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IDA/R2018-0345/2

November 6, 2018

**Closing Date: Friday, November 9, 2018  
at 6:00 p.m.**

FROM: Vice President and Corporate Secretary

**Djibouti – Djibouti Integrated Slum Upgrading Project**

**Project Appraisal Document**

**Corrigendum**

*[This cover replaces the previous version (IDA/R2018-0345/1, dated October 22, 2018)  
to correct the closing date]*

Attached is the Project Appraisal Document regarding a proposed credit and a proposed grant from the IDA18 Regional Sub-Window for Refugees and Host Communities to Djibouti for the Djibouti Integrated Slum Upgrading Project (IDA/R2018-0345/2), which is being processed on an absence-of-objection basis.

Distribution:

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President

Bank Group Senior Management

Vice Presidents, Bank, IFC and MIGA

Directors and Department Heads, Bank, IFC, and MIGA



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IDA/R2018-0345/1

October 22, 2018

**Closing Date: Thursday, November 8, 2018  
at 6:00 p.m.**

FROM: Vice President and Corporate Secretary

**Djibouti - Djibouti Integrated Slum Upgrading Project**

**Project Appraisal Document**

Attached is the Project Appraisal Document regarding a proposed credit and a proposed grant from the IDA18 Regional Sub-Window for Refugees and Host Communities to Djibouti for the Djibouti Integrated Slum Upgrading Project (IDA/R2018-0345/1), which is being processed on an absence-of-objection basis.

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Document of  
**The World Bank**  
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Report No: PAD2774

INTERNATIONAL DEVELOPMENT ASSOCIATION

PROJECT APPRAISAL DOCUMENT

ON A PROPOSED CREDIT

IN THE AMOUNT OF SDR 10.8 MILLION  
(US\$15 MILLION EQUIVALENT)

AND

A PROPOSED GRANT FROM THE IDA-18 REGIONAL SUB-WINDOW FOR REFUGEES AND HOST  
COMMUNITIES

IN THE AMOUNT OF SDR 3.6 MILLION  
(US\$5 MILLION EQUIVALENT)

TO THE

REPUBLIC OF DJIBOUTI

FOR A

DJIBOUTI INTEGRATED SLUM UPGRADING PROJECT  
OCTOBER 18, 2018

Social, Urban, Rural And Resilience Global Practice  
Middle East And North Africa Region

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## CURRENCY EQUIVALENTS

(Exchange Rate Effective October 1, 2018)

Currency Unit = Djibouti Franc (FDJ)

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SDR 0.71671743 = US\$1

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FDJ 178 = US\$1

### FISCAL YEAR

January 1 - December 31

Regional Vice President: Ferid Belhaj

Acting Country Director: Samia Msadek

Senior Global Practice Director: Ede Jorge Ijjasz-Vasquez

Practice Manager: Ayat Soliman

Task Team Leader(s): Alexandra Le Courtois, Mahine Diop

## ABBREVIATIONS AND ACRONYMS

ADB	African Development Bank
AFD	French Development Agency
ARULOS	Agency for Slum Upgrading and Social Housing
CDF	Community Development Fund
CPF	Country Partnership Framework
CPS	Country Partnership Strategy
DA	Designated Account
DATUH	Territorial Development, Urban Planning, and Housing Department
ESIA	Economic and Social Impact Assessment
ESMF	Environmental and Social Management Framework
FDH	Housing Fund
FM	Financial Management
FO	Financial Officer
GBV	Gender-Based Violence
GoD	Government of Djibouti
GRM	Grievance Redress Mechanism
GRS	Grievance Redress Service
IDA	International Development Association
IDP	Internally Displaced People
IFR	Interim Un-Audited Financial Report
IPF	Investment Project Financing
IPSAS	International Public-Sector Accounting Standards
IsDB	Islamic Development Bank
ISUP	Integrated Slum Upgrading Project
JICA	Japan International Cooperation Agency
LIS	Land Information System
M&E	Monitoring & Evaluation
MoF	Ministry of Finance
O&M	Operation and Maintenance
ONEAD	Djibouti National Water and Sanitation Authority
PCU	Project Coordination Unit
PDO	Project Development Objective
PFS	Project Financial Statements
PIM	Project Implementation Manual
PIP	Priority Investment Program
PPA	Project Preparation Advance
PPSD	Project Procurement Strategy for Development
PSC	Project Steering Committee
RAP	Resettlement Action Plan
RPF	Resettlement Policy Framework
SAI	Supreme Audit Institution

SCD	Systematic Country Diagnostic
SIAF	Land and Real Estate Development Agency
SOE	Statements of Expenditure
SORT	Systematic Operations Risk-Rating Tool
TOR	Terms of Reference
TTL	Task Team Leader
USAID	United States Agency for International Development
ZSP	Zero Slum Program



**BASIC INFORMATION**

Country(ies)	Project Name	
Djibouti	Djibouti Integrated Slum Upgrading Project	
Project ID	Financing Instrument	Environmental Assessment Category
P162901	Investment Project Financing	A-Full Assessment

**Financing & Implementation Modalities**

<input type="checkbox"/> Multiphase Programmatic Approach (MPA)	<input type="checkbox"/> Contingent Emergency Response Component (CERC)
<input type="checkbox"/> Series of Projects (SOP)	<input checked="" type="checkbox"/> Fragile State(s)
<input type="checkbox"/> Disbursement-linked Indicators (DLIs)	<input type="checkbox"/> Small State(s)
<input type="checkbox"/> Financial Intermediaries (FI)	<input type="checkbox"/> Fragile within a non-fragile Country
<input type="checkbox"/> Project-Based Guarantee	<input type="checkbox"/> Conflict
<input type="checkbox"/> Deferred Drawdown	<input type="checkbox"/> Responding to Natural or Man-made Disaster
<input type="checkbox"/> Alternate Procurement Arrangements (APA)	

Expected Approval Date	Expected Closing Date
08-Nov-2018	31-Dec-2023

Bank/IFC Collaboration

No

**Proposed Development Objective(s)**

The proposed development objective is to (i) improve the living conditions for slum dwellers in selected urban areas and (ii) strengthen the capacity of public institutions in charge of implementing the Zero Slum Program.

**Components**

Component Name	Cost (US\$, millions)
Support to the elaboration of the ZSP strategic framework and investment plan	3.52



Participatory upgrading investments in selected urban areas	15.21
Project management	1.27

**Organizations**

Borrower: Republic of Djibouti  
 Implementing Agency: ARULOS

**PROJECT FINANCING DATA (US\$, Millions)****SUMMARY**

<b>Total Project Cost</b>	25.00
<b>Total Financing</b>	25.00
<b>of which IBRD/IDA</b>	20.00
<b>Financing Gap</b>	0.00

**DETAILS****World Bank Group Financing**

International Development Association (IDA)	20.00
IDA Credit	15.00
IDA Grant	5.00

**Non-World Bank Group Financing**

Counterpart Funding	5.00
Borrower	5.00

**IDA Resources (in US\$, Millions)**

	Credit Amount	Grant Amount	Total Amount
National PBA	15.00	0.00	15.00
Refugee	0.00	5.00	5.00
<b>Total</b>	<b>15.00</b>	<b>5.00</b>	<b>20.00</b>



**Expected Disbursements (in US\$, Millions)**

WB Fiscal Year	2019	2020	2021	2022	2023	2024
Annual	2.50	2.00	2.50	3.50	4.50	5.00
Cumulative	2.50	4.50	7.00	10.50	15.00	20.00

**INSTITUTIONAL DATA**

**Practice Area (Lead)**

**Contributing Practice Areas**

Social, Urban, Rural and Resilience Global Practice

**Climate Change and Disaster Screening**

This operation has been screened for short and long-term climate change and disaster risks

**Gender Tag**

**Does the project plan to undertake any of the following?**

a. Analysis to identify Project-relevant gaps between males and females, especially in light of country gaps identified through SCD and CPF	Yes
b. Specific action(s) to address the gender gaps identified in (a) and/or to improve women or men's empowerment	Yes
c. Include Indicators in results framework to monitor outcomes from actions identified in (b)	Yes

**SYSTEMATIC OPERATIONS RISK-RATING TOOL (SORT)**

**Risk Category**

**Rating**

1. Political and Governance	● Low
2. Macroeconomic	● Substantial
3. Sector Strategies and Policies	● Moderate
4. Technical Design of Project or Program	● Moderate
5. Institutional Capacity for Implementation and Sustainability	● Substantial



6. Fiduciary	● Substantial
7. Environment and Social	● High
8. Stakeholders	● Substantial
9. Other	● Substantial
10. Overall	● High

**COMPLIANCE**

**Policy**

Does the project depart from the CPF in content or in other significant respects?

Yes  No

Does the project require any waivers of Bank policies?

Yes  No

Safeguard Policies Triggered by the Project	Yes	No
Environmental Assessment OP/BP 4.01	✓	
Performance Standards for Private Sector Activities OP/BP 4.03		✓
Natural Habitats OP/BP 4.04		✓
Forests OP/BP 4.36		✓
Pest Management OP 4.09		✓
Physical Cultural Resources OP/BP 4.11		✓
Indigenous Peoples OP/BP 4.10		✓
Involuntary Resettlement OP/BP 4.12	✓	
Safety of Dams OP/BP 4.37		✓
Projects on International Waterways OP/BP 7.50		✓
Projects in Disputed Areas OP/BP 7.60		✓

**Legal Covenants**

Sections and Description

The Recipient shall, no later than one month after the Effective Date, establish and thereafter maintain, throughout



Project implementation, a Project Steering Committee (“PSC”), with composition, mandate and resources satisfactory to the Association to be chaired by the Minister of Economy and Finance and shall include the Minister of Housing, Urbanism and the Environment, the Minister of Interior, the Minister of Budget, the Ministry delegated to the Ministry of Housing, Urbanism and the Environment, and the Secretary of State for Social Affairs.

**Sections and Description**

No later than three (3) months after the Effective Date, or such other date as agreed by the Association, the PCU shall appoint and thereafter maintain a civil engineer, a procurement specialist, a monitoring and evaluation specialist, a financial management specialist and an environmental and social specialist, all with terms of reference acceptable to the Association and described in the PIM.

**Conditions**

Type	Description
Effectiveness	The Association is satisfied that the Recipient has an adequate refugee protection framework



DJIBOUTI  
DJIBOUTI INTEGRATED SLUM UPGRADING PROJECT

**TABLE OF CONTENTS**

<b>I. STRATEGIC CONTEXT .....</b>	<b>8</b>
<b>A. Country Context .....</b>	<b>8</b>
<b>B. Sectoral and Institutional Context .....</b>	<b>9</b>
<b>C. Higher Level Objectives to which the Project Contributes .....</b>	<b>12</b>
<b>II. PROJECT DEVELOPMENT OBJECTIVES.....</b>	<b>13</b>
<b>A. PDO .....</b>	<b>13</b>
<b>B. Project Beneficiaries.....</b>	<b>14</b>
<b>C. PDO-Level Results Indicators .....</b>	<b>14</b>
<b>III. PROJECT DESCRIPTION.....</b>	<b>14</b>
<b>A. Project Components.....</b>	<b>16</b>
<b>B. Project Cost and Financing.....</b>	<b>20</b>
<b>C. Lessons Learned and Reflected in the Project Design.....</b>	<b>21</b>
<b>IV. IMPLEMENTATION.....</b>	<b>22</b>
<b>A. Institutional and Implementation Arrangements.....</b>	<b>23</b>
<b>B. Results Monitoring and Evaluation .....</b>	<b>24</b>
<b>C. Sustainability .....</b>	<b>24</b>
<b>D. Role of Partners.....</b>	<b>24</b>
<b>V. KEY RISKS .....</b>	<b>25</b>
<b>A. Overall Risk Rating and Explanation of Key Risks .....</b>	<b>25</b>
<b>VI. APPRAISAL SUMMARY.....</b>	<b>26</b>
<b>A. Economic Analysis .....</b>	<b>26</b>
<b>B. Technical .....</b>	<b>27</b>
<b>C. Financial Management .....</b>	<b>27</b>
<b>D. Procurement.....</b>	<b>28</b>
<b>E. Social (including Safeguards).....</b>	<b>29</b>
<b>F. Environment (including Safeguards) .....</b>	<b>31</b>
<b>G. Other Safeguard Policies (if applicable) .....</b>	<b>31</b>



<b>H. World Bank Grievance Redress .....</b>	<b>31</b>
<b>VII. RESULTS FRAMEWORK AND MONITORING .....</b>	<b>32</b>
<b>ANNEX 1: DETAILED PROJECT DESCRIPTION .....</b>	<b>40</b>
<b>ANNEX 2: IMPLEMENTATION ARRANGEMENTS.....</b>	<b>50</b>
<b>ANNEX 3: IMPLEMENTATION SUPPORT PLAN .....</b>	<b>64</b>



## I. STRATEGIC CONTEXT

### A. Country Context

- Djibouti is a small, strategically located lower-middle-income country in the Horn of Africa with an estimated population nearing one million inhabitants.** Located at the southern entrance to the Red Sea, the country is adjacent to the Straits of Mandeb and the Suez-Aden waterway, through which 20 percent of global commerce transits. It hosts several military bases<sup>1</sup> and has become the primary sea-access route for its large landlocked neighbor Ethiopia (population 102 million in 2016), whose imports and exports account for more than 80 percent of Djibouti's port activities. Djibouti draws significant rents from military bases, which now account for more than 20 percent of total government revenues. Its economy has been expanding at a remarkable pace, estimated to have registered 6.7 percent annual increase in 2017 fueled by debt-financed public investments in port modernization and transport, particularly the railroad to Ethiopia, the construction of several new ports, and a water pipeline from Ethiopia. The IMF estimates that the GDP is expected to grow 7-10 percent annually in the medium term, but external debt has also accumulated very rapidly, standing at 85 percent of GDP in 2016, up from less than 50 percent in 2014.
- Despite significant investments and remarkable economic growth, Djibouti ranks very low on human development,** registering at 172 out of 188 countries on the human development index in 2017 (UNDP). Weak governance and insufficiently inclusive social and economic development have impeded the improvement of social outcomes. In 2017, an estimated 35 percent of Djiboutians lived in poverty and the country's Gini index increased to 42 percent from 40 percent in 2002. 21 percent of Djiboutians live in conditions of extreme poverty, with rural areas showing higher rates of extreme poverty (62 percent). Unemployment remains widespread reaching 47 percent in 2017. Twenty percent of young people, mostly women and girls, are not in employment, education, or training (NEET), and are at risk of becoming socially excluded. Forty-seven percent of the working age population have never attended school. Life expectancy at birth is 62 years, below the Least Developed Countries average of 63.3 years; and 17.8 percent of children under five years of age suffer from acute malnutrition.
- Djibouti's location in an arid desert climate zone poses high risks to its food security and environmental sustainability, and has driven important human migration towards Djibouti cities.** The country ranks 159<sup>th</sup> out of 181 with respect to its vulnerability to climate change and its lack of readiness to address these vulnerabilities. Year-round high temperatures, limited arable land, low rainfall, together with extended multi-annual droughts and a scarcity of ground water have adverse effects on livelihoods and agriculture production. Agriculture is almost nonexistent, accounting for only about 3 percent of GDP and 2 percent of employment. The country is heavily dependent on food imports, as well as imports of manufactured goods and energy products. Natural hazard risks also include intense flash floods which caused damages and losses (two disastrous flooding events in 1994 and 2004, with losses estimated at US\$11.3 million in 2004); fires fueled by droughts and exacerbated by precarious construction materials; frequent earthquakes in magnitude from four to five on the Richter scale; volcanic activity along the Afar Rift area; and sea level rise—with most of the population living in the coastal capital city. The recent prolonged drought in Djibouti and its neighboring countries has further spurred desertification and exposed at least 20 percent

<sup>1</sup> Countries that have military bases in Djibouti include: China, France, Germany, Italy, Japan, USA, Saudi Arabia, and Spain.



of the population in Djibouti Ville and 75 percent of rural households to food insecurity. Djibouti's natural hazard vulnerability is aggravated by limited water resource management, insufficient land-use planning, constraining and nonsystematic building codes enforcement, and limited capacity to prevent and respond effectively to natural disasters. Today, it is estimated that about a quarter of one million people residing in Djibouti require direct assistance, including Djiboutian nationals living in extreme poverty, but also those that have been forcibly displaced internally and from neighboring countries.

