30 percent of the world's dromedary herd. Because of its strategic location and assets, Djibouti is a major regional hub for trade in livestock. This trade, which is assisted by the AU-IBAR, could stimulate economic development in Djibouti and is creating jobs for a pastoral population that was recently urbanized (herding of flocks, transportation of forage, public and private sector players in charge of control and shipment). In the past, the Djibouti port was able to play an important role with 350,000 heads exported in 1990; but the internal political conflicts and the embargo imposed by importing countries after the epizootics of Rift Valley Fever have significantly reduced exports, which were down to 2000 heads in 2002. The accrued cost of exports to Yemen or Egypt is 6000 FD per bovine/camel and 1210 FD per small ruminant in addition to fixed costs that are currently being negotiated. Today's conditions encourage significant growth of this activity but require the following:

- Strengthening infrastructures (large capacity quarantine centers and transit centers in the port area) for livestock coming from neighboring countries and destined for re-exportation, outfitted parks, water resources, sanitary controls, harmonization of certification procedures (through an internationally licensed organization such as SGS, which already deals with certifying the export market in Somalia);
- Building a structure for the production of food complements and supply fodder during the pre-boarding phase;
- Developing cattle handling facilities in rural areas for domestic herds to supply domestic or export markets; and
- Building water points along the cattle driving routes.

- *Fishing*

Djibouti has a 372 kilometer-long coast that offers an important fishing potential (48,000 tons). Fish consumption is weak (1.5kg/person/year) and fishermen and women that live off traditional fishing continue to be among the poorest segments of the population. Yet, the fishing code issued in September 2002 gives complete protection to the exploitation of fishing areas by the artisanal/traditional sector. The sector's stagnation is certainly due to the insufficiently effective implementation of measures of support. Equipment and maintenance infrastructures are lacking. Illiteracy is a handicap that hinders the organization of fishing communities. In addition, a decentralized financing system for the purchase of fishing equipment and supplies is absent.

Djibouti has no fish processing activities. The distribution network is completely useless because of the lack of refrigerated transportation and low local demand for fish. Training is insufficient and the fishermen have no access to widespread technical innovations.

However, this sector has an important economic potential. It could become a major foreign exchange earner as if its stock of high-value fish can be directed toward profitable markets.

The sector could help fight poverty through the creation of new revenue-generating activities. These activities could be for both the fishermen themselves and those involved in fish marketing, particularly women. They could take place both at the local level and for exports. Furthermore, fishing could improve food security, because of high protein content in fishes; but this could only happen if Djibouti dietary habits adjust to the increased consumption of fish – a food that is seldom consumed among Djiboutians.

Donor contributions have helped to produce a technical assessment of the sector. It could form the basis of future consolidation and promotion to help the sector play an important role in the country's economy.

The goals that have been set for this sector are the following: (i) to improve economic growth; (ii) to reduce poverty in urban and rural areas; and (iii) to strengthen food security by satisfying the animal protein intake using fish as the source.

The strategy rests on the following four complementary pillars of support:

The first objective is the sustainable management of marine resources through the following: (i) development and implementation of a master fishing development plan, (ii) development of a co-management system (communities/administration) of fishing resources and to preserve the marine environment, and (iii) strengthening the institutional capabilities of the marine sector.

The second objective is to increase fishing revenues and to create jobs by the following: (i) strengthening capabilities for professional organization in the sector; (ii) rehabilitating and strengthening production; and (iii) upgrading equipment.

The third objective is to increase exports by bringing infrastructure up to international standards; and building a medical control laboratory.

The fourth objective is to improve food security by the following: (i) encouraging women that are involved in the sale of fish; (ii) improving the distribution network; (iii) introducing cheap handling and conservation techniques; and (iv) encouraging local consumption of fish.

Priority program actions for 2003–05 include the rehabilitation of production facilities, increased fishing activities, and widespread training in order to improve technical and managerial capabilities within fishing communities and institutions that support them. The investment program’s goal for 2006–15 is to consolidate the production and access to new fishing sites. Similarly, assistance to fishing associations and to women will be provided in order to improve their organizational and negotiation capabilities in selling their products. The training program will continue as new fishermen enter the market.

Increasing catches will not negatively impact resources or the environment thanks to the co-management system (administration/communities) that will be implemented in the framework of participatory development. The sea surveillance system will be stepped up to manage the fishing resource and to protect the safety of those at sea. Environmental studies are planned.

Many positive socioeconomic repercussions can be expected: higher yields, higher revenues, more secure food supplies, job creation, foreign exchange, etc. They will benefit fishing communities as well as rural and urban populations. In the end, the expected growth in production will increase the consumption rate from 1.5 to 3 kilograms per person per year. The revenue/day for fisherman at sea will increase from 800 FD to 2000FD thanks to the introduction of new equipment and technical innovations. This sector can create 3000 to 4000 direct and indirect jobs that will primarily benefit women and the young. The rehabilitation of the fishing port and its standardization should result in the export on average of 2000 tons of high value-added fish, generating 8 to 10 million US dollars in additional foreign exchange.

Loan repayment risk can be minimized thanks to a good debt management system. In the medium and long-term, poverty will be reduced by 50 percent in the fishing communities. In addition, this sector can contribute to the reduction of poverty by at least 30 percent in rural communities thanks to product diversification and revenue-generating activities, of which about 60 percent will be attributable to women and the young.

- *Mining resources*

Known mining resources are relatively limited and are made up of salt, geothermal energy, pearlite, and cement production using local primary materials. Of this potential, only salt reserves are being exploited. Salt production, which is growing rapidly, is exported to Ethiopia to meet its industrial needs. The extraction of salt, an age-old tradition, has been regulated in order to meet sanitation standards. Four companies extract salt deposits in a semi industrial manner. Direct and indirect jobs in the sector are estimated to be around one thousand.

The government’s priorities are as follows:

- Foster the growth of salt extraction and optimize its impact on employment and regional development,
- To this end, promote an integrated project at the economic pole that will increase salt exports from Lake Assal and enhance the tourism potential of the region.
- Map out mineral-bearing areas and conduct the geological studies needed to encourage involvement in the mining sector by private international operators.
- Conduct geothermal use studies and promote exploitation in partnership with the foreign private sector.

4.2. Human Resources Development

Without significant natural resources and faced with stiff competition, Djibouti must develop its human capital, its only significant resource, to maintain its long-term competitive advantage and improve the living conditions of its people. With this in mind and with the assistance of its technical and financial partners, the government has developed long-term education and health development policies. It has already put in place medium-term strategic plans for each of these sectors to improve access to basic services and ensure fairness.

Human resource development, with an emphasis on women, is a priority in the field of poverty reduction.

The main objectives of the strategy are: to ensure access of the poor to high quality basic education and health services and to reduce inequalities.

4.2.1. Education

The Djibouti educational system was originally developed to meet a limited demand for education. Essentially elitist in its design, the system stood isolated from its environment and was not adapted to the country's realities. Efforts deployed during the 90s have resulted in an increase in enrollment, but are still below what is needed to meet people's expectations and the needs of a developing nation.

In 1999, the government revisited its educational policies and launched a consultative process that included all players (administration, teachers, parents, national assembly, and NGOs). The process led to a wide consensus regarding the sources of the problems and recommendations for the policies needed to address them. Building on the consensus and the recommendations that followed, the government developed a ten-year master plan for education (2000–10). In August 2000, it passed an education planning act and prepared a medium-term plan of action (2000–05).

The planning act represents a considerable departure from the old system. A restructured fundamental education system comprised of nine years (five years of primary education followed by four years of middle school) is now mandatory. Entry in the secondary educational system of three years requires a Certificate of Fundamental Education. The Act has also introduced secondary level vocational education and has established university facilities in Djibouti.

Since the medium-term development plan and the planning act were implemented, noticeable progress has been achieved at all levels of education, thanks to the mobilization of external and internal resources for the financing of construction, equipment purchases, and teacher recruitment.

Nevertheless, the educational system faces many challenges: insufficient capacity, significant inequalities in access to education, strong disparities linked to revenue and gender, weak internal efficiencies, pertinence and quality issues, and the implementation and the management of the system.

Government strategy covers fundamental education, vocational education, secondary education, higher education, adult education and, in particular, women's literacy. Specifically, every field of intervention focuses on five strategic objectives aimed at improving and strengthening the

following: (i) access, (ii) equity, (iii) quality of education, (iv) institutional and managerial capabilities in order to pursue reforms, and (v) partnerships.

(i) Access

The reform program stresses the growth in enrollment (at all levels).

Fundamental education's objective is to reach a gross rate of schooling at the primary level greater than 70 percent by 2005. The strategy also opens middle school to at least 50 percent of pupils having completed primary education.

These objectives can be reached through the following:

- Expansion of enrollment capacity at all levels of education (preschool, primary, middle school, secondary, technical and professional, and higher education) including purchase of pertinent equipment;
- Adjusting school maps to reflect the capacity of school districts in order to confront problems of geographical access to school (rural districts).
- Pursuing the policy of double-shift classes in primary education in order to maximize use of existing institutions.
- A greater role for the private sector.

A professional orientation channel will be developed with the establishment in every district of a learning and improvement center, the purpose of which is to ensure a better orientation toward their future of cohorts of children coming to the end of primary education. This will ensure compliance with mandatory basic education while limiting dropouts and will help prepare students for secondary education, vocational education, or the workforce.

In addition, the government plans to develop and improve the quality of technical and professional secondary education to provide the economy with qualified personnel. These would be people capable of adapting to professional needs and mastering the basic skills needed to work in the different sectors of production or services.

In order to reduce costs associated with overseas training-of baccalaureate graduates, to slow down the brain drain, and to ensure the availability of a pool of well-trained human capital, a university has been established. This institution will encourage the use of modern interactive technologies in order to give Djibouti teachers access to the most prestigious universities, library resources, and online databases. Initially, the educational facilities that will shape the university will be operated under the pedagogical and scientific guidance of French universities or other pertinent partners.

A national literacy decentralization and action coordination strategy involving different partners (public institutions, NGO, associations) will be adopted in order to avoid redundancies and to make optimal use of acquired methodologies and pedagogical approaches. Modern communication channels such as classroom television and radio will be used not only as teaching tools but also as a means of exchange for the adoption of successful experiences. In order to support literacy programs, a cross-sectoral facility will be created to stimulate initiatives, improve collection and analysis of data, and evaluate the impact of projects.

(ii) Equity

The action plan for the sector stresses the need for fair access without restrictions to a fundamental, useful, and quality education for children of both genders and of all regions and backgrounds. Special attention will be given to the schooling of girls, who represent a vulnerable segment of the population.

Means used to reach these objectives are as follows:

- Reducing distances between home and school as well as constraints linked to scholastic working methods;
- Offering school support services for needy children (cafeterias, free access to school supplies and manuals, etc);
- Adjusting school maps while acknowledging rural area's constraints
- Putting in place programs to analyze constraints and to raise public awareness and increase demand for education.
- Spreading the «school is a child's friend» initiative.
- Accelerating literacy programs (managed by the national education ministry, by NGOs, and most recently by the ministry for women) aimed at women.

(iii) Quality, effectiveness and relevance

The government plans to improve quality through the following four types of intervention:

- *Program Reform*: A program that is adjusted to Djibouti's development needs must be elaborated by a national team of experts.

- *Availability of textbooks*: for 2001–05, defining and adopting a national policy to develop and produce textbooks locally is being considered using the expertise developed by CRIPEN. The policy stresses the need to cooperate with print shops, and the action plan considers mobilizing resources to buy printing equipment for the national printing office. Use of the textbooks in classrooms will be promoted through specific teacher's training, and training modules will be developed to that end. Finally, the government will eliminate customs duties for school manuals and other materials used in schools and libraries.

- *Training and motivating teachers*: effort is required, through the initial and continuous training, to increase the number of instructors and improve teaching standards. Measures to increase training and improve the pedagogical environment have already been undertaken. Special attention will be given to the recruitment and training of scientific and contractual teachers. In order to increase teacher motivation, the government continues to reduce arrears of salary payment, improve the management of teaching staff, and to develop programs for career planning.

- *Evaluation reform*: exams and competitions with the only goal of ranking students will be progressively eliminated and replaced by practices that evaluate and validate knowledge acquisition. They will integrate remedial measures and/or early prevention plans for difficulties faced by students.

(iv) Institutional capabilities to help manage proposed reforms.

Weaknesses in institutional and operational capability (administration, resource management, planning, organization and management of education) will be addressed by the following: (i) strengthening transfers and devolution by developing a national higher committee on education in every district, a regional education committee, and a school-specific institutional management committee; (ii) improving capabilities for organizational, planning, management, and educational evaluation; and (iii) strengthening management and supervision functions of MENESUP personnel.

(v) Partnership Development

In implementing recommendations of the general assembly on education and the provisions in the new education planning act, frameworks of cooperation and partnership will be put in place between the following: (i) government and donors; (ii) central government, local governments, and parents; and (iii) schools and communities.

4.2.2. Health

Despite satisfactory physical coverage, the health system is far from meeting the needs of a mostly poor population, experiencing a high population growth rate. In 2000, the government, with the assistance of its technical and financial partners, undertook an overall assessment of the sector that led to recommendations for reform and the development of a ten-year health plan. This assessment has identified many serious dysfunctions affecting the delivery, quality, and equity of health services.

The major constraints involve the following: (i) deficiencies in the central organization in the planning and management of the system and its excessive centralization; (ii) shortage of qualified personnel and inadequacy of overall management of human resources; (iii) weak infrastructure, particularly basic infrastructure that primarily benefits the poor; (iv) poor availability of drugs; (v) inadequate funding of the health sector; (vi) weak community and consumer participation in the management of the system. Finally, the system is burdened by an unfavorable environment, marked by the low level of general education, particularly among women, the persistence of harmful health attitudes and behavior (practice of female genital mutilations, Khat, etc.), and deficient sanitation and water purification systems.

The development of the health sector is one of the main development priorities. The major objective of the ten-year health plan is to enhance significantly access to health care, notably for the poor, and to improve the quality of health services and the equity of the system. The strategy rests on four pillars: (i) the reform of the institutional framework; (ii) the improvement of general health coverage and access to health care for the poor; (iii) the decentralization and strengthening of community participation in the management of the system; (iv) the establishment of a viable health financing scheme.

(i) The reform of the institutional framework

The main priorities in this domain are: (i) to reorganize the central and peripheral services to meet the requirements of the strategy, through the strengthening of the planning and management functions, the creation of a national health information system, and the strengthening of capacity within the ministry; (ii) to establish reliable management tools, including a health map that defines the roles and the objectives of the primary health system, as well as intermediary and referral health systems, delineates the minimum package of activities for each to achieve, reformulates and specifies the functions under the purview of each; the health map will reaffirm the primacy of basic health care.

(ii) The improvement of the overall health coverage and access to health for the poor

The improvement of the overall health coverage will be assured through the following: the reinvigorating and reinforcing of priority health programs; the normalizing of health centers in terms of construction and equipment and in terms of the supply of human resources and the availability of and access to essential drugs.

- *Reinvigorating and reinforcing of priority health programs*

Child health: priority actions include the following: (i) the strengthening of expanded program of immunization (EPI) based on the results of an assessment conducted in 2002; (ii) the reinforcement of the fight against diarrhea and acute respiratory infection (ARI) and against malnutrition within the framework of a restructured integrated management of childhood illness (IMCI) and through an effective management of cases by using standardized protocols, the promotion of breastfeeding through nutritional counseling (food and nutritional hygiene), the supply of drinkable water and protection of wells, the training of personnel providing basic health care, the availability and supply of essential drugs products (SRO, medications at affordable prices) and the reinforcement of.

Reproductive health: the priority in this domain consists of the following: (i) the reinforcement of pregnancy monitoring at all levels, by reinforcing the training of medical personnel and the supervision/guidance of action and information in rural communities; (ii) improvement in the operation of the referral system for pregnancy complications with special emphasis on the IEC campaign promoting practices that favor low risk maternity and the development of family planning services (iii) a vigorous fight against female genital mutilations through awareness, information, and strict application of the law and regulations.

Campaign against malaria: the fight against malaria involves a multisectoral plan. Priority is given to the following: (i) decentralization of vector elimination activities; (ii) development of treatment protocols of declared cases; (iii) reinforcement preventive measures (distribution of impregnated nets, free distribution of chloroquine, and destruction of the larval sites).

Campaign against tuberculosis: In this domain, the priority is to maintain the level of effectiveness of current programs through the following: (i) the consolidation of the decentralization of program activities and their expansion, by setting up new screening centers; (ii) improvement in the quality of supervision, through continuing education of clinical personnel and development of new treatment protocols; (iii) and securing the financing of the program.

HIV/AIDS and STD Campaign: Djibouti is classified by WHO in the category of the countries facing a generalized epidemic of HIV/AIDS. The government has prepared a multisectoral plan to

fight the pandemic, covering the period 2002–08. The main pillars of the strategy for fighting against HIV/AIDS and STD consist of the following: (i) establishment of a system of continuous surveillance at multiple levels; (ii) the reinforcement of prevention through voluntary, anonymous, and free screening, prevention of mother-child transmission, and strengthening the safeguarding of transfusions; (iii) enhancement of the quality of the management of HIV patients, including psychosocial counseling and treatment; (iv) pursuit and intensification of the programs of information, education, and communication.

- *Normalizing health systems*

The construction, rehabilitation/equipment of infrastructures: the priority will be to construct, to rehabilitate, and to equip primary and intermediary health facilities as planned in the health map to provide them with the necessary logistical means to carry out programs activities. The rehabilitation of medical centers for referral will also be considered in due course.

Strengthening of the management of human resources: availability of qualified personnel with the appropriate profile in all the health facilities is key to the success of the health strategy. To that effect, the strategy of human resources currently in development will be implemented, starting in 2003. It consists of several pillars. They are the following: (i) evaluation of current medical personnel and assessment of current and future needs in personnel of varying qualifications; (ii) the establishment of an initial and continuing education programs to meet the demands of personnel of different qualifications; (iii) the redeployment of existing personnel with priority given to the primary and secondary health centers (iv) an increase in the capacity and equipment of the training center for health personnel; (v) strengthening of training centers for health personnel at the administrative and management; (vi) strengthening the monitoring and evaluation of health personnel. In addition, to insure the good functioning of maternal and child health programs, a midwife will be assigned to every urban and rural health facility.

- *Availability and access to drugs*

The objective of health strategy is to insure the availability of and access to essential generic drugs in all health facilities. In this area, the priority is to adopt by the end of 2003 a national pharmaceutical policy document and a list of essential drugs specific for each level of care, to implement the CAMEG, and to secure the financing of the purchase of medications.

(iii) The financing of health and the financial accessibility of health care

The implementation of a viable mechanism for financing health, that guarantees access to care for the poor, is one of the main priorities of the health development policy. Actions considered include the following: (i) improvement of the effectiveness and transparency of health expenditure by setting up new terminology for expenditure and a progressive move toward a budgetary system for the program; the latter would make health services more financially available to the poor by liberalizing those services with highest yield in cost/effectiveness from which the poor are the primary beneficiaries; (ii) the establishment of a cost recovery structure using an income-driven sliding scale scheme (iv) the promotion and the development of mutual insurance companies that would eventually link up to the resources of national solidarity; (v) increase of the budgetary resources allocated to health as dictated by the strategic priorities; (vi) the mobilization of higher external participation into the implementation of the ten-year plan.

(iv) Decentralization and the community participation

The decentralization of health care and the participation of local groups and communities are important factors in improving the functioning of the sector and for equity of access. The main priorities in this area are as follows:

- Decentralization of the decision making process along with the establishment of health districts, operational units for coordination, and the planning and management of all regional health activities;
- Progressive creation of autonomous health structures based on the results of a pilot study currently underway at the Pelletier general hospital;
- Reinforcement of community participation in the financing of health care and the management and control of health activities;
- Promotion of partnership with the future regional councils.

4.2.3. Promote the role of women in the development process

Since its independence, Djibouti has worked unceasingly to enhance the status of women. It ratified without hesitation the convention on the elimination of all forms of discrimination against women (CEDAW); it also took part in various international meetings on women and social development such the ones held in Nairobi (1985), Vienna (1993), Cairo (1994), Copenhagen (1994), Beijing (1995), and New York (2000). Since 1995, a number of measures have been taken by the government to increase women's participation in development. Among these measures was the establishment in 1998 of a women's directorate, in 1999 of a delegated ministry for the advancement of women under the prime minister. The minister for the advancement of women was the first woman to have a ministerial post in the country's history. In 2001, Djibouti adopted a national strategy for the integration of women in development. In 2002, it enacted the first family code. Finally, in 2003, seven women were elected as representatives at the national assembly. The women of Djibouti play a crucial role in their country's development. But, in spite of a favorable legal framework, their participation is quite limited due to their low educational level and to social constraints.

The national strategy for women's integration and development is a first step toward remedying their situation. The strategy has been developed on the basis of sector-specific studies and through an interactive process of consultations and adjustments that included all interested parties; they are as follows: executives from technical ministries, members of government, local associations, traditional figures of authority, women's representatives.

Women are a government priority. It is a major strategic goal to enable women to contribute to the national program of sustainable development.. To this end, a national action plan was developed to reduce in the medium-term (2006), and to eliminate in the long-term (2015), obstacles that have caused women to lag behind in four priority areas: (i) decision making; (ii) health, (iii) education, and (iv) the economy.

(i) Decision-making

In spite of a clear legal framework that guarantees equal rights to women, their participation in public and private decision making remains marginal.

What is needed in this area is to «consolidate the democratic process taking place in Djibouti in order to guarantee an equal and fair participation of female citizens in the private and public domains of civil life» in the following ways:

- Effective enforcement of the laws and the struggle against illiteracy, in compliance with national law and international conventions;
- Initiating awareness campaigns and developing training, and other measures that help the integration of women into the decision making process;
- Integrating and making an institution of the gender approach,
- Improving consistency of the legal system with respect to the protection of women, children, and families;
- Creating a mechanism of joint responsibility for women and, children and, finally, empowering women within the household.

(ii) Health

The health of women in Djibouti is still from being a priority. Death rates during confinement are among the highest in the world because of the high fertility rate, anemia caused by malnutrition, and the genital mutilation of women.

The goal in this area is to «create the necessary conditions to fulfill practical and strategic needs of women and men, in order for them to enjoy, as human beings, their rights to reproductive and community-based healthcare»

Within this context, planned actions are as follows:

- Improving access to, and home use of, water, improving nutrition for women and family members;
- Encouraging community participation in improving hygiene and sanitation with the family and the community;.
- Improving access to, and use of, no-risk pregnancy programs,
- Improving access to, and use of, services offered by the national program for family balance, by involving key players in the fight against domestic violence, harmful practices, and STDs/AIDS.

(iii) Education

Women's progress will depend on their access to education. They are particularly disadvantaged in this field. It is therefore necessary to «guarantee the full participation of women in education by stressing their right to education in Djibouti society and the reduction in inequalities in the schooling of girls and boys as well as the elimination of illiteracy ».

Priority actions are to the following:

- Identify and eliminate obstacles to women's education;
- Promote a positive image of women and of the culture of equality in school manuals and in society as a whole;
- Improve literacy programs for women;
- Develop informal education for young girls living in rural and peri-urban areas;
- Use literacy programs to promote the role of women in society and in development.

(iv) Economic Activity

Women's participation in the economy remains limited. They represent 52.6 percent of the sedentary population but represent only 35 percent of the job market (73 percent for men). Unemployment affects women (68 percent) more than men (54 percent). In this context, the strategic goal is to ensure the equal participation of men and women in economic activities and to fight poverty by creating the necessary opportunities and eliminating discrimination in employment and access to resources.

Priorities are to the following:

- To improve access to resources;
- To increase professional and entrepreneurial capabilities of women;
- To develop adequate institutional measures
- To develop information and awareness campaigns.

The follow-up and implementation of the is the responsibility of the ministry for the advancement of women . However, every technical ministry, in partnership with the women's ministry, will conduct an analysis regarding the disparities between genders as part of its sector-wide policies and programs; in partnership with the women's ministry, the technical ministries will also formulate and implement measures and strategies for poor men and women that will increase their access to public services and their ability benefit from them. These actions will need a complete reorganization as well as technical and financial assistance from the women's ministry in order to reach the national strategic goals; the women's ministry will, thereby, fulfill its mandate to formulate, coordinate, and follow-up on relevant policies, and implement and evaluate the SNIFD its action plans, and pilot projects. The leaders of planning and administration in technical ministries will likewise see development in their gender-sensitive planning.

Priorities will include strengthening the role of the Ministry for the Advancement of Women as a coordination and facilitation vehicle between ministries and NGOs. The following actions are planned:

- Establishing a multisector and inter-ministerial committee in charge of implementation monitoring, and evaluations the SNIFD;
- Implementing monitoring mechanisms within execution and coordination agencies (ministries, NGOs);
- Enhancing the capacity of technical ministries to formulate gender-sensitive policies;
- Strengthening NGO's to help them better support the implementation of the strategy.

4.2.4. Employment and revenue-generating activities

Unemployment is the main cause of poverty and a major challenge facing Djibouti. For the poor, access to employment is the best guarantee of having an income and better living conditions. Unemployment is the result of the following: (i) insufficient economic activity and limited opportunities for job creation; (ii) high employment costs that constitute a development obstacle for small and medium sized enterprises, including the informal sector; and (iii) weak human capital, which limits the ability of individuals to take advantage of opportunities offered by the economy .

Eliminating unemployment is at the heart of the fight against poverty, and the creation of employment is intrinsic to every strategic pillars. However, the development of human resources

and better policy formulation capacity will only produce results in the medium-term. To address the severity of the unemployment situation and the personal characteristics of the unemployed (a population with a limited education, strong presence of the young), make it necessary to create targeted programs aimed at creating new opportunities in the immediate vicinity of the poor; there should be programs to improve the marketability of the poor. to facilitate their access to the job market, and to reduce poverty, exclusion, and the marginalization risks associated with long-term unemployment. This strategy rests on the implementation of a number of programs that address every facets of unemployment.

(i) Labor intensive programs

The program will contribute to the reduction of unemployment at many levels, by the following:

- Directly creating employment by promoting the use of labor intensive construction techniques;
- Promoting the development of small enterprises in the construction sector and in public works;
- Promoting infrastructures (trade infrastructures, highways stations, leisure centers, etc.) that will have an impact on the development of neighborhoods and on the local economy;
- Strengthening the skills of the poor, in particular grassroots associations and communities. The program will benefit construction workers and the uneducated young.

(ii) The vocational training development program

The program targets members of society most affected by unemployment, that is, the youth and people who have lost jobs. The program's objective is to facilitate the access of these segments of society to the employment market through modular training adapted to every category of the unemployed.

This will require the following:

- implementing an statistical system to record employment;
- encouraging access to employment through targeted training;
- elaborating and implementing an employment strategy based on training-employment Developing the capabilities of the professional training center (CFPA), diversifying training options and adapting it to the labor market ;
- Consulting with the private sector to better focus vocational training.
- Developing self-employment by providing financial tools required for employability.

The program will mainly benefit uneducated youth and laid off workers.

(iii) Small and Medium-size Enterprises Development Program

In this context, priority will be to support the development of the small and medium sized industries in the agrobusiness and tourism sectors by providing consulting services that will equip them to compete with overseas competition.. The following actions are planned:

- Creating an advisory service to assist private operators through studies and consulting services;
- Creating a fund for Djibouti economic development, a financing mechanism, starting in 2003;

- Closely linking professional training programs and enterprises to ensure that the requirements of the latter are met in a timely and permanent manner.
- Reducing costs of production factors to stimulate private initiatives.

The program will benefit Djibouti investors in the private sector as well as young people who have completed their secondary vocational education.

(iv) The Micro-finance Development Program

Experience in micro-finance is still very limited and specialized micro-finance entities are few. The government's goal is to encourage micro financing as a means of reducing poverty and way to foster economic and social development of women.

The priority here is as follows:

- To implement a micro-finance system that encourages private initiative;
- To develop a legal and regulatory framework that encourages the use of micro-credit;
- To assist in the development of professional intermediaries in micro-finance (NGOs, companies specializing in micro-finance);
- To support the development of micro-finance networks by providing micro-credit systems specifically for women, first in urban areas, then throughout the country;
- Support women's activities (small business, women's handicrafts in urban and rural areas) and improve the capabilities of female beneficiaries through training and support systems adjusted to their needs (literacy campaigns, management training).

Women and people living in extreme poverty will be the first to benefit from this program.