4. **The refugee and displaced population has been growing at a steady pace due to the prolonged drought in the region and conflicts in neighboring countries.** Djibouti hosts a significant foreign population (apart from the expatriate population), though its number is unknown. A part of this population has come to Djibouti to join their family members (some of them being Djiboutian), others for economic opportunities or to flee difficult situation. In 2017, more than 27,000 refugees, mostly from Somali and Ethiopia as well as from Yemen, were registered in Djibouti, a number that has been growing (22,000 in 2015). In addition, it is estimated that about 94,000 people are also coming to Djibouti as a transit stop from the Horn of Africa towards the Gulf countries. 30,000 Yemeni have also come to the country since the beginning of the conflict in 2015. A part of that foreign population has settled in the three refugee camps of the country (Holl Holl, d'Ali Addeh, and Markazi) and the larger part has settled in Djibouti cities. In a 2017 survey conducted in three neighborhoods of Djibouti Ville, 10 to 12 percent of the population declared to be non-Djiboutian nationals, while an additional 20 percent could not prove their citizenship.

## B. Sectoral and Institutional Context

5. **Djibouti's urbanization rate, at 70 percent in 2009, is one of the highest in Africa and is concentrated in the capital city.** Urban growth continues steadily at over 3 percent due to high birthrates and migratory pressure. Traditionally a nomadic country, Djibouti has transitioned to a sedentary territory, with the bulk of its population settling in cities. Rural areas are now mostly uninhabited, as agriculture is very limited due to the arid climate. The capital city of Djibouti Ville is the country's main economic agglomeration, home to over 60 percent of the national population. Cities in other regions host much smaller populations (the second city being Ali Sabieh with 40,000 inhabitants). Urban growth is fueled by continued inflow of population from Djibouti's rural areas and neighboring countries, exacerbated by repeated major droughts over the past 30 years<sup>2</sup> and conflicts in neighboring countries.

6. **Urban expansion has mostly happened in an uncontrolled manner, resulting in a large part of the urban population living in a precarious housing environment.** New neighborhoods have developed in a disorderly way, including on the slopes of flood-prone wadis—channels that are dry except in the rainy season. Currently, more than one third of the capital city population lives in the 13 slums<sup>3</sup> that, unlike Quartier 7 which was recently partially upgraded through IDA financing, are unplanned and unstructured settlements and continue to grow rapidly due to strong internal and external migration and a lack of affordable housing options. This situation is particularly pertinent to Balbala, which is located on the left bank of the Ambouli Wadi. Since 1997, Balbala's population has more than doubled from 126,000 to an estimated

<sup>2</sup> The severe drought of 2008 affected 340,000 people in Djibouti and wiped out most of the livestock population.

<sup>3</sup> The literature proposes different concepts and definitions of slums. This project makes a distinction between the underserved neighborhoods, which refer to all urban areas lacking access to one or more urban services, and slums, which refer to one type of underserved neighborhood informally developed without proper urban layout.



280,000, representing more than 40 percent of the city's population. Its poverty rate is the highest with 33 and 37 percent in arrondissements 4 and 5, respectively, compared to 13 and 22 percent in the other arrondissements of the city (2017).

7. **In many neighborhoods, particularly in Balbala<sup>4</sup>, access to urban services is low.** Only 15 percent of households in Balbala have a connection to the water network, and even then, there are frequent water cuts, low pressure, and poor water quality with high salinity. Access to electricity in urban areas is at 50 percent only and in most of the slums, it is limited to houses at the periphery. Wastewater is often drained in open ditches, while secondary waste collection is left to informal networks. Some neighborhoods are also exposed to flash floods, worsened by the high level of the water table, poor drainage, as well as rising sea levels. There have recently been major investments in trunk infrastructure in water, sewage and solid waste, partially addressing the supply challenges, and distribution networks in low-income areas, such as an ongoing electrification project (financed by the IDA) aiming to deliver 3,500 new connections in Balbala, but not covering slums where the right of way is too narrow. Social services are also lagging for the growing populations they are serving: schools, for example, are overcrowded and must resort to double sessions. Most housing is informal, involving squatting on state land and building with temporary and scavenged materials, and ignores earthquake-proofing regulations. Lastly, access to jobs, markets and other economic opportunities in Balbala is highly constrained by poor connectivity to the old part of the city, where economic activities are concentrated.

8. **The influx of refugees and internally displaced people (IDPs) puts even greater pressure on already weak services.** Many of the displaced people, including refugees<sup>5</sup>, settle in Djiboutian cities, particularly in the slums of Djibouti Ville, where they can find economic opportunities. While this has some positive micro and macroeconomic benefits (e.g., labor), negative impacts on the host population are greater (e.g., higher food prices, higher rents, etc). Although there is no structured evidence on refugees and migrants living outside the camps in Djibouti, informal discussions with local government representatives suggest problems of acute poverty incidence and isolation. A study<sup>6</sup> found that forced displacement in the region is not only a humanitarian and security challenge, but also a development challenge. It recommends: (a) enhancing social cohesion between refugees/IDPs and host communities and increasing their self-reliance by building on their human, social, and financial skills and capital; (b) improving the quality of social and economic ties between refugees/IDPs and host communities; and (c) strengthening the resilience of host communities, while preparing refugees/IDPs for durable solutions. Improving service delivery and enhancing economic and livelihood opportunities are part of the solutions. The ongoing Development Response to the Displacement Impacts Project in the Horn of Africa (funded by IDA) has supported the host communities around the refugee camps, but no intervention has ever targeted Djibouti Ville.

9. **Although the housing market has seen a recent improvement benefiting from government efforts, more needs to be done in the low-income segments to keep up with the demand for housing and services for which housing affordability remains a huge challenge.** The two 'social' housing operators, the Djiboutian

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<sup>4</sup> Balbala refers to the Commune of Balbala, one of three communes of Djibouti Ville, which covers the part of the city located on the Western bank of the Ambouli river. Balbala North is its existing urbanized area, located north of the national road 1. Balbala South is the new urban extension located south of that same national road 1. Balbala Ancien is one neighborhood of Balbala North.

<sup>5</sup> About 81 percent of the refugees reside in the camps and 19 percent live in the Djiboutian cities (UNHCR).

<sup>6</sup> World Bank. Forced Displacement and Mixed Migration in the Horn of Africa. 2015.



Housing Fund agency (*Fonds de l'Habitat* - FDH) and the Foundation for the Right to Housing (*Fondation Droit au Logement* – FDL, a Presidential initiative established in 2016), have been recently growing their portfolio of housing and serviced plots targeting the underserved middle class, as well as vulnerable groups. Some ad hoc operations also address urgent circumstances for households impacted by a disaster (flooding or fire). The land regularization program has been a relative success for structured neighborhoods with the production of almost 8,000 titles since 2010. However, the pace of housing production is still below the demand of new households<sup>7</sup>, and even the most basic serviced plots are unaffordable to a majority of the population, increasing the housing deficit and consequently slums.

10. **Institutional fragmentation has further hampered anticipation of urban development.** Over the past decades, land and housing policies have not anticipated the growth of the city. Lack of coordination between land management and urban development, combined with insufficient financial resources, has led to blockages for both public and private housing investment and for implementation of the 1998 Djibouti Urban Master Plan. In fact, there is no institution charged with coordinating and harmonizing multi-sector investments for urban development. Except for spatially limited urban operations, the result is a silo management approach leading to inefficiencies in the use of public financial resources and in urban management. The 2016 Master Plan provides a new strategy for the city extension for the next 10-15 years, and coordination seems to have improved in the current urban extension areas through the leadership of the President. But further institutional strengthening will be needed.

11. **Recognizing the urgent challenge of rapid slum proliferation, the Government of Djibouti is developing a Zero Slum Program (*Programme Zéro Bidonville, ZSP*) aimed at tackling the complex slum problem in a systematic and comprehensive way** by adopting a new institutional approach, clarifying the priorities and principles of the rollout of investments, and creating a platform for sector investments. Preliminary government estimates indicate an overall minimum cost of US\$150 million for city-wide neighborhood upgrading (Djibouti Urban Master Plan, 2016), not including other needs such as resettlement or new demand for housing induced by the continued population growth. Considering the size and complexity of the challenge, the Government of Djibouti (GoD) intends to work with development partners to optimize resources for implementing a comprehensive national program to restructure slums and prevent their proliferation. With support from the IDA, the Government has prepared a strategy to establish the principles and priorities of the ZSP<sup>8</sup>. Two key agencies have been created - the Agency for Urban Rehabilitation and Social Housing (*l'Agence de Réhabilitation Urbaine et du Logement Social* – ARULOS) and the state-owned Real Estate and Land Development Company (*Société Immobilière et d'Aménagement Foncier* – SIAF)<sup>9</sup>, - aimed to be the two main operational arms of ZSP implementation and coordinated urban development. The Government has also set up an institutional scheme, composed of an Inter-Ministerial Committee seconded by a Technical Committee, to oversee ZSP.<sup>10</sup>

<sup>7</sup> A diagnostic of the housing sector in 2013 estimated the new need for housing at 3,000-3,500 units per year in total compared to a formal production of less than 1,000 housing units or land plots. With recent efforts, the production may be between 1,500 and 2,000 units a year.

<sup>8</sup> The draft strategy was approved by the Technical Committee of the ZSP on September 20, 2018.

<sup>9</sup> Both institutions are created as a result of restructuring of two former public institutions by giving them new roles critical to the execution of the ZSP: slum restructuring, “social” land production, and land development. See Communiqué de la 6<sup>ème</sup> Séance du Conseil des Ministres du Mardi 10/04/2018 <http://www.presidence.dj/conseilministresuite.php?ID=6&ID2=2018-04-10>

<sup>10</sup> The Zero Slum Program Inter-Ministerial Committee and Technical Committee were established by the decree 2017-227 / PR / MDCL. The Inter-Ministerial Committee is chaired by the President of the Republic of Djibouti and composed of 14 Ministers and



12. **Building on its sustained engagement in Djibouti’s urban sector, the IDA is well positioned to support the GoD capacity to implement the ZSP and leverage its convening power to attract financing from other development partners.**<sup>11</sup> Two consecutive urban upgrading projects in Quartier 7 financed by the IDA<sup>12</sup>, as well as past AFD interventions, revealed a strong need for institutional strengthening and systematic investment maintenance, while also demonstrating job creation benefits of contextualized labor-intensive techniques and the overarching importance of sustained community participation for project success.<sup>13</sup> Those operations also emphasized implementation challenges due to resettlement. The proposed project builds on the lessons learnt and international experiences to frame the ZSP and speed up interventions across the 13 slums of the capital city and stop the growth of slums by informing a long-term low-income housing policy (including a detailed investment plan and a comprehensive framework for resettlement, which will be critical for slum restructuring), and by strengthening ARULOS capacity to implement that policy. These policy building blocks financed by the proposed project will offer a co-financing platform for systematic and harmonized slum upgrading and prevention at national scale.

### C. Higher Level Objectives to which the Project Contributes

13. The proposed Djibouti Integrated Slum Upgrading Project (ISUP) directly contributes to the World Bank Group’s twin goals of ending extreme poverty and promoting shared prosperity in a sustainable manner, and to reaching the Sustainable Development Goal 11 (Make cities and human settlements inclusive, safe, resilient and sustainable). By targeting investments toward the urban poor and marginalized residents, the ISUP promotes an equal access to basic urban and social services and an improved access to the job markets through improved mobility. The ISUP will also contribute to improved targeting and increased efficiency of spending in the housing sector in general. The program-based approach promoted by the project will equip the government to increase investments in slum upgrading beyond this single operation, based on strengthened institutions, more efficient policies and effective operational tools such as safeguards procedures. With that, the ISUP will contribute directly to achieving Goal 11 (sustainable cities and communities) of the Sustainable Development Goals, especially the targets on (i) access to services and slum upgrading, and (ii) inclusive urbanization and participatory planning. Lastly, the project is cognizant of climate change risks in Djibouti and will focus on introducing appropriate adaptation and mitigation measures in key institutional strengthening interventions under Component 1, and across the eligible menu of infrastructure investments under Component 2.

14. The ISUP is also aligned with the Country Partnership Strategy (CPS) and CPS Performance and Learning Review for Djibouti, which are anchored in the Government’s Vision Djibouti 2035. The project directly addresses both pillar 1 of the CPS on reducing vulnerability, and pillar 2 on strengthening public and

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the General Secretary of the Government. The Technical Committee is composed of 5 Ministers and 12 Directors and elected officials. Those institutions are responsible for taking strategic decision regarding the ZSP, such as the definition of strategic pillars, the selection of the neighborhoods that will be included in the PZB, the validation of the ZSP investment program, the financial resource mobilization, and the presentation of needed reforms to the Government.

<sup>11</sup> Other donors traditionally engaged in Djibouti’s urban sector include the French Development Agency, the African Development Bank, and the Islamic Development Bank.

<sup>12</sup> The First and Second Djibouti Urban Poverty Reduction projects (DUPREP I & II), the latter of which is currently under implementation, have both focused on Quartier 7—a planned neighborhood in the Boulaos commune of Djibouti Ville which was developed in the 1950s in a flood-prone area—and provided technical assistance for better urban planning.