4.2.5. Protecting the vulnerable populations

Geographical targeting of poverty, which remains the most effective and the least costly approach in a situation of generalized poverty, might by-pass some vulnerable populations because of their socio-professional or personal characteristics. Such groups still need specific and targeted actions to reduce extreme poverty among them. In Djibouti, three population categories live in extreme poverty due to their specific characteristics. They are: (i) street children, (ii) displaced persons, and (iii) nomads.

(i) Street Children

The number of street children and the issues they are confronting are not well known. In 2002, a study involving sixty street children between the ages of seven and seventeen revealed a dramatic reality. According to the study, 58 percent of the questioned children are orphans. 72 percent sleep in the street or in makeshift shelters. Almost all have experienced exploitation at work and 26 percent live off of prostitution. Although some have access to medical treatment, only one in sixty has had some form of education. More than 85 percent are from neighboring countries. Whether they are foreign or Djibouti, poverty is the main reason for this the dramatic situation of these children. The government's priority is to organize quickly wide-ranging consultation on the issues affecting street children and to develop a protection strategy aimed at the following:

- Putting children under the protection of the law and ensuring their rights are respected and that they are protected against all forms of abuse;

- Implementing a social protection program that includes housing, access to medical treatment and education, and sociopsychological assistance for children in need;
- Training children for the labor market and, at legal age, assisting their integration into the labor market. For foreign children, family reunification ways must be found to get them into a family setting.

(ii) Nomads

Nomads are an extremely vulnerable segment of the population because of the recurring droughts and the lack of water that have considerably restricted their mobility. The 1999/2000 drought, the worst in the past thirty years, considerably reduced their revenues and heritage and increased their vulnerability to the risk of falling into irreversible poverty. The assistance strategy for nomads is based on the following approaches:

- First, nomads should benefit specifically from rural development efforts, especially pastoral hydraulic projects, animal health program aimed at securing and increasing the value of livestock, the creation of feeding perimeters, and a diversification of economic activities.
- Second, nomads will benefit from food aid programs. Because of chronic food shortages, aid will be guaranteed in the medium-term, until poverty reduction programs yield results.
- Finally, nomads will benefit from different programs giving access to basic infrastructure (education, health care, drinkable water) within the framework of a policy for making them partially sedentary.

(iii) Displaced Persons

A three-pronged strategy has been designed to assist displaced persons:

- The first is to provide food assistance to displaced persons in rural and urban areas. Because of their extreme poverty and vulnerability of such persons, this assistance should cover 50 percent of their food requirements and should be maintained in the medium-term.
- The second is to ensure access to basic social services through targeted infrastructure programs, especially in the field of healthcare and, in urban areas, access to drinkable water.
- The third step, in the medium term, is promote with the assistance of development partners, a permanent solution to displacement.

4.3. Promote integrated development at the local level

An analysis of the poverty situation in Djibouti has shown a close correlation between monetary poverty and human poverty; this analysis underscores the importance of living conditions on the potential for human resources development and any possible improvement in income. Entrenched poverty at the local level stems from the inadequate supply of basic infrastructure (drinking water, housing, drainage, transportation, education, health). If, in the long term, the dynamics of growth combined with human resource development could reverse that trend, in the short- and medium- term, only vigorous global action targeting the areas affected by poverty- will impel development. This calls for the active participation of the population, while taking account of the full array of their needs. The outcome would be improved living standard for the poor and enhancement of their prospects for employment and revenue generation.

The main objectives are as follows: (i) to control urbanization and promote balanced urban development; (ii) to improve the living environment in poor neighborhoods and to facilitate access to basic services; (iii) to fight against unemployment; (iv) to encourage the development of Djibouti City; (v) to enhance its role as a pole of attraction for growth; (vi) to accompany decentralization and encourage community participation in the design, implementation and management of urban development programs; and (vii) to protect the environment.

The third pillar of the poverty reduction strategy is based on that series of considerations. The aim is to support local development and to correct the deficit in social infrastructure through the implementation of an array of policies and supplementary programs.

The strategy takes into account the various problems arising from the differential between urban poverty and rural poverty. It focuses on the following three tasks: (i) regional planning and local development (ii) promotion of urban poverty zones; (iii) integrating rural development and environmental protection

4.3.1. Regional planning and local development

At the local level, regional planning goes along with the decentralization process and the establishment of local government, initially with elected regional councils and, in the second phase, with communes. The government strategy to accompany regional development seeks to provide an institutional framework of coordination for sector activities by the state and local governments, and the formulation of regional planning tools such as master plans for planning and development.

The strategy outlined in these documents should be implemented at the local level through local development programs. Consequently, the national strategy for poverty reduction should lead to the strengthening of the capacity to identify needs and program activities at the level of decentralized administrations, local government, economic operators, and community associations. Furthermore, it is designed to reduce inequalities in social infrastructure between the city of Djibouti and the regions in the hinterland. Most specifically in the urban sector, town planning tools, such as programs for improving local housing improvement that incorporate all aspects of development (enhancement of standards of living, boosting economic activities, community participation) must be implemented. In the rural areas, emphasis must be put on the identification and development of local potential and the coherence of sectoral activities.

4.3.2. Urban development

(i) Urban development and housing

Despite the major efforts deployed by the government and its development partners in the last few years, poverty and extreme urban poverty have increased. Thus, in the main urban centers in the country, notably, Djibouti City, shanty towns are rapidly expanding, in defiance of planning regulations. They lack access to basic infrastructure, such as safe drinking water, sewerage, housing, and transportation, and unemployment and marginalization are rampant.

A floating population contributes to the degradation of already grossly insufficient and over-exploited, public amenities, as well as the urban environment.

In Djibouti, urban management falls within the shared competence of three ministries (housing, finance and interior). The District of Djibouti, which is under the interior ministry, is not an autonomous entity. That causes several problems arising from noncompliance with urban planning policies, difficulties in the layout of building plots, and the absence of a clear-cut division of responsibilities.

The key obstacles to poverty reduction and to improvement in the standard of living of the urban population are the following: (i) inadequate regulations on urban management, inefficient planning tools, and absence of a proper coordination framework; (ii) difficulties in accessing and affording safe drinking water ; (iii) shortage of housing and absence of mechanisms for financing affordable housing adapted to the economic status of the poor; (iv) inadequate drainage of waste water (25 percent of housing units are connected to a dilapidated public drainage network and 75 percent are equipped with individual systems that hardly function because of the low level of soil permeability, the seeping of ground water and the rise in the water table; all these are aggravated by institutional, technical, and financial constraints (high cost of investments, insufficient budgetary resources allocated for maintenance, and delays in budgetary procedures); (v) inaccessibility of the poor neighborhoods; (vi) lack of primary and secondary infrastructure in the newly urbanized areas (financing of primary infrastructure is the responsibility of public authorities who are already financially strapped, and funding of secondary infrastructure is contingent upon uncertain cost recovery from barely solvent beneficiaries); (vii) weakness of the economic fabric and low level of vocational training; and, lastly, (viii) poor community involvement and participation in urban development programs.

The strategic framework for poverty reduction is based on those constraints, coupled with the outcome of programs developed by the government in the last few years (ADETIP, FSD, low-cost housing programs) through a global approach to urban development; in this global approach, the improvement of infrastructure, access to safe drinking water, housing, hygiene, and sanitation, environmental protection, and employment promotion must go hand in hand. Such an ambitious global approach is commensurate with the magnitude and structural nature of the challenge posed by urban poverty.

The policy of integrated urban development and promotion of low-cost housing seeks to do the following: (i) ensure planned urban development and define a development framework for the main cities; (ii) strengthen the institutional mechanism for urban management;(iii) meet land parceling requirements by providing amenities, construct a sufficient quantity of suitable housing, and reduce building costs; (iv) eradicate pockets of slums by implementing direct social actions towards housing improvement and community development that have been formulated and approved by all the local actors, (v) reinforce and expand access to basic social services in terms of demand by, and solvency of, the target groups; and (vi) develop permanent fora for dialogue and consultation, with a view to consolidating partnership with all the actors.

Reducing poverty, curbing social marginalization, facilitating access by the least privileged population and vulnerable groups to essential services, promoting and implementing production activities constitute the main challenges facing the government. The economic and social development objectives and strategies are an attempt to address these problems, both at the structural level and within the sectoral policy framework. The urban development strategy relies on the implementation of supplementary programs targeting the poor neighborhoods of Djibouti and the urban centers in the hinterland.

The principal priorities for enhancing the institutional framework for urban development management, are as follows: (i) implementation of a framework for broad-based coordination of

the policy challenges of urban development, clarification of the allocation of duties to the various departments involved in the management of the sector, and reinforcement of their coordination; (ii) review of the legal and statutory provisions governing urban development (town planning code, land law) to gain control over urban development and facilitate access by the poor to land ownership; (iii) promotion of balanced regional development through the establishment of regional planning maps and regional development plans.

The priorities for developing socioeconomic infrastructure and integrating the poor neighborhoods with each other to make up for their shortage of infrastructure and integrate them into the mainstream of economic activity in the city, are as follows: (i) financing of basic economic and social infrastructure (schools, dispensaries, public water fountains, roads, recreational centers.) and commercial infrastructure likely to boost activities in the poor neighborhoods (trading centers, motor parks); (ii) implementation of integrated development programs in the poor neighborhoods based on medium-term neighborhood development plans (PDQ) prepared in a participatory manner; (iii) implementation of a special infrastructure program for the towns in the hinterland; (iv) implementation of a priority program for opening up the poor neighborhoods by linking them to the centers of activity, reducing public transport costs and improving the conditions for access to supplies; (v) setting up of housing cooperatives with the goal of slum clearance (loans of building materials, self-construction); (vi) community mobilization for the better acquisition and maintenance of the amenities, but also for a better understanding of the needs of the population and ability to meet them; and (vii) maintaining publicly acquired land and amenities (squares, green spaces, schools).

The goals for producing sites with services and housing under conditions adapted to the poor and the near poor are as follows: (i) production of affordable housing for medium-income households (1000 housing units/per annum), low-income households (500 housing units through assisted individual construction, expansion of the Barwaqo-type operation); (ii) development of a sufficient number of affordable plots with drainage, notably, development of 5000 plots in Balbala and 300 to 500 in each of the districts in the hinterland; (iii) reduction of building costs through greater technical efficiency, appropriate taxation policy, greater use of local materials, and appropriate training of professionals (adapted technical disciplines, on-the-job training for the construction companies); (iv) allocation of savings from the recovery of housing development costs to the financing of land development (sale of individual serviced plots for building); (v) increasing private sector involvement (incentives to private promoters); and (vi) development of labor intensive techniques.

(ii) Improvement of the urban environment

Problems of solid waste and hygiene and sanitation are the key contributors to urban environmental degradation. The situation is more acute in the capital where, even though such degradation affects every one in the city, the poor are first and foremost those who suffer most. The degraded state of the urban environment is clearly a key factor in the poor sanitary situation of the population. Endemic diseases such as malaria or epidemics like cholera tend to develop due to the notoriously poor hygiene and sanitation conditions. Moreover, the disposal of waste and untreated used water into the natural environment not only causes sea pollution and the attendant degradation of the beaches and the marine ecosystems, but also damages the underground water (uncontrolled waste disposal, emptying of individual sewage systems).

The government strategy to improve the urban environment seeks the following: (i) to educate the population on the importance of preserving their environment, (ii) to develop business opportunities for the collection and recycling of solid waste, (iii) to adopt better management of

waste water from individual septic tanks. That strategy must be implemented in all neighborhoods by involving the largest possible segment of the population concerned.

- *Sanitation*

Population distribution according to the type of drainage varies according to private means. The population in Djibouti City is mainly connected to an individual system of drainage such as dry latrines, soakaways, and septic tanks; of these, 75 percent are by individual drainage and only 25 percent by public sewerage.

The combined effects of those deficiencies has occasioned the myriad of problems underlying the major challenges the sector must cope with in the next few years. These are as follows: (i) increasing degradation of the of the hygiene and sanitation sector, the road network, and the urban environment (urban, marine pollution, and coastal erosion); (ii) utter lack of awareness of issues pertaining to hygiene and sanitation and the urban environment; (iii) inadequate drainage of rainwater and urban roads; (iv) belated development of housing sites; and (v) constant degradation of the living environment.

The hygiene and sanitation program is in line with its priority objectives, as follows:(i) facilitating access of the poor to hygiene and sanitation; (ii) defining a coherent drainage strategy, incorporating the various dimensions of the problem (rain water, waste water, solid waste), while up-dating drainage master plans and taking account of the technical, financial, and institutional constraints; (iii) rehabilitating town or neighborhood sewerage and drainage networks, (iv) reinforcing intervention capacities in drainage; and (v) identifying and implementing a priority investment program in line with the adopted strategy.

The proposed strategic guidelines are as follows: (i) access by the underprivileged to the drainage network; (ii) improvement of hygiene and sanitation conditions in the poor neighborhoods; (iii) creation of highly labor intensive works (HIMO); (iv) development of additional water resources; and (v) re-utilization and agricultural use of treated waste water.

- *Urban Waste Management*

The Hygiene and Sanitation Service (*Service Propreté*) is not a municipal service, but rather a state-owned corporation funded by the state budget, which explains some of its constraints. Available resources are insufficient for running and acquiring a large fleet of trucks, maintaining the green spaces, putting up road signs, and lighting the streets.

Out of an estimated total of 420 tons of daily household refuse, an average of 86 tons is collected per day.

Since August 2002, refuse collection, hitherto limited to the neighborhoods of the old town, has been extended to the vast Balbala suburban township. The roads in the popular neighborhoods housing the largest majority of the inhabitants of Djibouti and generating 85 percent of household refuse in the town, are narrow and in a deplorable condition. Furthermore, they are often cluttered with the shells of vehicles, illegal constructions (pens for goats), left-over building materials, and so forth.

Constraints are the following:: (i) shortage of staff (less than 150 workers for the entire city of Djibouti); (ii) paucity of available materials for maintenance (less than 35 % of the vehicle fleet is in a good state of repair); (iii) dilapidation, difficulties in spare parts procurement, serious

maintenance problems, etc; and (iv) the lack of supervision of the daily refuse collection teams. The plan, over the next few years, is to extend waste collection services to cover the entire city.

Therefore, the following is envisaged: (i) development of a specific institutional/statutory framework for waste disposal with the collaboration of the directorate for the environment; (ii) making arrangements for proper management of sanitary waste including selective sorting at source (dustbins suited to the different types of waste), means for efficient treatment and elimination; (iii) closing down the Doudah refuse dump, which will reach full capacity by 2005, and sealing it up to reduce the impact on the environment (air, soil, water pollution); (iv) commissioning a comparative study on waste treatment and disposal systems (self-cleaning incinerator, chemical disinfection, burying, etc.); (v) arousing public awareness and lobbying policy-makers in advocacy of the project (television messages, radio messages, posters, banners, and outreach activities in the neighborhoods).

(iii) Access to safe drinking water

Improved access by the poor to safe drinking water is the primary focus of the integrated development strategy. Supply of safe drinking water in Djibouti is carried out under difficult conditions. The only available sources of water are underground water and wadis, which are prone to drying up due to the arid climate with its low-level of rainfall and to salinity due to seepage from the adjacent sea. The situation is particularly critical in Djibouti City where no more than 75 percent of needs are met, while salinity far exceeds WHO standards. Moreover, there is no equity in access to safe drinking water. Water supply in certain poor neighborhoods is essentially through public water fountains and water tankers at prices four to six times higher than the official rates. The ONED, a public operator responsible for water management in urban areas, is beset with inextricable financial difficulties due to the arrears owed by the state, the difficulties of collecting bills from consumers, and exorbitant running costs.

The government is well aware of the gravity of the situation and has made water a top priority. This was translated into important institutional reforms leading to publication of the water code (1996), creation of a unified water directorate (1999) and an inter-ministerial coordination body, the National Committee for Water Resources, supported by a technical secretariat. The National Water Master Plan (SDNE) was prepared and approved (2000) and a National Water Fund (FNE) created in 2001.

However, the low level of the state investment budget, the financial uncertainty of the ONED, and the meager income earned by a majority of the population will constitute major obstacles to the financing and management of the heavy infrastructure needed for supplying the country with drinking water. Large-scale foreign assistance will be indispensable to striking a balance between demand and supply and will ensure access to water by the under-privileged in the population.

The strategy is in line with the National Water Master Plan (2000). It focuses on the following four points: (i) promoted rational management of water resources, taking into account the pressing need for public protection and satisfying the current and future water requirements of the public and of the economy; (ii) enhancing water availability and quality throughout the country and ensuring its accessibility to the poor; (iii) strengthening the institutional framework for water management and enhancing the performance of administrations responsible for the sector; (iv) involving the local governments and population in the choice of programs and in water management.

The main priorities of the strategy are as follows: (i) assessing the country's water resources and definition of an overall strategy for their management and for the protection of the different aquifers; (ii) eliminating institutional constraints to development of the sector by restoring the financial health of the ONED and promoting private sector participation in funding water supply initiatives; (iii) defining a strategy for water supply to Djibouti City, on the basis of a study of short-, medium- and long-term needs and assessment of the comparative advantage offered by the different solutions for supplying water to the city; (iv) improving accessibility to the poor neighborhoods through progressive linkage of all the zones; (v) implementation of a program for stepping up water supply to the districts in the hinterland; (vi) controlling leakage in the network in order to increase water availability and thereby reduce the financial losses incurred by the corporation; (vii) increasing public awareness of water problems (wastage, pollution) and involving the community in the management of the infrastructure.

(iv) Involvement of local government and reinforcement of community participation

Successful implementation of such programs calls for intensive mobilization of all the urban development operators and close coordination of their interventions. Hence the need for special attention to building local government and community capacity and for its involvement in program formulation, management, and follow-up.

In this connection, the following priority actions will be implemented by the economic and social infrastructure development program: (i) financing of community projects identified as part of neighborhood integrated development programs formulated in participatory manner; (ii) setting up of a local investment fund to finance initiatives embarked upon by local governments and communities; (iii) construction and equipping of infrastructure to house the elected regional councils; (iv) support for training of grassroots communities; (v) capitalization and expansion of the rehabilitation programs for capacity building of human resources in the districts.

(v) Development of urban and intercity public transport

Reinforcing urban and intercity public transport is strategically essential for poverty reduction in the Republic of Djibouti. That sector does, in effect, provide essential public transport services for the large number of people without personal cars. Moreover, public transportation is of great economic importance in Djibouti, generating several thousand jobs directly and indirectly.

Given the importance of transportation for the economic and the social life of the country, and its obvious problems, an overall renovation and development strategy has been formulated to address sector issues including bus, minibus and taxi services.

Customers of transport services are dissatisfied with the growing anarchy in transport services, fares charged, and the timetables. Some neighborhoods have little or no public transport services. Lastly, in the absence of clear regulations, insecurity in traveling by urban and inter-urban public transport has increased; several vehicles have been involved in serious accidents, either due to the poor state of the repair of the vehicles, or to negligence or excessive speeding by drivers

A renovation strategy for the sector has been made into a recently promulgated law. Its main strategic orientations are: the following (i) introduction of a proper urban and interurban public transportation service, organized by the state- notably in respect of setting of routes, number of vehicles, and fares charged; (ii) endowing transport operators with a clear, specific, professional status to enable them to carry out their activities on public thoroughfares.

The priorities of the public transportation administration are as follows: (i) alignment of transport lines with public transport needs, particularly in urban areas, and especially in Djibouti City, by the introduction of urban transport zoning and plans for urban movement developed by local district headquarters, ; (ii) building equipment, infrastructure, and superstructures necessary for verifying the roadworthiness of vehicles engaged in public transportation; (iii) introduction of a special public transportation system of school buses and a special private mass transit service; (iv) reinforcement of labor and safety regulations applicable to the sector, particularly by requiring all transport operators to sign a work contract with each wage-earning employee; (v) embarking on the renovation of the road infrastructure and transport equipment in order to attain the objectives of the urban and interurban public transportation policy; (vi) establishment of a joint institutional framework to improve sector coordination.

Implementing these priorities requires mobilization of substantial administrative and management resources, surveys to identify routes and conditions for public service, organization of roadworthiness inspection, necessary controls in the field, and improvement of road infrastructure and transport equipment.

4.3.3. Environmental protection and integrated rural development

The rural sector in Djibouti employs 28.5 percent of the country's population, but accounts for less than 3 percent of GDP. Extreme aridity of the climate greatly hampers the development of the agricultural potential of the country, estimated at 10.000 hectares, although barely 10 percent is under cultivation. Agricultural productivity remains low for want of an agricultural tradition and the low level of supervision and research. Intensive nomadic livestock breeding is the predominant activity in the rural areas. It is weakly integrated into the national economy, is little developed and suffers from the lack of water resources and pastures. Almost the entire rural population, 96.5 percent, lives below the poverty line, while over 80 percent of that number live in a state of extreme poverty and cannot meet their minimal needs. The highly precarious situation in the rural areas derives from progressively worsening living conditions, over a long period. This situation is explained by a combination of several factors: (i) the serious handicap posed by the scarcity of water for agricultural and livestock breeding purposes and for public consumption; (ii) the fragility of natural resources; (iii) the low level of productivity and literacy; (iv) difficulties in access to inputs and loans and the lack of organized marketing channels; (v) inaccessibility of some areas; (vi) limited impact of rural development projects and the deficiencies in planning, follow-up and evaluation capacity of the administration; (vii) low level of participation by communities in programs designed for them.

The main objectives of the strategy for rural development are as follows: (i) improvement of rural incomes and reduction of the incidence of extreme poverty; (ii) reinforcement of food security and the fight against poverty; (iii) promotion of sustainable management of natural resources and protection of biodiversity; (iv) reinforcement of community participation in program implementation.

The strategy for rural poverty reduction seeks to curb the decline of rural areas, progressively improve the general human living environment, and promote balanced regional development. Built around eight areas of priority, the strategy is an integrated approach to rural development designed to boost local development by implementing concurrently programs covering water supply, the production sectors, access to loans and marketing, accessibility, and natural resource management. The strategy focuses on three principles: (i) decentralization of programs and activities oriented to rural development-; (ii) community participation in program definition and management; (iii) coordination and consultation between all the operators in order to optimize the

impact of investments and planned actions and to facilitate efficient monitoring and evaluation of the strategy.

(i) Rural water supply

Although only a low percentage of the population lives in the rural areas (approximately 28.5 percent), the entire rural population is poor and poverty in the rural areas is more acute than in the urban centers. Water supply in the rural areas is a two-pronged issue: (i) water for economic activities (livestock breeding and agriculture) and (ii) water to enhance the quality of living conditions. That is why the first area of focus is the progressive improvement of water availability in rural areas, as the lack of water is one of the main causes of widespread poverty. The follow-up strategy seeks to assure availability of sufficient quantities of water for public consumption, for watering livestock, and to introduce new income generating activities.

The main priorities of the strategy are the following: (i) surveying the water situation, evaluating water resources in the different rural areas and defining a strategy for the development of water resources and their development and protection (determination of the sustainable levels for exploitation, program for replenishing underground water resources, protection of wadis, accessibility of water points, awareness); (ii) inventory of rural water points and implementation of a drinking water supply program through rehabilitation of the dilapidated waterworks, (including traditional wells), construction of new water points, development of a water supply network and distribution to the large villages; (iii) implementation of regional plans for the development of pastoral areas, based on programs for the construction of water points, and the development of temporary water points (surface water) ; (iv) improvement of the technical design of water works (depth, protection against floods, water pollution) and promotion of discharge mechanisms (manually operated pumps, solar pumps.); (v) involvement of the community and the local governments in the choice of projects, and promotion of participatory management of rural water points to ensure maintenance and sustainability of investments. This will be done by drawing up a water charter specifying the responsibilities of each stakeholder (central and decentralized services, regions, local management committees); (vi) development of informal water-related trades and training of local artisans for maintenance of the equipment.

(ii) Development of productive activities in agriculture, livestock and fisheries

The second area of focus is supporting production and generating income in the productive sub sectors of agriculture and livestock breeding, taking into consideration the specificities of each existing production system (pastoral, mixed agriculture-livestock breeding practiced in the peripheral urban areas, irrigated systems).

- ***Agriculture***

The potential area of arable land is estimated at 10, 000 hectares, with only about 1, 000 hectares under use worked by 1530 holders. Low yields are attributable to the recent establishment of gardens, lack of experience and rural agricultural tradition, soil impoverishment, water salinity, poor garden planning (ill-designed landscaping and faulty irrigation networks), absence of windbreaks and shade, and lastly, use of ill- adapted farming techniques. Oasis farming, which embraces irrigated palm plantations, orchards, market gardens, fodder crops and small-scale sedentary livestock breeding, could be an answer to the ongoing desertification.

The constraints facing the sector are as follows:

- Low competitiveness of the farmers due to lack of skills (absence of time-honored agricultural tradition)
- Unavailability of adequate water resources
- The agricultural quality of soils (salinity and content in organic material)
- Inadequate organization of cooperatives to supply inputs or to market agricultural produce
- Damage caused by flooded wadis or the seeping of salt water.

Although the current area for agriculture is small in Djibouti, cultivated areas could be multiplied four or fivefold (and even more in the opinion of certain experts). The solution would be economic diversification by former livestock breeders, and increase in income-generating activities, particularly for poor women. Such activities could contribute towards food security in the rural areas.

Emphasis will, therefore, be given to enhancement of agricultural productivity through the following: (i) agricultural training; (ii) introducing and making available to farmers a package of adapted technologies (improved species and high-yield seed varieties adapted to the ecosystem); (iii) improvement of hydro-agricultural systems; (iv) dissemination of low-cost water-saving irrigation systems with reduced production costs; (v) development of marketing channels for local markets or the capital city, and supply of agricultural inputs at reasonable cost, (vi) development of new activities such as bee-farming.

- ***Livestock breeding***

Compared to the number of inhabitants, livestock breeding is an important activity in Djibouti, with one million head of small ruminants, 40, 000 head of cattle and 50, 000 head of dromedaries (1978 figures probably below the present realities). Thus, Djibouti has a substantial number of livestock (an average of 0.5 units of tropical cattle per inhabitant). Even though officially accounting for barely 3 percent of GDP, activities in the livestock breeding sector employ nearly one-third of the active population, and a majority of the rural population engages in transhumance or in sedentary livestock breeding. Sometimes, it is the principal activity allowed by the geoclimatic conditions. With the jobs resulting from that activity, we may surmise that 30 to 35 percent of the population live on livestock breeding and its related activities (owners of herds, herdsman, collectors and transporters of fodder, operators in pastoral water works, irrigation, slaughterers, butchers and distributors of animal products, brokers and private or public agents associated with livestock marketing operations and the importation of animal feed, etc.). The arid climate favors the establishment and development of pastoral livestock breeding_of small ruminants and dromedaries.

Cattle breeding is mostly concentrated on the mountainous terrain (Goda and Mabla) and in land structures in the urban periphery, allowing for the cultivation on irrigated land of fodder crops and feeding of livestock, notably for milk production. Regarding pastoral resources, soil and climatic conditions only allow for very sparse vegetation composed of grasses of low nutritional value and some thorny shrubs (*Acacia*, *Balanitès*, etc.). Nevertheless, the fodder resources are not negligible as they cover 250, 000 hectares of the forests and range land in the country; however, they are declining. Hardly any zoo-technical surveys have been conducted; so no recent statistics exist on livestock productivity, either in terms of suburban dairy production or numerical productivity in areas where intensive livestock breeding is practiced.

Problems in livestock breeding can be summed up in 4 points:

- The disparity in standards of living with neighboring countries (Ethiopia, Eritrea, Somalia) renders the livestock breeding in Djibouti hardly competitive, as the production costs are particularly high,
- The network for access to veterinary drugs and local veterinary expertise is very weak,
- Areas covered with fodder crops and presently available for intensification of livestock breeding, particularly in the urban periphery are markedly insufficient,
- The pastoral potential in the grazing areas is underdeveloped due to the inadequacies of the network of pastoral water works, despite the genuine efforts made in the past.

On the other hand, the country is endowed with the following major assets:

- The presence of the port gives access to inputs (notably, cereals) at a lower cost than in neighboring landlocked countries.
- The high degree of urbanization (nearly three-quarters of the population) entails a high demand for animal proteins from a population more comfortably off on the average than those in the rural areas.
- The raw materials for animal feed are available at an attractive price in the neighboring Ethiopian market.
- The port infrastructure in a politically stable country, surrounded by zones of recurrent conflicts, gives a comparative advantage that enables that country in the Horn of Africa to export livestock principally to the countries of the Arabic peninsula and Egypt, which are major importers of animals on the hoof (sheep, cattle, dromedaries).

The strategy for livestock breeding will focus on the following: (i) securizing pastoral activities and thereby curbing the rural exodus, sustaining economic activity in the marginal areas, and preserving the environment, (ii) developing infrastructure for pastoral water works, and reinforcing participatory management in partnership with the rural communities; (iii) enhancing the role of the Republic of Djibouti as a regional market for exporting livestock from the sub region, in order to boost employment in the sector and generate resources for the economic development of the country; (iv) integrating livestock breeding into the management of the most fragile environments that are partly used for pastoral activities (Day forest, mangroves, Lake Abbé), to maintain pastoral activities in those areas; (v) protecting consumer health by reinforcing the mechanisms for quality control of animal products; (vi) promoting for-profit livestock breeding activities in the urban periphery (milk, small livestock breeding) including, notably, promotion of a workshop for the production of animal feed to improve the diet of market animals (fattening, dairy market) seriously affected by the paucity of fodder resources.

• *Fisheries*

The challenges and strategies concerning traditional fishing have been described in Chapter IV on the development of new growth-oriented sources, and also apply to integrated local development.

The strategy relies on the following: (i) the formulation and implementation of a master plan for fisheries development; (ii) the introduction of a system of co-management (communities /administration) of fisheries resources and preservation of the marine environment; (iii) reinforcement of institutional capacity building for the sector. At the local level (coasts of the districts of Tadjourah and Obock and the coastal zone south of the capital), the sectoral strategy plans to strengthen already existing cooperatives, support the training of fishermen or youths desirous of plying that trade and assist the development of domestic (with the assistance of

women) or export marketing, coupled with promotion of fish processing and conservation techniques, as well as packaging, and promotion of the public consumption of sea foods.

(iii) Food security

Key activities in this area are the following:

- The special program for food security, phase I;
 - o Intensification of fodder crop irrigation farming for feeding milking cows in the outskirts of towns and development of fodder crops in the mountainous regions, selection of salt resistant species;
 - o Diversification of breeding activities to profitable production (laying hens, rabbits), and integration of agriculture/livestock breeding into areas where market gardening is practiced;
 - o Oasis agriculture within the framework of south/south co-operation with Morocco.

- The program on the risk of contamination of the food chain
 - o Identification of the risk of contamination of animal products (heavy metals in fish products, pesticides in meat proteins, residues of antibiotics in meat and milk) destined for human consumption;
 - o Development of procedures for control (laboratory for food hygiene).

- The Rural Development Project (PDR)
 - o Support for the development of small production units integrating agriculture and livestock breeding on the periphery of market towns and cities in the hinterland;
 - o Development of irrigation infrastructure, notably along the wadis, for the production of fodder crops;
 - o Support for the organization of inputs supplies (animal feed, organic fertilizers, veterinary medicines, milking equipment, tools) for livestock breeding, agriculture, and fisheries;
 - o Support for the promotion of a producers' organization.

(iv) Diversification of rural activities

The fourth area of focus is the diversification of the sources of income for the rural population, through emergency support for new economic activities within the environment of the poor: handicrafts, activities in the informal sector, eco-tourism. It relies on the promotion of rural micro-finance and support for vocational training, notably in rural development-related small informal trades. This approach specifically targets women and youths.

(v) Development of rural infrastructure

The fifth area of focus includes the implementation of a priority program for the construction of rural infrastructure (accessibility of pastoral areas and major population centers, construction of health posts, classrooms, water reservoirs) designed to improve the living environment of the rural population and support production activities and employment, notably, between harvests. The program will rely on a labor-intensive, participatory approach. The program will target as a priority the areas affected by war- and regions hit by natural disasters.

(vi) Community capacity building

The sixth area of focus is capacity building of the poor, through support for training, support to co-operatives and community associations, and support for grassroots initiatives. It seeks to promote development of professional NGOs capable of assisting the administration in supervising the rural population. This approach could be bolstered by the activities of the support fund for local initiatives.

(vii) Natural resource management

In the rural areas, the population lives directly on resources in their environment. Environmental degradation, notably by human activity, is one of the factors inducing poverty in the community.

The country's environmental strategy for those areas is as follows: (i) to promote conservation of the biological diversity through the creation of protected areas; (ii) to rehabilitate the degraded ecosystems, (iii) to implement programs for raising awareness in local communities of best practices in natural resources conservation and support for the implementation of the PANE Acquisition and acceptance of best practices require alternative development options (ecotourism, handicrafts, fisheries, etc.). As part of the poverty reduction strategy, that policy must be consolidated in the rural areas, with a view to curbing the rural exodus and keeping the population on the land.

Particular attention will be given to desertification control through the implementation of a special program for planting 100,000 trees and the protection of the Day forest and its unique heritage of biodiversity. Moreover, attention should be paid to improved access to safe drinking water since it may cause environmental degradation in the form of over-grazing around water points. Access to water also requires drainage systems for the treatment of sewerage from toilets. Consequently, care must be taken to combine policies for the development of rural water supply and environmental conservation.

(viii) Institutional capacity building

The magnitude of the challenges facing the rural areas calls for institutional measures and organization of the MAEM. Priority actions will include the following:

- (a) the setting up of regional sub-directorates for rural development, under the impending legislation on decentralization, as follows:
 - o Reorganization of the central agricultural statistics services (need for a general agricultural census)'
 - o Creation of an agricultural and pastoral training center at the national level (vocational training, on-the-job training);
 - o Support for creation of a documentation center for livestock breeding and agriculture
 - o Rehabilitation of the premises of the administration concerned (MAEM)

- (b) capacity building of the senior technical staff in the Ministry of Agriculture and Livestock and the Sea²¹ with particular reference to livestock breeding, as follows:
- Training in the techniques of livestock breeding in the periurban areas (feed for milking cows, small livestock breeding, hygiene); training in quality control and laboratory diagnosis (reinforcement of the laboratory for food hygiene and the laboratory for diagnosis); training in certification, regulation and sanitary inspection;
 - support for research by CERD on livestock breeding.

4.3. 4. Access to universal basic services

The known natural energy resources in the Republic of Djibouti being very limited, the energy sector is heavily dependent on the importation of petroleum products. Fuel imports account for 40 percent of the costs of electricity production. In the present context of a very high oil price the cost and consequently the sale price of electricity is high, in comparison to the average income earned per inhabitant.

The difficulties in planning town services in the Djibouti extension areas (delays, lack of adequate services) raise the costs of distributing electricity making it hardly accessible by the underprivileged. Coverage in electricity is 49.7 percent of the population of which 99.5 percent is urban.

The population uses gas stoves for cooking. Due to rampant poverty, a good part of the population has no access to electricity and resorts to other forms of energy, mostly kerosene and firewood. In the villages, both are used, but demand is essentially for firewood. Some villages have generators that can provide lighting at specific times. The contribution of sources of renewable energy, mainly solar, has proven invaluable in rural areas, but is still not sufficiently developed.

Such a situation in the energy sector of course has multiple effects. The use of thermal centers, kerosene, gas, and firewood increases CO₂ emissions and contributes to global warming. Thus, the report titled "Initial National Communication" for the Republic of Djibouti mentions climatic change; therefore, the country envisages some measures for the energy sector, the main ones of which are discussed below.

Fuel wood harvesting has dire consequences on the country's sparse vegetation and tends to aggravate desertification. The rural environment directly bears the brunt of such over-exploitation, aggravated by over-grazing.

On the other hand, kerosene used for cooking causes health hazards, notably, to women responsible for that household chore. Similarly, fuel wood harvesting in rural areas, which is for household use, while in the suburban areas it is for commercial purposes, is almost exclusively the job of women.

Under the integrated rural development policy, energy plays a very important role in terms of availability and accessibility. Development of local economic activities certainly depends on the availability of an adequate and appropriate form of energy, making renewable and geothermal sources of energy potentially interesting solutions to energy consumption. In any event, an

²¹ Staff aging and attrition will eventually lead to a decline in technical skills. The most recent mass training of livestock breeders financed by the EU dates back to 1990. (cf. FAYE B., 1990. *Evaluation report of the mission d'appui pédagogique INRA-VSF*. Project PARC-FED, Djibouti, 14 p.)

integrated approach must be adopted by encouraging the incorporation of modern forms of energy into basic infrastructure. As part of human resources development, the education and health sectors are certainly essential. Nevertheless, it is evident that these sectors are closely related when it comes to energy consumption, notably, from the point of view of accessibility to the population. Such a relationship is all the more apparent in the rural environment. Schools and health establishments often lack lighting facilities, despite efforts made to use solar energy. The absence of lighting, and to a lesser degree ventilation, decreases the efficiency of dispensaries in the rural areas: thus, medical treatment may become unavailable because refrigerators cannot function without power.. Similarly, schools can no longer admit students for night courses, and it is common knowledge that children often do their homework past sundown. In rural areas, schools are the only places offering an adequate setting for youths to study. Even if urban schools have lighting and ventilation, many students do not have similar amenities at home, and are handicapped in their studies.

In this context, objectives and actions include the following: (i) development of electricity grids in the suburban areas (consumer research); (ii) reduction in the cost of electricity (study on Djibouti's energy requirements and alternative sources, updating of the study on interconnection to the Ethiopian network and the tariff study); (iii) improvement of electricity supply (installation of 18 MW in the existing stations and acquisition of new generators); (iv) promotion of alternative sources of energy (conduct of studies for identification of suitable areas for wind energy and identification of pilot projects and incentives to attract private investments, geothermic survey to verify the availability and the potential of the geothermic spring in Assal), and reinforcement of sustainable energy supply in rural areas (consumer research on energy needs in rural areas and alternative sources of energy).

4.3.5. Disaster prevention and management

In Djibouti, problems of disaster management are approached in terms of emergency aid and not of prevention in the context of sustainable human resources development. A number of instruments with varying degrees of effectiveness exist, but they are not conducive to efficient coordination and management in case of disaster. It is crucial for the government to strengthen the emergency apparatus and make it operational.

The national authorities acknowledge that it is possible to cushion the impact of disasters on the economy, environment, and communities through planning, capacity building, and well thought out investments in disaster prevention, mitigation, and preparedness. Formulation of a national policy for disaster prevention and management aims at filling the current gap.

The national strategy rests on six pillars:

- Declaration of policy guidelines for future interventions
- Competent and effective institutional structure,
- Sustainable financial mechanisms for speedy disbursement,
- Capacity building in risk management at all levels,
- A coherent information, early warning, and communication system,
- Risk and vulnerability reduction through macroeconomic instruments and programs.

4.4. Promote good governance

Problems relating to the country's economic development can, to a large extent, be attributed to the fragility and poor functioning of the state and to insufficient community involvement in the

economic and social construction of the country. Modernizing the state and promoting good governance are therefore a prerequisites for the success of the poverty reduction strategy, as well as being the *condition sine qua non* for long-term sustainability of the country's social and economic achievements. Good governance is defined as the management of the common heritage in compliance with the law and the rules of transparency, participation of the citizens in decision making and observance of the obligation for public accountability.

The main focus of the government strategy is as follows: (i) to consolidate the democratic achievements; (ii) promote local good governance; (iii) reform the judiciary; (iv) pursue administrative reform, and (v) promote good economic and financial governance.

4.4.1. Consolidating democratic achievements

With the adoption by referendum of the new constitution in September 1992, the Republic of Djibouti has embarked on a process of democratizing public institutions and political life. The system of government is presidential, with a president and parliament both elected by direct universal suffrage for a six- and five-year term respectively. The 1992 constitution guarantees the principal freedoms recognized in the Universal Declaration of Human Rights (freedom of expression, association, thought, trade unionism,) and enshrines the separation of powers. Since coming into force and the end of the conflict in 1994, democracy has made significant progress. In a bid to consolidate those achievements, the government intends to pursue a policy designed to consolidate peace and to enlist the participation of all citizens in the political process

Two important decisions taken in 2002 made for the reinforcement of political institutions and consolidation of the national consensus reached at a time when the country was embarking on fresh legislative elections. Those measures reflect two developments. The first was the organization in February 2002 of a seminar to reflect on government actions that brought together the president of the republic and members of government, representatives of civil society, the private sector, and the administration. The purpose was to enable the population to undertake a mid-term review of government actions during the president's first mandate and discuss the relevance of the direction taken. That approach is the initial portrayal of awareness, at the highest echelons of decisionmaking, of the importance of the participatory approach and accountability in the conduct of affair of state. The second was the introduction of full-fledged multiparty politics in accordance with the clauses of the constitution that provide for the opening up of the political spectrum after ten years of the four-party system and creation of an independent national electoral commission responsible for supervising elections and proclaiming the results.

With regard to the promotion of human rights and the rights of women, which are at once the corner stone for democracy and poverty reduction, four important innovative measures were taken in 2002. The first was the formulation of a family code spelling out the rights of the Djibouti women and protection thereof; the second was the fixing of a minimum quota of 10 percent for women to enter elective office and hold positions in the administration; the third was the ratification by Djibouti of the international conventions on civic and political rights, economic, social and cultural rights, on the prohibition of torture, and of the Treaty of Rome creating the International Criminal Court; fourth and last, besides the fight against terrorism, the government set up within the ministry of justice, an ad hoc commission responsible for, among other things, the promotion of human rights and for drafting the terms of reference of the impending independent human rights commission.

4.4.2. Promotion of local good governance and participatory development

The administrative and regional system in Djibouti is traditionally highly centralized. The five districts in the country are administered by district commissioners who are also responsible for coordinating the decentralized state services. In practice, decentralization per se remains largely ineffective, through failure to devolve powers to the regions and decentralize financial resources. The situation has spawned regional inequalities, and inefficient policies due to excessive pressure on central services and the disempowerment of citizens over issues concerning them.

Promoting decentralization and citizen participation is a major thrust of the poverty reduction strategy.

The main government objectives are as follows:

- To foster democracy and encourage community participation in managing community problems;
- To enhance the value of local initiatives and reduce regional disparities;
- To enhance the effectiveness of governmental action and ensure sound resources management.

The law on decentralization drafted in a participatory manner meets those objectives. It establishes the region and regional government in response to the principle of an open administration featuring a regional council, an executive organ elected by direct universal suffrage, with special status for the capital city. The region has jurisdiction over education, health, agriculture and water, tourism, trade, and administrative policing.

The government strategy is as follows:

- To ensure progressive transfer of skills depending on available means and the effective capacities of the new local governments;
- To implement a capacity building program through training and logistic support to the new regional councils;
- To promote partnership and twinning agreements as part of decentralized international co-operation.

Within that framework, the participation of development associations and the civil society will also be reinforced. The government will need to create conditions for active participation of the population in the design, implementation, and monitoring of development projects, to foster ownership, even though Djibouti's civil society does not have a long-standing tradition of participation in development.

The priority actions are the following:

- To adopt a legal and statutory framework to govern associations and NGOs, following the already established diagnosis;
- To set up a mechanism for NGOs to coordinate the actions of a State-Region-NGO tripartite partnership and encourage its development;
- To formulate and implement a capacity building program for development associations and NGOs through training, support, and supervision.

4.4.3. Judicial reforms

The fourth area of focus by government is judicial reform and promotion of good governance. Government's objective is to bring justice to the people by guaranteeing equal access for all, and fair judgments, and safety of investments and property. The government organized a high-level discussion forum (*Etats Généraux*) in 2000, attended by all the members of the establishment and representatives of civil society.

Key constraints highlighted in the forum were shortage of manpower, paucity of resources, delays in administering justice, and institutional shortcomings. A resulting plan of action has translated into the implementation of several recommendations, notably, the separation of the ministry of justice from the law courts, reform of regulations governing the magistrates, that determine the recruitment of magistrates and their career path; henceforth, guaranteeing the independence of magistrates. The plan also includes a reform of the Supreme Council for the Magistrate and establishes the auditor's office.

The program of judicial reforms will be pursued as part of the poverty reduction strategy, through the following measures:

- Conversion of the status of the supreme court into a court of cassation;
- Progressive elimination of the duality of the court system (merging the Sharia court and eliminating the customary court);
- Reform of the appeal court;
- Decentralization of the judiciary.

4.4.4. Administrative reform

The administration of Djibouti suffers from numerous bottlenecks deriving from administrative red tape, opacity, and over-staffing.

The administrative reform strategy aims at several objectives:

- Making the administration accessible to the citizens;
- Capacity building in the public sector;
- Modernization of the administration by way of equipment and procedures. The implementation of the reform will require substantial resources and will span a long period.

The areas of priority set by the government are the following:

- The setting up of a reliable civil service management system, through the establishment of a single register of civil servants accessible to all the user services.; in this connection, a census of civil servants and contract workers has been conducted; the idea is to reconcile civil service and salary data and proceed quickly with the implementation of a single computerized register;
- Greater transparency in recruitment through systematic competitive examinations;
- Transformation of the *Institut National l'Administration Publique* (INAP) – National Institute for Public Administration – to make it an efficient tool for training and recycling civil servants and local government staff as well as being a prop for the reform.

4.4.5. *Economic and financial governance*

The national budget is the major tool for the implementation of the poverty reduction strategy. In the specific context of widespread poverty, as is the case in Djibouti, budget management must be strengthened and public expenditure made more effective, both being prerequisites for the success of the PRSP.

In that connection, objectives pursued by government are as follows:

- To enhance transparency in the management of public expenditure and reinforce auditing and accountability in the utilization of public funds;
- To optimize the utilization of the financial resources of the state and increase the effectiveness of public expenditure and the impact on poverty reduction.

Significant progress has been recorded in the last few years in the programming, management, and monitoring of expenditure, with the support of technical and financial partners. The most significant achievements include four important developments: The first is a review of the legal framework for public expenditure with the adoption of the finance bills, adoption of the decree on the general rules and regulations governing public accounting, and the formulation of a new nomenclature for vouchers; the second is the reinforcement of the mechanism for execution of public expenditure by limiting and strictly supervising expenditure, without prior commitment; restructuring the ministry of finance with the creation of a budget division, responsible for the preparation, monitoring, and management of expenditure authorizations, centralization of powers pertaining to execution at the level of the directorate of finance; and the introduction since 2001 of an accounting plan as an instrument for regulating and monitoring state commitments; the third is the improvement of expenditure programming, that is henceforth to be directly linked to the macroeconomic framework; the fourth is the reinforcement of public finance auditing with the strengthening of the court of audit (Chambre des Comptes) and budgetary discipline and the creation of a general state inspectorate. Placed under the Office of the Prime Minister, the general state inspectorate is invested with general powers to audit public accounts and specific powers to proceed, at any time whatsoever and possibly by spot checks, to conduct any operation to check revenue and public expenditure. This thus completes the mechanism for auditing of public funds, which was instituted by the government with a view to rationalizing and enhancing transparency in the management of public finance.

The government strategy is aimed at reinforcing management of public expenditure and improving its efficiency. In the broadest sense, the aim is to build on the present achievements by reinforcing eight facets thereof, as follows::

- Effective application of new arrangements relating to the preparation of the budget, to the follow-up, and to the control of expenditure;
- Accountability of ministries for management of the resources allocated to them, for better execution and enhanced budgetary efficiency;
- Decentralization of the management of credits and the delegation of powers to technical ministries to commit and authorize expenditure in their ministries;
- Reinforcement of control over public finances by effectively setting up a general state inspectorate in 2003;

- Improving the efficiency of public expenditure by, notably, setting up a medium-term budgetary framework, and budgets for programs in the sectors of education, health, rural development, and transport;
- Streamlining the preparation of public investment programs (PIP) and defining criteria for eligibility for PIP that reflect the priorities under the PRSP;
- Reinforcement of project monitoring through the introduction of appropriate tools (establishing computerized register of projects, reinforcement of foreign aid coordination through the external financing division, instituting the obligation to submit six-monthly monitoring reports);
- Increasing the country's absorptive capacity through capacity building and training for project managers in the technical divisions;
- Capacity building of the ministries, in the development of systems and methods as well as technical skills in integrating gender into global and sector policies, public program, and budgets.

5 FINANCING THE STRATEGY

The poverty reduction strategy requires the mobilizing of substantial foreign resources in order to implement the sectoral plans of action.

External financing needed for priority public investments that will have a direct impact on the achievement of the objectives are estimated at **US\$266.351 million** (i.e., 47.336 billion FDJ). It is estimated that 50 percent of this external financing (23.669 billion FDJ or about US\$133 million) will be mobilized during the period 2004–06, the remainder being programmed for after 2006. The annual programming of these additional external financing needs is as follows:

Annual programming of financing needs:

<u>Year</u>	<u>Amount in US\$</u> (Financing still to be secured)
2004	26.637 million
2005	46.612 million
2006	59.931million

In addition, the public investment program for which financing has already been obtained for the period 2004–06 amounts to **US\$116.616 million** (20.725 billion FDJ), broken down as follows

<u>Year</u>	<u>Amount in US\$</u> (Financing obtained)
2004	35.027 million
2005	38.763 million
2006	42.826 million

If one considers the consolidated public investment program, the programming is as follows:

<u>Year</u>	<u>Amount in US\$</u> (Secured financing plus financing still to be secured)
2004	61.664 million
2005	85.375 million
2006	102.757 million

Lastly, a document in the annex provides details of projects pertaining to sectoral programs of action according to the type of financing (loans or grants) and of priority investments for which financing is still being secured.

6 STRATEGY IMPLEMENTATION AND MONITORING-EVALUATION ARRANGEMENTS

The practice of project monitoring and evaluation is not very common in the administration; nor is the results-oriented management program. Furthermore, there are serious gaps in the statistical system owing mainly to the absence of reliable population and demographic data. At the same time, statistics on poverty and access to social services are fraught with inaccuracies. Economic data, notably, the national accounts and data on external trade are also incomplete. The national statistical system, composed of a division for statistics and population studies (DISED), and the various ministries concerned (health, education, water, and finance), suffer from poor technical capacity and operational coordination. That situation has led to dispersed efforts and discordant methodologies of data collection, thus making it difficult to compare the scanty information gleaned from those various sources. The weakness of the national statistical system makes it still harder to get an insight into the different forms of poverty, of their determinants and the exact extent of, or divergences in particular situations, particularly in terms of socioeconomic groups or regions. Hence, the difficulty of obtaining reliable indicators, be it of performances in the real sector, or of monetary poverty, employment, access to basic social services, and for programming and budget execution. The current status of the budgetary information system does not allow for the production of a multi-annual reference framework for mobilizing financing for public investment and, more generally, for appropriation of public resources, foreign or national.

The shortcomings in the statistical system drastically hamper development planning operations and policy formulation, monitoring, and evaluation. There have been some improvements, however, They include the reinforcement of administrative statistics in the sectors of education and health and the new surveys conducted with a view to meeting the priority information needs of the PRSP. But, on the whole, the national statistics system does not have the capacity to meet the growing demand for information required for the monitoring and evaluation of the poverty reduction strategy.

The implementation of the PRSP as a framework of reference for sector and cross-sector strategies and programs rests on five mutually reinforcing pillars: the first is proper coordination of the process for implementation by the adoption of an overall framework for the organization of work and dissemination of information among the different stakeholders; the second is the reinforcement of the conditions for the production of information and statistics – adequate in terms of quantity and quality – that ought finally to allow for improvement in the quality of poverty reduction policies and programs; the third pillars is the regular production of document summaries and analytical reports, and the widespread communication of the national statistics strategy and policies and information about the programs implemented; the fourth is the consolidation of the participatory process initiated during the formulation of the PRSP, making it part of the follow-up of actions and the definition of new policy and strategic guidelines; and the fifth is sustained consultations between the government and the development partners.

Inculcation of a results-oriented culture at all levels, the cornerstone for the success of the strategy, implies responsibility and the obligation of reporting. Monitoring and evaluation is at the core of the PRSP implementation process and also rests on the aforementioned five pillars.

The monitoring and evaluation of the poverty reduction strategy is based on a process that is evolving. It includes monitoring the mechanisms driving the different structures and on the rational use of all the different tools already available to them. Progressively, new mechanisms and tools will come into being to reinforce the existing ones, until the process turns into an overall high-performance, coherent, and complementary system – one that could explain the performance of the implementation of the strategy and of its impact on poverty alleviation.

Setting up an efficient monitoring and evaluation mechanism requires the following three-pronged resources: (i) a mechanism for follow-up and guidance; (ii) an information system; and (iii) a participatory dimension and communication.

6.1. Mechanism for monitoring and evaluating the Poverty Reduction Strategy (PRSP)

Shortcomings were noticed during formulation of the PRSP. Among the were all the constraints encountered in the implementation, monitoring, and evaluation of the government's strategies and programs. Adoption of an independent, operational mechanism for the implementation of the PRSP is proposed. This would be by creating two light structures: a commission for growth and poverty reduction and a technical unit for monitoring and evaluation within the DISED. These would each consist of one to three national experts, supported by international expertise, if need be. They would be allocated resources and invested with the powers necessary for accomplishing their missions and terms of reference. Those two structures will be self-managing and staffed with the required competences. They will, in addition, be accessible to several public and nongovernmental actors engaged in the implementation of the PRSP, as well as to technical and financial partners. The two operational mechanisms just described would be completed at the decisionmaking level by the institutional framework for monitoring and piloting the economic reform program; these comprise the inter-ministerial Committee for Steering Government Actions and the Technical Committee for Monitoring and Coordinating the Reform Program. To fulfill their mandate, these two organs must be authorized to monitor and evaluate the poverty reduction strategy. Moreover, for those structures to be totally operational and succeed in implementing the strategy, the following three developments are necessary: – the first is to improve technical capacity, thereby eliminating the constraints relating to its deficiency; the second is to inculcate a results-oriented culture of cooperation among the different managers; and the third is to foster a tradition of accountability.

The new institutional perspective seeks to include public policy in an overall, coherent, strategic arrangement, and to ensure permanently that sectoral and overall strategies remain consistent with the objectives of poverty reduction.

To guarantee sustainability and control by the national structures, given the constraints involving technical capacity, the mechanism for implementing the monitoring and evaluation of the poverty reduction strategy must not be allowed to suffer any technical or organizational setback. Hence, there is no question that technical coordination of the implementation process is of vital importance and that the sharing of responsibilities by the various actors is decisive in rendering the mechanism functional and highly efficient.

That mechanism will rest on consultation and permanent dialogue intended to prove the credibility of the system and to provide information on the progress of poverty reduction and its evaluation. Similarly, activities will be geared toward the making or clarifying of decisions affecting the public, in compliance with the missions and attributions of the different public bodies involved in the implementation of the PRSP; these include, most particularly, the budget division, the directorate for external financing, the economic division, the DISED, as well as the line ministries.

The proposal to create a high commission for growth and poverty reduction aims at meeting those two requirements. It will be responsible for the total implementation of the PRS and will ensure a smooth functioning of the PRSP institutional mechanisms and pursuit of the participatory process; these goals will be approached through the involvement of different structures of the administration, civil society, and the private sector, in the execution, monitoring, and evaluation of the PRSP. In that perspective, the high commission could benefit from the decentralized field offices that will serve as regional focal points in the hinterland.

6.2. Information system

The monitoring and evaluation of the strategy will require the use of reliable data. The first priority is to conduct a general population census. For that purpose, the country's entire statistical system must be reorganized and reinforced. A statistical master plan defining the country's short- and medium-term needs in statistical data and information and the modalities for meeting such needs (surveys, censuses, and current statistics) must be formulated. The master plan will be prepared in a participatory manner, associating the major producers and users of statistics as well as the technical and financial partners. Above all, the master plan must specify the data and information needed to monitor the poverty reduction strategy and it must determine the modalities for the collection and updating of that information. In this connection, developing the skills required for the compilation of a databank on poverty is envisaged; it would be accessible to all the actors engaged in the poverty reduction strategy and in gender-based statistical analysis and would be the platform for macroeconomic and sectoral poverty reduction policies and for assessment of their impact.

A core of relevant and easily communicable indicators and the investigations system should make for establishing an initial plan of action that, on the one hand, will speedily satisfy the most pressing needs for monitoring and evaluating the PRSP; on the other hand, it will create propitious conditions for developing new and better products living up to the expectations of users. Protocols for the exchange of information must be signed in order to systematize the obligations of producers of basic information. The modalities for database management and transfer of information between the different subsystems must also be clarified. Particular attention should be paid to quality control of data and to information on the conditions under which such information (meta-data) is produced.

The setting up of the monitoring and evaluation mechanism will be preceded by a broad-based workshop (basic concepts, different types of indicators, needs assessment, adequacy of supply/demand for data, priorities of capacity building). Several more technical workshops must be organized in 2004 to ensure proper control of the information system and dissemination of the findings of experiments conducted in the other countries.