<sup>13</sup> See Djibouti Social Development and Public Works Project (P044584), DUPREP I (P088876), and DUPREP II (P145848).



private sector capacity for service delivery, by supporting a comprehensive strategy and operational plan for slum upgrading, and improving access to services in the country's slums. The ISUP also contributes to the implementation of the World Bank Group's Middle East and North Africa Strategy, particularly its pillars on renewing the social contract (by improving the quality of service delivery for poor and marginalized groups and hence building trust between citizens and local/national authorities), and resilience to IDP/refugee shocks (as Djibouti, and its slums in particular, hosts significant refugee flows from neighboring countries). The project integrates citizen engagement as a cross-cutting theme and includes community engagement activities that aim to boost institutional capacity for participatory approaches and increased social accountability in urban development, which further support the renewal of the social contract. Additionally, the Systematic Country Diagnostic (under preparation) highlights the spatial imbalance in access to urban and social services in Djibouti and, in particular, the social exclusion of slum dwellers.

15. **Djibouti has an adequate protection framework for refugees, and the ISUP will contribute to sustaining this framework and addressing key protection challenges.** Djibouti recently promulgated a progressive and comprehensive refugee law and issued its application decrees in order to facilitate the socio-economic inclusion of refugees. As a Comprehensive Refugee Response Framework (CRRF) country<sup>14</sup>, Djibouti is exemplary in moving towards a government-led development approach to forced displacement. By favoring the integration of refugees and displaced persons into urban areas and improving access to socio-economic opportunities, the project will contribute to sustainable socioeconomic inclusion of these populations in line with the purposes of the IDA18 Regional Sub-Window for Refugees and Host Communities. For example, the participatory nature of the prioritization process for infrastructure investments is expected to enhance social coherence and continued peaceful co-existence of refugees and host communities. Also, the infrastructure investments will help ease the pressure on social services in Djibouti Ville and facilitate a gradual shift from parallel to integrated service provision targeting both refugees and host communities. The project will be critical to bring health and education infrastructures closer to the communities settled in the slums, in line with the program of activities proposed in the Board Consultation Note<sup>15</sup>.

## II. PROJECT DEVELOPMENT OBJECTIVES

### A. PDO

16. The proposed development objective (PDO) is to: (i) improve the living conditions for slum dwellers in

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<sup>14</sup>The New York Declaration for Refugees and Migrants was adopted by all 193 Member States of the United Nations in September 2016. The New York Declaration lays out a vision for a more predictable and more comprehensive response to these crises, known as the Comprehensive Refugee Response Framework, or CRRF. It calls for greater support to refugees and the countries that host them. At the heart of this approach is the idea that refugees should be included in the communities from the very beginning. The CRRF specifies key elements for a comprehensive response to any large movement of refugees. These include rapid and well-supported reception and admissions; support for immediate and on-going needs; assistance for local and national institutions and communities receiving refugees; and expanded opportunities for solutions. The CRRF led to a global compact on refugees, that was included in the High Commissioner's September 2018 annual report to the General Assembly.

<sup>15</sup> The Board Consultation Note was sent to the World Bank Group Board of Executive Directors on September 19, 2017. It outlined the rationale for the proposed support of the IDA Regional Sub-Window for Refugees and Host Communities, including, inter alia: (i) evidence of the country eligibility; (ii) an analysis of the needs of refugees, impact on the host communities targeted by the project(s) / programs and related constraints to enabling refugees' self-reliance in the given context; (iii) description of proposed program strategic objective, key areas for policy dialogue, project(s), activities and beneficiaries; and (iv) the financing terms for the project and national contribution.



selected urban areas and (ii) strengthen the capacity of public institutions in charge of implementing the Zero Slum Program.

## B. Project Beneficiaries

17. The main beneficiaries of the project will be the residents of the selected deprived areas, including refugees and displaced population and host communities, as well as public institutions active in land administration and urban development in Djibouti and its slums. Other poor households settling in Djibouti Ville, including migrants, will indirectly benefit from the project support to the slum prevention policy. The main benefits for the population will be two-fold: on the one hand, the project will contribute to improved living conditions thanks to investments in urban and social services, and on the other hand, it will strengthen community organizations and citizen engagement mechanisms through targeted social development activities. Benefits will also come from job opportunities in labor-intensive construction activities linked to project implementation, and indirectly from synergies with other ongoing projects supporting job opportunities.<sup>16</sup> Refugees and displaced populations living in selected deprived areas will be provided equal access to these opportunities. The Government will benefit from project support to the elaboration and early implementation of the national strategy for slum upgrading (ZSP), including institutional strengthening of several public institutions – in particular, ARULOS – and development of operational instruments that will provide a single platform to better coordinate slum upgrading and low-income housing policies.

## C. PDO-Level Results Indicators

18. The following indicators are included in the results framework to measure achievement of the PDO:

- People provided with improved urban living conditions<sup>17</sup>, of which female, of which refugees<sup>18</sup>
- Beneficiaries that feel project investments reflected their needs, disaggregated by refugees/host community status<sup>19</sup>
- ARULOS, DATUH, and the Land Directorate capacities strengthened leading to an increase in land regularization titles

## III. PROJECT DESCRIPTION

19. **The Government of Djibouti has launched the ZSP that defines a new approach to meet the complex challenge of slum prevention.** A strategy for low-income housing and slum upgrading, coupled with an investment plan, provides the regulatory, institutional, and operational framework for the ZSP, which donors will be invited to support. The strategy has been prepared by the Government, with support from the ISUP. The ZSP transforms the way slum prevention is done, as it proposes a comprehensive approach along three interrelated pillars: (i) slum prevention; (ii) slum restructuring and upgrading; and (iii) home improvement. For each pillar, the strategy establishes operational principles – such as service standards, investment

<sup>16</sup> See Djibouti Support for Women and Youth Entrepreneurship (P165558), Enhancing Income Opportunities in Djibouti (P148586).

<sup>17</sup> “Living conditions” refer to improved access to a range of urban services. The indicator will be disaggregated by the main services improved, including, access to all-season roads and water.

<sup>18</sup> Monitoring will cover the entire migrant population, with disaggregation for refugees.

<sup>19</sup> Monitoring will cover the entire migrant population, with disaggregation for refugees.



prioritization, community engagement and consultations, and resettlement standards – that will apply to the entire program in order to make the investments in each neighborhood more transparent, systematic, and efficient, and sequence interventions to address the most pressing and urgent needs first. The draft strategy gives the highest priority to improving access to basic and social services (in particular, all-season roads, water, electricity, and public lighting), as well as climate and disaster risk prevention (such as reduction of exposure to flooding, collapsing, earthquake, and heat waves) for the 115,000 slum dwellers and the new low-income households seeking to settle in Djibouti Ville. Additionally, it emphasizes public transport and land tenure security, as well as access to jobs for women and youth and housing for migrants from neighboring countries. The strategy also gives a special attention to the social dimension of urban upgrading to favor social inclusion throughout the ZSP implementation.<sup>20</sup> The successful integration of all these elements into the ZSP promises to transform the way the GoD addresses slum prevention and urban development more broadly.

20. **Theory of change.** Through ISUP, the IDA will: (i) support the GoD in the elaboration of its strategic framework for the ZSP, including formulating its implementation principles; (ii) build capacity of institutions for slum upgrading, in particular the nascent central institution (ARULOS); and (iii) be the first donor assisting in the implementation of the GoD program in priority slums. The ISUP focuses its intervention on two pillars of the ZSP. The first pillar – Prevention – is the most urgent priority to slow down the growth of slums, and primarily needs capacity strengthening since beneficiaries are expected to pay for the land plots. The project will play a key role in supporting the transformative approach taken by the Government to address slum prevention, by helping define main policy instruments and institutional structure to implement the ZSP, providing a coordination platform for other donor activities,<sup>21</sup> and rolling out an operational plan to coordinate financing in a program-based approach. The second pillar – Slum Upgrading – is the immediate social priority after Prevention aimed to improve living conditions. The third pillar of ZSP, which is based on the development of housing microfinance, would require adopting a broader reform approach to the highly constrained microfinance sector, which lies outside the scope of this project. For both the prevention and slum upgrading pillars, policy instruments will be produced to facilitate and coordinate interventions, and the capacity of the institutions involved in the ZSP will be strengthened to cope with their mandates, as well as the scale of the program. In addition, for the second pillar, selected neighborhoods will be restructured and upgraded with access to basic services, along the development of a resettlement area. The ZSP implementation in the first selected neighborhood of Balbala Ancien will help test policy instruments for later replication in other upgrading interventions and inform the ZSP with early lessons. Additionally, the project will seek alignment of the ZSP with the refugee agenda, with dedicated consultation and participation streams for this group, to prevent their exclusion and avoid negative impacts on urbanization. All this aims to contribute to the successful management of urban population growth through slum prevention and upgrading policy.

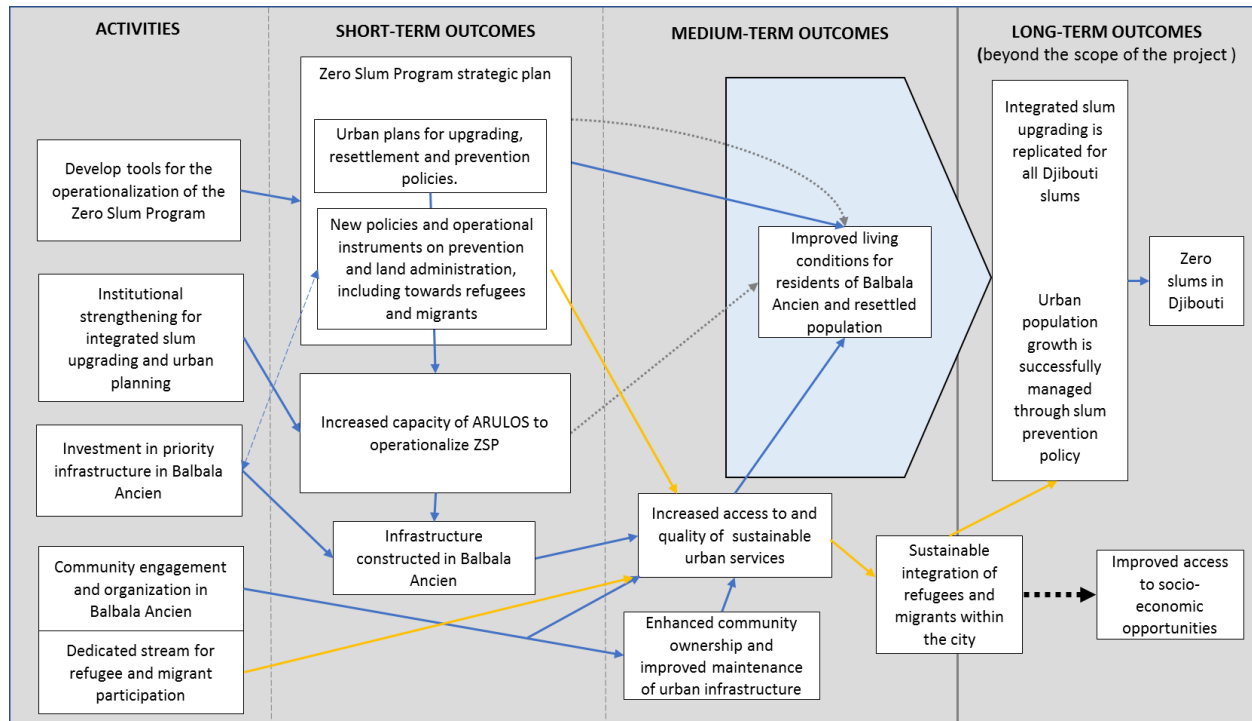
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<sup>20</sup> Some of the major challenges that refugee and displaced populations face are lack of identity cards and birth certificates, as well as discrimination and social exclusion that are even more pronounced than for other socially disadvantaged groups. The project will work with the National Office for Assistance to Refugees and Victims of Disasters (ONARS) and UNHCR to streamline the ZSP strategy to define mechanisms to promote equal access and opportunities for these populations in project activities.

<sup>21</sup> International donors who have already expressed support for the project include: the AFD, the AfDB, the IsDB, and the JICA.



Figure 1: Theory of change framework



21. **Coordination of sector investments in urban infrastructure and basic social services will be essential for the success of the ZSP.** This is an opportunity to better address the financing needs for infrastructure and socio-economic facilities in these neighborhoods and will require to explore synergies across sector projects and programs led by sector ministries. Such coordination platform will be operationalized through the institutional framework of the ZSP and the priority investment programs that will come out of the various slum restructuring and urban plans produced through the ZSP. It will improve operational coordination and favor rapid implementation of restructuring plans. In line with the strategy, sector ministries and agencies are responsible for investments in their respective sectors, while ARULOS is responsible for road and public space investments only. The proposed ISUP, as a first financial instrument for implementing the ZSP, puts emphasis on coordination among the various ministries involved in the ZSP, as well as with donors. In this regard, ISUP interventions will benefit from synergies with ongoing IDA operations to improve efficiencies around land administration, access to electricity, skills development, unique identification, as well as entrepreneurship support for youth and women.<sup>22</sup>

### A. Project Components

22. The ISUP components draw upon two mutually reinforcing elements. They will: (i) provide the most critical institutional, regulatory, planning, and operational instruments that will facilitate the implementation of the ZSP’s comprehensive long-term policy on the first two pillars – Prevention and Slum Upgrading; and

<sup>22</sup> See, e.g., Djibouti Public Administration Modernization Project (P162904), Djibouti Sustainable Electrification Program (P158505), Djibouti Support for Women and Youth Entrepreneurship (P165558), and Enhancing Income Opportunities in Djibouti (P148586).



(ii) kick off the execution of the ZSP program, by supporting the upgrading and restructuring of one neighborhood in Balbala, in order to test and strengthen the slum upgrading instruments. This parallel approach has proved to be a success factor in other international experiences.

**Component 1: Elaboration of the ZSP strategic framework and investment plan (US\$3.52 million, of which US\$0.8 million as part of the PPA)**

23. The objective of this component is to provide the Government with requisite planning, regulatory, institutional, and operational tools to implement the ZSP. There are two subcomponents targeting different levels of support:

24. Subcomponent 1.1: Carrying out studies and technical assistance activities aimed at implementing the ZSP. This subcomponent will finance key studies and technical assistance for implementation of the ZSP, including urban plans, aiming at improving the readiness of the two pillars of the strategy supported by the project. It will consist of support to the activities described below.

25. **Overall strategic framework of ZSP.** This subcomponent supports the preparation of the slum upgrading strategy and accompanying investment plan to guide interventions by the Government and its development partners. Those will serve for donor outreach, including a possible donor conference. The institutions in charge of ZSP oversight – the ZSP Inter-Ministerial Committee and its Technical Committee – will also receive support through definition of their administrative procedures, design and implementation of a monitoring and evaluation (M&E) scheme for the ZSP (including the acquisition of needed computer equipment to support the ZSP M&E), and execution of a communication plan for the ZSP – already established with support of the PPA-funded activities. In addition, an assessment on the living conditions of refugees in the slums and urban areas will be conducted to help better frame the contribution of the ZSP to this specific agenda.