6.3. Participatory dimension and communication

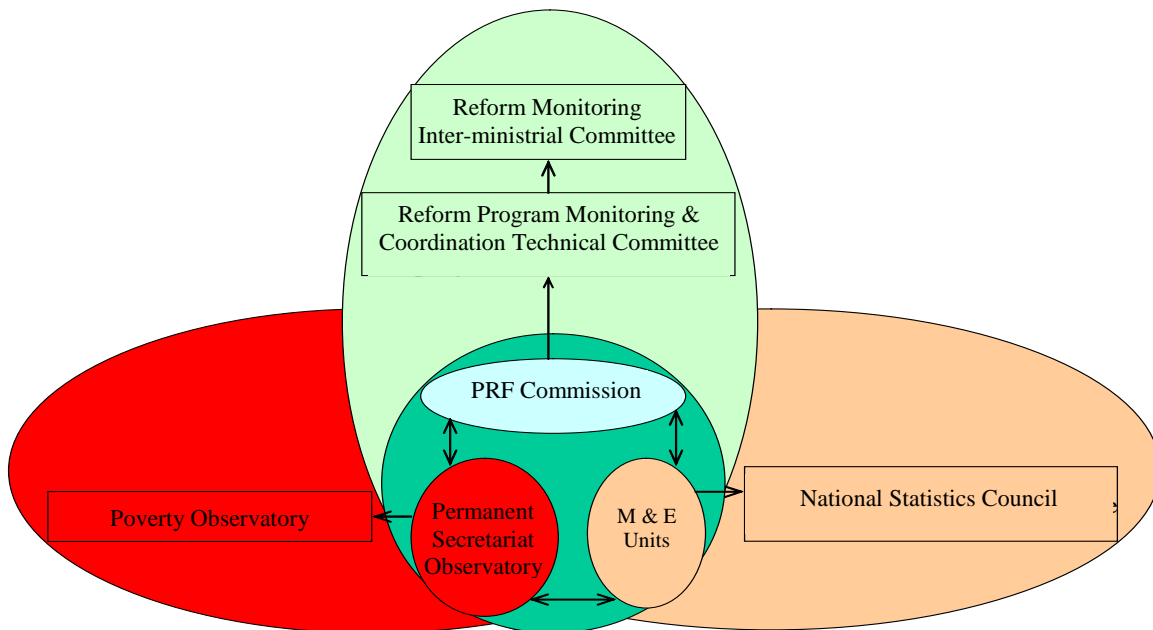
The following four measures will ensure participatory monitoring of the implementation: (i) widespread communication in national languages about the PRSP in order for all citizens to be informed about the its stakes, objectives, and programs; to that end, extension workers from the main NGOs will be used; (ii) the holding of annual regional and national seminars open to local governments, civil society, and donors, for the evaluation of the status of progress of the PRSP and review thereof; (iii) greater involvement of civil society and NGOs; (iv) formulation of an internal and external communication strategy that includes mass media involvement (radio, television), opinion polls, and portrayal in pictures of the poverty reduction strategy.

In support of such a participatory dimension, a reporting system will be set up and will comprise, among other things, sector reports and centralized reports on budgetary execution, mobilization of foreign aid, and execution of public investments. A biennial report on poverty will be published annually and will incorporate the main data on monitoring and on the findings of sundry surveys and specific studies.

In addition to these measures, consolidation of the participatory process as part of the monitoring of actions and definition of new political and strategic guidelines could be achieved by the institution of an independent poverty research observatory (*Observatoire de la Pauvreté*). Such an institution would analyze changes in public policies and programs in the poverty reduction strategy, and the involvement of

all stakeholders in its implementation (government, civil society, private sector, NGOs, development partners). That observatory would periodically produce analyses to better inform and orientate government choices and would proceed to the assessment of the impact of poverty reduction policies. This would make possible more involvement of civil society and the private sector, the forging of close links between those sectors and decisionmaking centers (managers and political leaders) and encourage the burgeoning of a results-oriented culture. A feasibility study for a poverty reduction observatory will be conducted. To allow civil society to secure its place in the strategic discussion on implementation of the PRSP, data collection, and information analysis, it must be reorganized accordingly, and its capacities must be developed.

Sharing of responsibilities under the mechanism for the implementation of the M&E of the PRSP:



6.4. Minimum program of statistical activities

Once adopted, the content and initial programming of monitoring and evaluation activities will periodically be reviewed. This will take account of the pace of the system’s effective implementation. Such reviews will include, constraints encountered, and the level of resource mobilization toward sustainable capacity building for the implementation and follow-up of the strategies for national poverty reduction. Table 6 gives a summary of the products of the PRSP monitoring and implementation system once it reaches cruising speed.

It must nevertheless be stressed that the functionality and sustainability of any system information and of monitoring and evaluation will depend on the quality of manpower resources called upon to manage it; it will also depend on the availability of suitable equipment and the capacity for timely mobilization of the financial resources indispensable for the conduct of the different surveys and studies. Hence the training of human resources is essential to guarantee a minimum quality of data and the effectiveness and sustainability of the system for its collection. As statistical master plans are formulated, training should be

included among the priorities. Capacity building of human resources is required for all the bodies engaged in data production and poverty analysis, and this will lead to the better acquisition of methods for statistical data collection, processing, and analysis. But in the short- and medium- term, international expertise is required to remedy the shortage of skilled manpower, notably, in the area of national accounting, particularly in implementing the SCN 93 (“Systems Approach to National Accounts Compilation”, 1993). A plan of capacity building and statistical activities for PRSP monitoring and evaluation is given in Annex IV.

Products of the statistical evaluation system for the implementation of the PRSP, at cruising speed

Quarterly		
Quarterly report on budget execution	<ul style="list-style-type: none"> Status of execution of priority expenditure of the sectors 	DB
Six Monthly		
Six monthly report on the PIP	<ul style="list-style-type: none"> Status of execution of projects and programs per sector 	DFE
PRSP monitoring report	<ul style="list-style-type: none"> Analysis of budget statistics Monitoring of institutional measures Tables of quarterly indicators 	M&E Unit
Annual		
Tables for sector road maps	<ul style="list-style-type: none"> Indicators (basic situation, achievements and targets for the following year) 	Sectors Ministries
Annual report on the implementation of the PRSP	<ul style="list-style-type: none"> Macroeconomic guidelines Performances per sector and program Expenditure priority Institutional measures Indicators of monitoring evaluation Participatory process 	DE M&E Unit
Report on development aid	<ul style="list-style-type: none"> ODA flows Execution of cooperation programs 	DFE
Reports on surveys	<ul style="list-style-type: none"> Reports on household surveys, companies of the modern sector, informal sector, etc ... 	DISED
National accounts and economic synopsis	<ul style="list-style-type: none"> National Accounts according to the SCN 93 Consumer price Index Foreign trade Balance of payments 	DISED BCD
Status of projects and programs	<ul style="list-style-type: none"> Financial and physical execution Result and impact of programs on poverty reduction 	DFE M&E Unit
Every two year		
Report on poverty	<ul style="list-style-type: none"> Evolution of poverty and its determinants Best practices in programs under the poverty reduction strategy 	M&E Unit

7 THE RISKS ASSOCIATED WITH THE STRATEGY

The poverty reduction strategy is very ambitious. Although that ambition may be the only possible answer, the serious challenge posed by poverty presupposes radical changes in the overall economic management and in the piloting, implementation and follow-up of programs and reforms. The principal risks inherent in the strategy are of three kinds.

First of all, there is the risk of a possible slow-down in the implementation of macroeconomic and structural reforms, notably, in public finances and state corporations. Such slackening of activities will lead to destabilization of the macroeconomic framework, loss of competitiveness and, hence, a weakening of economic growth. In particular, deficiencies in resource mobilization and an expenditure allocation in defiance of the priorities set forth in the strategy would affect all the objectives of the program: growth, employment, and enhancement of living conditions.

The second risk in the strategy relates to a possible downscaling of the proposed port development and the attendant decline in foreign investments. If this should happen, all the objectives of the strategy would be affected.

Lastly, the third risk relates to the capacity to implement and monitor such an ambitious strategy. The low level administrative skills have been identified as a major obstacle to development and to the programs of action pertaining to the strategy, which will substantially increase the work program of the key administrations. Implementation of the strategy therefore could suffer from a lack of human resources. Piloting and follow-up also presents challenges due to shortcomings in the statistical system, the absence of a results-oriented culture within the administration, and predictable difficulties in the coordination of all the policies entailed by that strategy.

ANNEXES

Annex I. Data Sources and Diagnostics of Poverty

Like other African countries, the statistical system in Djibouti suffers from a lack of reliable, updated data, making it difficult to figure out the different poverty profiles, their determinants and the exact magnitude of disparities in the poverty situation, particularly in terms of socio-economic groups or regions. The rare data sources suffer from a lack of harmonization of data collection and processing methodologies. It thus becomes difficult to find reliable indicators on the performances of the real sector, monetary poverty, employment, access to basic social services even information on programming and execution of the budget are hard to get as there is no reliable multi-annual reference framework for the mobilization of financing for public investment and, for the appropriation of public resources, domestic or foreign. Therefore, right from the time of conception of the provisional DSRP in 2000, supplemental surveys - EDAM IS2 and EDSF/PAPFAM -, were conducted in 2002. EDAM-IS2 was conducted in 2002, just like EDAM IS1, conducted in 1996. It is an exploratory survey on poverty that provides information on monetary poverty, employment, access to education, safe drinking water and a few health indicators. EDAM-IS2 covered a very vast geographical area, working on a sample of 16, 416 households selected from a sampling base of 19, 888 households, which were analyzed in 2001 on the strength of in-depth cartographical work. It provides a useful insight on the poverty situation and trends. However, some discrepancies were noted (i) the population, the number and composition - nomads/sedentary/homeless, men/women, magnitude of migratory flows -, remain unknown, the last general population census dating back to 1983; (ii) EDAM-IS2 encountered numerous problems in collecting and processing of information, which affect the reliability of some of its results. In terms of geographical coverage and themes, the sampling of EDAM IS2 covers the entire country and includes persons living in shanty towns, omitted during the EDAM IS1 census, thus making it well nigh impossible to compare the results of the two censuses; (iii) lastly, the limited scope of the survey renders it difficult to carry out a thorough analysis using qualitative data and/or the numerous subjects such as the dynamics of monetary poverty and income distribution and their relationship with employment and access to education and health services. Subject to all reservations, EDAM IS2 furnished correct expenditure estimates on expenditure for household consumption of staple goods in comparison to EDAM IS; the indicators of monetary poverty are established on the basis of the threshold for extreme, relative poverty relying respectively on : (i) the same food basket necessary for satisfying the recommended daily adult calorie intake of 2115 per day, and (ii) the ratio of food expenditure to the aggregate expenditure in the 2nd quintile of adult equivalent expenditure, and one notes a change in household consumption patterns, the proportion rising from 46.5 % in 1996 to 60.1 % in 2002, thus reflecting the strategies put in place to adapt to the context of economic crisis.

This new approach for coming to grips with monetary poverty on the basis of EDAM IS2 was enhanced by the preliminary use of the figures in demographic and health survey, EDSF/PAPFAM, realized on a net representative sample of 4000 households distributed throughout the country and including the sedentary and nomadic population. Estimates covering vaccination, maternal mortality, juvenile and infant mortality, were produced for analysis to make for a more thorough diagnosis of poverty. The data will be completed later with a comprehensive analysis of the EDSF/PAPFAM.

Exploitation of the EDAM IS1, EDAM IS2 and EDSF/PAPFAM surveys is however limited by imperfect knowledge of the status of the population structure. Convergent estimates of the sedentary population have been drawn from those three data sources, as well as an approximate figure for homeless nomads. Although used in methodologies, the surveys conducted in 2002 are not suitable for demographic data collection, the surveys do provide a solid basis for considering a total population of 455, 135 inhabitants in 2002 as a working hypothesis, for the diagnosis of poverty. However, it must be noted that the inaccuracy of demographic data and the discrepancies in the multiple sources, can only be ironed out on the basis of technical, objective considerations and that only one population census and one efficient civil registry system can be fruitful. The caveat alone underscores the importance of setting up a reliable information system on poverty requiring: (i) development of a national-wide statistical system; (ii) institutional capacity building of DISEP, notably, responsible for information production and analysis; (iii) implementation of a program for surveys and analyses focusing on production of information necessary for the formulation and follow-up and evaluation of the poverty reduction strategy. With regard to all those challenges, the government set the priority of formulating a statistical master plan centering on the information needs of the CSLP, with the prompt implementation of a budget-consumption survey and a general population census in 2005.

Annex II. Matrix of Objectives, Strategic areas of focus and Monitoring Indicators for the PRSP

Objectives	Impact/Result Indicators	Input/Output Indicators
Eradicate extreme poverty	<ul style="list-style-type: none"> • Incidence of monetary poverty (%) • Proportion of the population living on less than two dollars a day • GINI Index • Per capita GDP growth per year (%) • Investment Rate (% of GDP) • Gross unemployment rate 	
PILLAR 1 REVIVE ECONOMIC GROWTH AND STRENGTHEN COMPETITIVENESS		
Stabilize the macro-economic framework	<ul style="list-style-type: none"> • Gross Domestic budget deficit (% of GDP) • Own resources as a % of GDP • Inflation rate • Current accounts Balance as a % of GDP • Level of official exchange currency reserves during imports months 	<ul style="list-style-type: none"> • State budgetary allocations (priority areas) • State budgetary implementation rate (priority areas) • Disbursement rate in relation to commitment of expenditures (priority areas) • Current expenditures as a % of GDP (priority areas) • Outstanding domestic debt as a % of GDP
Promote an enabling environment for private sector development	<ul style="list-style-type: none"> • Number of SMEs/SMIs created • Number of jobs created in the modern sector 	<ul style="list-style-type: none"> • Average cost of creating an enterprise • Average timeframe for creating an enterprise • Costs index of factors of production
Position Djibouti as a commercial, financial and economic reference country in the region	<ul style="list-style-type: none"> • Growth rate of direct foreign investment (%) • Share of Djibouti's port in sub-regional traffic (%) • Daily traffic on the international road corridor (number of loaded trucks per day) • Freight railroad traffic per year 	<ul style="list-style-type: none"> • Paved roads in good conditions (in kms) • Number of home or mobile phones per 1000 inhabitants • Number of personal computers per 1000 inhabitants
Develop new sources of growth	<ul style="list-style-type: none"> • Exports growth rate 	
PILLAR 2: DEVELOP HUMAN RESOURCES		
Improve access and quality at all levels, and ensure an unrestricted and equitable access to good basic education	<ul style="list-style-type: none"> • Enrollment rate (at all levels) • Gross enrollment rate (at all levels) • Net enrollment rate (at all levels) • Proportion of school children beginning the first year of studies in the primary school and finishing the fifth year • School non-attendance rate as a result of low purchasing power • Transition rate from primary to secondary school 	<ul style="list-style-type: none"> • Student/teacher ratio in primary public schools • % of students in rural areas who are 30 minutes walking distance away from the school • % of schools equipped (with water, latrines, electricity)

Annex II. Matrix of Objectives, Strategic areas of focus and Monitoring Indicators for the PRSP

Objectives	Impact/Result Indicators	Input/Output Indicators
	<ul style="list-style-type: none"> • % of students finishing their school program and admitted to the training centers • School drop out rate • Adult literacy rate 	
Significantly increase access to health care, especially for the poor populations and improve the quality of care and the fairness of the system	<ul style="list-style-type: none"> • Malaria prevalence rate • Proportion of diagnosed cases of tuberculosis cured within a short timeframe under directly observed therapy (DOT) • Rate of financially excluded users of health services • Infant mortality rate • Anemia rate among pregnant women • Rate of vaccine coverage for targeted diseases (EPI) • Percentage of underweight children under five • Maternal mortality rate • Proportion of births attended by a skilled health worker • Contraception prevalence rate among women of reproductive age • % of genital mutilation among girls between the ages of 5 and 10 • HIV/AIDS prevalence rate • Rate of contraception usage among men 	<ul style="list-style-type: none"> • Unavailability Rate of essential drugs in health facilities • Medium range of health centers • % of health centers complying with staffing norms
Promote the woman's role in the development process	<ul style="list-style-type: none"> • Percentage of salaried women in the non-agricultural sector • Men/women ratio in decision-making positions • Number of cases of violence against women where the applicable law has been administered 	
Promote employment and income-generating activities	<ul style="list-style-type: none"> • Number of small and micro-enterprises created 	<ul style="list-style-type: none"> • Number of people having benefited from vocational training • Number of people benefiting from micro-credit (cumulative)
Protect the vulnerable groups	<ul style="list-style-type: none"> • % of street children to have access to education • % of homeless to have access to health care 	
PILLAR 3: PROMOTE INTEGRATED DEVELOPMENT AT THE LOCAL LEVEL		
Land management and local development		<ul style="list-style-type: none"> • Construction rate of infrastructures and equipments for regional and local benefits
Integrated urban development and public housing	<ul style="list-style-type: none"> • % of the population with access to decent housing 	<ul style="list-style-type: none"> • Number of new public housing built • Number of construction permits issued

Annex II. Matrix of Objectives, Strategic areas of focus and Monitoring Indicators for the PRSP

Objectives	Impact/Result Indicators	Input/Output Indicators
Access to drinking water for the poor	<ul style="list-style-type: none"> • Access rate to drinking water (%) 	<ul style="list-style-type: none"> • Average cost of water in poor urban neighborhoods
Develop urban and interurban public transportation	<ul style="list-style-type: none"> • Urban and inter-urban public road transportation of passengers (passenger/km) 	
Ensure adequate water for cooking is available to the population, and water supply to the livestock and develop income-generating activities	<ul style="list-style-type: none"> • Satisfaction rate of water needs in rural areas 	<ul style="list-style-type: none"> • Number of water points built/rehabilitated in rural areas • Distance traveled/time spent on fetching water • Depth of pastoral wells (number of wells per stock)
Develop the productive sectors of agriculture, stock farming and fishing	<ul style="list-style-type: none"> • Growth rate of the primary sector production 	<ul style="list-style-type: none"> • Rate of support to farmers, breeders, and fishermen
Reinforce food security		
Diversify rural activities		
Develop rural infrastructures		
Access to basic universal services	<ul style="list-style-type: none"> • Access rate to electricity 	<ul style="list-style-type: none"> • Volume of electricity generated
Prevention and disaster management		
PILLAR 4: PROMOTE GOOD GOVERNANCE		
Consolidate the democratic achievements	<ul style="list-style-type: none"> • Number(frequency) of communications/debates on public policies on the radio and in the written press 	
Promote good local governance and participatory development	<ul style="list-style-type: none"> • Satisfaction rate of groups/communities with participatory development • Satisfaction rate of communities with the quality of public services delivered 	
Establish a judicial system close to the citizen, ensuring equal access and equitable judgments for all, securing investors, and protecting property	<ul style="list-style-type: none"> • Average length of cases decided within the courts and tribunals • Number of observations and publications on judgments and sentences delivered • % of judicial decisions executed 	
Bring the administration closer to the citizen, develop the capacities of the public sector and modernize the administration		<ul style="list-style-type: none"> • Number of persons benefiting from continuing training

Annex II. Matrix of Objectives, Strategic areas of focus and Monitoring Indicators for the PRSP

Objectives	Impact/Result Indicators	Input/Output Indicators
Promote good economic and financial governance	<ul style="list-style-type: none"> • % of expenditure controls of Auditor General's Office with proper follow-up 	
Establish a global partnership for development	Debt service, as a percentage of goods and services	<ul style="list-style-type: none"> • Structure of the ODA received

Annex III. Matrix of Sectoral Strategies for PRSP Implementation

Area	Objectives	Strategies	Period	Indicators
PILLAR 1 REVIVE ECONOMIC GROWTH AND STRENGTHEN COMPETITIVENESS				
Macro-economic framework	Maintain a budget deficit below 3.1%	<ul style="list-style-type: none"> • Consolidate existing fiscal reforms aimed at: <ul style="list-style-type: none"> - Improving the efficiency of tax services - broadening the tax base - reinforcing tax control and collection - progressively putting in place the VAT - launching the SYDONIA program • Complete the automation of direct taxation • Poursuite de la politique de maîtrise des dépenses courantes: <ul style="list-style-type: none"> - control of the wage bill - stabilize operating expenditures • Establish the single file • Automation of the expenditure chain • Increase the share of health and education expenditures in state budget • Continue the demobilization program • Progressively implement the domestic arrears clearance plan of the treasury • Increase the share of investment expenditures • Conduct an impact study of foreign military bases on the economy. 	2003-05 2004-05 2004-05 2004 2004-06 2004-05 2004-06 2004-06	
	Maintain the integrity of the currency board	<ul style="list-style-type: none"> • Implement the reform aimed at tightening banking supervision and control <ul style="list-style-type: none"> -Revise the status of the Central Bank of Djibouti -Enact a new banking legislation 	2004-06	
	Maintain a viable financial sector	<ul style="list-style-type: none"> • Conduct annual audits of the BCD, the commercial banks and the foreign exchange offices. 	2004-06	

Annex III. Matrix of Sectoral Strategies for PRSP Implementation

Area	Objectives	Strategies	Period	Indicators
Business Environment	Promote an attractive legal framework for foreign investment	<ul style="list-style-type: none"> • Elaborate and adopt a commercial code • Adopt a new investment code and revise legislation related to free zones • Put in place a one-stop office • Reactivate the international arbitration center by Djibouti Chamber of Commerce. 	2004 2004 2004 2004	Number of SME/SMI created Number of jobs created in the modern sector Average cost of creating an enterprise Average timeframe for creating an enterprise Costs index of factors of production Growth rate of direct foreign investment (%)
	Improve the competitiveness of the exports sectors and reduce trade obstacles	<ul style="list-style-type: none"> • Strategic study of integrated trade targeting the poor • Adopt the integrated framework. 	2003 2004	
	Promote the development of private initiative	<ul style="list-style-type: none"> • Define and put in place a SME/SMI development strategy • Put it place a support mechanism to SME/SMI. 	2004 2003	
	Improve the work environment	<ul style="list-style-type: none"> • Adopt a new labor code • Create an employment observatory • Create conditions for the financial viability of pension funds <ul style="list-style-type: none"> - Establish the social security national council (CNSS) that will be responsible for reforming and managing retirement agencies - Update and audit of the database of the contributors to and the beneficiaries of the funds - Adopt a regulatory framework for the management of the reserve accounts - Progressive merging of OPS and CNR. 	2004 2003 2003 2005	

Annex III. Matrix of Sectoral Strategies for PRSP Implementation

Area	Objectives	Strategies	Period	Indicators
	Reduce production factors and create better encouraging conditions to private investments	<ul style="list-style-type: none"> Financial Audit of Enterprises such as Djibouti Telecom, EDD, and ONED Privatization of Djibouti Telecom and EDD Consolidate the licensing agreement of the Autonomous Port of Djibouti Progressive clearance of state debts based on the findings of the audit and the clearance plan Regular payment of water, electricity and telephone bills by the state. 	2003 2003 2004 2003 2003-05	
Trade, Transport, Telecoms	Trade policy	<ul style="list-style-type: none"> Update the study conducted in 1997 on the three complementary sectors (transportation, finance, and trade) to position Djibouti as a reference country in regional trade. 	2004	
		<ul style="list-style-type: none"> Improve the internal and external competitiveness of the national economy and develop national exports 	2003	
SME	Improve trade regulations	<ul style="list-style-type: none"> Elaborate a national commercial code. 	2004-06	
	Promote an enabling environment for private investment	<ul style="list-style-type: none"> Studies on the reactivation of the international arbitration center by the Djibouti Chamber of commerce. 	2004-05	
	Establish an institutional support mechanism to exporting SMEs	<ul style="list-style-type: none"> Completion of the feasibility study on the strategy and mechanism of support to exporting SMEs. 	2004	
	Arab countries free trade zone	<ul style="list-style-type: none"> Promote national growth within the Arab region 	<ul style="list-style-type: none"> Integrate national priorities for commercial capacity building within the 3.5M US\$ regional project launched by the UNDP Arab bureau 	2004-06

Annex III. Matrix of Sectoral Strategies for PRSP Implementation

Area	Objectives	Strategies	Period	Indicators
Transport	Promote the role of Djibouti as a front port and as a platform of international and inter-regional exchange	<ul style="list-style-type: none"> • Construction of an oil terminal-Phase 1 • Feasibility study of a free zone • Construction of a container terminal and a free zone 	2004-05 2004-05 2004-06	The share of the port of Djibouti in sub-regional traffic (%)
Port sector	Develop the new port complex of Doraleh	<ul style="list-style-type: none"> • Improve the port of Djibouti with the construction of a bulk carrier terminal 	2004-05	
Road sector	Restructure the institutional framework for road management and reform the investments and road maintenance.	<ul style="list-style-type: none"> • Promote the involvement of the private sector in road management • Develop the participation of local economic operators in international transportation activities • Continue to mobilize finances for the construction of primary roads and the traffic lanes going through the urban peripheral neighborhoods • Put in place planning and management tools • Continuing training of staff 		Daily traffic on the international road corridor (number of loaded trucks per day) Paved roads in good conditions (in kms)
	Promote the role of the two roads linking Djibouti and Addis Ababa (i) through Galafi and (ii) Guelile as a means of regional integration	<ul style="list-style-type: none"> • Rehabilitate the urban ring road of Djibouti • Rehabilitate of the regional road linking Djibouti and Ethiopia, south corridor (72 km) • Rehabilitate of the Ali Sabieh intersection and Dikhil (35 km) 	2004-06 2004-06 2004-06	
	Promote the same role for the road linking Djibouti to Somalia as well as for the one linking Djibouti to Eritrea	<ul style="list-style-type: none"> • Rehabilitate of the road linking Tadjourah and Obock (62 km) 	2005-06	

Annex III. Matrix of Sectoral Strategies for PRSP Implementation

Area	Objectives	Strategies	Period	Indicators
Air Travel	Improve the national highways and linking up the population and production zones	<ul style="list-style-type: none"> Rehabilitate the RN 18 (Djibouti-Hol Hol-Dassbiyo-Ali Sabieh) (75 km) Rehabilitate of RN 6 (Dikhil- As Eyla-Lac Abbe) 	2006 2006	
	Rehabilitate the degraded traffic lanes, and linking up poor neighborhoods, and support economic activities	<ul style="list-style-type: none"> Implement an urgent rehabilitation and opening up program in Djibouti-Ville (Studies, works and supervision) 	2005-06	
	Encourage the development of traffic and reduce transportation costs	<ul style="list-style-type: none"> Apply the open sky policy Eliminate all frequency restrictions Develop the air-sea transshipment with the creation of an airport commercial free zone Continue airport modernization investments and reinforce equipment maintenance 		
Railroad sector	Strongly develop railroad traffic of passengers and goods between Djibouti and Addis Ababa	<ul style="list-style-type: none"> Rehabilitate rail road infrastructures on the Djibouti-Ethiopia railroad track and entrust the licensing of the railway with a private operator 	2004-06	Freight railroad traffic per year
Urban and inter-urban public transportation	Put in place the necessary equipments, superstructures, and institutional strengthening actions toward the development of urban and interurban public transportation	<ul style="list-style-type: none"> Establish technical supervision of vehicle safety Rehabilitate the road lines Train the relevant administration Rehabilitate the urban traffic lanes used by public transportation 	2004-05	Urban and inter-urban public road transportation of passengers (passenger/km)

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Area	Objectives	Strategies	Period	Indicators
Telecommunications	Encourage the development of the telecommunication sector (develop the comparative advantages)	<ul style="list-style-type: none"> • Study on the regulatory framework • Define a development strategy of the sector • Adopt a regulation legislation • Put in place the regulatory agency • Needs study in poor rural areas • Put in place privatization specification for Djibouti Telecom. 	2002-03	<p>Number of companies in the market</p> <p>Access to communication services in poor rural areas</p>
Information & Communication Technologies	Develop necessary activities toward strengthening the ICTs sector	<ul style="list-style-type: none"> • Put in place basic texts and bills governing the ICTs • Strengthen the Ministry of Communications and Culture in charge of Posts and Telecommunications • Create the Djibouti regulatory agency of ICTs • Create a media portal. 	2004-06	Number of personal computers per 1000 inhabitants
	Install connections so everyone has access to the information society	<p>ICTs Market study in the Republic of Djibouti</p> <ul style="list-style-type: none"> • ICT development study in the Republic of Djibouti • Djib-Bone- the metropolitan network of Djibouti Ville • Seek out relevant technological solutions specific to Djibouti • Connect the districts' principal towns to the main communes in the regions • Adopt a policy of universal access to ICTs • Develop and experiment the community radios models specific to Djibouti • Reduce the total operating costs of the specialized lines • Ownership of the ICTs by the population—media promotion campaign. 	2004-06	

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Area	Objectives	Strategies	Period	Indicators
	Make the most of human resources and reinforce research and ICT in training and education	<ul style="list-style-type: none"> • Create a research, education and health network: RDRES • Reinforce research capacity in the area of ICT • Increase the connectivity rate of the University and install videoconferencing • Strengthen the CISCO Academy and create a regional entity • Build the ICT Training capacities at the university • School Net Project • National Education and ICT Project: Capacity building for teachers in the use of ICT • Computerize schools, high schools and colleges • Automate the Ministry of national education and higher learning. 	2004-06	
	Modernize and strengthen the public health system	Automate the Ministry of health and the main hospitals in the Republic of Djibouti	2004-06	
	Legal and institutional capacity building	<ul style="list-style-type: none"> • Develop legal information systems 	2005-06	
	Capacity building in ICT usage in the private sector and create a regional hub as well as an international center for financial services	<ul style="list-style-type: none"> • Automate the rural commercial stations • Incubators • Create enabling conditions for the development of information economy • Develop electronic commerce 	2004-06	
	Develop digital contents and the visibility of Republic of Djibouti's on the Web	<ul style="list-style-type: none"> • Develop the contents in Arabic, Somali, and Afar 	2005-06	

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Area	Objectives	Strategies	Period	Indicators
	Manage information on the environment, disasters, famines and other calamities using ICT	<ul style="list-style-type: none"> • Environmental information management and sharing system • Early warning system 	2004-06	
Alternative Sources of Growth Energy	Increase energy supply for the entire population	<ul style="list-style-type: none"> • Energy needs study to reduce poverty in Djibouti (urban area, peripheral and rural areas) and alternative sources of energy 	2004-05	Volume of electricity generated Access rate to electricity
		<ul style="list-style-type: none"> • Build an electrical network in the outskirts (PK12 and Damerjog) 	2004-05	
	Reduce electricity costs	<ul style="list-style-type: none"> • Update the interconnectivity study to the Ethiopian network • Study to promote energy control. 	2004-05	
	Promote alternative sources of energy	<ul style="list-style-type: none"> • Conduct identification studies of promising zones (eolian) • Identify pilot projects and encourage private investment (eolian) • Geothermic study to verify the availability and the potential of the geothermic source in Assal 	2004-05	
	Institutional reforms and improvement of EDD performances	<ul style="list-style-type: none"> • Install 18 MW in the existing Plants 	2004-05	
		<ul style="list-style-type: none"> • Tariff Study 	2004-05	
		<ul style="list-style-type: none"> • Institutional framework and implementation study of EDD, including private sector participation 	2004-05	
Capacity building	<ul style="list-style-type: none"> • Strengthen the institutional framework in the energy sector • Enhance Training for supervisory staff and technicians • Design and monitor the national energy plan 			

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Area	Objectives	Strategies	Period	Indicators
Tourism	Promote the development of tourism and increase awareness of the Djibouti destination	<ul style="list-style-type: none"> • Conduct a study on Djibouti's place in the international market • Strengthen national and international partnership for the promotion of the Djibouti destination • Support the development of regional tourist sites (infrastructures, accessible roads) 	2004-06	
	Improve the impact of tourism on job creation and the fight against poverty	<ul style="list-style-type: none"> • Intensify training for tourism-related jobs, especially for women • Make the population aware of tourism and its benefits • Put in place financing procedures for tourism projects (FND) 	2004-06	
Mining	Improve knowledge of mining resources	<ul style="list-style-type: none"> • Complete a cartography of the mine sectors • Conduct necessary geological studies to promote the sector (especially geothermic) for private international investors. 	2004-05	
	Promote the development of salt exports and improve its impact on jobs and regional development	<ul style="list-style-type: none"> • Apply new licensing agreement and hygiene standards • Promote the economic axis project around the Assal lake 	2004-06	
PILLAR 2: DEVELOP HUMAN RESOURCES				
Education Pre-Primary Education	Increase the number of children between the ages of 4-5 enrolled in preschool	<ul style="list-style-type: none"> • Expand the nursery classes network of the private and associative sector and create nursery classes in the public schools in the poor sectors of suburban Djibouti-ville and in the important areas in the rest of the country 	2003-05	
Primary Education	Increase the enrollment capacity	<ul style="list-style-type: none"> • Build new schools, rehabilitate and expand existing schools and equip new or rehabilitated classes 	2003-06	

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Area	Objectives	Strategies	Period	Indicators
	Strengthen equity by reducing disparities between girls/boys and between regions	<ul style="list-style-type: none"> • Recruit additional teachers • Increase the number of teachers in primary school 	2003-06	
		<ul style="list-style-type: none"> • Awareness campaign and allocation of resources to the regional Comities for education (CRE) by the regional authorities for schools operation 	2004-06	
		<ul style="list-style-type: none"> • Increase the access rates to basic education for girls and children in underprivileged areas by paying for their school fees (enrollment fees and school supplies) 		
		<ul style="list-style-type: none"> • Establish an awareness and social mobilization program targeting girls' schooling 	2004-06	
		<ul style="list-style-type: none"> • Elaborate a school card 	2004-06	
	Improve the quality and relevance of learning	<ul style="list-style-type: none"> • Strengthen school meals service in rural areas and in poor suburban areas through the availability of food and beverages and sufficient operating credits 	2004-06	
		<ul style="list-style-type: none"> • Reform programs through the generalization of curricula based on competency building; Reforms of final exams practices by establishing a continuing evaluation policy capable of reducing school drop outs 	2004-06	
		<ul style="list-style-type: none"> • Improve internal efficiency of primary school 		
		<ul style="list-style-type: none"> • Adopt a textbook policy aimed at reducing the cost of text books, free supply of textbooks to school children from the vulnerable groups 	2003-05	
		<ul style="list-style-type: none"> • Availability of educational guides for teachers 	2003-05	
		<ul style="list-style-type: none"> • Generalize initial and continuing training for teachers and school directors 	2003-05	

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Area	Objectives	Strategies	Period	Indicators
		<ul style="list-style-type: none"> Improve educational supervision of schools and reinforce their frequency 	2003-05	
Lower Secondary Education	Increase access to lower secondary education	<ul style="list-style-type: none"> Build additional classes in the districts and build 2 new colleges in Djibouti-ville 	2003-05	
	Reduce early school drop out toward the end of primary school	<ul style="list-style-type: none"> Build 6 post-primary vocational training centers 	2003-05	
	Reduce gender disparities	<ul style="list-style-type: none"> Establish a scholarship program for girls from the underprivileged areas; Create girls youth centers 	2003-05	
	Improve the quality and the relevance of learning	<ul style="list-style-type: none"> Recruit additional teachers 		
		<ul style="list-style-type: none"> Educational programs reform and availability of books 	2004-06	
		<ul style="list-style-type: none"> Generalize initial and continuing training for teachers and school directors 	2004-06	
<ul style="list-style-type: none"> Strengthen the material and logistical conditions of primary and secondary inspection services 		2003-05		
Higher Secondary Education	Increase Enrollment Capacities	<ul style="list-style-type: none"> Build and equip 3 multi-purpose high schools in the districts; 2 general education high school (in Djibouti-ville and Balbala) and expand the Djibouti technical high school (LIC) 	2003-06	
	Reduce gender disparities	<ul style="list-style-type: none"> Reform orientation procedures by establishing measures for a better participation of girls in the technical and scientific fields 	2003-05	
	Improve quality	<ul style="list-style-type: none"> Recruit additional professors 	2003-05	
		<ul style="list-style-type: none"> Generalize initial and continuing training for teachers and school directors 	2003-05	
Higher Education	Increase enrollment capacities	<ul style="list-style-type: none"> Define orientation and development strategies of higher learning; capacity building for collaboration between the university and its foreign university partners; Build a national university. 	2003-04	

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Area	Objectives	Strategies	Period	Indicators
Literacy	Improve access to and relevance of programs against illiteracy	<ul style="list-style-type: none"> Put in place a national literacy strategy involving technical ministries, associations and communities; Elaborate and generalize a curriculum that is functional and adaptable to the needs of the target population 	2004-05	
Institutional Capacity building	Improve the steering capacities of the reform and its execution, improve measurement systems as well as monitoring and evaluation.	<ul style="list-style-type: none"> Train specialists in training and evaluation; Produce and distribute manuals on administrative management to enable good operation within the framework of a decentralized system; Extend the CRIPEN 	2004-06	
		<ul style="list-style-type: none"> Strengthen the capacities of office of statistical gathering and production and school indicators and the training of supervisory staff at the office of school statistics 	2004-06	
	Improve information circulation system within the MENESUP	<ul style="list-style-type: none"> Optimize the operation of the computer network of MENESUP: audit and training assistance to computer network administrators 	2004-06	
	Capacity building for the maintenance of infrastructures and school equipments	<ul style="list-style-type: none"> Define an effective maintenance strategy and put in place decentralized maintenance services 	2004-06	
	Stimulate the participation of private education in basic education	<ul style="list-style-type: none"> Put in place incentive measures for the development of private education. 	2004-06	

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Area	Objectives	Strategies	Period	Indicators
Health Institutional Reform and improvement of management capabilities	Redefine the legal and regulatory framework of the health sector and improve the steering and monitoring of the health system	<ul style="list-style-type: none"> • Adopt and implement the health system restructuring act. • Make the general health inspection functional. • Build the capacities of the International directorate for Research, Planning and Cooperation. • Strengthen the national health information system and adapt it to the needs of planning/management (statistical database, computing equipment, and training). • Strengthen the hygiene laboratory's operation: establish a single national programs coordination for the fight against infectious diseases. Establish control and intervention mechanisms against epidemics. 	2003 2003 2003 2003 2003-05	
	Restructure the health pyramid for the establishment of integrated, coordinated and complimentary health services	<ul style="list-style-type: none"> • Elaborate the health card according to the priorities of the implemented strategy by giving prioritizing basic health care. 	2003-05	

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Area	Objectives	Strategies	Period	Indicators
Reproductive Health		<ul style="list-style-type: none"> • Improve the management of pregnancies and births by: (i) reinforcing pre and post natal consultations, assigning qualified personnel (midwife, auxiliary midwife), especially at the health centers; (ii) equipping birth centers; (iii) establish a functioning referral system in upcountry districts • Ensure and reinforce in every health center family planning consultation • Reinforce the fight against genital mutilation; by applying the law, advocacy with the decision-makers, and risk awareness for the population • Conduct a study on population and reproductive health 	2004-06	
Child Health		<ul style="list-style-type: none"> • Stimulate the EPI by reinforcing the advanced strategy • Intensify the mid-year vaccination campaigns • Reinforce routine vaccination (vaccination materials, vaccines, refrigeration chain) • Implement a PCIME Program: (i) adapt and implement protocols, training of staff; (ii) activate the nutrition rehabilitation centers 		
Malaria	Reduce malaria –linked morbidity	<ul style="list-style-type: none"> • Reinforce prevention by distributing mosquito nets in the at-risk zones • Reinforce the fight against malaria in the urban health centers, by evaluating and adapting algorithms of coverage • Reinforce urban environment sanitation and the fight against the carriers. 		

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Area	Objectives	Strategies	Period	Indicators
Tuberculosis	Reduce the incidence and the number of tuberculosis cases and decentralize screening and treatment under DOT	<ul style="list-style-type: none"> • Decentralize screening and the treatment strategy “DOTS” nationwide • Closely monitor patients affected by tuberculosis and further decentralize screening and treatment. 		
HIV/AIDS	Reduce the incidence of HIV/AIDS among the population	<ul style="list-style-type: none"> • Reinforce the implementation of the anonymous voluntary and free-of-charge screening of HIV • Reduce HIV transmission from mother to child • Ensure availability of condoms and their accessibility as a way of preventing HIV/AIDS infection 		
	Improve the quality care for curable STIs and HIV/AIDS	<ul style="list-style-type: none"> • Reinforce transfusion safety and the operation of the national network of laboratories • Reinforce the implementation of the psycho-social (counseling) coverage • Reinforce the therapy for persons living with HIV/AIDS • Reinforce the coverage of curable STIs at the Yonis Toussaint center and in the in the peripheral health centers 		
	Improve the conception, the design and evaluation of health information-education-communication actions	<ul style="list-style-type: none"> • Organize health information campaigns for the larger public • Organize health information campaigns in health centers in their coverage zones • Organize health information campaigns for the target groups covered by other ministerial sectors • Encourage community participation in targeted information campaigns in the community and among the target groups. 		
Infrastructure	Build and rehabilitate the infrastructures	<ul style="list-style-type: none"> • Build /rehabilitate primary and secondary health facilities according to the health card • Build/rehabilitate the reference health centers 		

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Area	Objectives	Strategies	Period	Indicators
	Capacity building for health maintenance services	<ul style="list-style-type: none"> • Equip health centers and provide them with the necessary logistical means to carry out their activities according to the health card standards. Offer the entire population health care in accordance with its needs and the standardized criteria of quality • Capacity building in the management and maintenance of buildings and equipments 		
Drugs	Supply every public health center with drugs according to the national list	<ul style="list-style-type: none"> • Make the CAMME and pharmacy directory functional • Complete the elaboration of a national pharmaceutical policy paper • Make the majority of health professionals adopt the national pharmaceutical policy • Develop normalization and supervision procedures • Establish a list of essential drugs specific to each level of care, in accordance with the health card • Secure the financing of drugs supplied by the purchasing agency of equipment and essential drugs. 		
	Supply in a rational way all users of public health centers with essential generic drugs	<ul style="list-style-type: none"> • Promote the rational use of drugs by prescribers and providers of public health centers • Develop best practices for supplying essential drugs to the national reference hospital (General Pelletier Hospital) • Elaborate promotion techniques and good use of essential generic drugs by the consumers. 		
Human Resources	Implement an initial training program for medical and paramedical staff	<ul style="list-style-type: none"> • Train a number of doctors, dentists and pharmacists in response to the needs of the health system within the next ten years • Implement a training program for specialized physicians 		

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Area	Objectives	Strategies	Period	Indicators
	Implement permanent continuing training programs	<ul style="list-style-type: none"> • Capacities building for the health workers training center • Ensure the initial and specialized training of the paramedical staff • Ensure the continuing training of the medical and paramedical staff • Ensure the retraining of non-qualified health workers 		
Decentralization and community participation	Progressively decentralize the management and decision making process of the health system	<ul style="list-style-type: none"> • Progressively decentralize budget management to the health districts • Evaluate the autonomy of the management of the Peltier hospital • Implement the autonomy plan of the management of the national health centers of reference, based on the experience of the Pelletier general hospital • Possibility studies of participative management of health structures 	2004-06 2004 2004-06 2004-06	
Health financing and financial accessibility	Improve the quantity, the allocation and the management of public financial resources, in accordance with the objectives of the health policy	<ul style="list-style-type: none"> • Increase public health expenditures, by granting in particular 6% of the state's operating budget and ensure an overall budget allocated to the health sector of 9% of state budget • Elaborate and adopt the application procedures of the pricing system of services 	2004-06 2004	
	Broaden the financial contribution of the population to health expenditures	<ul style="list-style-type: none"> • Implement cost recovery • Possibilities studies on extending medical insurance • Support the development of health insurance and the involvement of the community in the management of health structures 	2004 2004-05 2004	

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Area	Objectives	Strategies	Period	Indicators
Integration of women in the development process Institutional Support	Build the capacity of the Ministry to coordinate, support, monitor, and evaluate the implementation process of the SNIFD in collaboration with government and non-governmental organizations involved	<ul style="list-style-type: none"> • Reinforce training of all staff • Put in place a gender training center 	2003-07	Trained supervisory staff/Operational training center
	Contribute to Djibouti's sustainable development by the inter-sectoral integration of gender in all national development programs	<ul style="list-style-type: none"> • Put in place a multi-sectoral and inter-ministerial comity • Create and operate a management unit for the program with staff, management procedures and necessary work plans, as well as financial and logistical resources • Implement monitoring procedures in the implementation and coordination units • Establish relevant policies to achieve sectoral objectives of integration 	2003-07	Operating multisectoral and inter-ministerial comity Develop a real partnership between the technical ministries A management unit exist within the Ministry under the prime Minister in charge of the promotion of women, family well-being and social affairs Efficient monitoring and coordination(reports, disaggregated data by sex

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Area	Objectives	Strategies	Period	Indicators
	Capacity building for technical ministries to implement a coherent gender integration policy in putting in place an internal structure and qualified staff in order to maximize the performance of the sustainable development sectoral objectives	<ul style="list-style-type: none"> • Put in place a gender unit in each Ministry involved in the implementation of the SNIFD 	2004-06	Number of focal points Number of qualified supervisory staff in gender operating in each ministry involved to support the planning and monitoring functions of the gender integration process, monitoring and evaluation of the SNIFED implementation Produce information and reliable data
Partnerships	Substantive and management capacity building of 20 NGOs to implement and monitor community programs of proximity for the integration of women in decision making areas, health, education and economy	<ul style="list-style-type: none"> • Select the partner NGOs of the program • Plan and implement a diagnosis of the capacities and the needs of the selected NGOs for their organizational development • Develop the training and institutional support plans for each NGOs as well as a cooperation convention project • Identify and develop in a participatory manner NGOs pilot projects in the 4 priority areas of the SNIFD • Finalize the agreement conventions with each partner and launch the implementation of community projects of NGOs in the respective areas • Monitor the implementation of community projects of NGOs in the field 	2004-06	20 NGOs trained A training plan as well as a convention project exist for each NGO The number of community projects implemented by the NGOs

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Area	Objectives	Strategies	Period	Indicators
	Develop a dynamic partnership between the Ministry of the promotion of women and 20 NGOs for the implementation of the SNIFD	<ul style="list-style-type: none"> • Plan and hold bi-monthly meetings of partner NGOs, share experiences, update implementation progress of the SNIFED and participate in training sessions • Draft and distribute a quarterly bulletin 	2003-07	<p>The number of meetings organized</p> <p>Publication of a quarterly bulletin</p>
Decision-making	Establish an institutional framework to ensure equal and equitable participation of women and men in decision making by generalizing the application of the GED objectives	<ul style="list-style-type: none"> • Increase women’s representation in decision making posts in political, legislative and professional institutions through affirmative actions • Strengthening the capacities of candidates for local and parliamentary elections on how to prepare and win an electoral campaign. • Ensuring enforcement of the convention CEDAW through the establishment of a committee that will be in charge of monitoring the implementation of the convention 	2003-07	

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Area	Objectives	Strategies	Period	Indicators
	Take appropriate measures to ensure cohesion between existing legal texts and future ones as well as their application	<ul style="list-style-type: none"> • Promote the consistency of the national legal texts with the international legal framework • Develop support programs for women and abandoned children, and more generally, for vulnerable women heads of households, to meet their basic needs and improve their living conditions, such as the creation of a solidarity fund • Promote an equitable legal framework that adequately addresses children's nationality issues and create a court that has jurisdiction over personal status matters; • Improve professional judicial services, in particular those relevant to the personal status of women, in the context of the application of the national legal framework and international conventions. • Ensure women's registration to ensure full respect of their civic rights 	2003-07	
	Introduce an equality and equity civic culture in the society and eradicate women's ignorance of laws and rights	<ul style="list-style-type: none"> ▪ Improve the knowledge base and the involvement of citizens, men and women, in promoting the rule of law by strengthening the capacity of NGOs to organize information and awareness campaigns at the community level; ▪ Train women and men to better manage family life according to the principles of the new Family Code 		

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Area	Objectives	Strategies	Period	Indicators
Health	Ensure an integrated community health approach through environmental protection, the reinforcement of the role of women and youths, the generalization of a health education program and the improvement of access to better health care	<ul style="list-style-type: none"> • Support the implementation of pilot projects to put in place a community management system of household wastes in order to complete the existing municipal system • Reduction of maternal mortality through community empowerment and information and awareness campaigns promoting risk-free maternity and stronger links between the communities and the primary health centers in the five districts of Djibouti • Ensure participation of families and communities in managing social infrastructure and protecting the environment 	2003-07	

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Area	Objectives	Strategies	Period	Indicators
	<p>Contribute to the improvement of female reproductive health at different stages of the life cycle in order to reduce morbidity and maternal and infant mortality</p>	<ul style="list-style-type: none"> • Reinforce the integration of reproductive health programs in order to offer a complete set of provision of services at the psychological, medical and social levels throughout the life cycle • Elaborate integrated advocacy programs in order to raise the awareness of political authorities, civil society, community leaders, and members of the community on the importance of gender programs and sex and reproductive health for a balanced family and ensure their involvement. Inspire an attitude of responsibility among educated and non educated youths, citizens of the future, when it comes to prevention in reproductive health, STD/AIDS, gender, violence against women and negative health practices (smoking, Khat.) • Capacity building for health workers by integrating in the training curriculum new reproductive health orientations with all its components, including Gender, reproductive Rights and violence against women of which female genital mutilations, life cycle, the rights of the customer (respect, confidentiality, professional secrecy) and the importance of prevention (prenuptial certificate) • Strengthen training of health workers in obstetrical emergencies and orientation and evacuation system, including rural birth attendants. Improve the SR program management capacities through the maximization and rationalization of human resources. Build capacities in handling obstetrical emergencies and the accommodation structures in Djibouti-Ville, in urban maternity centers and in medical centers in the districts 		

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Area	Objectives	Strategies	Period	Indicators
		<ul style="list-style-type: none"> • Capacity building for rural birth attendants through adequate equipments and the establishment of a monitoring and evaluation system • Create a pilot center “Women’s health” which will offer psychological and legal assistance to women, young engaged couples, and couples, and an integrated approach to reproductive health services 		
	<p>Institutionalize the fight against negative health practices to women’s health and the community’s, including the different forms of violence such as female genital mutilations</p>	<ul style="list-style-type: none"> • Formulate new strategies to reduce genital mutilation through the identification of social, cultural, familial and religious factors that keep fostering this practice and impinge on the success of information and awareness campaigns • Formulate strategies to reduce violence against women by investigating and documenting cases of sexual and domestic violence; • Mobilize the support of the community and local authorities in preventing domestic violence and other health-damaging practices and in assisting the victims; • Ensure that the women who are victims of domestic violence have access to reliable counseling and legal services provided by local associations. 	2003-07	

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Area	Objectives	Strategies	Period	Indicators
	Ensure a social and political mobilization by government and its national and international partners in order to elaborate strategies for prevention and the fight against AIDS	<ul style="list-style-type: none"> • Raise the awareness of all the appropriate authorities and institutions in order to integrate the fight against STD/AIDS in the programs designed for the fight against poverty, inequality between the sexes and the promotion of women • Involve all the different ministries concerned with the implementation of the national program for the fight against AIDS (Health, Education; Youth; Promotion of women; Justice...) by putting in place sub-programs • Improve the availability and quality of data on the prevalence of STD/AIDS in general and on women and children in particular for the appropriate programs • Consolidate the fight against vertical transmission from mother to child by raising the awareness of maternity services workers and training them • Raise the awareness of the most vulnerable groups, youths and women in particular, on the risks of STD/AIDS through the appropriate institutions and associations • Improve access to prevention methods and means, including the availability of condoms • Fight against prostitution and rape committed on women, leading factors of transmission and the epidemics of STD/AIDS • Fill the legal void by elaborating and implementing an ethics framework for the protection of the sick who are victims of STD/AIDS 	2003-07	

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Area	Objectives	Strategies	Period	Indicators
		<ul style="list-style-type: none"> • Establish the prenuptial certificate and consolidate pre-marriage counseling • Develop support for the awareness campaigns on STD/AIDS in collaboration with the religious leaders in order to take into account the reality and the real risks • Capacity building for NGOs and maximize their resource to take care and support sick persons who are victims of both contamination /illness and social rejection especially for women and children. Create a solidarity fund to accompany hospitalized or terminally ill persons 		

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Area	Objectives	Strategies	Period	Indicators
Education	Participate in the achievement of the national objective of a 65% in 2005 gross enrolment rate by identifying obstacles and implementing incentive measures and awareness	<ul style="list-style-type: none"> • Formulate strategies to increase girls' enrolment and completion ratios through the identification of social, cultural, familial, economic and pedagogic obstacles that contribute to maintain high girls' drop-out rates; • Set forth a national action plan to ensure sustained improvements in girls' enrolment and completion ratios through piloting new approaches at the family and community level in at least four schools per district; • Adopt new individualized teaching approaches in basic education for drop-out girls, such as the approach "one classroom, one school", in five districts. • Mobilize family and community support to improve girls' education • Increase girls' completion ratios through a pilot project aiming at strengthening capacity of 20% of teachers and heads of schools to prevent girls' school drop-outs • Participate in the achievement of the national objective of reaching 65% of girls' enrolment in 2005 by setting up an inter-sectoral technical committee to monitor and evaluate girls' education programs 	2003-07	

Annex III. Matrix of Sectoral Strategies for PRSP Implementation

Area	Objectives	Strategies	Period	Indicators
	Contribute to the national policy of the fight against illiteracy and its implementation through measures aimed at strengthening the participation of women and young girls in literacy programs and informal education	<ul style="list-style-type: none"> • Formulate strategies to improve women's effective literacy rates by identifying social, cultural, familial, economic and pedagogic obstacles that constrain their access to services and programs carried out by the government and NGOs • Set forth a national action plan to effectively reduce illiteracy by adopting pilot initiatives such as the arab literacy program and post-literacy programs targeting 9000 women in three years 	2003-07	

Annex III. Matrix of Sectoral Strategies for PRSP Implementation

Area	Objectives	Strategies	Period	Indicators
	Fight against discrimination forms contained in the education against young girls and women and promote a culture of equality and the formal and informal education sectors and in society	<ul style="list-style-type: none"> • Information and awareness campaigns with all partners targeting women through women-centered outreach facilities • Participate in the analysis of textbook contents, media, audiovisual, written press and popular culture (tales, songs, proverbs) in order to understand the images and representations of women at different stages of life • Awareness campaigns on discrimination forms among parents and teachers and the media • Debate with children to develop the principle of freedom of expression and respect for the other • Organize in the schools a national annual contest during women’s international day and the commemoration of children’s convention on the culture of equality rights, democracy or the fight against certain ills related to the issues of rights • Integrate gender issues in the training of teachers at different stages of the educational system as well as awareness campaigns • Partner with schools and communities to improve the quality of formal and informal education of children, and particularly that of young girls 	2003-07	

Annex III. Matrix of Sectoral Strategies for PRSP Implementation

Area	Objectives	Strategies	Period	Indicators
	Integrate young girls with secondary school diploma (BEPC/ BAC) in the social economic development through access to skills-building trainings that are responsive to the market needs	<ul style="list-style-type: none"> • Studies on the employment potentials of young graduate girls of secondary schools • Evaluate the potential of job creation for young girls at the district and national level • Encourage internships in the private and public sector • Support the initiatives of the associations and the private sector in the provision of short job trainings, particularly in information technologies • Facilitate the creation of micro and small enterprises for young girls through promotion programs, training, and easy access to credit • Create an information center and job counseling in colleges and run at the district level a comity comprised of key economic and institutional actors and representatives of young girls and boys 	2003-07	

Annex III. Matrix of Sectoral Strategies for PRSP Implementation

Area	Objectives	Strategies	Period	Indicators
Economy	Contribute to the fight against women's poverty by putting in place specific mechanisms and measures	<ul style="list-style-type: none"> • Adopt strategies to integrate women in the formal sector of the economy, at the national and regional level, by identifying their needs and the obstacles that they face to start up a business ; • Adopt strategies to promote the creation and expansion of SMEs run by women by identifying their needs and constraints and by providing financial and non-financial services; • Foster dialogue between women entrepreneurs and the government officials in charge of economic and trade policies to facilitate the effective use by women of business support services (such as the one-stop-shop for businesses) • Promote the economic integration of young women graduating from vocational training centers by introducing short-term training courses on business development and the creation of small enterprises ; • Build local capacity to train adults in the management of small and medium enterprises using local languages; • Strengthen the capacity of 5 NGOs per district to provide advisory and counseling services for the creation and management of small and medium enterprises. • Improve the integration of women entrepreneurs in the formal sector of the economy and their rates of success in creating businesses through the dissemination in local languages of laws and regulations in the areas of commerce, industry, fiscal policy, import-export, and regional trade agreements. 	2003-07	