26. **Operational and urban studies for slum prevention and slum restructuring.** The subcomponent will support a series of studies to develop the slum prevention and restructuring policies. It includes the following five activities: (i) elaborating an environmental and social safeguards framework and the resettlement policy specific to the ZSP; (ii) developing a five-year operational and financial plan for slum prevention, including a land and low-income housing market assessment; (iii) detailing restructuring and/or upgrading urban plans for several slums selected pursuant to the criteria and procedures established in the Project Implementation Manual (PIM), starting with the neighborhood of Balbala Ancien, which is targeted for upgrading investments in the ISUP (see Component 2);<sup>23</sup> (iv) preparing an urban plan for the 110-hectare first urban area dedicated to prevention and resettlement as part of the ZSP, including a feasibility study for the resettlement zone to be developed under Component 2. This activity will seek to integrate the targeted area within the city, with consideration to transportation and economic development, and mitigating climate and disaster risk (the area located in Balbala South has been allocated to ARULOS and is estimated to cover about 4-5 years of the

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<sup>23</sup> These plans will be developed based on: (a) the technical standards and priorities established by the strategy, (b) a stocktaking and inventory of each site, and (c) a thorough and inclusive consultation with the local population, with a special attention to some groups such as women, youth, and refugees and displaced populations, to better identify and assess their specific needs. A broader urban study for Balbala North will also be conducted to provide clear urban plans for transportation, economic development, and secondary urban centers, which will help improve integration of slums into the urban fabric.



prevention policy in addition to receiving households resettled as part of the slum restructuring operations, including the Balbala Ancien restructuring supported by ISUP plan); (v) creating a land information system (LIS) in line with the Land Directorate instruments to compile the different tenure security types, and populating it with data regarding Balbala Ancien, and eventually, other selected urban areas. Other studies may also be considered in the course of the project to help refine the policy and operational approach of the ZSP. When appropriate, these studies will look into specific challenges faced by refugees and displaced populations, such as eligibility criteria for access to land and resettlement, and propose – where feasible – mechanisms for addressing these challenges.

27. Subcomponent 1.2: Implementing institutional reform and capacity building. This subcomponent will finance: (i) studies and required regulating documents for the restructuring of the FDH into the newly created Agency for Slum Upgrading and Social Housing (ARULOS), the main institution in charge of the ZSP execution, to help it cope with a large increase in investment activities (support would include an organization and financial study of ARULOS); and (ii) capacity building of the main institutions involved in the design and implementation of the ZSP at national and municipal levels, starting with ARULOS and including the Land Directorate, the Urban Planning Directorate, the municipalities, and the neighborhood committees. This subcomponent will strengthen institutions to undertake slum upgrading and prevention activities as part of Component 2 and even beyond the ISUP. Capacity building, delivered in the form of training and south-south exchanges, will cover inter alia urban development and investment, urban and housing planning, climate mitigation and adaptation and disaster risk reduction, community participation, and citizen engagement.

**Component 2: Participatory upgrading investments in selected urban areas (US\$15.21 million, of which US\$0.4 million as part of the PPA)**

28. The objective of this component is to improve access to services in slums included in the ZSP. The first neighborhood selected for investments is Balbala Ancien, one of the most disadvantaged, oldest and largest slums of Balbala, with an estimated population of 20,000 inhabitants. It is also one of the city's densest slums, which features sparse pathways that penetrate an extremely tight and small-plot urban pattern. Consequently, the introduction of water and electricity networks in the neighborhood has so far been limited to just a few of the largest pathways. A second neighborhood may be added in the first year of project implementation using the same intervention modalities once the investment program for Balbala Ancien is established. There are two subcomponents designed as a combination of infrastructure and social development activities aimed at mainstreaming participatory approaches to prioritize, facilitate ownership, and improve the sustainability of investments within the neighborhood community.

29. Subcomponent 2.1: Supporting inclusive restructuring of the neighborhood and improving access to services. This subcomponent will be implemented through a sequence of activities to deliver a comprehensive set of priority investments to support inclusive restructuring of the neighborhood and improve access to services<sup>24</sup>. A resettlement area and housing construction will also be financed to facilitate the implementation of the neighborhood restructuring by offering a timely resettlement solution to impacted households. Options for use of labor intensive methods will be considered, especially the use of

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<sup>24</sup> This is equivalent to about US\$375 infrastructure investment per person, which compared to US\$650 for the restructuring of Layableh-Moustiquaire (though the neighborhood is likely to keep densifying), for which AFD secured funding for 25 percent of the program, or US\$385 for combined DUPREP I & II. International experiences show a wide spread from US\$50 in Ghana to US\$785 in Brazil and up.



cobblestones for road paving, which has been experimented within the Urban Poverty Reduction Projects (DUPREP I&II) and has proved to be adequate for this urban environment.

30. **Priority Investment Program (PIP) in slums.** Priority investments will begin with an access road of 1.2 kilometers penetrating Balbala Ancien and crossing the main commercial area of the neighborhood. The road – currently the main one within the slum – has been identified as a priority intervention considering its potential to improve access for residents inside the neighborhood and promote economic development in the adjacent market area, and has received full support from the population during consultation meetings. The road already exists – though not paved and narrow in some areas. These investments will demonstrate rapid and visible results which are anticipated to help strengthen support from the population for ISUP interventions in that neighborhood. Other priority investments will be guided by a restructuring plan for Balbala Ancien; and a restructuring plan for a second slum (see Component 1), based on priorities established during consultations with neighborhood residents and other partners. Selection of priority investments will aim at addressing the most pressing needs of the population in terms of access to urban services, including those of the refugees and displaced populations. These might include the following non-exhaustive list of eligible interventions: i) roads and bus stops, ii) drainage, iii) water supply, iv) electricity distribution and street lighting using energy efficient technologies, v) internet connection, vi) health units, vii) primary schools, viii) community and youth facilities (such as community centers and sport facilities), ix) commercial facilities, and x) public spaces. Tree planting will also be favored to help reduce the incidence of heat waves on the neighborhood. Additionally, these interventions will seek to benefit employability projects by facilitating access to affordable commercial space for their beneficiaries. As per the ZSP strategy, the ISUP will leverage other sector investment projects whenever possible, such as the IDA electrification and education projects (*Sustainable Electrification Program* and *Inclusive Quality Education Project*), to maximize the financing potential and reinforce the impacts of the project on the living conditions of the population. If a sector ministry cannot provide the financing needed, the Project Steering Committee (PSC) may agree for ISUP to finance these priority investments.

31. **Resettlement zone and housing reconstruction.** This subcomponent will finance the development of a resettlement zone and housing construction, including the construction of several urban infrastructures, based on the urban plan to be developed under subcomponent 1.1 of the project, and housing units based on Resettlement Action Plans prepared as part of the project. It will serve to accommodate resettled people, including refugees and displaced populations as an important demonstration effort for safe and equitable resettlement under the broader ZSP. The resettlement zone will be developed in the first 18 months of project implementation to allow enough time for completion of the priority investments. It is estimated that the project investments in Balbala Ancien restructuring could result in the resettlement of about 252 households.<sup>25</sup> For that, an area with a similar capacity will be selected in the course of the urban study (Component 1) within the urban extension of Balbala South on state-owned land that will be allocated to ARULOS. This area will be used primarily to relocate households impacted by the PIP financed by the project, and if, at the end of that process, some land plots remain available, they will be used to resettle households impacted by other ZSP investments. Based on the resettlement needs of a possible second slum as identified in the restructuring plan, this zone could be further extended. The design of the zone will reflect the needs of the population and respond to the criteria and norms of resettlement that are defined within the national slum upgrading strategy and the Project Resettlement Policy Framework (RPF). Trunk infrastructures to

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<sup>25</sup> The RPF estimates this figure to be equivalent to 1,260 persons to be potentially resettled as a result of project investments, though investments from other donors might increase this number to an estimated 450 households based on GoD estimates.



connect the zone will be provided by the government as part of its overall urban development program of Balbala South. Additionally, this sub-component will finance a part of housing reconstruction efforts for project affected persons (PAP) in order to facilitate project implementation, within the standards established by the strategy and in accordance with the World Bank's social safeguards procedures. The rest of the financial needs for reconstruction will be provided by the GoD in counterpart financing (estimated at US\$5 million), potentially through other housing programs.

32. Subcomponent 2.2: Supporting community engagement and youth employability. In urban neighborhoods selected for Subcomponent 2.1, the project adopts an overarching inclusive participatory approach to slum upgrading by aiming to engage targeted communities in the full cycle of designing and maintaining various investments. The project will streamline and formalize consultation mechanisms and grievance redress to support a bottom-up approach to citizen engagement. Particular attention will be given to specific groups that can benefit from the project, particularly women and youth as well as vulnerable groups, such as elderly, and refugees and displaced populations. Committees and focus groups, established for execution of the subcomponent, will integrate these different groups to properly assess their needs and propose appropriate coping measures as part of the upgrading investments and social support that will favor inclusion of these groups within the neighborhoods and across the project activities.

33. This subcomponent will support: i) stationing of community facilitators at the level of the slums being restructured as part of Subcomponent 2.1 to coordinate neighborhood participation at different project stages; ii) training of community representatives and municipal officials on community engagement; and iii) establishment of a Community Development Fund (CDF), aimed to reinforce the impact of project investments on the community. The CDF will have two priority financing windows: a *youth innovation window* to support direct educational activities for youth and facilitate youth access to employment and training initiatives, as well as a *public space and facility management window* to reinforce civil society's role in community development initiatives to improve the overall living environment, such as initiatives promoting safe water supply or sanitation facility, tree planting, or solid waste collection. Administration of the Community Development Fund will emphasize a key role of community representatives and municipal officials. A central role is also envisioned for women in the decision-making processes of the CDF, together with gender-sensitive training on fund management for both women representatives and other fund management members.

### **Component 3: Project management (US\$1.27 million, including US\$0.3 million of the PPA)**

34. This component will ensure smooth implementation of all project activities in accordance with the IDA's policies and guidelines. It will support the implementing agency in the areas of project coordination, FM and audits, procurement and technical evaluation, M&E, communication, as well as supervision of implementation of the safeguards instruments, including the provision of training, operating costs, goods and services for the required purposes. ARULOS will pay the main costs related to its staff dedicated to the ISUP as well as some other operating costs, which are not part of the component.

## **B. Project Cost and Financing**

35. The project will be implemented over five years and will be financed through Investment Project



Financing (IPF) in the amount of US\$20 million equivalent on IDA terms. US\$15 million will be an IDA credit from the national IDA allocation and US\$5 million will be on 100 percent grant terms from the Regional Sub-Window for Refugees and Host Communities. Project-wide estimates put the government contribution at US\$5 million based on its efforts to provide proper housing solutions for resettled households. With respect the first identified investment, i.e. the access road, cash compensation for loss of revenues related to resettlement estimated at US\$135,000 will be paid by the GoD.

Project Components	Project cost	IBRD or IDA Financing	Trust Funds	Counterpart Funding
1. Elaboration of the ZSP strategic framework and investment plan	3.52	3.52	0	0
2. Participatory upgrading investments in selected urban areas	20.21	15.21	0	5
3. Project management	1.27	1.27	0	0
<b>Total Costs</b>	<b>25.0</b>	<b>20.0</b>	<b>0</b>	<b>0</b>
Total Project Costs	25.0	20.0	0	5
Front End Fees	0	0	0	0
<b>Total Financing Required</b>	<b>25.0</b>	<b>20.0</b>	<b>0</b>	<b>5</b>

### C. Lessons Learned and Reflected in the Project Design

36. The project builds on the lessons learned from the implementation of DUPREP I&II, as well as the AFD operations in Balbala, and has integrated a number of successful international experiences in Africa, Asia, and South America, as follows.

37. The combined approach of slum upgrading and slum prevention has proved to be an important factor of the reduction of slums in Mauritania, one of the rare Sub-Saharan African countries where the share of slums has actually decreased. A land development component was included in a Bank-financed project, which supported initiating this policy to test a new approach with the creation of serviced plots. As a result, the government later scaled up its land production policy, with the revision of the land management legal framework to facilitate access to land property rights, particularly for vulnerable and poor populations, and the creation of a national company to develop equipped plots and public housing, which was already active at completion of the Bank-financed project.

38. For urban restructuring projects where resettlement is unavoidable, planning a resettlement area as part of the project is also a key factor of success. In the Mauritanian experience, a large resettlement zone was developed for the first phase of the program (El Mina) and permitted to resettle 2,300 households. This is also a key lesson from the AFD Urban Development Project in Balbala, whose design had to be revised downwards due to lack of resettlement solutions. As a result, the AFD included a resettlement area as part



of their new operation in Layableh-Moustiquaire, for which it is anticipated that a much larger number of households will be affected.

39. IDA engagement in Djibouti's urban sector has demonstrated that community participation is crucial to project success and sustainability. DUPREP I&II experience also underlines the need for particular sensitivity to faith-based organizations in the Djiboutian context. Evaluations of urban upgrading projects in Indonesia (National Program for Community Empowerment-Urban) and Thailand (Baan Mankong) have found that while the preparation phase is longer due to the consultation process, the latter yields strong community participation contributing to a more rapid implementation and better maintenance of built infrastructure. Information is key - making sure that the population understands properly the project and its expected impacts, communicated in a transparent manner, helps yield the support of the population to the project. Community planning also makes the population an integral role player in the decisions that affect their lives and can also influence the decisions in a more appropriate manner. One of the biggest challenges is to manage expectations during the consultation process.

40. The project builds on prior IDA experience with Community Development Funds in DUPREP I & II, which have yielded strong gains in social cohesion and extended project impact, in an integrated and participatory approach to urban development. The instrument has also been used by the AFD in Balbala and has the advantage of strong local familiarity in the Djibouti context. Building on lessons from the DUPREP projects (which have financed about 84 community-driven micro-projects to date), this project design has been strengthened by adapting its decision-making processes (e.g. with key roles for women and commune representatives), as well as the selectivity of activities for higher impacts, particularly in terms of sustainability of the project results.

41. Experience from the Rwanda Urban Infrastructure and City Management Project demonstrated that World Bank safeguards policies can be used as a basis for a constructive dialogue on management of social and environmental impacts of development efforts in general, bringing about changes beyond the project context. The project implementation demonstrated the benefits of a market-based land valuation and participatory approach to determining compensation, with a focus on the needs of the affected populations. As a result, the Rwandan government took the initiative to mainstream market-based compensation into land management laws and the land agencies were established to implement this government policy.

42. The project also builds on the emerging experience from development responses to forced displacement at two specific levels.<sup>26</sup> First, the displaced would be integrated socially, economically and geographically into the wider society. Beyond the integration of migrants within urban neighborhoods, activities that enhance social cohesion (particularly between refugees and host communities) will be essential for the sustainability of the impacts for migrants. Second, displaced persons have distinct vulnerabilities, which need to be recognized and addressed. This will be emphasized by greater community engagement with inclusive processes for refugees to participate in priority setting.

## IV. IMPLEMENTATION

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<sup>26</sup> The Horn of Africa project is still at an early stage of implementation in Djibouti.



## A. Institutional and Implementation Arrangements

43. The project is integrated within the institutional framework of the ZSP, placed under the responsibility of the Ministry Delegated for Housing as mandated by the Government. The institutional arrangements and modes of implementation of the ISUP are conceived in a manner that will facilitate the execution of a long-term vision and reinforce the capacity of the Ministry to serve lower-income housing needs, as well as undertake future upgrading and urban development activities in a sustainable manner.

44. **ISUP oversight.** A high-level Steering Committee for the ISUP will be established no later than one month after effectiveness date. It will be chaired by the Minister of Economy and Finance and composed of the Minister of Housing, Urbanism, and Environment, the Minister of Interior, the Minister of Budget, the Ministry delegated to the Ministry of Housing, Urbanism, and Environment, and the Secretary of State for Social Affairs. It will be in charge of the ISUP oversight, including project monitoring, approval of work programs and annual budgets, review of annual reports, and support for project implementation, and will meet at least twice a year to review project implementation progress.

45. **Project coordination situated within ARULOS.** The Minister delegated for Housing will oversee project execution, which will be conferred operationally to the newly created ARULOS. ARULOS is not an entirely new structure, but rather stems from the restructuring of the FDH by adding the mandate of slum upgrading. The staff of the FDH will be systematically transferred to ARULOS, allowing continuity of operation. ARULOS will be responsible for managing the project at the central level, coordinating overall project implementation, ensuring the timely availability of funds transfers, maintaining project accounts and producing financial reports, M&E program implementation and impacts, and reporting results to various stakeholders, as well as managing relations with the World Bank.

46. As needed, ARULOS may delegate the execution of certain tasks to other institutions according to their competencies (such as DATUH, the Land Directorate, and municipal institutions) through technical assistance agreements; though fiduciary responsibility will be retained by ARULOS. With respect to the CDF, a Selection Committee will be established within the community and the municipal institutions. Only formally registered local associations will be eligible to CDF grants and will enter into grant agreements with ARULOS for execution of those grants. The Project Implementation Manual (PIM) defines in detail the responsibilities and obligations of each party, as well as the relationships between these parties. ARULOS will also ensure operational coordination with other key stakeholders such as the Secretariat of State for Social Affairs, in particular in relation to vulnerable groups settled within slums as well as with ONARS (*Office National d'Assistance aux Réfugiés et Sinistrés*) for matters associated with refugees and displaced populations.

47. **A Project Coordination Unit (PCU)** will be established within ARULOS. The PCU is not a separate unit, but a team of specialists entirely dedicated to the project, composed of a seasoned civil engineer, a social and environmental safeguards specialist, a monitoring and evaluation officer, a procurement specialist, an M&E specialist, a financial management specialist, and an environmental and social specialist, all with terms of reference acceptable to the IDA and described in the PIM. The PCU specialists will be appointed no later than three months after effectiveness. Project coordination responsibility will remain with the ARULOS Director. In line with the Government decision to reinforce public institutions, PCU members will be selected among existing ARULOS staff, or through external hiring.



## **B. Results Monitoring and Evaluation**

48. The monitoring and evaluation system for the project will be established within ARULOS. It will be managed by the M&E specialist of ARULOS, who will work closely with the M&E team at the Ministry delegated to Housing, who will be responsible to report on the entire ZSP. The system will include links to financial management to monitor activities in relation to expenditures. The information collected and the knowledge generated will help ARULOS: i) prepare and present quarterly progress reports to the PSC and to the IDA; ii) understand project progress, identify constraints to execution, and undertake timely corrective measures; and iii) disseminate timely information on project achievements to both stakeholders and the larger public.

49. A key element in the M&E system of the project will be the emphasis on extending community participation. Several indicators will be monitored directly through quick impact monitoring tools, used by social operators, or during field visits. This monitoring will be complemented as needed by small surveys (for example, carried out by the social operator and by self-evaluation by the communities themselves), as well as deeper evaluation for the mid-term review. These evaluations will depend upon a large range of qualitative and quantitative questions, for example, relating to beneficiary satisfaction, the degree of poverty reduction, and the sustainability of access to services.

## **C. Sustainability**

50. All infrastructure funded by the project will be screened upfront for sustainability of Operation and Maintenance (O&M) arrangements. An O&M plan that demonstrates adequate human resources and technical and financial means will be developed at each phase of the project and for each type of investment depending on the institution responsible (for example, the Ministry of Youth for sport facilities). On a case-by-case basis, infrastructure management may be contracted to the private sector or local associations and the delegation may be supported by the Community Development Fund to ensure a robust management system beyond the project. Additionally, the project contributes to the development of a longer-term government strategy for slum upgrading and prevention, building the technical and resource mobilization capacity of national institutions, which lays the groundwork for greater financial and institutional sustainability of future investments in the sector.

## **D. Role of Partners**

51. Among international donors who have expressed support for the project are: the French Development Agency (AFD), the African Development Bank (AfDB), the Islamic Development Bank (IsDB), and the Japan International Cooperation Agency (JICA). Besides the IDA, the AFD is the only donor currently active in the sector of slum restructuring and upgrading. Its EUR 6 million intervention in Layableh-Moustiquaire, another neighborhood of Balbala, not only contributes to improving the living conditions of populations in parts of the ZSP-identified slums, but also contributes to the strategy of defining reliable and efficient tools for neighborhood restructuring operations. The IDA project will complement AFD's efforts to provide the government with a broader and coherent policy framework for restructuring and preventing precarious neighborhoods. The project will provide a coordination platform for other donors, with an operational plan to coordinate financing in a program-based approach. Though some marginal adjustments could be envisioned for full alignment with the instruments of the ZSP, the AFD operation could also benefit from



enhanced land administration procedures and urban plans. Additionally, the project will engage with UNHCR and CRRF to ensure alignment with the refugee agenda and proper coordination with other initiatives in Djibouti.

## V. KEY RISKS

### A. Overall Risk Rating and Explanation of Key Risks

52. **The overall risk rating of the project is High.** This rating is driven by environmental and social risk rated High and macroeconomic, institutional capacity for implementation and sustainability, fiduciary, and other (refugee support) risks rated Substantial. Continued close implementation support and monitoring by the IDA in coordination with the government are mitigating factors for the identified risks below that might affect the project.

53. **Macroeconomic risk is rated Substantial.** Macroeconomic risks are heightened in consideration of the country's high level of debt. Lack of competitiveness and low productivity also undermine the development of a diversified and inclusive economy. To manage the macroeconomic risk, the IDA will maintain a close dialogue with country counterparts throughout project implementation to address issues that may have an impact on the project outcomes.

54. **Risks related to institutional capacity for implementation and sustainability are rated Substantial.** The government has indicated strong ownership of the project at the highest level within the context of its national slum upgrading program. However, institutional risks are elevated as the project implementing agency has no former experience in this type of complex urban project that requires close coordination with diverse stakeholders on a regular basis. Potential resistance to organizational changes needed to effectively implement the project also factors into the elevated risk rating. To mitigate these risks, the project will help build technical and managerial capacity of ARULOS implementation team. ARULOS has already hired a seasoned international expert for a one-year term to support the preparation and early implementation stages of the project, with an emphasis on routine transfer of knowledge to local staff. A combination of the Government's coordinated efforts at the highest level along with the IDA implementation support would help ensure achievement and sustainability of expected results. Additionally, the project will finance extensive capacity building on urban and land management to help keep the project on track.

55. **The environmental and social risk is rated High.** The World Bank safeguards policies OP/BP 4.01 (Environmental Assessment) and OP 4.12 (Involuntary Resettlement) are triggered. As the client has little experience and limited capacity on social safeguards, the PPA was used to provide guidance and capacity building. Basic safeguards training will be provided to the project team prior to implementation. To ensure compliance during project implementation, a full-time safeguards specialist, specialized in resettlement policy, will be hired by ARULOS no later than three months after effectiveness, as recommended by the Environmental and Social Management Framework (ESMF) and RPF. In addition, the services of international consultants will be procured to support the project, as needed. Lastly, the IDA will carry out close supervision of safeguards compliance during project implementation.

56. **Fiduciary risks are rated Substantial.** Most of the institutions established to ensure oversight of governance functions, such as the State Inspector General (Inspection Générale d'État, IGE), the Supreme



Audit Institution (Cour des Comptes), the Anti-Corruption Commission (Commission de Prevention et de Lutte contre la Corruption, CPLCC), and the judiciary are not adequately funded, and this undermines their effectiveness. The internal control mechanisms within the Government are also weak. Moreover, ARULOS, in charge of project fiduciary management, has no former experience with IDA operations except through the PPA. The project will support extensive training, which started during project preparation, throughout implementation, system upgrade, annual audits, and preparation and maintenance of a PIM. Lastly, the IDA will ensure close supervision during project implementation.

57. **The stakeholder risk is rated Substantial.** Considering the estimated important resettlement level induced by the project PIP, combined with the lack of experience and weak capacity of ARULOS in managing safeguards policy OP 4.12, important delays may arise. It can take time to build confidence with the affected people, which can gain force through civil society organizations, and agree on a mutually agreed approach with them. Collaboration with the municipality and hiring of community facilitators will help create a constructive dialogue with the population and better take into account their needs in the design of resettlement solutions. Additionally, a seasoned safeguards expert will be hired by ARULOS to strengthen the execution of the Resettlement Action Plan.

58. **Other risks are rated Substantial, due to the risk related to the support to refugees.** Djibouti has a progressive and generous refugee policy, including freedom of movement, right to work, IDs, free access to basic social services, etc. There is, however, some risk of policy reversal if the current rate of refugee influx continues and if support to host communities is not forthcoming. The IDA in consultation with UNHCR has confirmed that Djibouti's protection framework is adequate for the purposes of the IDA RSW, while highlighting several remaining protection challenges in the areas of birth registration, education, health, and gender-based violence (GBV). Earlier IDA projects have primarily targeted host communities around refugee camps, but ISUP will be the first intervention in an urban area with a new approach for integration of refugee and displaced populations. Host communities may see refugees as competing for access to urban services, land, and employment opportunities, which could create conflict within the neighborhood community. The participatory nature of the prioritization process for infrastructure investments is expected to bring refugees and host communities together and ensure that both will benefit from the investments being made. The infrastructure investments that will be implemented will help ease the pressure on social services in the most affected neighborhoods.

## VI. APPRAISAL SUMMARY

### A. Economic Analysis

59. The project will finance: (i) a large set of technical assistance and studies that will require a mix of external and local expertise; and (ii) physical investments to improve living conditions and lay the bases for the development of new economic opportunities, including for about 20,000 people located in one of the poorest areas of the 4th district of Balbala. Under the assumption that complementary investments during project implementation are equally divided between additional street upgrading and construction of public and commercial facilities, additional maintenance and operating costs represent 9 percent of the project costs, at the discount rate of 12 percent.

60. Direct benefits will result from higher mobility and access to basic services (electricity, tap water) and,



at a secondary level, higher job opportunities. The AFD measured that in Balbala, people living along or adjacent to renovated roads had between 0.35 to 0.63 percent higher probability to be self-employed than the rest of the population of the neighborhood. Additionally, reduced fear of eviction encouraged households to acquire definitive property titles. Over time residents' higher earnings and higher consumption will attract new businesses and ultimately lead to higher housing prices. The expected rise of property prices gives, therefore, a reasonable range of the overall impact of the proposed project. Based on current rents in the targeted area, the long-term benefits (ENPV) associated with a 10 percent increase of property prices would translate into net benefits of US\$1.7 million over the project life at the discount rate of 12 percent. The corresponding economic internal return rate (EIRR) would be 10 percent. Conversely, the economic rate of return at which net benefits would even the total project costs would be of 16.2 percent (ERR).

## B. Technical

61. Project activities will be implemented following the methodology used under other recent operations and do not entail foreseeable technical difficulties. The works to be financed under the project are expected to be of standard complexity and similar to those implemented under the DUPREP. Consulting firms and contractors present in Djibouti, or usually operating there, have the technical skills to implement these types of works. Procurement packages will be prepared, as needed, to attract qualified firms and avoid bottlenecks in the construction. When possible, these designs will make use of labor-intensive methods, such as the use of cobblestone blocks for pavement, which has shown to require minimal repair in DUPREP during the first years, provided regular maintenance, and will facilitate access to local small and medium-size enterprises. A technical evaluation of Component 2 investments will be conducted twice in the course of the project, first for the purpose of the mid-term review and second at project completion, on the basis of terms of reference acceptable to the IDA.

## C. Financial Management

62. The proposed project will be implemented in line with the World Bank policies that are standard for project implementation. ARULOS will be responsible for project management, including financial management (FM) and accounting. It has acquired some experience in Bank FM procedures through the implementation of the PPA. ARULOS has mobilized its own staff to take charge of the FM aspects of the project. The assessment conducted found that the FM risk, as a component of the fiduciary risk, is **Substantial**.

63. ARULOS will be responsible for preparing periodic reports and maintaining the project bookkeeping, and will produce annual Project Financial Statements (PFS) and quarterly Unaudited Interim Financial Reports (IFRs). The following mitigating measures have been agreed upon in order for ARULOS to meet the financial management requirements as per World Bank operational policy on Investment Project Financing and an acceptable financial management system: (i) ARULOS will recruit an additional accountant to work with the current Financial Officer (FO) who is handling the FM aspects of the PPA. They will receive the necessary support and training on Bank FM procedures; (ii) ARULOS will utilize its current accounting software, that is being used for the PPA, to record the daily transactions and produce the IFRs. The format of the IFRs will be agreed upon with the IDA. The IFRs will be submitted to the IDA no later than 45 days after the end of each quarter; (iii) for the purpose of the project, ARULOS has developed a Project Implementation Manual, which contains an FM chapter describing in detail the FM procedures including internal controls: and (iv) ARULOS



will hire an independent external auditor with Terms of Reference (ToRs) acceptable to the IDA to audit the PFS. The annual audit report on the financial statements of the project and management letter will be submitted to the IDA no later than six (6) months after the end of each fiscal year.

64. One segregated Designated Account (DA) in US dollars will be opened at a commercial bank in Djibouti acceptable to the IDA. Payments and withdrawals will be made from the DA for eligible expenditures accompanied by supporting documents or statements of expenditure (SOE) following the applicable procedures and the World Bank's Disbursement Handbook. ARULOS will be responsible for submitting replenishment requests on a monthly basis. All requests for withdrawals will be fully documented, maintained and made available for review by the IDA and project auditors. All disbursements will be subject to the terms of the Financing Agreement and to the procedures defined in the Disbursement and Financial Information Letter.

65. The general accounting principles for the project will be as follows: (a) project accounting will cover all sources and uses of project funds, including payments made and expenses incurred. Project accounting will be based on the International Public-Sector Accounting Standards (IPSAS) cash basis; and (b) project transactions and activities will be separated from other activities undertaken by ARULOS.