Annex III. Matrix of Sectoral Strategies for PRSP Implementation

Area	Objectives	Strategies	Period	Indicators
	Facilitate an equitable access to employment for women and promote training and professional integration	<ul style="list-style-type: none"> • (53) Develop strategies to reduce disparities in women's employment in the public and private sector • (54) Strengthen women's skills to lead and to manage • (55) Integrate graduate young girls in the formal public and private sector by developing their job searching skills 	2003-07	
Employment & Revenue generating activities	Improve knowledge of the job market	<ul style="list-style-type: none"> • Capacity building for the office of employment • Elaborate and implement a system of information (database), analysis and production of statistics on the job market 		
	Promote employment and adapt the training system to economic needs	<ul style="list-style-type: none"> • Systematic monitoring procedures of graduates school drop-outs • A study on a strategy and a suitability program between training and employment taking into account current and future needs (the transportation sector, the services sectors) and the training capacities • Formulate and implement a national employment strategy • Implement the strategy 		
	Build primary socio-economic infrastructures in the urban and peri-urban areas in order to improve the living conditions of the inhabitants	<ul style="list-style-type: none"> • Build/Rehabilitate primary infrastructures in the PDQs framework 		

Annex III. Matrix of Sectoral Strategies for PRSP Implementation

Area	Objectives	Strategies	Period	Indicators
	Create a maximum of jobs in the Public Works sector giving priority to high intensity manual labor (HMO)	<ul style="list-style-type: none"> • Create 150 000 jobs for men/day over 3 years 		
	Give priority to the development of SMEs and the local bureaus of study in the sector	<ul style="list-style-type: none"> • Training of SMEs and bel • Elaborate continuing training programs that take into account the needs of enterprises 		
	Promote and popularize local materials	<ul style="list-style-type: none"> • Study on local material • Use local materials in the public markets 		
	Sustain the achievements of ADETIP	<ul style="list-style-type: none"> • Target the activities of the ADETIP toward the poor and the creation of employment • Broaden the interventions of the ADETIP toward the local areas 		
Vocational Training	Develop vocational training targeted to out-of-school youths and focusing on market needs	<ul style="list-style-type: none"> • Study on capacities building for CFPA and evaluation of the existing programs of CFPA • Elaborate a three year continuing training program which takes into account market needs 		
	Strengthen the existing training capacities and develop new skills	<ul style="list-style-type: none"> • Restructure the existing sub-sectors and elaborate new references • Broaden the scope of and size of training. • Implement a training of trainers program • Expand the capacities of the CFPA to Djibouti-ville and to upcountry cities 		

Annex III. Matrix of Sectoral Strategies for PRSP Implementation

Area	Objectives	Strategies	Period	Indicators
Micro-finance	Promote the development of micro-finance	<ul style="list-style-type: none"> • Study of the implementation of a legal framework adapted to micro-finance • Establish a dynamic consultation framework regrouping all actors 		
	Reinforce the capacities of micro-finance structures	<ul style="list-style-type: none"> • Recruit an international professional operator for training and managing of SMF 		
	Strengthen women's associations and groupings of micro entrepreneurs	<ul style="list-style-type: none"> • Elaborate a training and coaching program by partner NGOs of the social fund for development 		
	Expand the national coverage of the micro-credit structures and facilitate the poors' access to micro-credit	<ul style="list-style-type: none"> • Increase the number of micro-credits and encourage their installation in the entire country • Develop the micro-finance offer and extend it to the needy areas • Put in place simple a procedures adaptable to the needs of poor women and the of micro-enterprises groupings 		
	Sustain the achievements of the social fund for micro-finance	<ul style="list-style-type: none"> • Mobilize external resources at concessional rates (lines of credits) for the financing of micro-finance programs 		

Annex III. Matrix of Sectoral Strategies for PRSP Implementation

Area	Objectives	Strategies	Period	Indicators
	Encourage the institutionalization of micro-finance	<ul style="list-style-type: none"> • Put in place at the end of the project , the Social Fund Agency for Development (a moral person) who will receive the retrocession of project funds and ensure the continuity and sustainability of micro-finance activities and develop the pathways between classic banking and the informal sector through micro-finance • Put in place a network of micro-finance structures including all of the micro-credit institutions 		
Social Protection and assistance to vulnerable groups	Put in place a social protection and integration program for street children	<ul style="list-style-type: none"> • Undertake a broad consultation(including the administration, local governments, NGOs, Donors) on the issue of street children • Put in place an assistance and support strategy to street children • Put in place a comprehensive plan of assistance including: <ul style="list-style-type: none"> - Legal protection measures - A program of social assistance (shelter, health, education, psycho-sociological care) - A socio-economic program 		
	Reduce the vulnerability of nomads to external shocks	<ul style="list-style-type: none"> • Implement the development of breeding program • Implement the food assistance program • Awareness on the anti-drought behavior 		
	Reduce the vulnerability of the displaced population	<ul style="list-style-type: none"> • Put in place a short term food assistance program • Implement the access to basic services program (drinking water, health, education) particularly for the displaced living poor urban areas 		

Annex III. Matrix of Sectoral Strategies for PRSP Implementation

Area	Objectives	Strategies	Period	Indicators
PILLAR 3: PROMOTE INTEGRATED DEVELOPMENT AT THE LOCAL LEVEL				
Urban Development	Reinforce the institutional capacity of urban management	<ul style="list-style-type: none"> • Draft an urban development, housing and land management code • Update the Djibouti development plan 	2003-04	
	Definition of a housing promotion strategy	<ul style="list-style-type: none"> • Elaborate a strategic study 	2003	
	Preservation of the urban and architectural heritage	<ul style="list-style-type: none"> • Definition study of a specific regulation, fiscal incentives, awareness actions, space planning or important public buildings 	2004-06	
	Improve low income populations' access of to land ownership	<ul style="list-style-type: none"> • Increase housing offer by with the development of 5000 housing units in Balbala • Support the construction of 2000 houses • Complete the Barwaqa phase II • Build 1000 housing units • Site planning and construction of 820 housing units in remote cities 	2003-07	
	Management of household waste	<ul style="list-style-type: none"> • Acquire equipment and expand infrastructures • Strengthen services • Staff training 	2003-05	
Sanitation	Define and implement a coherent sanitation policy	<ul style="list-style-type: none"> • Complete a strategic sanitation study on the town of Djibouti • An institutional and financial framework coupled with a legal and judicial aspect necessary for its implementation • Identify a priority investment program • Complete environmental impact studies 	2003	

Annex III. Matrix of Sectoral Strategies for PRSP Implementation

Area	Objectives	Strategies	Period	Indicators
	Improve health conditions, living environment and reinforce environmental protection in poor neighborhoods	<ul style="list-style-type: none"> • Replenish the neighborhoods by undertaking drainage work of rain water • Develop a network of rain water treatment 	2004-06	
	Optimize the overall operation of infrastructures, improve health and living conditions for the inhabitants of Djibouti	<ul style="list-style-type: none"> • Partially rehabilitate the waste water network and the city's pumping stations • Rehabilitate the water treatment station of Doudah and Cheik Osman • Sanitation of the secondary cities (Ali Sabieh, Tadjoura, Dikhil, and Obock) 	2004-06	
	Capacity building for the management of networks	<ul style="list-style-type: none"> • Acquire adequate material with the new installations, constructions, vehicle fleet, machinery and diverse materials • Install and equip the EU UP materials • Train technicians • Human Resources • Support the effective start of the sanitation fund • Raise awareness and popularize 	2004-06	
	Revitalize and link up isolated poor neighborhoods with the rest of the economy	<ul style="list-style-type: none"> • Implement a priority program of social inclusion to link up isolated neighborhoods with the rest of the economy 	2003-05	
	Ensure control over territorial development and foster a balanced regional development	<ul style="list-style-type: none"> • Develop blueprints for territorial management • Regional Development Planning 	2004-06	

Annex III. Matrix of Sectoral Strategies for PRSP Implementation

Area	Objectives	Strategies	Period	Indicators
	Improve the management of the sanitation sector and urban waste	<ul style="list-style-type: none"> • Monitor the implementation of the sanitation strategic plan actions • Put in place a strategy and a participatory plan of action for collecting household waste 	2004-06	
Environment	Ensure the conservation and sustainable utilization of species, inhabitants and ecosystems	<ul style="list-style-type: none"> • Create two protected marine areas • Rehabilitate the degraded ecosystems • Raise the awareness of the rural population on environmental protection 	2004-06	
	Improve the legal framework of environmental protection	<ul style="list-style-type: none"> • Implement the PANE particularly those measures related to the protection of biodiversity and endangered species • Elaborate an environmental code • Systematically conduct environmental study in full compliance with the law 	2004-06	
Water supply	Rational Management of the Djibouti nappe	<ul style="list-style-type: none"> • Management and protection study of the nappe (water sheet) • Comparative technical and economic study of desalination/Hanlé (orientation of the new resource mobilization choice) • A better distribution of drainage: completion of new drilled wells enabling the abandonment of obsolete drilled wells 	2004-06	

Annex III. Matrix of Sectoral Strategies for PRSP Implementation

Area	Objectives	Strategies	Period	Indicators
	Supply to peripheral and poor neighborhoods	<ul style="list-style-type: none"> • Participatory approach to water management/Awareness and animation in neighborhoods where the network is extended and water fountains created • Densification of the PK12 network • Densification of the Djebel network • Densification and extension of the Balbala network (Wahyadaba) • “Social” connectivity campaigns 	2004-06	
	Reduction of seepage	<ul style="list-style-type: none"> • Replace the zoning valves, a diagnostic research study of seepage, replace defective feeders 	2004-06	
	Improve water supply to remote cities	<ul style="list-style-type: none"> • Research study on new water sources for the supply of remote cities, including wildcats-Ali Sabieh, Dikhil, Tadjourah, Obock, Arta/Wea 	2004-06	
	Institutional reform for the improvement of ONED	<ul style="list-style-type: none"> • A training program for supervisory staff and technicians • Reduce waste-Awareness campaigns • Improve water billing and frequently replace non working water meters 	2004-06	
	Improve knowledge of the resource in terms of quantity, quality and distribution	<ul style="list-style-type: none"> ▪ Sustainable management of water resources in Djibouti • Put in place an observation network of the water cycle • Quantify available resources • Inventory of water points • Cartography of water resources • Put in place planning and decision-making tools to facilitate sustained management of water resources • Valorization of water information 	2004-06	

Annex III. Matrix of Sectoral Strategies for PRSP Implementation

Area	Objectives	Strategies	Period	Indicators
	Develop water resources for the valorization of local potentials	<ul style="list-style-type: none"> • Study on integrated watershed development in the oued Ambouli • Study on the alluvial watershed of the Dey-dey, Dhouré, Weima oueds • Diffusion of good irrigation practices in the garden, reduce the costs of irrigation and the quantity of water used 	2004-06	
	Rehabilitate and build water points and waterworks networks and preserve the quality of water in the rural area	<ul style="list-style-type: none"> • Provide a central water supply system to 4 big districts in the country's districts (Sagallou, Adailou, Assa Gueyla, Khor Angar) • Repair the water supply infrastructures in 10 villages (Dorra, Alaili, Dada, Holl, Ali Adde, Gallamo, Boli, Chebelley, PK 51, Petit Bara, Adoila) • Construction of: (i) 10 pumping stations, (ii) 23 drilled wells, (iii) 137 wells to rehabilitate, (iv) 70 new wells • Basic Study • Support projects and train the support team on the participatory approach • Sanitize the wells and monitor the quality of water in the wells 	2004-06	
	Improve the national coverage of rural water points through the mobilization of surface water	<ul style="list-style-type: none"> • Hydrological study on the possibilities of surface water mobilization, and the identification of promising sites • Water retention construction program, trenching and buried tanks for pastoral and agricultural use(infiltration)—phase 1 	2004-06	

Annex III. Matrix of Sectoral Strategies for PRSP Implementation

Area	Objectives	Strategies	Period	Indicators
	Ensure the sustainability of rural water infrastructure	<ul style="list-style-type: none"> • Maintenance <ul style="list-style-type: none"> - Equipment for the maintenance of water points - Rehabilitate the drilling facility and the pool of equipment • Participatory management <ul style="list-style-type: none"> - Create local comities for rural water points management and awareness - Support regional entities at the Directorate for water affairs - Diffusion of existing “best practices” - Socio-economic study - Diffusion of wells rehabilitation and protection techniques against flood • Cost reduction of drainage <ul style="list-style-type: none"> - Solarization of 40 water points - Popularize manual drainage techniques and equip 50 wells • Link up isolated areas to facilitate access and maintenance <ul style="list-style-type: none"> - Rehabilitate 100 km of space per year for 5 years - Immediate space maintenance intervention after the rain 	2004-06	
	Develop a new method of local water management involving the rural actors and the development of private sector activities	<ul style="list-style-type: none"> • Vocational training in small water-related jobs (well diggers, electro-mechanics, Plumber-hydrant man) 	2004-06	

Annex III. Matrix of Sectoral Strategies for PRSP Implementation

Area	Objectives	Strategies	Period	Indicators
	Administrative capacity building	<ul style="list-style-type: none"> • Capacity building for water resources management and field intervention <ul style="list-style-type: none"> - Installation and equipment in material of the regional under-directorates for rural development - Training of technicians and supervisory staff who intervene in water affairs in the regional under-directorates • Strengthening capacities to integrate gender in the design and provision of water services • Human Resources <ul style="list-style-type: none"> - Initial and continuing training of water engineers and technicians • Support the effective start of the national fund for water(grant 1 dollar for every dollar mobilized at the national level) • Implement legal and regulatory tools <ul style="list-style-type: none"> - Information and training on the legal measures regulating the management of water resources 	2004-06	
	Food security	<ul style="list-style-type: none"> • Special program for food security—phase 1 <ul style="list-style-type: none"> - Intensification - Agricultural diversification - Water control - South-south cooperation with Morocco • Contamination risk studies of the food chain from the stock to man • Development projects in the six rural districts (PDR) (agriculture, stockbreeding and fishing) <ul style="list-style-type: none"> - Individual exploitations - Irrigation infrastructures - Inputs for agriculture, stockbreeding, fishing - Rural roads 	2003-05	
			2004	
			2004-06	

Annex III. Matrix of Sectoral Strategies for PRSP Implementation

Area	Objectives	Strategies	Period	Indicators
	Improve the efficiency of administrative services	<ul style="list-style-type: none"> • Institutional support project <ul style="list-style-type: none"> - Put in place regional under-directorates for development - Central service for agricultural statistics - Agricultural and pastoral training center (local) - Documentation (buildings and equipments) - Rehabilitation of the MAEM facilities 	2004-06	
		<ul style="list-style-type: none"> • Training project of the technical supervisory staff of the MAEM <ul style="list-style-type: none"> - Training in the breeding techniques in the peri-urban area - Training in quality and laboratory diagnostics - Training in certification and regulation - Support to the CERD 	2004-06	
	Improve access to production factors	<ul style="list-style-type: none"> • Rural micro-finance project <ul style="list-style-type: none"> - Create local micro-finance funds - Micro-credit - Savings 	2002-09	
	Fight against desertification	<ul style="list-style-type: none"> • Implement the PAN <ul style="list-style-type: none"> - Pilot action of forestation and regeneration of pasture - Awareness 	2004-06	

Annex III. Matrix of Sectoral Strategies for PRSP Implementation

Area	Objectives	Strategies	Period	Indicators
Biodiversity and local development		<ul style="list-style-type: none"> • Integrated project for the DAY Forest planning and management <ul style="list-style-type: none"> - Deferred grazing project of 3 demonstrative perimeters(natural forest regeneration) and rehabilitation of buried tanks - Reactivate the integrated planning general study of 1993 - Conservation of biodiversity and sustainable management of the DAY forest • Carry out a study on integrated local development in the Abhe Lake • <i>Protection of mangroves</i> 	2004-06	
Integrated Rural Development Livestock	Development of livestock	<ul style="list-style-type: none"> • The Pan-African control of Epizootics program (PACE) <ul style="list-style-type: none"> - Put in place a national network for the supervision of animal diseases - Capacities building for veterinary services - Equip the veterinary laboratory - Veterinary medicinal products 	2001-04	
		<ul style="list-style-type: none"> • Stock raising support program <ul style="list-style-type: none"> - Animal health - Improvement of the paths - Livestock census - Awareness and popularization - Pastoral water supply 	2004-06	

Annex III. Matrix of Sectoral Strategies for PRSP Implementation

Area	Objectives	Strategies	Period	Indicators
		<ul style="list-style-type: none"> • Infrastructures development project for regional trade of livestock <ul style="list-style-type: none"> - Internal Market: livestock collection centers in rural areas - Export(Stock from Djibouti-Ethiopia and Somalia): livestock population, sanitary control, harmonization of regulatory certification procedures - A food production unit for the stock and a mineral supplement 	2004-06	
		<ul style="list-style-type: none"> • Promote Peri-urban Breeding <ul style="list-style-type: none"> - Milk - Poultry (eggs) - Meat (young animals) 	2004-06	
Agriculture	Increase cultivated land	<ul style="list-style-type: none"> • Create a hydro-agricultural perimeter in the plain of Hanle (50 ha) • Rehabilitate and privatize administrative gardens (10) 	2004-06	
	Develop agricultural know-how	<ul style="list-style-type: none"> • Agricultural and stockraising training center PK20 <ul style="list-style-type: none"> - Repair the training center - Create experimental farms • Agricultural advisory services 	2004-06	
	Evaluation of productions	<ul style="list-style-type: none"> • Data collection on typical farms 	2004-06	
	Sustainable management of resources	<ul style="list-style-type: none"> • Fishing Master plan • Participatory management systems • Institutional Support (office of fishing and Office of maritime affairs) 	2004-06	

Annex III. Matrix of Sectoral Strategies for PRSP Implementation

Area	Objectives	Strategies	Period	Indicators
	Increase revenue of fishermen and foster job creation	<ul style="list-style-type: none"> • Organizational capacity building • Rehabilitate the production tool • Increase production means • Training and extension (Technical and technological innovations) 	2004-06	
	Promote exports development	<ul style="list-style-type: none"> • Establish international standards for fish exporting infrastructures by putting in place laboratories for health supervision 	2004-06	
	Improve food security and develop support techniques	<ul style="list-style-type: none"> • Help women improve fish treatment and distribution • Encourage the introduction treatment and storage techniques • Promote inexpensive refrigeration means • Develop the distribution network by increasing the number of points of sale targeting the local market in order to promote fish consumption 	2004-06	
Disaster Prevention and Management	Increase and improve prevention and disaster management coordination	<ul style="list-style-type: none"> • Support the creation of a national structure with local entities • Support the elaboration of a national prevention and disaster management strategy 		
	Strengthen technological and operational skills of the national institutions and civil society partners involved in the fight against disaster	<ul style="list-style-type: none"> • Strengthen technological and operational skills of the national institutions and the NGOs involved in the sector • Capacities building through information and training of the public 		

Annex III. Matrix of Sectoral Strategies for PRSP Implementation

Area	Objectives	Strategies	Period	Indicators
	Promote and establish an information exchange and work network within which institutions, national NGOs and international agencies can coordinate their programs better for preparing for and responding to disaster	<ul style="list-style-type: none"> • Support for the creation of a documentation center, focal point on gathering and sharing basic information on disasters • Support to facilitate communications between national institutions and the NGOs involved in the sector 		
PILLAR 4: PROMOTE GOOD GOVERNANCE				
Local Governance & Participatory Development	Make the regions operational and strengthen their implication in the management of development programs and the fight against poverty	<ul style="list-style-type: none"> • Enable a progressive skills transfer, taking into account available capacities and state resources • Implement a capacities building for the regional authority • Support the creation of the regional planning unit • Put in plan a local investment fund • Promote the partnership agreements within the framework of decentralized cooperation • Elaborate and implement a legal framework enabling the development of associations • Put in place an institutional tool for the coordination NGOs action 		
	Foster participatory development and the involvement of NGOs in the fight against poverty	<ul style="list-style-type: none"> • Elaborate and implement a capacities building program for NGOs 		

Annex III. Matrix of Sectoral Strategies for PRSP Implementation

Area	Objectives	Strategies	Period	Indicators
Judicial Reform	Strengthen the legal process	<ul style="list-style-type: none"> • Complete the code of criminal procedures by implementations decrees • Reform the code of civil procedures in order to facilitate access to the justice system 		
	Unify the legal system	<ul style="list-style-type: none"> • Install a single legal system • Integrate the Sharia into the single legal system 		
	Bring the legal system closer to the citizen	<ul style="list-style-type: none"> • Promote a legal system of proximity by creating in each of the remote cities a court of first instance 		
	Improve the operation of the legal system	<ul style="list-style-type: none"> • Recruitment and continuing training of magistrates • Respect for the independence of the magistrate, revalorization of the profession 	2003-05	
	Promote human rights	<ul style="list-style-type: none"> • Create an autonomous entity in charge of promoting human rights • Strict application of the family law • Eradicate any form of discrimination against women • Renovate and humanize the detention centers 	2003-04	
	Improve work conditions	<ul style="list-style-type: none"> • Expansion of two aisles in the court house • Rehabilitate the prison • Build new tribunals • Equip the jurisdictions 	2003-04	
	Capacity building	<ul style="list-style-type: none"> • Build a training center for inmates • Technical assistance needs • Information and documentation 	2003-04	
Administrative Reform	Modernize state personnel management	<ul style="list-style-type: none"> • Put in place an automated single file for state employee management 		
	Foster equity in access to public employment and reinforce staff training	<ul style="list-style-type: none"> • Put in a place a recruitment process exclusively based on competition • Capacity building for the INAP • Elaborate and implement a training and refresher program for state employees 		

Annex III. Matrix of Sectoral Strategies for PRSP Implementation

Area	Objectives	Strategies	Period	Indicators
Economic & Financial Governance	Ensure a transparent and efficient management of public expenditures	<ul style="list-style-type: none"> • Continued application of budget preparation methods as well as monitoring and supervision of expenditures • Delegate to technical ministries appropriate expenditure commitments and executions 		
	Reinforce the supervision of public expenditures	<ul style="list-style-type: none"> • Put in place the Auditor General’s Office and unit personnel • Put in place the supervision program of the Auditor General’s Office • Reinforce the supervision of the court of accounts and publish annual reports 		
	Improve the efficiency of public expenditures	<ul style="list-style-type: none"> • Continue the revision of expenditures • Put in place a short term budgetary framework, consistent with the strategic framework for the fight against poverty • Allocate program budgets for Education, Health, Transportations and the rural development 		
	Improve public investments programs preparation and monitoring	<ul style="list-style-type: none"> • Put in place an automated file for PIP projects • Define eligibility rules of the PIP and implement the three-year PIP and an annual investment budget linked to the strategy • Set up monitoring and evaluation tools to effectively monitor the implementation of projects in the PIP (monitoring and evaluation project questionnaires; M&E reports) 		

Annex IV. Capacity Building Program for PRSP Monitoring and Evaluation

Reinforcement of institutional and coordination statistics								
Ensure institutional reform of the national statistical system	<ul style="list-style-type: none"> • Audit functioning of the SNS • Formulation and adoption of a plan for capacity building of the national statistical system 	<ul style="list-style-type: none"> • Publication and dissemination of the statistical master plan • Execution of a Multi annual program of statistical surveys • Review of texts on the legal and statutory framework 	8850	9735		18585	DISED, Producers and Users de la statistics	International consultant 6 man-months Partial financing UNDP
Support DISED re-organization into a new structure, administratively autonomous, with the necessary powers and resources for accomplishing its mission of production, analysis, and technical and operational coordination	<ul style="list-style-type: none"> • Functional audit of the DISED • Formulation of nomenclatures, concepts, and definitions • Organization of coordination meetings 	<ul style="list-style-type: none"> • Establishment of a functional organizational Chart 1 • Putting in place of technical coordination instruments 	17258	34515	18585	60538	DISED	International expertise of 24 man months required
Capacity building in data and collection follow-up of poverty								
Appraise quantitatively and qualitatively the evolution of poverty by identifying the determinants of the changes observed.	• Budget- commission of enquiry (EDAM-BC)	• Knowledge of the state and population structure. Regular estimates of households living conditions	48607	41663		90270	DISED	Acquired financing FDJ 26550
	• General population and housing census		66430	130362	117146	327828	DISED	Financing acquired FDJ 23895
	• EDAM-IS4		(pm) ²²		44250	44250	DISED	
	• Evaluation participative of poverty				17700	17700	DISED Cellule M&E	Partial UNDP financing
	• Demographic and health surveys						DISED DEPCI	To be implemented in 2006

²² L'EDAMS IS3 is actually a special component of EDAM-BC to be conducted in 2003.

Annex IV. Capacity Building Program for PRSP Monitoring and Evaluation

Data collection and processing for the real sector and statistical Syntheses								
Monitoring and reporting on the economic and social impact of government strategies and policies	<ul style="list-style-type: none"> Surveys on the informal sector 	<ul style="list-style-type: none"> Statistics for the informal sector and available employment 		26550		26550	DISED	
	<ul style="list-style-type: none"> Annual survey in enterprises 	<ul style="list-style-type: none"> Knowledge of the situation of enterprises and employment 		17700	8850	26650	DISED	
	<ul style="list-style-type: none"> Permanent mechanism for collection of data on agriculture, livestock breeding and fisheries 	<ul style="list-style-type: none"> Statistics on agricultural, livestock breeding and fisheries regularly updated and published 	8850	8850	8850	26550	Min. Agriculture	
	<ul style="list-style-type: none"> Price index and foreign trade statistics 	<ul style="list-style-type: none"> IPC regularly published Reliable foreign trade statistics compiled and published 	4248	4248	4248	12744	DISED BCD	
	<ul style="list-style-type: none"> Progressive preparation of national accounts according to SCN 93 	<ul style="list-style-type: none"> Training seminar on SCN 93 organized ERETES module installed National accounts streamlined and published Membership in SGDD 	6903	16019	10709	71632	DISED	International expertise 3 m/h required Recruitment of 2 senior statisticians

Annex IV. Capacity Building Program for PRSP Monitoring and Evaluation

Capacity building follow-up evaluation of poverty								
Set out institutional framework pertinent and sustainable for the M&E of PRSP which guarantees the participation of all the stakeholders	<ul style="list-style-type: none"> • Formulation of institutional framework for the M&E • Formulation of plan action for the setting up of an M&E mechanism • Feasibility studies on the <i>Observatoire de Pauvreté</i> • Support for data collection to calculate indicators • Follow-up of the PIP • Workshops on the enhancement of the capacities of the M&E • Study tour, training and refresher courses 	Publication and dissemination of the findings of the M&E	28320	51330	31860	111510	DISED Cellule M&E	International expertise 24 m/h required

Annex V. Public Investment Program underpinning the PRSP (2004-06)

INTRODUCTORY NOTE TO THE PUBLIC INVESTMENT PROGRAM

The public investment program (PIP) presented below underpins the country's poverty reduction strategy paper (PRSP) over the period 2004-06. The projects included in the PIP reflect the activities and programs necessary to achieve the PRSP sectoral targets.

The Djibouti government will need to undertake a large investment program if it is to achieve the two priority development objectives set forth in the Economic and Social Orientation Law (2001-2010):

- achieve higher and sustainable economic growth; and
- fight against and substantially reduce poverty.

Development projects for which additional financing is to be secured cover economic and social sectors, aiming at improving economic infrastructure as well as the welfare of the population (housing, water and sanitation). Economic growth that does not bring along welfare improvement and that does not meet the needs of all population groups will not be sustainable and will not be able generate spillover effects in the economy and in the social fabric of the country. Even more so in a developing country like Djibouti that has to fight on two parallel fronts - economic and social. The Djibouti government grants central priority to the energy sector as it hinders private sector development and drags on the meager budget of poor households. Searching for alternative sources of energy becomes a necessity more than even in order to reduce production costs and poverty.

The total amount of the financing to be secured over the period 2004-2010 reaches 529,923 millions US \$, about 94 milliards FD, and its breakdown is as follows:

- 266,351 millions US \$ (47,336 milliards FDJ) in public investments needed to implement the PRSP and ;
- 263,572 millions US \$ (46,842 milliards FDJ) in potential private-public partnerships that will finance the development of alternative sources of energy.

The projections assume that 50 percent of the financing of the PIP to be secured, about 23,668 milliards FDJ, will be mobilized during the period 2004-06, out of which 20 percent will be mobilized in 2004, 35 percent in 2005, and 45 percent en 2006. The secured external financing for the implementation of the PIP over the period 2004-2006 amounts to 20,775 milliards FDJ, about 116,6 million US \$.