66. The project financial reporting will include IFRs and yearly PFS: (a) IFRs will include data on the financial status of the project. These reports will include: (i) a statement of funding sources and uses for the period covered and a cumulative figure, including a bank statement of the project account balances; (ii) a statement of use of funds by component and by expenditure category; (iii) a reconciliation statement for the DA; (iv) a budget analysis statement indicating forecasts and discrepancies relative to the actual budget; and (v) a comprehensive list of all fixed assets. (b) ARULOS will produce the IFRs every quarter and submit to the IDA no later than 45 days at the end of each quarter. The annual PFS will include: (i) a cash flow statement; (ii) a closing statement of financial position; (iii) a statement of ongoing commitments; (iv) analysis of payments and withdrawals from the account; and (v) a complete inventory of all fixed assets acquired under the project. (c) IFRs and PFSs will be produced based on the accounting system and submitted for an external financial audit.

#### D. Procurement

67. Procurement for this project will be carried out in accordance with the World Bank Procurement Regulations for IPF Borrowers (dated July 2016, revised November 2017) and the provisions stipulated in the Financing Agreement.

68. An assessment of the procurement capacity of ARULOS was conducted in conjunction with the project procurement strategy for development (PPSD) prepared by the Recipient in May 2018. The assessment was focused on, among others, the organizational structure and functions, experience, staff skills, procurement cycle planning and management, quality and adequacy of supporting and control systems and recordkeeping. Major risk factors and their associated mitigation measures are highlighted in Annex 2, and have been also registered in the dedicated Bank system PRAMS (Procurement Risk Assessment and Management System).

69. The overall risk associated with procurement is **Substantial** given the limited past exposure of the client to implementation of IDA projects while leveraging on recent experience and training already provided



by the IDA during the implementation of the PPA-funded activities. In addition, the PPSD revealed all investment-related contracts (works, technical studies, and supervision) as critical contracts (representing almost 75 percent of the total financing) to be closely monitored by ARULOS.

70. The IDA will provide implementation support on regular basis with formal supervision every six months and an annual post procurement review. As part of PPSD, a procurement plan for at least the first 18 months has been prepared by the Recipient and agreed with the Bank before negotiations. During implementation, the procurement plan will be updated in agreement with the project team as required - at least annually - to reflect actual project implementation needs and improvements in institutional capacity. The detailed procurement plan will be automatically published on the World Bank website upon approval through STEP (Systematic Tracking of Exchanges in Procurement).

### E. Social (including Safeguards)

71. **Social Benefits.** The project is expected to deliver significant social benefits by improving urban infrastructure and services, including housing to Djibouti's largest underserved urban population. The civil works to be carried out will create income generating opportunities for both unskilled labor and professional skilled workers. The provision of potable water, electricity, improved streets and sidewalks, will provide health and safety benefits for women, children and men, besides improving their living standards. Transport infrastructure benefits will include but not be limited to: improved mobility; increased access to public transport services; reduced transport fees; reduced travel time and improved comfort and safety.

72. **Poverty and Equity.** The project will contribute to leveling the playing field for urban service delivery between wealthy and low-income neighborhoods. It will benefit users of public utilities and private transport services, particularly in low-income communities.

73. **Gender.** Urban poverty is increasingly feminized, with slums and informal settlements being among the most visible urban contexts highlighting female poverty. Slums are characterized by a disproportionately high level of female-headed households, making women more likely than men to experience the five household deprivations of slums and informal settlements.<sup>27</sup> Djibouti historically has a relatively high proportion of female heads of households of about one in four, most of whom are widows.<sup>28</sup> The Government's National Gender Policy (2011-2021) identifies female-headed households as particularly vulnerable, including to lack of access to housing, owing in part to patrilineal socio-cultural norms.<sup>29</sup> To respond to these gaps, the project will emphasize opportunities for women to participate in decision-making roles and direct implementation of CDF projects. Notably, the project seeks to enforce a quota of at least 33 percent of women on the CDF Selection Committee that allocates grants, with at least 50 percent of CDF microprojects implemented by women CSOs.

74. **Citizen Engagement.** The design and preparation of the project has been consultative at several levels and incorporates community needs expressed in dialogue with neighborhood communities as well as local and state representatives. The project adopts a participatory slum upgrading approach and will leverage participatory planning mechanisms for neighborhood restructuring plans, as well as various community

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<sup>27</sup> Access to improved water, access to improved sanitation, security of tenure, durability of housing, and sufficient living area.

<sup>28</sup> Enquête djiboutienne sur la santé de la famille, 2003/2004

<sup>29</sup> See Immigration and Refugee Board of Canada, 2017



engagement activities, with a focus on specific groups such as women, youth, elderly, vulnerable people, and refugees, including through the CDF. A grievance redress mechanism will be established through the project, and beneficiary feedback surveys will be conducted to adapt interventions based on citizen feedback.

75. **Social Safeguards – Land Acquisition.** Subcomponent 2.1 of the project will induce land acquisition. Since the investment program has not yet been finalized, the entire number of households likely to be affected by land acquisition induced by project activities is not known and will be subsequently determined. To mitigate impacts related to land acquisition, the client prepared two social safeguards instruments, notably a RPF for the project and a resettlement action plan (RAP) for the access road. The RPF has been informed by Component 1 of the project and covers all involuntary resettlement activities to be carried out under the project and the Zero Slum Program. Similarly, it is anticipated that the ZSP strategy will align with the key principles agreed in the RPF. More specifically, the RPF will directly apply to all investments carried out under Component 2. The findings of the RAP for the access road identified 65 properties, of which 30 residential houses, which will experience a limited reduction of plot sizes, but no physical displacement. These partially affected properties belong to 169 households, i.e. 909 PAPs. The other impacts identified by the RAP relate to property fences and economic activities (street merchants with table shops) on the sidewalks. According to the RPF, the project's PIP in Balbala Ancien is expected to affect to varying degree, the properties of about 252 households, i.e. 1,260 PAPs. The RPF findings also suggest that the ZSP will induce land acquisition impacts of varying degree, on 7,644 households, i.e. 38,220 PAPs across 13 neighborhoods. The Community Development Fund (subcomponent 2.2) will not finance any subprojects which are likely to induce land acquisition or other impacts related to OP 4.12.

76. Given the nature of the activities to be carried out under Component 2 and in particular, the difficulty of intervention in areas with high urban concentrations and the number of people affected, the project was classified as category A. Hence, public consultations were carried out on the TORs of the RPF and RAP of the access road. Likewise, the RPF and the RAP were consulted upon on March 5, 12, and 21, 2018. The two instruments (RPF and RAP) have been disclosed in-country and on the IDA external website on July 10, 2018.

77. **Social Safeguards – Social Risks Including GBV.** The potential social risks of the project are primarily related to the activities implemented under Subcomponent 1.1 and Subcomponent 2.1. These activities may have three potential social risks besides involuntary resettlement induced by land acquisition: i) social exclusion; ii) labor influx and gender-based violence; and iii) elite capture. Mitigation measures for these risks have been identified and are mainstreamed in the program planning and management tools, as well as the safeguards instruments of the project.

78. **Grievance Redress Mechanism (GRM).** A project-level GRM has been established by the Government to serve individuals and communities who believe that they are adversely affected by the project, and to mitigate against the social risks entailed by the project (e.g., labor influx and GBV). The GRM is integrated within the existing GRM system established by the Djibouti Ville municipality, and includes neighborhood councils of elders, customary law tribunal, city council mediator, and the modern legal system. The local GRM system will be strengthened by project support, through technical/methodological support on aspects such as timely documentation and treatment of grievances, and logistical support (notebooks, pens, cell phone, sim cards, computers), as needed. Through another channel, ARULOS also allows to bring up concerns regarding the project directly to its attention. Local and institutional actors engaged in grievance redress will also receive continued capacity building support throughout project implementation.



## **F. Environment (including Safeguards)**

79. Since the geographic area of the project is identified but not all activities to be financed under Subcomponent 2.1 are yet fully defined, an ESMF has been prepared to categorize the investments that will be made under the ZSP to identify the type of environmental studies to be done before the start of works (complete ESIA, simplified ESIA or ESMP). Under Component 2 of the project, following the screening mechanism proposed in the ESMF, a simplified ESIA has been prepared for the completion of the 1.2 km access road in Balbala Ancien. As ISUP is a category A project, public consultations have been carried out on the TORs of the ESMF and ESIA; the ESMF and ESIA were also consulted upon on March 5 and April 18, 2018 and have been disclosed in-country on July 10, 2018 and on the IDA external website on June 26, 2018. In addition, a summary presenting the main risks identified in the ESIA as well as the proposed mitigation measures has been made available to the public by local display.

80. It is not expected that project activities could generate irreversible or significant environmental impacts. The major environmental risks and impacts of this project are mainly linked to Occupational and Community Health and Safety related to construction and site works (health and safety of workers, waste management, management of releases, atmospheric emissions, noise), and the risk of off-site accidents for the population and the creation of wetlands in case of poor collection of wastewater with the risk of malaria proliferation. A dispute resolution procedure is also provided in the ESMF. This procedure is put at the disposal of the population to receive and manage their possible complaints concerning the program in general and the implementation of the ESMF in particular.

## **G. Other Safeguard Policies (if applicable)**

81. None.

## **H. World Bank Grievance Redress**

82. Communities and individuals who believe that they are adversely affected by a World Bank (WB) supported project may submit complaints to existing project-level grievance redress mechanisms or the WB's Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed in order to address project-related concerns. Project affected communities and individuals may submit their complaint to the WB's independent Inspection Panel which determines whether harm occurred, or could occur, as a result of WB non-compliance with its policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to the World Bank's attention, and Bank Management has been given an opportunity to respond. For information on how to submit complaints to the World Bank's corporate Grievance Redress Service (GRS), please visit <http://www.worldbank.org/en/projects-operations/products-and-services/grievance-redress-service>. For information on how to submit complaints to the World Bank Inspection Panel, please visit [www.inspectionpanel.org](http://www.inspectionpanel.org).



**VII. RESULTS FRAMEWORK AND MONITORING**

**Results Framework**  
**COUNTRY: Djibouti**  
**Djibouti Integrated Slum Upgrading Project**

**Project Development Objective(s)**

The proposed development objective is to (i) improve the living conditions for slum dwellers in selected urban areas and (ii) strengthen the capacity of public institutions in charge of implementing the Zero Slum Program.

**Project Development Objective Indicators**

Indicator Name	DLI	Baseline	Intermediate Targets				End Target
			1	2	3	4	
<b>Improve the living conditions for slum dwellers in selected urban areas</b>							
People provided with improved urban living conditions (CRI, Number)		0.00	5,000.00	6,000.00	10,000.00	15,000.00	20,000.00
People provided with improved urban living conditions - Female (RMS requirement) (CRI, Number)		0.00					10,200.00
Refugees provided with improved urban living conditions (CRI, Number)		0.00					1,500.00
Beneficiaries that feel project		0.00					80.00



Indicator Name	DLI	Baseline	Intermediate Targets				End Target
			1	2	3	4	
investments reflected their needs (Percentage)							
Refugee beneficiaries that feel project investments reflected their needs (Percentage)		0.00					80.00
Host community that feel project investments reflect their needs (Percentage)		0.00					80.00
<b>Strengthen the capacity of public institutions in charge of implementing the Zero Slum Program</b>							
ARULOS, DATUH, and the Land Directorate capacities strengthened leading to an increase in land regularization titles (Number)		191.00	250.00	350.00	450.00	600.00	800.00

**Intermediate Results Indicators by Components**

Indicator Name	DLI	Baseline	Intermediate Targets				End Target
			1	2	3	4	
<b>Support to the elaboration of the ZSP strategic framework and investment plan</b>							
Slum restructuring studies completed (Number)		0.00	2.00				2.00
5-year operation plan for slum prevention completed (Number)		0.00	1.00				1.00



Indicator Name	DLI	Baseline	Intermediate Targets				End Target
			1	2	3	4	
Integrated Land and Cadastral Information System for Balbala Ancien established and publicly available (Number)		0.00	1.00				1.00
Time to process a land regularisation request (Months)		8.00	2.00				2.00
<b>Participatory upgrading investments in selected slums</b>							
Roads constructed (CRI, Kilometers)		0.00	1.20	5.00	9.00	13.00	15.00
People provided with access to improved water sources (CRI, Number)		0.00					20,000.00
People provided with access to improved water sources - Female (RMS requirement) (CRI, Number)		0.00					10,200.00
Refugees provided with access to improved water sources (CRI, Number)		0.00					1,000.00
Short term employment generated under the project investments (person days) (Number)		0.00	10,000.00	25,000.00	45,000.00	65,000.00	80,000.00
Short term employment generated under the project investments executed by women (Number)		0.00					10,000.00
Complaints received via institutionalized GRM channels that are adressed (Percentage)		0.00					100.00



Indicator Name	DLI	Baseline	Intermediate Targets				End Target
			1	2	3	4	
CDF-funded sub-projects implemented (Number)		0.00	10.00	20.00			30.00
CDF sub-projects implemented by women CSOs (Percentage)		0.00					50.00
Women members of CDF sub-projects selection committee (Percentage)		0.00					33.00
Assessment of socio-economic inclusion and social cohesion of migrants settled in Balbala Ancien done (Yes/No)		No	Yes				Yes

**Monitoring & Evaluation Plan: PDO Indicators**

Indicator Name	Definition/Description	Frequency	Datasource	Methodology for Data Collection	Responsibility for Data Collection
People provided with improved urban living conditions		Annual	Annual Project Progress Report	The indicator will be disaggregated by type of infrastructures financed by the project, including roads, water, electricity, education, health, community and economic facilities, and a methodology for data collection and indicator	ARULOS



				estimate will be established for each type. For urban road, the corporate methodology will be used.	
People provided with improved urban living conditions - Female (RMS requirement)					
Refugees provided with improved urban living conditions		Annual	Project annual report	A census of the selected neighborhoods will be conducted upfront and refugees will be tracked during project implementation. Monitoring will cover the entire migrant population, with disaggregation of refugees for reporting purposes.	ARULOS
Beneficiaries that feel project investments reflected their needs		In 2020 and 2022	Beneficiary surveys		ARULOS
Refugee beneficiaries that feel project investments reflected their needs				Monitoring will cover the entire migrant population, with disaggregation of refugees for reporting purposes.	