The breakdown of the PIP financing plan (including secured financing and financing to be secured) for the period 2004-06 is as follows:

In millions FDJ

Year	2004	2005	2006
Secured Financing	6 225	6 889	7 611
Financing to be secured	<i>4 734</i>	<i>8 284</i>	<i>10 651</i>
Total	10 959	15 173	18 262

PUBLIC INVESTMENT PROGRAM -SECURED FINANCING (2004 - 2006)

(In millions DF)

SECTORS	Donor	Fin.	Total Cost	Proj. 2004	Proj. 2005	Proj. 2006
AGRICULTURE, LIVESTOCK, FISHING				348	500	755
Food Security Program	IDB	LOAN	267	59	100	67
Food Security Program	IDB	GRANT	79	35	20	0
Fishing Development	ADB	GRANT	109	47	30	0
Fishing Port (Hygiene Labo)	ADB	LOAN	360	59	100	110
Rural Microfinance Development	FIDA	LOAN	665	59	100	250
Capacity building for livestock export	USAID	GRANT	712	59	100	250
Famine Early Warning System (FEWS)	USAID	GRANT	178	30	50	78
WATER				236	350	400
Water Program	JAPON	GRANT	1100	118	200	200
Construction of 23 wells	SDF	LOAN	750	118	150	200
ROADS AND PUBLIC WORKS				934	820	760
Djibouti-Galafi Road	IDA	LOAN	2665	237	350	0
Upgrading of urban roads (bypass)	EDF	GRANT	1800	177	300	500
Upgrading neighbourhood PK 12	AFD	GRANT	700	334	20	0
Construction of omnisports fields	China	GRANT	160	47	0	0
Public works for Art Institute and Mother & Child C.	China	GRANT	110	30	50	10
Rehabilitation works for People's Palace	China	GRANT	170	50	0	0
Equipment for National Press	OPEP	LOAN	557	59	100	250
URBAN INFRASTRUCTURE AND HOUSING				460	1031	500
Strategic Study on Sanitation	ADB	GRANT	140	30	90	0
Sanitation Neighbourhood 4	EDF	GRANT	1100	118	200	500
Social Housing (Mille)	FADES	LOAN	2944	178	532	0
Social Housing (Mille)	A. DHABI	LOAN	1432	134	209	0
SOCIAL PROTECTION				386	600	924
ADETIP (Public Works)	IDA	LOAN	1,800	237	350	550
Social Development Fund(SDF)	ADB	LOAN	1778	119	200	300
Support to the Ministry of Women's Affairs	ADB	GRANT	174	30	50	74
EDUCATION				2197	1943	2827
Education II (constr. primary and sec.school)	ADB	LOAN	3000	118	250	0
Education III (cons.primary and sec.schools)	ADB	LOAN	1373	20	200	550
Construction of schools and technical institute	IDB	LOAN	938	59	200	300
Upgrading school capacity	IDA	LOAN	1777	250	0	0
Construction of schools and technical institute	FADES	LOAN	2310	100	200	900
Construction of schools and institutes	FSD	LOAN	1244	100	200	400
Construction of primary and sec. Schools	JAPON	GRANT	1300	800	200	164
Equitable access to primary education	USAID	GRANT	1780	400	200	200
Construction of schools and institutes	AFD	GRANT	540	216	186	20
Support to the University Pole (PASDED II)	France	GRANT	270	59	100	70
Girls literacy	IDB	LOAN	235	36	82	98
Increase in girls' enrollment rates	UNICEF	GRANT	75	15	25	25
Equipments CRIPEN	OPEP	LOAN	240	24	100	100
HEALTH				1029	1043	1149
Health projects	WHO	GRANT	300	65	110	110
Health projects	UNFPA	GRANT	300	59	100	100
RHB Peltier Hospital	France	GRANT	540	56	94	0
Capacity Building for Health Ministry	IDA	LOAN	2,670	250	250	400
Fight against VIH/AIDS	IDA	GRANT	2,136	150	250	300
Health Equipment	USAID	GRANT	2,136	426	200	200
Health projects	UNICEF	GRANT	157	23	39	39
ECONOMIC MANAGEMENT				635	602	296
Population Census	UNFPA	GRANT	200	50	75	75
Support to the Court of Audit	ADB	GRANT	272	50	52	0
Support to the Court of Audit	ACBF	GRANT	193	57	0	0
Support to the State Inspectorate Office	ACBF	GRANT	231	60	80	91
Formulation of National Energy Plan	IDA	GRANT	66	66	0	0
Support to good governance	UNDP	GRANT	100	39	43	0
Support to poverty reduction	UNDP	GRANT	100	34	62	0
Support to the reintegration of demobilised soldiers	UNDP	GRANT	79	79	0	0
Support to demobilised soldiers	EDF	GRANT	320	100	160	0
Rehabilitation of damaged zones	EDF	GRANT	400	100	130	130
TOTAL				6,225	6,889	7,611

PUBLIC INVESTMENT PROGRAM
(FINANCING TO BE SECURED)

(In million US\$)

SECTOR	TOTAL COST
Water:	33.065
Rural	25.660
Urban	7.405
Sanitation	22.262
Housing	50.205
Environment	1.451
Energy (Electricity)	4.000
Justice	7.020
Agriculture	25.600
Fishing	3.000
Livestock	1.200
Gender	15.565
Road Infrastructure	42.000
Poverty Reduction	25.000
Tourism	0.980
Education	35.003
TOTAL	266.351

NB: it is assumed that 50 percent of the total financing to be secured (about 133 million \$ US) should materialize over the period 2004-06

Public-Private Partnerships	263.572
- Wind Energy	149.85
- Energy- Environment (Biomass)	100.000
-Telecommunications (ICT)	13.722

Note: In view that the materialization of the potential sources of finance under public-private partnerships remain uncertain, the macroeconomic framework of the PRSP (2004-06) does not take these into account

OVERALL TOTAL	529.923
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PUBLIC INVESTMENT PROGRAM: FINANCING TO BE SECURED- BY SECTOR

SECTOR : PRIMARY EDUCATION

In million US\$

PROJECT TITLE	PROJECT OBJECTIVES	INVESTMENT COST
Construction of new schools	Expansion of access to education	3.361
Increase girls' rate of enrolment in poor neighborhoods	Greater Equity through the reduction of gender and income disparities Renforcement de l'équité par la réduction des disparités genre et entre milieux socio-économiques	1.052
Education reform (selection tests and reduction in the price of textbooks)	Improve quality and relevance of education	2.943

SECTOR : LOWER SECONDARY EDUCATION -(GENERAL AND VOCATIONAL TRAINING)

PROJECT TITLE	PROJECT OBJECTIVES	INVESTMENT COST
Scholarships for girls living in poor neighborhoods	Greater Equity through the reduction of gender and income disparities Renforcement de l'équité par la réduction des disparités genre et entre milieux socio-économiques	0.52
Strengthening education personnel and materials	Improve quality and relevance of education	2.33

SECTOR: HIGHER EDUCATION - (GENERAL AND VOCATIONAL TRAINING)

PROJECT TITLE	PROJECT OBJECTIVES	INVESTMENT COST
Girls' participation in technical and scientific training	Greater Equity through the reduction of gender and income disparities Renforcement de l'équité par la réduction des disparités genre et entre milieux socio-économiques	0.52
Teacher recruitment	Improve quality and relevance of education	0.6

SECTOR : TERTIARY EDUCATION

PROJECT TITLE	PROJECT OBJECTIVES	INVESTMENT COST
Construction of National University	Expand access to tertiary education	19.626

SECTOR : EDUCATION - STRENGTHENING INSTITUTIONAL CAPACITY

PROJECT TITLE	PROJECT OBJECTIVES	INVESTMENT COST
Capacity building (materials and training of personnel)	Improve management capacity to implement the education reform agenda and strengthen M& E	1.782
Capacity building	Improve information system in MENESUP	0.97
Maintenance of education infrastructure	Improve maintenance of education infrastructure and equipment	1.015
Private Education	Increase private sector participation in primary education	0.284

Total		35.003
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SECTOR : SOCIAL PROTECTION : ADETIP PROJECT

In millions US\$

TITLE	PROJECT OBJECTIVES	INVESTMENT COST
Public Works	Support to Decentralization Public Works Rehabilitation of basic social infrastructure Promotion of labor-intensive public works	15.000
Total		15.000

SECTOR : SOCIAL PROTECTION- SOCIAL REINTEGRATION PROJECT

INTITULE	PROJECT OBJECTIVES	INVESTMENT COST
Social reintegration of young drop-outs from 16 to 25 year-old	Promote knowledge society by learning discipline, respect to others and professional ethics Provide professional training	10.000
Total		10.000
OVERALL TOTAL		25.000

SECTOR : AGRICULTURE

In million US\$

PROJECT TITLE	PROJECT OBJECTIVES	INVESTMENT COSTS
Integrated Rural Development Project in the six districts	Ensure food security	3
Integrated upgrading of the Ambouli River Basin	Water Resource Mobilization	20
Study on Integrated upgrading of the Ambouli River Basin	Water Resource Mobilization	1.7
Rehabilitation of Training Center- Agro-pastoral PK 20 and agriculture extension services	Agricultural knowledge transfer	0.9
Total		25.600

SECTOR : LIVESTOCK

In million US\$

TITLE	PROJECT OBJECTIVES	INVESTMENT COST
Livestock development project	Develop livestock sector	0.9
Promotion of livestock in peri-urban areas (promotion of small livestock, small dairy units)	Develop livestock sector	0.3
Total		1.200

SECTEUR: FISHERIES

In million US\$

PROJECT TITLE	PROJECT OBJECTIVES	INVESTMENT COST
Increase fishermen's income levels	Promote new sources of growth and the creation of jobs	3
	-Strengthening organisational capacity	0.3
	-Rehabilitate fishing materials and equipment	0.5
	-Expand means of production	2
	-Training and knowledge transfer	0.2
Total		3.000

SECTOR : SANITATION

In million US\$

PROJECT TITLE	PROJECT OBJECTIVES	INVESTMENT COSTS
Assainissement des quartiers populaires	Rain water sewage and sanitation facilities in neighbourhoods	9.105
travaux d'urgence	Rehabilitation of sewage network	3.340
	- Salines Ouest	0.337
	-Siesta-Plaine-République-Boulaos	0.786
	- Stade/Station des abattoirs	1.348
	-Q7 Sud	0.420
	- Sheraton Hotel	0.112
	-Cité Luxembourg	0.337
Construction des collecteurs pluviaux	Build rain water harvesting in Avenue 26, Venise road and waste collection	2.865
Réhabilitation des stations de pompage et d'épuration	Rehabilitation of sanitation stations	2.9725
	- Pumping Stations	2.131
	- Stations for waste treatment and disposal	0.8415
Assainissement des villes des Districts	Secondary cities (Ali Sabieh,Tadj,Dikhil,Obock): Undertake projects VRD	3.9795
Total		22.262

SECTOR : WATER - URBAN AREAS

In million US\$

PROJECT TITLE	PROJECT OBJECTIVES	INVESTMENT COST
Water Network densification and expansion in the neighbourhoods	Improve water access in urban poor peripheries	1.992
	- Densification of Djebel network	0.05
	- Densification & expansion of Balbala network	0.825
	- Social connection Campaign	1.017
	- Densification of PK 12 network	0.1
Development of new water resources	Improve water provisioning in rural towns	5.413
Total		7.405

SECTOR : WATER - RURAL AREAS

In million US\$

TITLE	PROJECT OBJECTIVES	INVESTMENT COSTS
Improve knowledge of water resources (in terms of quantity, quality and distribution)	Sustainable management of water resources in Djibouti	1.16
	- Setting up of a Research Observatory on Hydrological Cycle	0.4
	- Quantification of available resources	0.15
	- Inventory and cartography of water points	0.5
	- Setting up decision-making tools	0.05
	- Upgrading water information system	0.06
Water provisioning in the four cities of the Districts	National coverage of rural water points and preservation of water quantity	0.9
Rehabilitation of water points and public water systems	Upgrading hydraulic infrastructures in 10 rural villages	0.36
Construction of wells and pumping stations	National coverage of rural water points and preservation of water quantity	2.49
	- 10 pumping stations	1
	- 137 wells to be rehabilitated	0.31
	- 70 wells to be built	0.47
	- Background Study	0.5
- Project Training	0.21	
Construction of dams, drilling and ground cisterns	National coverage of rural water points: surface water mobilisation	0.3
Maintenance : Rehabilitation of drilling-rig and materials park	Improve poor's access to water: ensure sustainability of rural hydraulic infrastructure	0.45
Seawater Desalination Unit	Increase provision of clean and safe drinking water	20
Total		25.660

SECTOR : ENVIRONMENT

In million US\$

TITLE	PROJECT OBJECTIVES	INVESTMENT COST
Local development: roadmap	Roadmap for regional development	0.22
Local development: waste management and fight against sea pollution	Improve waste management in urban areas	0.45
	- Education and awareness campaigns	0.11
	- Development of recycling units	0.22
	- Study on sea pollution	0.12
Rural Development: biodiversity protection and tourism	Rehabilitation of deteriorated ecosystems	0.781
Total		1.451

SECTOR: GENDER

in millions US\$

PROJECT TITLE	PROJECT OBJECTIVES	INVESTMENT COST
Institutional Capacity Strengthening Project (support to the Ministry, inter-ministerial cooperation, partnership with NGOs)	Improve institutional capacity in the Ministry of Women's Affairs	8.776
Sectoral Programs	-Equal and Equitable Participation of men and women in decision-making - ensure consistency and enforcement of the legal framework - ensure that all women have knowledge on legal matters	0.678
Women's participation in the health system	Improve women's health throughout her life cycle	1.054
Women's participation in education	Improve the level of education of women and young girls	4.204
Women's participation in economic activities	Contribute to poverty reduction through specific measures and ensure women's access to employment opportunities	0.853
Total		15.565

SECTEUR : HOUSING

In million US\$

PROJECT TITLE	PROJECT OBJECTIVE	INVESTMENT COSTS
Upgrading of 5 000 plots of land in Balbala	Improving access by low income groups to land and housing	14.500
Construction of 2000 housing dwellings on the 5 000 land plots	Improving access by low income groups to land and housing	6.000
Barwaqo : phase II	Improving access by low income groups to land and housing	4.200
Construction of 820 housing dwellings in the Districts	Improving access by low income groups to land and housing	18.800
Solid Waste Management	Solid Waste Management	6.705
Total		50.205

SECTOR : ROAD INFRASTRUCTURE

In million US\$

PROJECT TITLE	PROJECT OBJECTIVES	INVESTMENT COST
Rehabilitation of RN 14 Road : Tadjourah – Obock (62 Km)	improve transport services to rural areas, connect the North region with the rest of the country, increase income levels of rural populations and control rural exodus	25
Upgrading RN18 Road linking Djibouti-Hol Hol- Dassbiyo- Ali Sabieh (75 Km)	ensure permanent road links with Ethiopia, improve transport services to rural areas, contribute to the development of regions in the countryside	17
Total		42.000

SECTOR : ENERGY (ELECTRICITY)

In million US\$

TITLE	PROJECT OBJECTIVES	INVESTMENT COSTS
Electricity provisioning to PK 12 and Damerjog	Construction of power network in the urban periphery and electrification of poor neighbourhoods	4
Total		4.000

SECTOR: TOURISM

In million US\$

PROJECT TITLE	PROJECT OBJECTIVES	INVESTMENT COST
Construction of 2 stop-over shelters in Lac Assal and Ras Siyan	The stop-over shelters will contribute to improve the touristic potential of the countryside promoting the creation of new infrastructure and employment-generating activities (eg. arts and crafts)	0.42
Creation of Aquarium tropical	objectif culturel (constituer des collections de poissons, coquillages et coraux de grande qualité), objectif touristique (mettre en valeur la richesse de nos fonds sous-marins) et objectif scientifique (accueillir des nombreux chercheurs pour mener des études et observations de la faune corallienne).	0.56
Total		0.980

SECTOR : JUCIDIARY AND HUMAN RIGHTS

In million US\$

PROJECT TITLE	PROJECT OBJECTIVES	INVESTMENT COST
Expansion and Rehabilitation of the Palace of Justice; Rehabilitation of the Civil Prison in Gabode; Construction of Courts in the districts and a Training Center for prisoners	Improve working conditions of judges, protect prisoners' rights and make justice more accessible to the citizens in all the districts	7.020
	- Rehabilitation and expansion of the Palace of Justice	3.932
	- Construction of Courts in the districts	2.808
	- Rehabilitation of the Prison and Training Center	0.280
Total		7.020

OTHER FINANCING TO BE SECURED THROUGH POTENTIAL PUBLIC-PRIVATE PARTNERSHIPS

SECTOR : ENERGY (ELECTRICITY)

		In million US\$
TITLE	PROJECT OBJECTIVES	INVESTMENT COSTS
Interconnexion with Ethiopia	Reduce electricity costs	20.4
Wind Energy in Assal	Promote alternative sources of energy	100.15
	- Identification and Feasibility Study	0.15
	- Acquisition of wind-generators	100
Geothermal Study	Promote alternative sources of energy	9.5
Interconnexion Assal-Djibouti	Promote alternative sources of energy	19.8
Interconnexion Yemen-Djibouti	Promote alternative sources of energy	
Total		149.85

SECTOR :ENERGY-ENVIRONMENT

Solid Waste Management (household waste)	Solid waste treatment and promotion of alternative sources of energy (biomass)	100
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SECTOR : TELECOMMUNICATIONS

		In millions US\$
TITLE	PROJECT OBJECTIVES	INVESTMENT COSTS
1 :Core activities aiming at strengthening the ICT sector	Develop core activities needed to strengthen the ICT sector	0.99
2 : Ensuring access for all to information society	Develop new information technologies	4.172
3 : Human resource and research development – ICT in education, training and research	Develop new information technologies	2.835
4 : Modernisation and strengthening of public health system	Develop new information technologies	0.4
5 : State modernisation through the use of ICT	Develop new information technologies	3
6 : Strengthening of institutional and legal capacity	Develop new information technologies	0.14
7 : Strengthening the use of ICT in the private sector and the creation of a regional hub as well as an international center of financial services	Develop new information technologies	1.145
8 : Development of numeric content and visibility of the Republic of Djibouti in the web.	Develop new information technologies	.....
9 : Information management system on environment, famine and other natural disasters	Develop new information technologies	1.04
Total		13.722
OVERALL TOTAL		263.572

*Annex VI. Medium-Term Macroeconomic Framework underpinning the PRSP
(2004-06)*

PRSP MACROECONOMIC FRAMEWORK

ASSUMPTIONS FOR THE 2004-06 PROJECTIONS

The projected average real rate of growth of gross domestic product (GDP) is 4.6 percent over the 2004-2006: 4.1 percent in 2004; 4.6 percent in 2005 and 5.2 percent in 2006. These rates are based on the volume of investment realized in various sectors, as well as on their beneficial impacts expected from the rest of the economy.

I – Real Sector

1 – Agriculture / Livestock / Fishing

This sector follows its historical growth trends until 2003. Starting from 2004, the anticipated economic recovery in the sector is explained by the impact of on-going projects such as the PSSA (Food Security Program) which aims at improving agricultural yields, the Program to promote fishing exports, and the Program for animal health and husbandry with the creation of the center for livestock exports.

The projected rate of growth for the primary sector is 4.5 percent in 2004 and improves gradually to reach 5.5 percent in 2005 and in 2006.

2- Extractive and mining industry

This sector includes essentially industrial production. Exports are increasing rapidly (over 10 percent on average in the past two years).

Given the resource endowment and production potential on the one hand, and the measures introduced in 2002 to regulate the sector and promote its semi-industrialization on the other hand, the expected growth for the sector could continue at 10 percent on average over the projected period. To this performance should be added the production to be generated by the three new industrial companies (cement, stones and ceramics, and mineral water).

3- Manufacturing industries

Sector growth is expected to increase based on measures aimed at developing small and medium scale enterprises with funding from programs such as the Economic Development Fund and various poverty alleviation programs (micro-finance). The growth rates for the manufacturing sector is estimated at 5 percent in 2004, and projected at 6 percent in 2005 and in 2006.

4- Electricity and water

On the one hand, this sector is linked to the public investment program, and on the other hand, to the increased industrial demand from domestic consumers. Many investment programs are being implemented or have been planned, which are expected to have a significant growth impact for the sector. Some of these programs are as follows:

- Water Program financed by Japan;
- Water Program financed by the Saudi Fund;
- Water and sanitation Program financed by the European Development Fund;
- Development projects to increase EDD's production capacity (power);

The projected rates of growth for the sector are slightly high at 4 percent in 2004, 5 percent in 2005 and in 2006.

5- Construction and public works (CPW)

The performance of the sector is mainly linked to the public investment program (PIP). The large majority of projects included in the PIP have a CPW component. Numerous construction programs have started in 2003, and others are scheduled for 2004.

- Construction of 1,000 social housing units, in addition of the second phase planned for 2005 ;
- International Corridor Djibouti-Galafi ;
- Rehabilitation Program for urban roads ;
- Construction Program for water wells;
- Construction Program for rural roads (ADETIP).

The growth rate for the sector increases progressively, based on the increased public investment program, going from 6.5 percent in 2004 to 7.5 percent in 2005 and in 2006.

6- Commerce, restaurants & hotels

This sector is expected to be pulled up by the dynamism and growth of the modern economy. Projected rates of growth are 5 percent in 2004, and 5.5 percent in both 2005 and 2006.

7- Transports et Telecommunications

7.1 Transports

This sector is the engine of the national economy. Several on-going programs of reforms and investment projects are expected to have a significant growth impact on transports.

- The Port :

- The increase of transshipment activities at the port with the arrival of two new shipping companies, namely PIL and MESSINA in 2003;
- The increase of the port traffic toward Ethiopia is linked mainly to the international food aid program ;
- The implementation of the pilot program for the Commercial Zone (Zone Franche) in March 2003, which should have a significant impact on commercial activities of the Port of Djibouti;
- The construction of a bulk Terminal which is planned for 2004, and expected to improve the capacity and efficiency for handling bulk merchandises;
- The construction of oil and petroleum Terminal which is planned for 2005, and expected to increase significantly the volume and efficiency of transit for oil and petroleum products towards Africa.

- The Airport :

The intended reforms in the sector include the implementation of the open-sky policy, airport privatization and concession management, have translated into increased rate of growth through 2003.

The reform agenda will focus on:

- Establishment of an airport free-trade zone to develop sea-air trans-shipments and increase the growth of traffic;
- The modernization of the landing field should make the airport more attractive as a transit airport

- Roads:

Road traffic is intensified, the road construction program is also progressively been achieved (construction of Djibouti – Galafi Road) and as of 2004 the road construction program will also include the regional project Djibouti – Diré Dawa- Addis Abeba Road.

7.2 Telecommunications:

After a long period of stagnation, telecommunication traffic is increasing owing to the lowering of the tariffs and the introduction of GSM. Telecommunication traffic should continue growing in light of the planned investments in the sector (Optical Fiber Project) and the intended reforms aiming at liberalizing segments with high value added (cellular telephony, Internet) and the privatization and regulation of the sector.

- The transport and telecommunication sectors should grow at 6,5 percent on average during the period 2004-06 reflecting the growth dynamics of the Port, the Airport and Telecommunications.

8- Banking, Insurance and Real Estate

The sector will progress mainly value added generated by the Public Enterprises and by the Construction and Public Works sector. The growth rate is projected at over 3 percent over the period 2004-06.

II. Consolidated Fiscal Accounts: The Budget

1. Revenues

1.1 Tax Revenues

- Data provided by the Direction of Revenues
- Projections include the partial integration in the budget of the payments received for the use of the military base by the French Army (estimated at 2,294 milliards FDJ in 2003, 2,230 milliards in 2004-06).

1.2 Non Tax Revenues

- Projections include the integration in the budget of the rent payments received for the use of the military base by the US Army (estimated at 3,289 milliards FDJ in 2003 and 2,666 milliards FDJ over the period 2004-06).

1.3 Official Grants (en millions FDJ)

	2004	2005	2006
Grants to projects	3 505	3 031	3 045
Grants – budget support	1 100	964	964
Current Spending	5 064	5 433	5 043
Total Grants	9 669	9 428	9 052

2. Expenditures

2.1 Wages

- Demobilisation of 500 agents in 2004. Fiscal savings estimated at 128 millions FDJ.
- Retirement of eligible civil servants : fiscal savings estimated at 133 millions FDJ en 2004 et 101 millions FDJ en 2005 et 2006.
- Establishment of the single registry for the civil servants : fiscal savings estimated at 3 percent of the wage bill in 2005.
- Impact of new recruitments in the Education Sector: 500 millions FDJ in 2004 et 300 millions FDJ in 2005 and 2006.
- Impact of new recruitments in the Health Sector:: 200 millions FDJ in 2004 et 100 millions FDJ in 2005 et 80 millions FDJ in 2006.

2.2 Investment Expenditures

Investment expenditures will increase substantially between 2004-06 reflecting the large and urgent public investment needs set forth in the PRSP.

The public investment program underpins the Poverty Reduction Strategy Paper (PRSP) over the period 2004-06. The projects included in the PIP reflect the activities and programs necessary to achieve the PRSP sectoral targets.

Development projects for which additional financing is to be secured cover economic and social sectors, aiming at improving economic infrastructure as well as the welfare of the population (housing, water and sanitation).

The total amount of the financing to be secured reaches 529,923 millions US \$, about 94 milliards FD, and its breakdown is as follows:

- 266,351 millions US \$ (47,336 milliards FDJ) in public investments and ;
- 263,572 millions US \$ (46,842 milliards FDJ) in private-public partnerships.

The projections assume that 50 percent of the PIP financing to be secured, about 23,668 milliards FDJ, will materialize during the period 2004-06, out of which 20 percent will be mobilized in 2004, 35 percent in 2005, and 45 percent en 2006.

The breakdown of the PIP financing plan (including secured financing and financing to be secured) for the period 2004-06 is as follows:

In millions FDJ

Year	2004	2005	2006
Secured Financing	6 225	6 889	7 611
Financing to be secured	4 734	8 284	10 651
Total	10 959	15 173	18 262

2.2.1 Primary Balance

The primary balance will reach an average deficit of 4,8 percent of GDP over the period 2004-06. This high level of deficit is explained by the large size of the public investment program foreseen in the PRSP.

III. Monetary Sector

The assumptions in the monetary sector projections are as follows :

- Credit to the private sector should increase annually from 3,0 percent in 2004, to 3,3 percent in 2005 and to 3,6 percent in 2006.
- Broad money growth should be around 5 percent over the period 2004-06.
- Net foreign assets should increase at 4,3 percent of broad money over the period 2004-06.
- Demand and time deposits should increase on average at 2,0 percent and 2,1 percent of broad money over the period 2004-06.

IV. Balance of Payments

- Trade balance will reach a deficit equivalent to 43,2 percent of GDP in 2004 ; 50,5 percent in 2005 and 51,8 percent in 2006 owing to the surge on imports equivalent to 57,9 percent of GDP in 2004, 65,7 percent in 2005 et 67,6 percent in 2006. Exports are expected to improve slightly, increasing from 14,7 percent of GDP in 2004 to 15,9 percent of GDP in 2006.
- Current account balance will reach a deficit equivalent to 16,4 of GDP on average during the period 2004-06.