Host community that feel project investments reflect their needs					
ARULOS, DATUH, and the Land Directorate capacities strengthened leading to an increase in land regularization titles	It refers to the land regularization program conducted by ARULOS with support from the Land Directorate, and contribution of DATUH for urban plans.	Annual	ARULOS annual report		ARULOS

**Monitoring & Evaluation Plan: Intermediate Results Indicators**

Indicator Name	Definition/Description	Frequency	Datasource	Methodology for Data Collection	Responsibility for Data Collection
Slum restructuring studies completed		Annual	Annual Project Progress Report		ARULOS
5-year operation plan for slum prevention completed		Annual	Annual Project Progress Report		ARULOS
Integrated Land and Cadastral Information System for Balbala Ancien established and publicly available		Annual	Annual Project Progress Report		ARULOS
Time to process a land regularisation request		Annual	ARULOS annual report		ARULOS/DDCF



Roads constructed		Annual	Annual Project Progress Report		ARULOS
People provided with access to improved water sources		Annual	Annual Project Progress Report		ARULOS
People provided with access to improved water sources - Female (RMS requirement)					
Refugees provided with access to improved water sources		Annual			ONEAD/ARULOS
Short term employment generated under the project investments (person days)		Annual	Annual Project Progress Report	Data will be provided by construction companies. Ratio will be used for indirect jobs.	ARULOS
Short term employment generated under the project investments executed by women	The target will be updated once more data is available on gender in the labor market.				
Complaints received via institutionalized GRM channels that are adressed		Annual	Annual Project Progress Report		ARULOS



CDF-funded sub-projects implemented		Annual	Annual Project Progress Report		ARULOS
CDF sub-projects implemented by women CSOs					
Women members of CDF sub-projects selection committee		Annual	Annual Project Progress Report	Based on the minutes of the CDF Selection Committee.	ARULOS
Assessment of socio-economic inclusion and social cohesion of migrants settled in Balbala Ancien done		Annual	Selection committee meeting reports		ARULOS



## ANNEX 1: DETAILED PROJECT DESCRIPTION

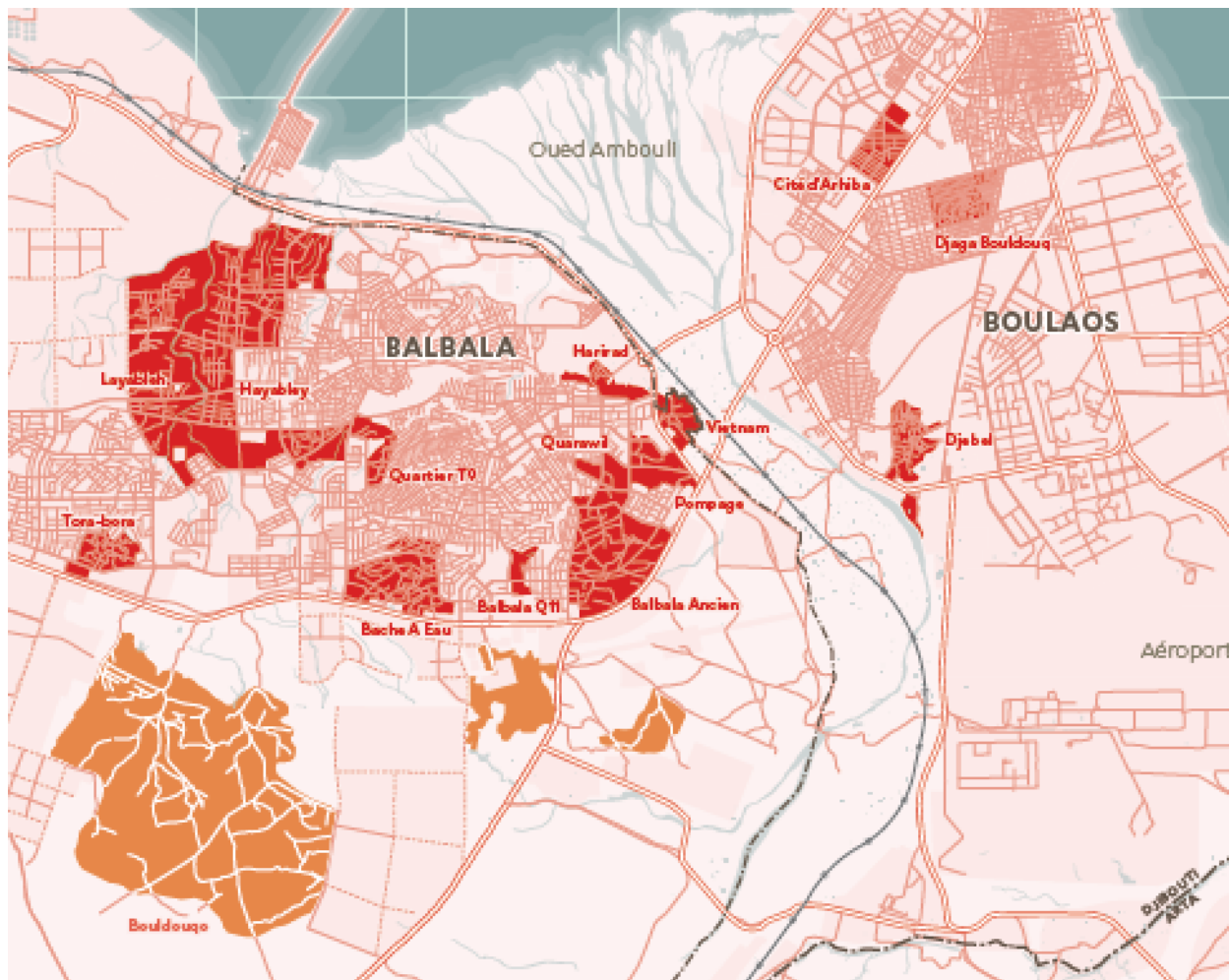
### COUNTRY : Djibouti Djibouti Integrated Slum Upgrading Project

#### Concept of the ISUP

1. Preliminary estimates made for the upgrading of all neighborhoods by the Djibouti Ville Master Plan (approved in 2016) indicate an overall cost of US\$150 million, not counting the needs for resettlement and prevention measures. Given the size of the problem and the country's budgetary constraints, such a policy to upgrade these slum areas cannot be undertaken except through a strategic framework and a program-based approach to coordinate interventions and to optimize and phase resources. To meet the complex challenge of slum prevention, the first step for the Government has been to elaborate a national strategy for low-income housing and slum upgrading translated into an investment plan that donors will be invited to support. This so called "Zero Slum Program" (ZSP) proposes a strategic framework for the successful realization of its operational approach along three pillars: (i) slum prevention; (ii) slum restructuring and upgrading; and (iii) home improvement.

2. The Government, in consultation with Government agencies and the Municipality of Djibouti Ville, has prepared a strategy for the ZSP, which has been approved by the Technical Committee of the ZSP and is pending the Government final adoption. The ZSP considers 13 slum areas, of which three, which can be consolidated, are found in the old area of Djibouti Ville: Arhiba, Djaga Boudouq, and Djebel. The other 10 neighborhoods are in Balbala, as follows: four neighborhoods – Balbala Ancien, Bache a Eau, Tora Bora and Layableh/Moustiquaire are dense neighborhoods and are in need of complete restructuring. Two slum neighborhoods – Haridad and Vietnam – are located within the Ambouli Oued and will require upgrading, as well as some measures of flood control and public space development. There are also three small informal pockets (Balbala Q11, Quartier T9, and Quearawil) in need of improvement and one neighborhood in need of drainage (lower Cite Hodane). It is estimated that there are about 115,000 persons living in slums, of which 80 percent live in dense informal settlements spread over a total of roughly 350 hectares and 20 percent in sparsely developed settlements. Though these numbers need to be taken with caution considering the incidence of migration since the latest census, which may have primarily impacted Balbala where land has been available, and a larger population could actually be living there. Globally, the upgrading of all those slums may induce the resettlement of a minimum of 2,000 households for in-situ upgrading only, not counting resettlement due to at-risk location and natural disasters (flooding, fire).

3. The highest priority for the ZSP is to improve access to basic and social services for the estimated 115,000 inhabitants of the 13 slums identified in the capital city and the new low-income households seeking to settle in Djibouti Ville, with particular focus on access to all-season roads, water, electricity, and public lighting, as well as climate and disaster risk prevention (such as reduction of exposure to flooding, earthquake, and heat waves and drought). Additionally, the program will emphasize access to public transport and land tenure security, as well as improved access to jobs for women and youth, and better integration of migrants from neighboring countries. The strategic framework establishes operational principles – such as service standards, investment prioritization, and resettlement principles – that will apply to the entire program in order to make the investments in each neighborhood more transparent, systematic, and efficient.



4. Through the US\$20 million Integrated Slum Upgrading Project (ISUP) (in addition to US\$5 million in counterpart financing), the IDA aims to support the Government in the elaboration of its strategic framework for the Zero Slum Program and will also be the first donor supporting the implementation of the ZSP strategy, which will pave the way for future interventions by the Government and development partners. The project will provide a coordination platform for other donors,<sup>30</sup> with an operational plan to coordinate financing in a program-based approach. Given the total project costs, the ISUP will prioritize its intervention on two pillars only: the first pillar – prevention – which is the most urgent priority to slow down the growth of slums, and the second pillar – slum upgrading – which is the immediate social priority. The third pillar, which relies on the creation of a housing microfinance instrument, would best be adapted to a broader approach to housing finance by specialized institutions, to ensure its sustainability. For both pillars prioritized in ISUP, the main policy instruments to facilitate and coordinate donor intervention will be produced, and the capacity of the institutions involved in the program will be strengthened. In addition, for the second pillar, the neighborhood of Balbala Ancien will be restructured and upgraded, contributing to the slum upgrading efforts and testing

<sup>30</sup> International donors who have already expressed support for the project include: the AFD, the AfDB, the IsDB, and the JICA.



policy instruments for later replication in other upgrading interventions. Priority investments envisioned for the ISUP are designed to be in alignment with the ZSP strategy (with a draft approved by the ZSP Technical Committee on September 20, 2018), and these will be launched early to help incorporate lessons into the ZSP.

5. It should be noted that the project will benefit from the fact that the IDA has been involved in Djibouti's urban sector for over twenty years and has strong ties with several relevant government agencies as well as donors operating in the sector. The IDA is also able to leverage synergies with other ongoing IDA projects to ensure efficient implementation of the project, such as around unique identification, land administration, access to electricity, skills development, as well as entrepreneurship support for youth and women.<sup>31</sup> Links with the employability and entrepreneurship projects funded by the IDA and USAID will also be ensured by addressing some constraint factors for the neighborhood population to enroll in those projects.

6. ISUP components draw upon two mutually reinforcing elements. First, they will provide the most critical institutional, regulatory, planning, and operational instruments that will facilitate the implementation of the ZSP's comprehensive long-term policy on the first two pillars – Prevention and Slum Upgrading. Second, they will also kick off the execution of the ZSP, by supporting the upgrading and restructuring of one neighborhood in Balbala, in order to test and strengthen the slum upgrading instruments. This parallel approach has proved to be a success factor in other international experiences.

7. Project sequencing is envisioned in three stages: (i) project preparation concentrated on the definition and elaboration of the ZSP strategy and the creation and/or strengthening of key institutions, as well as obtaining government approvals and acts to facilitate the launching of the program ; (ii) during the first year, the necessary regulatory and operational tools will be put in place, studies for the upgrading of Balbala Ancien will be undertaken, a site for necessary resettlement will be designed and acquired, and the first phase investments in Balbala Ancien will be launched; and (iii) over years 2 to 5, the upgrading and restructuring of Balbala Ancien will be completed and the tools and means to prevent the creation of more slums will be put in place.

**Component 1: Support to the elaboration of the ZSP strategic framework and investment plan (US\$3.52 million, of which US\$0.8 million as part of the PPA)**

8. The objective of this component is to provide the Government with requisite planning, regulatory, institutional, and operational tools to implement the ZSP. There are two subcomponents targeting different levels of support:

9. Subcomponent 1.1: Carrying out studies and technical assistance activities aimed at implementing the ZSP (US\$2.94 million). This subcomponent will finance key studies and technical assistance for implementation of the ZSP program, including urban plans, aiming at improving the readiness of the two pillars of the strategy supported by the project. It will support the activities described below.

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<sup>31</sup> See, e.g., Djibouti Public Administration Modernization Project (P162904), Djibouti Sustainable Electrification Program (P158505), Djibouti Support for Women and Youth Entrepreneurship (P165558), and Enhancing Income Opportunities in Djibouti (P148586).



a) **Overall strategic framework of ZSP.** At the onset, this activity (funded through the PPA) helps the Government formulate its overall strategy for ZSP, consisting of the strategic framework and accompanying investment plan to guide interventions by the Government and its development partners. Those will serve for donor outreach, including a possible donor conference. The institutions in charge of ZSP oversight – the Inter-Ministerial Committee and its Technical Committee – will also receive support through definition of their administrative procedures, design and implementation of a M&E scheme for the ZSP (including the acquisition of needed computer-related equipment to support the ZSP M&E), and execution of a communication plan for the ZSP – already established as part of the PPA. An assessment on the living conditions of refugees in the slums and urban areas will be conducted to help better frame the contribution of the ZSP to this specific agenda.

b) **Slum prevention policy.** This activity will support:

i) a five-year operational and financial plan for slum prevention including:

- a housing market study, including an assessment of land production constraints, and proposal of recommendations, for example to enable the Land Directorate to cope with the increase in the parcels produced under the first two pillars of the ZSP. The establishment of intermediate or temporary land tenure may be proposed. This could for example allow homeowners to submit electricity and water connection applications, as well as simplified building permits;

- a study on the promotion and improvement of low cost housing; and

ii) an urban development plan for an area (approximately 100ha) to be developed as part of the urban extension of Balbala South. This extension zone will cover about 4 to 5 years of the prevention policy in addition to accommodating households resettled as part of the slum restructuring operations. The urban development plan will help better integrate the area within the city, taking into account transport, climate adaptation and disaster risk reduction, as well as economic development.

c) **Slum restructuring and upgrading policy.** This activity will prepare the following:

i) a framework for environmental and social safeguards, as well as a resettlement policy specific to the ZSP;

ii) restructuring and upgrading plans for two slums. Priority will be given to the slum named Balbala Ancien, targeted for upgrading investments as part of ISUP (see Component 2). The choice of another slum will be decided during the first year of the project in line with the priorities of the strategy. These plans will be developed on the basis of (a) the technical standards and priorities established by the strategy, (b) a diagnostic of each site, and (c) a thorough and inclusive consultation with the local population, with a special attention to some groups such as women, youth, and refugees and displaced populations, to better identify and assess their particular needs.

iii) the slum restructuring plans will be completed by a broader urban study for Balbala North, which will provide a clear urban plan for transport and economic development, including the identification of secondary urban centers, which will contribute to the integration of slums into the urban fabric;

iv) the creation of a land information system in line with the Land Directorate instruments to compile the different tenure security types, and populating it with data regarding Balbala Ancien, and eventually, other selected urban areas. . SIF will facilitate land



regularization through the *Cession à l'Amiable* Program.

d) Other studies may also be considered in the course of the project to help refine the policy and operational approach of the ZSP. When appropriate, these studies will look into specific challenges faced by refugees and displaced populations, such as eligibility criteria for access to land and resettlement, and propose – where feasible – mechanisms for addressing these challenges.