Macroeconomic Framework, Including only Financing Secured for the Realization of the Public Investment Program (2004–06)

Table 1. Djibouti: Selected Economic and Financial Indicators, 2000–06

	2000	2001	2002	2003 Est.	2004	2005	2006
					Proj.		
National income and prices							
Nominal GDP (in millions of Djibouti francs)	98,267	101,932	105,210	111,070	117,971	125,723	134,953
Nominal GDP (annual change in percent)	3.1	3.7	3.2	5.6	6.2	6.6	7.3
Real GDP (annual change in percent)	0.7	1.9	2.6	3.5	4.1	4.6	5.2
Saving/Investment gap	-7.2	-5.6	-6.8	-7.6	-10.0	-18.7	-20.5
Consumer prices (annual average) 1/	2.4	1.8	0.6	2.0	2.0	2.0	2.0
(In percent of GDP)							
Investment and Saving							
Investment	12.2	8.3	10.9	15.5	20.6	29.9	32.7
Saving							
Domestic saving	-7.4	-5.2	-4.5	-5.6	-4.0	-2.2	-0.9
National Saving	5.1	2.7	4.2	7.9	10.6	11.3	12.2
Consolidated government operations							
Total revenue and grants	31.0	28.2	29.4	34.2	35.0	33.5	32.4
Total expenditures	32.8	29.6	32.9	36.5	34.0	40.4	40.8
Overall balance (payment order basis)	-1.8	-1.4	-3.5	-2.3	1.0	-6.9	-8.4
Change in arrears (decrease -)	0.5	-0.6	-0.7	-2.7	-1.8	-1.7	-1.6
Overall balance (cash basis)	-1.3	-2.0	-4.2	-5.0	-0.8	-8.6	-10.0
Government domestic arrears (stock) 2/	29.6	28.9	27.8	25.1	23.2	21.5	19.9
(Change from preceding December; in percent of broad money) 3/							
Money and credit							
Broad money	1.1	7.5	15.7	17.8	5.0	5.4	4.4
Net foreign assets	-7.3	16.1	15.7	19.4	4.4	4.8	3.8
Net domestic assets	8.4	-8.6	0.0	-1.6	0.6	0.5	0.7
<i>Of which:</i>							
Claims on the central government (net)	1.2	1.1	2.8	0.5	-0.4	-0.6	-0.5
Claims on nongovernment sector	5.2	-8.2	-2.9	-1.2	1.0	1.1	1.2
(In millions of US dollars; unless otherwise indicated)							
External sector							
Current account	-39.7	-31.9	-40.0	-47.7	-66.6	-131.9	-156.0
Trade balance	-194.8	-187.4	-204.1	-249.3	-286.5	-357.1	-393.1
Transfers (net)	53.1	32.7	40.6	43.6	60.2	58.8	56.8
Capital account	30.7	10.2	34.9	59.8	80.0	97.8	114.5
Errors and omissions (including other private capital)	-9.1	61.7	55.0	53.1	5.8	9.9	2.3
Overall balance	-18.1	39.9	49.8	65.2	19.1	-24.2	-39.3
Memorandum items:							
Current account (in percent of GDP)	-7.2	-5.6	-6.8	-7.6	-10.0	-18.7	-20.5
Overall balance (in percent of GDP)	-3.3	2.9	8.4	10.4	2.9	-3.4	-5.2
Official external debt after rescheduling (in percent of GDP) 4/	66.9	65.2	66.8	68.3	66.9	66.2	65.2
Exchange rate							
Exchange rate (DF/US\$) end-of-period	177.7	177.7	177.7	177.7	177.7	177.7	177.7
Real effective exchange rate 5/ (End-year change in percent; depreciation -)	9.3	3.3	-8.4	-10.7	...	...	...

Sources: Djibouti authorities.

1/ Starting in 1999 actual data and projections for 2003 are based on the official CPI introduced in April 1999.

2/ Domestic arrears data include wage arrears, arrears to private and public suppliers for goods and services, and arrears to the pension

3/ Beginning in 1998, data include only three operating banks and exclude two closed banks which are being liquidated.

4/ Public- and publicly guaranteed debt of the central government and the public enterprise sector. Data reflect bilateral debt cancellation agreement signed in 1999, the terms of reference agreed between the members of the Paris Club and the Djibouti authorities for the period 2000-02 and the terms of reference agreed between the Saudi Development Fund and the Djibouti authorities for the period 2001-06.

5/ Data available through June 2003.

Table 2. Djibouti: Central Government Fiscal Operations, 2000-04
(In millions of Djibouti francs)

	2000	2001	2002	2003 Est.	2004 Budget	2005 Proj.	2006
Revenues and grants	30,467	28,774	30,947	37,962	41,292	42,127	43,750
Total revenue	23,969	23,702	24,720	31,220	31,623	32,699	34,698
Fiscal revenue	21,099	20,862	22,164	25,222	25,851	26,839	28,751
Direct taxes	8,780	9,248	9,804	10,281	10,705	11,295	11,931
Indirect taxes	12,319	11,614	12,360	14,941	15,146	15,544	16,819
<i>Of which</i> : from military agreement with France 1/	...	...	1,157	2,294	2,230	2,230	2,230
Non-tax receipts	2,870	2,840	2,556	5,998	5,773	5,860	5,947
<i>Of which</i> : rental payments for U.S. military base	0	0	0	3,289	2,666	2,666	2,666
Grants	6,498	5,072	6,227	6,742	9,669	9,428	9,052
<i>Of which</i> : non-earmarked grants	1,020	876	1,042	1,350	1,100	964	964
<i>Of which</i> : project related grants	1,633	881	1,799	849	3,505	3,031	3,045
Total expenditure	32,204	30,215	34,660	40,490	40,114	50,785	55,095
Current expenditure	29,564	27,688	29,965	33,054	33,151	32,930	33,493
Wages and salaries 2/	14,609	14,804	14,721	15,819	15,943	15,764	16,143
Goods and services 3/	5,991	4,709	6,544	7,992	7,421	7,659	7,962
<i>Of which</i> : foreign financed military expenditures	360	360	360	1,517	1,517	1,517	1,517
Maintenance	715	515	606	480	650	706	850
Transfers	3,762	3,533	3,717	4,203	4,350	4,268	4,350
Interest	463	301	239	389	535	617	662
Foreign-financed development programs	4,024	3,826	3,774	3,471	3,902	3,916	3,526
Consolidation "Accord de Paix"	0	0	363	700	350	0	0
Investment expenditure	2,640	2,527	4,695	7,436	6,962	17,855	21,602
Domestically-financed	531	709	1,371	2,224	1,619	2,682	3,340
Foreign-financed 4/	2,109	1,818	3,324	5,212	5,344	15,173	18,262
Overall balance (payment-order basis, including grants)	-1,737	-1,441	-3,713	-2,528	1,178	-8,658	-11,345
Change in arrears (cash payments = -)	466	-605	-695	-3,031	-2,165	-2,200	-2,200
<i>Of which</i> : Domestic arrears	308	-631	-658	-3,065	-2,165	-2,200	-2,200
Overall balance (cash basis)	-1,271	-2,046	-4,408	-5,558	-987	-10,858	-13,545
Financing	1,271	2,046	4,407	5,468	1,005	2,629	3,337
Domestic financing	645	598	1,578	211	-415	-459	-459
Bank financing	645	598	1,578	307	-319	-459	-459
Central bank	602	579	146	476	-131	-100	-100
Commercial banks	43	19	1,432	-169	-187	-359	-359
Nonbank financing	0	0	0	-96	-96	0	0
External financing	626	1,447	2,829	5,257	1,420	3,088	3,796
Net borrowing	626	1,447	2,829	5,257	1,420	3,088	3,796
Disbursements	1,015	1,808	3,494	5,697	2,194	3,858	4,566
Amortization payments	-389	-361	-665	-440	-774	-770	-770
Financing gap	0	0	0	90	-18	8,229	10,208
Memorandum items:							
Domestic fiscal balance 5/	-1,569	-301	-2,128	930	2,450	2,520	2,908
excl. military-related receipts from the U.S. and France	...	...	-3,285	-4,653	-2,446	-2,376	-1,988
Domestic revenue	23,969	23,702	24,720	31,220	31,623	32,699	34,698
excl. military-related receipts from the U.S. and France	...	...	23,563	25,637	26,727	27,803	29,802
Domestically-financed expenditures	25,538	24,003	26,848	30,290	29,174	30,179	31,790
(in percent of total expenditure)	79.3	79.4	77.5	74.8	72.7	59.4	57.7
Current expenditure	25,007	23,294	25,477	28,066	27,555	27,497	28,450
Recurrent charges	...	...	...	...	170	714	864
Other current expenditure	...	...	...	...	27,385	26,783	27,586
Investment expenditure	531	709	1,371	2,224	1,619	2,682	3,340
Grants in percent of total government revenue	21.3	17.6	20.1	17.8	23.4	22.4	20.7

Table 2. Djibouti: Central Government Fiscal Operations, 2000–04
(In percent of GDP)

	2000	2001	2002	2003 Est.	2004 Budget	2005 Proj.	2006 Proj.
Revenues and grants	31.0	28.2	29.4	34.2	35.0	33.5	32.4
Total revenue	24.4	23.3	23.5	28.1	26.8	26.0	25.7
Fiscal revenue	21.5	20.5	21.1	22.7	21.9	21.3	21.3
Direct taxes	8.9	9.1	9.3	9.3	9.1	9.0	8.8
Indirect taxes	12.5	11.4	11.7	13.5	12.8	12.4	12.5
<i>Of which</i> : from new military agreement with France 1/	...	...	1.1	2.1	1.9	1.8	1.7
Non-tax receipts	2.9	2.8	2.4	5.4	4.9	4.7	4.4
<i>Of which</i> : rental payments for U.S. military base	0.0	0.0	0.0	3.0	2.3	2.1	2.0
Grants	6.6	5.0	5.9	6.1	8.2	7.5	6.7
<i>Of which</i> : non-earmarked grants	1.0	0.9	1.0	1.2	0.9	0.8	0.7
<i>Of which</i> : project related grants	1.7	0.9	1.7	0.8	3.0	2.4	2.3
Total expenditure	32.8	29.6	32.9	36.5	34.0	40.4	40.8
Current expenditure	30.1	27.2	28.5	29.8	28.1	26.2	24.8
Wages and salaries 2/	14.9	14.5	14.0	14.2	13.5	12.5	12.0
Goods and services 3/	6.1	4.6	6.2	7.2	6.3	6.1	5.9
<i>Of which</i> : foreign financed military expenditures	0.4	0.4	0.3	1.4	1.3	1.2	1.1
Maintenance	0.7	0.5	0.6	0.4	0.6	0.6	0.6
Transfers	3.8	3.5	3.5	3.8	3.7	3.4	3.2
Interest	0.5	0.3	0.2	0.4	0.5	0.5	0.5
Foreign-financed development programs	4.1	3.8	3.6	3.1	3.3	3.1	2.6
Consolidation "Accord de Paix"	0.0	0.0	0.3	0.6	0.3	0.0	0.0
Investment expenditure	2.7	2.5	4.5	6.7	5.9	14.2	16.0
Domestically-financed	0.5	0.7	1.3	2.0	1.4	2.1	2.5
Foreign-financed 4/	2.1	1.8	3.2	4.7	4.5	12.1	13.5
Overall balance (payment-order basis, including grants)	-1.8	-1.4	-3.5	-2.3	1.0	-6.9	-8.4
Change in arrears (cash payments = -)	0.5	-0.6	-0.7	-2.7	-1.8	-1.7	-1.6
Domestic arrears	0.3	-0.6	-0.6	-2.8	-1.8	-1.7	-1.6
Overall balance (cash basis)	-1.3	-2.0	-4.2	-5.0	-0.8	-8.6	-10.0
Financing	1.3	2.0	4.2	4.9	0.9	2.1	2.5
Domestic financing	0.7	0.6	1.5	0.2	-0.4	-0.4	-0.3
Bank financing	0.7	0.6	1.5	0.3	-0.3	-0.4	-0.3
Nonbank financing	0.0	0.0	0.0	-0.1	-0.1	0.0	0.0
External financing	0.6	1.4	2.7	4.7	1.2	2.5	2.8
Disbursements	1.0	1.8	3.3	5.1	1.9	3.1	3.4
Amortization payments	-0.4	-0.4	-0.6	-0.4	-0.7	-0.6	-0.6
Residual/Financing gap	0.0	0.0	0.0	0.1	0.0	6.5	7.6
<u>Memorandum items:</u>							
Domestic fiscal balance 5/	-1.6	-0.3	-2.0	0.8	2.1	2.0	2.2
excl. military-related receipts from the U.S. and France	...	...	-3.1	-4.2	-2.1	-1.9	-1.5
Domestic revenue	24.4	23.3	23.5	28.1	26.8	26.0	25.7
excl. military-related receipts from the U.S. and France	...	...	22.4	23.1	22.7	22.1	22.1
Domestically-financed expenditures	26.0	23.5	25.5	27.3	24.7	24.0	23.6
Current expenditure	25.4	22.9	24.2	25.3	23.4	21.9	21.1
Recurrent charges	...	...	...	...	0.1	0.6	0.6
Other current expenditure	...	...	...	...	23.2	21.3	20.4
Investment expenditure	0.5	0.7	1.3	2.0	1.4	2.1	2.5
GDP at market prices (in millions of Djibouti Francs)	98,267	101,932	105,210	111,070	117,971	125,723	134,953

Sources: Djibouti authorities.

1/ 2002 staff estimates.

2/ Includes severance payments to military personnel being demobilized.

3/ Includes foreign-financed military expenditure.

4/ For 2004, compared to PIP table in appendix V, excluding DF4.7 billion in financing to be secured as well as DF881 million in financing secured after approval of the 2004 budget by parliament.

5/ Total revenue (excluding grants) less total domestically-financed current and capital expenditures.

Table 3. Djibouti: Monetary Survey and Banking Sector Indicators, 2000–06 1/

	2000	2001	2002	2003	2004	2005	2006
					Proj.		
(Stocks at end-period; in millions of Djibouti francs)							
Broad money	52,608	56,569	65,437	77,057	80,920	85,266	89,053
Currency in circulation	9,207	9,370	10,188	11,113	11,803	12,520	13,226
Deposits	43,401	47,199	55,249	65,944	69,117	72,746	75,827
Demand deposits	18,704	19,275	25,327	31,737	33,264	35,011	36,493
Djibouti francs	13,273	13,688	16,304	22,787	23,883	25,137	26,202
Foreign currency	5,431	5,587	9,023	8,950	9,381	9,873	10,291
Time deposits	24,697	27,924	29,922	34,207	35,853	37,735	39,334
Djibouti francs	4,801	7,161	8,820	13,052	13,680	14,398	15,008
Foreign currency	19,896	20,763	21,102	21,155	22,173	23,337	24,325
Net foreign assets	29,945	38,412	47,269	59,952	63,343	67,264	70,494
Central bank	9,346	9,425	10,238	13,780	14,842	15,907	16,958
Assets	12,013	12,496	13,245	17,940	18,876	19,725	20,442
Liabilities	2,667	3,071	3,012	4,165	4,034	3,819	3,483
Commercial banks	20,599	28,987	37,031	46,172	48,502	51,358	53,536
Assets	29,507	35,873	44,681	52,636	55,030	57,951	60,196
Liabilities	8,908	6,886	7,650	6,464	6,529	6,594	6,660
Net domestic assets	22,663	18,157	18,168	17,105	17,577	18,002	18,559
Claims on government (net)	2,402	2,959	4,537	4,845	4,526	4,068	3,609
Central bank	2,378	2,916	3,062	3,539	3,408	3,308	3,208
Commercial banks	24	43	1,475	1,306	1,119	760	402
Claims on nongovernment sector	32,953	28,656	27,003	26,226	27,016	27,900	28,916
Public enterprises	1,540	1,758	1,374	1,259	1,297	1,339	1,388
Private sector	31,413	26,898	25,629	24,967	25,719	26,561	27,528
<i>Of which:</i>							
In foreign currency	11,014	6,522	6,375	6,801	7,006	7,235	7,499
Capital accounts	-10,263	-10,432	-10,483	-10,477	-10,483	-10,477	-10,483
Other items (net)	-2,429	-3,026	-2,889	-3,489	-3,483	-3,489	-3,483
(Change from preceding December; in percent of broad money)							
Broad money	1.1	7.5	15.7	17.8	5.0	5.4	4.4
Currency in circulation	-0.2	0.3	1.4	1.4	0.9	0.9	0.8
Demand deposits	-4.4	1.1	10.7	11.3	2.0	2.2	1.7
Time deposits	5.7	6.1	3.5	7.6	2.1	2.3	1.9
Net foreign assets	-7.3	16.1	15.7	19.4	4.4	4.8	3.8
Central bank	-1.4	0.2	1.4	5.4	1.4	1.3	1.2
Commercial banks	-5.8	15.9	14.2	14.0	3.0	3.5	2.6
Net domestic assets	8.4	-8.6	0.0	-1.6	0.6	0.5	0.7
Claims on government (net)	1.2	1.1	2.8	0.5	-0.4	-0.6	-0.5
Claims on nongovernment sector	5.2	-8.2	-2.9	-1.2	1.0	1.1	1.2
Capital accounts	1.9	-0.3	-0.1	0.0	0.0	0.0	0.0
Other items (net)	0.0	-1.1	0.3	-0.9	0.0	0.0	0.0
Memorandum items:							
Broad money growth (percent from previous December)	1.1	7.5	15.7	17.8	5.0	5.4	4.4
Credit growth to nongovernment (percent from previous December)	8.9	-13.0	-5.8	-2.9	3.0	3.3	3.6
Money multiplier	5.3	5.4	5.7	5.1	5.1	5.1	5.0
Velocity of broad money	1.9	1.8	1.6	1.4	1.5	1.5	1.5
Currency board cover							
GFA (percent of currency outside banks)	122.3	122.6	120.6	153.0	151.6	149.4	146.5
GFA (percent of money plus govt. deposits)	115.0	115.9	114.9	113.8	113.1	112.4	110.5

Sources: Djibouti authorities.

1/ Since 1998, the monetary survey data and projections cover three operating commercial banks and exclude data for the two commercial banks currently under liquidation.

Table 4. Djibouti: Balance of Payments, 2000–06

(In millions of U.S. dollars; unless otherwise indicated)

	2000	2001	2002	2003 Est.	2004	2005 Proj.	2006
Current account (including grants)	-39.7	-31.9	-40.0	-47.7	-66.6	-131.9	-156.0
Trade balance	-194.8	-187.4	-204.1	-249.3	-286.5	-357.1	-393.1
Exports, f.o.b.	75.4	75.7	82.5	89.0	97.5	108.0	120.6
<i>Of which:</i>							
Locally produced goods	14.4	14.0	15.3	17.0	18.9	20.0	20.9
Imports, f.o.b.	270.3	263.1	286.6	338.3	384.0	465.1	513.7
<i>Of which:</i>							
For domestic use 1/	205.4	203.0	220.9	269.0	310.4	388.0	433.1
Services and income (net)	102.0	122.8	123.4	157.9	159.7	166.3	180.2
Services (net)	86.2	110.1	113.0	117.2	122.8	130.1	137.7
Credit	167.9	186.4	189.9	199.6	212.9	225.7	239.6
Debit	-81.6	-76.3	-76.9	-82.4	-90.2	-95.6	-101.9
Income (net)	15.8	12.6	10.4	40.8	37.0	36.2	42.6
Credit	25.2	24.4	22.2	53.7	49.3	50.0	56.0
Debit	-9.4	-11.7	-11.8	-12.9	-12.3	-13.8	-13.5
Unrequited transfers	53.1	32.7	40.6	43.6	60.2	58.8	56.8
Private (net)	-6.9	-5.9	-3.7	-3.7	-3.5	-3.3	-3.1
Official (net)	60.0	38.6	44.4	47.3	63.7	62.2	59.9
<i>Of which:</i>							
Budgetary support	27.8	28.5	35.0	37.9	54.4	53.0	50.9
Capital account	30.7	10.2	34.9	59.8	80.0	97.8	114.5
Foreign direct investment 2/	3.3	2.2	5.0	21.4	63.1	75.4	90.1
Public sector (net)	27.4	7.9	29.9	38.3	16.9	22.4	24.4
Errors and omissions (including other private capital)	-9.1	61.7	55.0	53.1	5.8	9.9	2.3
Overall balance (deficit -)	-18.1	39.9	49.8	65.2	19.1	-24.2	-39.3
Financing	18.1	-39.9	-49.8	-65.2	-19.1	-22.1	-18.2
Monetary movements (increase -)	21.3	-47.6	-49.8	-77.7	-19.1	-22.1	-18.2
Central bank 3/	4.2	-0.4	-4.5	-26.3	-6.0	-6.0	-5.9
<i>Of which:</i>							
Liabilities to the IMF	1.3	-2.6	-1.0	-0.4	-0.3	-0.9	-1.7
Commercial banks 4/	17.0	-47.2	-45.3	-51.4	-13.1	-16.1	-12.3
Exceptional financing	-3.2	7.7	0.0	12.6	0.0	0.0	0.0
Change in overdue obligations (decrease -)	-5.2	2.2	-2.3	0.0	0.0	0.0	0.0
Interest	-1.9	0.2	0.9	0.0	0.0	0.0	0.0
Principal	-3.3	2.0	-3.2	0.0	0.0	0.0	0.0
Change in nonoverdue obligations	-10.1	-10.1	-0.9	0.0	0.0	0.0	0.0
Secured debt relief	12.1	10.8	2.5	0.0	0.0	0.0	0.0
Rescheduling 5/	2.0	0.7	1.6	0.0	0.0	0.0	0.0
Debt forgiveness 6/	10.1	10.1	0.9	0.0	0.0	0.0	0.0
Program financing	0.0	4.8	0.7	12.6	0.0	0.0	0.0
IMF	0.0	4.6	0.0	6.4	0.0	0.0	0.0
AMF	0.0	0.2	0.7	0.0	0.0	0.0	0.0
World Bank	0.0	0.0	0.0	5.0	0.0	0.0	0.0
AfDB	0.0	0.0	0.0	1.2	0.0	0.0	0.0
Residual gap	0.0	0.0	0.0	0.0	0.0	46.3	57.4

Table 4 (concluded): Djibouti: Balance of Payments, 2000–06
(In millions of U.S. dollars; unless otherwise indicated)

	2000	2001	2002	2003 Est.	2004 Proj.	2005 Proj.	2006
Memorandum items:							
In percent of GDP							
Merchandise trade account	-35.2	-32.7	-34.5	-39.9	-43.2	-50.5	-51.8
Current account	-7.2	-5.6	-6.8	-7.6	-10.0	-18.7	-20.5
Capital account 7/	3.9	13.4	15.2	18.1	12.9	15.2	15.4
Overall balance	-3.3	2.9	8.4	10.4	2.9	-3.4	-5.2
Central bank net foreign assets	52.1	53.1	57.7	77.6	83.6	89.6	95.5
Official debt							
In millions of U.S. dollars	369.9	373.7	395.3	426.5	444.0	468.0	494.8
In percent of GDP	66.9	65.2	66.8	68.3	66.9	66.2	65.2
Stock of public sector overdue obligations	7.7	9.9	9.4	9.0	8.6	8.2	7.8

Sources: Djibouti authorities.

1/ For 2000, data include imports of cranes for the port of Djibouti.

2/ Excluding privatization receipts.

3/ Excluding disbursements from the IMF and AMF in 2001 and 2002.

4/ Based on three banks since 1998.

5/ Reflects bilateral debt cancellation agreement signed in 1999 on the terms of reference agreed between the members of the Paris Club and the Djibouti authorities for the period 2000-02 and the terms of reference agreed between the Saudi Development Fund and the Djibouti authorities for the period 2001-06.

6/ Figures for the 1999-2001 period correspond to Italian debt forgiveness, and for 2002 correspond to a partial debt cancellation with Paris hospitals (Hospital Public Assistance).

7/ Including errors and omissions.

Table 5. Djibouti: Resources and Uses, 2000–06

	2000	2001	2002	2003 Est.	2004	2005 Proj.	2006
(Average percentage change)							
Economic growth and prices							
Real GDP	0.7	1.9	2.6	3.5	4.1	4.6	5.2
Consumer prices	2.4	1.8	0.6	2.0	2.0	2.0	2.0
(In millions of Djibouti francs)							
Total resources	160803	162257	169817	185848	202248	225372	244357
Nominal GDP	98267	101932	105210	111070	117971	125723	134953
Imports	62536	60325	64607	74778	84277	99649	109404
Goods	48031	46764	50937	60130	68250	82660	91294
Services	14505	13561	13670	14647	16027	16988	18110
Total uses	160803	162257	169817	185848	202248	225372	244357
Final consumption 1/	105532	107241	109918	117292	122727	128455	136182
Private consumption	80193	83387	83910	88830	94461	100409	107701
Public consumption	25339	23854	26008	28462	28266	28045	28481
Gross investment	12032	8424	11485	17262	24348	37610	44159
Private investment	9392	5897	6790	9826	17385	19755	22557
Public investment	2640	2527	4695	7436	6962	17855	21602
Exports	43239	46592	48414	51293	55173	59307	64017
Goods	13406	13460	14670	15821	17331	19201	21436
Services	29833	33132	33744	35472	37842	40106	42580
<u>Memorandum items:</u>							
Domestic savings	-7265	-5309	-4708	-6222	-4756	-2732	-1229
Public savings	-5132	-3685	-5006	-1445	-993	386	1867
Private savings	-2133	-1624	297	-4777	-3762	-3117	-3096
Unrequited transfers	2806	2246	1852	7245	6571	6435	7562
Factor income	9428	5810	7224	7754	10691	10458	10094
National savings 2/	4969	2747	4368	8776	12506	14162	16428
Saving/investment gap	-7063	-5678	-7117	-8486	-11842	-23448	-27731
(Average percentage change)							
Total resources	4.8	0.9	4.7	9.4	8.8	11.4	8.4
Nominal GDP	3.1	3.7	3.2	5.6	6.2	6.6	7.3
Imports	7.5	-3.5	7.1	15.7	12.7	18.2	9.8
Goods	7.4	-2.6	8.9	18.0	13.5	21.1	10.4
Services	7.8	-6.5	0.8	7.2	9.4	6.0	6.6
Total uses	4.8	0.9	4.7	9.4	8.8	11.4	8.4
Final consumption 1/	4.8	1.6	2.5	6.7	4.6	4.7	6.0
Private consumption	5.7	4.0	0.6	5.9	6.3	6.3	7.3
Public consumption	1.8	-5.9	9.0	9.4	-0.7	-0.8	1.6
Gross investment	43.4	-30.0	36.3	50.3	41.0	54.5	17.4
Private investment	71.5	-37.2	15.1	44.7	76.9	13.6	14.2
Public investment	-9.4	-4.3	85.8	58.4	-6.4	156.4	21.0
Exports	-2.5	7.8	3.9	5.9	7.6	7.5	7.9
Goods	8.9	0.4	9.0	7.8	9.5	10.8	11.6
Services	-6.8	11.1	1.8	5.1	6.7	6.0	6.2
<u>Memorandum item:</u>							
Ratio change in investment & consumption/change in imports	0.5	5.4	1.2	1.0	0.7	0.8	0.7

Table 5. Djibouti: Resources and Uses, 2000–06

	2000	2001	2002	2003 Est.	2004	2005 Proj.	2006
	(In percent of GDP)						
Total resources	163.6	159.2	161.4	167.3	171.4	179.3	181.1
Nominal GDP	100	100	100	100	100	100	100
Imports	63.6	59.2	61.4	67.3	71.4	79.3	81.1
Goods	48.9	45.9	48.4	54.1	57.9	65.7	67.6
Services	14.8	13.3	13.0	13.2	13.6	13.5	13.4
Total uses	163.6	159.2	161.4	167.3	171.4	179.3	181.1
Final consumption 1/	107.4	105.2	104.5	105.6	104.0	102.2	100.9
Private consumption	81.6	81.8	79.8	80.0	80.1	79.9	79.8
Public consumption	25.8	23.4	24.7	25.6	24.0	22.3	21.1
Gross investment	12.2	8.3	10.9	15.5	20.6	29.9	32.7
Private investment	9.6	5.8	6.5	8.8	14.7	15.7	16.7
Public investment	2.7	2.5	4.5	6.7	5.9	14.2	16.0
Exports	44.0	45.7	46.0	46.2	46.8	47.2	47.4
Goods	13.6	13.2	13.9	14.2	14.7	15.3	15.9
Services	30.4	32.5	32.1	31.9	32.1	31.9	31.6
<u>Memorandum items:</u>							
Domestic savings	-7.4	-5.2	-4.5	-5.6	-4.0	-2.2	-0.9
Public savings	-5.2	-3.6	-4.8	-1.3	-0.8	0.3	1.4
Private savings	-2.2	-1.6	0.3	-4.3	-3.2	-2.5	-2.3
Unrequited transfers	2.9	2.2	1.8	6.5	5.6	5.1	5.6
Factor income	9.6	5.7	6.9	7.0	9.1	8.3	7.5
National savings 2/	5.1	2.7	4.2	7.9	10.6	11.3	12.2
Saving/investment gap	-7.2	-5.6	-6.8	-7.6	-10.0	-18.7	-20.5
Real GDP per capita (Change in percent)	-2.2	-1.1	-0.4	0.5	1.0	1.6	2.2
Nominal GDP (In millions of U.S. dollars)	553	574	592	625	664	707	759

Sources: Djibouti authorities.

1/ The high level of consumption and negative domestic savings are permitted by large inflows of external grants.

2/ National savings is defined as domestic savings plus net current transfers and factor income from abroad.

3/ The saving/investment gap corresponds to the external current account balance including current grants.