10. Subcomponent 1.2: Implementing institutional reform and capacity building (US\$0.58 million). This subcomponent will finance: (i) studies and required regulating documents for the restructuring of the FDH into the newly created Agency for Slum Upgrading and Social Housing (ARULOS), the main institution in charge of the ZSP execution, to help it cope with a large increase in investment activities (support would include an organization and financial study of ARULOS); and (ii) capacity building of the main institutions involved in the design and implementation of the ZSP at national and municipal levels, starting with ARULOS and including the Land Directorate, the Urban Planning Directorate, the municipalities, and the neighborhood committees. This subcomponent will strengthen institutions to undertake slum upgrading and prevention activities as part of Component 2 and even beyond the ISUP. Capacity building, delivered in the form of training and south-south exchanges, will cover inter alia urban development and investment, urban and housing planning, climate mitigation and adaptation and disaster risk reduction, community participation, and citizen engagement.

**Component 2: Participatory upgrading investments in selected urban areas (US\$15.21 million, of which US\$0.4 million as part of the PPA)**

11. The objective of this component is to improve access to services in one slum of the ZSP, as well as to test the strategy and policy recommendations and instruments developed in Component 1, using inclusive participatory approaches. The first neighborhood selected for investments is Balbala Ancien, one of the most disadvantaged, oldest and largest slums of Balbala, with an estimated population of 20,000 inhabitants. Balbala Ancien is a very poor, dense, and unstructured neighborhood, with sparse pathways that penetrate an extremely tight and small-plot urban pattern. Consequently, the introduction of water and electricity networks in the neighborhood has so far been limited to just a few of the largest pathways. That said, the area topography is relatively flat and devoid of problematic steep runoffs and rock formations. A second neighborhood may be added in the first year of project implementation using the same intervention modalities once the investment program for Balbala Ancien is established. There are two sub-components designed as a combination of infrastructure and social development activities aimed at mainstreaming participatory approaches to prioritize, facilitate ownership, and improve the sustainability of investments within the neighborhood community.

12. Subcomponent 2.1: Supporting inclusive restructuring of the neighborhood and improving access to services (US\$14.7 million). This subcomponent will be implemented through a sequence of activities to deliver a comprehensive set of priority investments to support inclusive restructuring of the selected slums and improve access to services<sup>32</sup>. A resettlement area and housing construction will also be financed to

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<sup>32</sup> This is equivalent to about US\$375 infrastructure investment per person, which compare to US\$650 for the restructuring of Layableh-Moustiquaire (thought the neighborhood is likely to keep densifying), for which AFD secured funding for 25% of the program, or US\$385 for combined DUPREP I and II. International experiences show a wide spread from US\$50 in Ghana to US\$785 in Brazil and up.



facilitate the implementation of the neighborhood restructuring by offering a resettlement solution to impacted households. Options for use of labor intensive methods will be considered, especially the use of cobblestones for road paving, which has been experimented within the Urban Poverty Reduction Projects (DUPREP I&II) and has proved to be adequate for this urban environment.

- a) **Priority Investment Program (PIP) in Balbala Ancien.** Priority investments will begin with an access road of 1.2 kilometers penetrating Balbala Ancien and crossing the main commercial area of the neighborhood. The road – currently the main one within the slum – has been identified as a priority intervention considering its potential to improve access for residents inside the neighborhood and promote economic development in the adjacent market area, and has received full support from the population during consultation meetings. The road already exists – though not paved and narrow in some areas. The Islamic Development Bank previously financed a technical study of the road in 2012, which was updated during project preparation as part of the PPA. These investments will demonstrate rapid and visible results which are anticipated to help strengthen support from the population for ISUP interventions. Other priority investments will be guided by approved upgrading plan for Balbala (see Component 1), based on priorities established during consultations with neighborhood residents and other partners. Selection of priority investments will aim at addressing the most pressing needs of the population in terms of access to urban services, including those of the refugees and displaced populations. These might include the following non-exhaustive list of eligible interventions: i) roads and bus stops, ii) drainage, iii) water supply, iv) electricity distribution and street lighting using energy efficient technologies, v) internet connection, vi) health units, vii) primary schools, viii) community and youth facilities (such as community centers and sport facilities), ix) commercial facilities, and x) public spaces. Tree planting will also be favored to help reduce the incidence of heat waves on the neighborhood. These interventions will also seek to benefit employability projects by facilitating access to affordable commercial space for their beneficiaries. As per the ZSP strategic principles, the ISUP will coordinate with other sector investment programs, including IDA projects (such as the *Sustainable Electrification Program* and *Inclusive Quality Education Project*), for financing some infrastructures. If a sector ministry cannot provide the financing needed, the Project Steering Committee (PSC) may agree for ISUP to finance those priority investments.
- b) **Priority Investment Program (PIP) in a second slum.** Priority investments will be made to restructure a second neighborhood. The definition of the associated Priority Investments Program will follow the same approach and standards established above for Balbala Ancien.
- c) **Resettlement zone and housing reconstruction.** This subcomponent will finance the development of a resettlement zone and housing construction, including the construction of several urban infrastructures, based on the urban plan to be developed under subcomponent 1.1 of the project, and housing units based on Resettlement Action Plans prepared as part of the project. It will serve to accommodate resettled people, including refugees and displaced populations as an important demonstration effort for safe and equitable resettlement under the broader ZSP. The resettlement zone will be located in the urban extension of Balbala South on state-owned land and will be developed in the first 18 months of project implementation to allow enough time for completion of the priority investments. It is estimated that the project



investments for Balbala Ancien restructuring could result in the resettlement of about 252 households.<sup>33</sup> For that, an area with a similar capacity has been selected. This area will be used primarily to relocate households impacted by the PIP financed by the project, and if at the end of that process, some land plots remain available, they will be used to resettle households impacted by other ZSP investments. The resettlement zone could be enlarged according to the needs resulting from the final investment programs for Balbala Ancien and the second neighborhood. The design of this zone will reflect the needs of the population and respond to the criteria and norms of resettlement that are defined within the national slum upgrading strategy and Project Resettlement Policy Framework (RPF). Trunk infrastructures (access road as well as water and electricity connection) to connect the zone will be provided by the government as part of its overall urban development program in that area conducted by the Land and Real Estate Development Agency (SIAF). Additionally, upon request of the Government, this sub-component will finance part of the housing reconstruction efforts for project affected people (PAP) in order to facilitate project implementation, within the standards established by the strategy of the ZSP and in accordance with the World Bank's social safeguards procedures. The rest of the financial needs for reconstruction will be provided by the Government, potentially through other housing programs. First estimates place the initial envelope for those investments to US\$5 million.

13. Subcomponent 2.2: Supporting community engagement and youth employability (US\$0.51 million).

Considering the nature of the project, attention will be given to Community Engagement and Youth Employability, as a vehicle to build ownership for population of the urban areas selected for Subcomponent 2.1.<sup>34</sup> For that, the project adopts an overarching inclusive participatory approach to slum upgrading by aiming to engage targeted communities, particularly women and youth as well as refugees and other migrant populations, in the full cycle of designing and maintaining various investments, to help better assess their needs and propose appropriate coping measures as part of the upgrading investments and social support. In addition to the participatory mechanisms to be mainstreamed into the national strategy and priority-setting processes, the project will support capacity-building for local institutions to streamline and formalize participatory approaches and grievance redress to support a bottom-up approach to citizen engagement. As such, this subcomponent will support: i) stationing of community facilitators at the level of the slums being restructured as part of Subcomponent 2.1 to coordinate neighborhood participation at different project stages; and ii) training of community representatives and municipal officials on institutionalization of community engagement processes. To reinforce impact and sustainability of the project investments, this sub-component will also build on lessons learned in DUPREP I&II to finance, iii) a Community Development Fund, which will have two priority financing windows for micro-projects: a youth innovation window to support direct educational activities for youth and youth access to employment and training initiatives, as well as a public space and facility management window to reinforce civil society's role in community development initiatives.

- *Youth Innovation Window*: This window will in part seek to connect youth of the neighborhood,

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<sup>33</sup> The RPF estimates this figure at an equivalent of 1,260 persons to potentially be resettled as a result of IDA investments. A broader restructuring operation with investments from other donors could result in the resettlement of about 450 households based on GoD estimates.

<sup>34</sup> If another slum is selected for Subcomponent 2.1, the amount of Subcomponent 2.2 will be adjusted to keep up the quality of the community engagement and youth employability activities.



including young women, to existing educational, entrepreneurship and skills training programs (which include Bank-funded programs), while ensuring active mentoring and other types of financial and material support to reduce the risk of drop out. According to a report from USAID-EDC, Djiboutian youth and women, in particular, often drop out from such programs due to limited transport options to access training centers, as well as family care responsibilities. This window will support gender-sensitive consultations with eligible youth to identify other potential constraints, and prioritize support for alleviating these, such as providing discounted fares and commitment-based stipends (e.g. stipends that in turn require a commitment to volunteering in the neighborhood, with oversight from existing neighborhood committees). This window will also invite proposals from youth and particularly women on innovative means for enhancing livelihoods in their communities and beyond. In previous iterations of DUPREP II for example, youth associations in another neighborhood implemented a micro-project to train youth on basic computer and ICT skills that improve job market competitiveness. This window will build on the “La Nuit des Idées” (An Evening of Ideas) initiative that the Balbala Commune piloted, to identify innovative ideas from youth to be supported within the scope of the project Community Development Fund.

- *Public Space and Facility Management:* This window aims to engage and empower civil society associations in Balbala Ancien to develop and implement micro-projects in coordination with neighborhood committees and municipal/commune representatives. This is meant to build capacity for all actors involved—in coordinating community development activities and improving accountability. A desk review of local actors and the associative sector in Djibouti reveals very low capacity for local representatives to execute their legal mandates, which for communes includes managing social and cultural facilities, as well as public markets and neighborhood roads. Civil society is also very weak, without clear regulations governing their operation nor good coordination (internally and with other actors). In earmarking Community Development Funds for public space and facility management, this window will enable municipal and communal representatives to coordinate with civil society associations to systematically deliver on basic public needs such as sanitation and hygiene. This would provide a participatory model for the different actors to work together, providing lessons learned for building capacity and strengthening local accountability.

14. Administration of the Community Development Fund will emphasize a key role of community representatives and municipal officials, to strengthen their capacity for fostering social inclusion and cohesion in the management and maintenance of community spaces and infrastructure. A central role is also envisioned for women in the decision-making processes of the Fund, by enforcing a quota of at least 33 percent of women representatives on the fund management committee,<sup>35</sup> and ensuring gender-sensitive training on fund management for both women representatives and other fund management members. Civil society associations in the slums will also be empowered to develop, refine, and implement micro-projects in coordination with neighborhood committees.

### **Component 3: Project management (US\$1.27 million, including US\$0.3 million of the PPA)**

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<sup>35</sup> This quota is comparably higher than the 25% quota for women in Parliament promulgated by the Government of Djibouti. <http://djiboutiembassy.jp/en/2018/01/approval-of-a-bill-to-increase-womens-quota-to-25-in-the-national-assembly/>



15. This component will ensure smooth implementation of all project activities in accordance with the IDA’s policies and guidelines. It will support the implementing agency in the areas of project coordination, FM and audits, procurement, M&E, communication, as well as supervision of implementation of the safeguards instruments, including the provision of training, operating costs, goods and services for the required purposes. ARULOS will pay the main costs related to its staf dedicated to the ISUP as well as some other operating costs, which are not part of the component amount.

16. The list of activities below is provided for indicative purposes and could evolve as per project needs.

<b>Component 1: Elaboration of the ZSP strategic framework and investment plan</b>
<b>Subcomponent 1.1: Carrying out studies and technical assistance activities aimed at implementing the ZSP</b>
Study for formulation of the strategy and investment plan of the ZSP
Donor round table organisation
Preparation of a communication plan
Communication and awareness activities for the ZSP
M&E activities for the ZSP
Preparation of the M&E manual for the ZSP
Creation of a land information data base for Balbala Ancien
Housing market study in Djibouti and assessment of land related constraints
Study on low-cost housing promotion and improvement
Urban development plan and investment program for North Balbala
Detailed urban plan for the extension area in South Balbala and technical study of the resettlement zone
Restructuring plan of Balbala Ancien
Restructuring plans for other slums
<b>Subcomponent 1.2: Implementing institutional reform and capacity building</b>
ARULOS manual of procedures
Capacity building for ARULOS
Institutional support for other actors of ZSP
<b>Component 2: Participatory upgrading investments in selected urban areas</b>
<b>Subcomponent 2.1: Supporting inclusive restructuring of the neighborhood and improving access to services</b>
Technical study for the access road in Balbala Ancien
Technical study for upgrading of Balbala Ancien
Construction works for the access road in Balbala Ancien
Other slum restructuring and upgrading works
Servicing works in the resettlement zone
Support to housing improvement and reconstruction works for PAPs
Investment work supervision
Environmental and social safeguards studies for the access road
Environmental and social safeguards studies for other investments
<b>Subcomponent 2.2: Supporting community engagement and youth employability</b>



Community Development Fund sub-grants
Social engineering and support services
GRM
<b>Component 3: Project management</b>
<i>Human resources</i>
International expert for restructuring operations
Communication officer
Safeguards specialist
<i>Audits</i>
Annual audits of project accounts
Technical evaluation of investments
<i>Monitoring &amp; Evaluation</i>
Workshops (room and catering)
Satisfaction surveys (2)
Project evaluation study
<i>Project Implementation Manual</i>
Preparation of the Manual
<i>Operating costs</i>
Vehicle for the PCU
IT and office equipment
Various (oil, phone, printing, meetings, etc.)

17. **Climate co-benefits.** Project investments are vulnerable to disaster risk and climate change, as most recently evidenced by the cyclone Sagar which caused significant damage in the country in May 2018. The project intends to address this vulnerability, and climate risk adaptation measures to reduce the vulnerability of the city in case of natural disasters and improve urban management towards sustainable growth are given serious consideration and included as key objectives for all investments in Balbala Ancien. Floods can have significant impact on the sustainability of secondary roads being rehabilitated as part of the project. As a mitigation measure, the roads that are most at risk of being impacted by floods will include drainage. Moreover, regular maintenance by communities has been incorporated into the project design. In addition to the access road, many of the investments under Component 2 (Participatory upgrading investments) are expected to yield climate adaptation co-benefits, including through investments in drainage and public spaces (where tree planting will be favored to help reduce the incidence of heat waves on the neighborhood), while investments in electricity distribution and street lighting using energy efficient technologies should contribute to adaptation co-benefits.



## ANNEX 2: IMPLEMENTATION ARRANGEMENTS

### COUNTRY : Djibouti

#### Djibouti Integrated Slum Upgrading Project

#### Project Institutional and Implementation Arrangements

- 1. Institutional framework for steering the Project.** The oversight of the IDA project involves monitoring of project implementation, approval of work programs and annual budgets, review and validation of annual project implementation reports, and support for project implementation, notably for problem resolution. Given the need for strong coordination among ministries and public entities, a Project Steering Committee will be established no later than one month after effectiveness and will meet at least twice a year to review the project implementation progress. It will be chaired by the Minister of Finance and composed of the Minister of Housing, Urbanism, and Environment, the Minister of Interior, the Minister of Budget, the Ministry delegated to the Ministry of Housing, Urbanism, and Environment, and the Secretary of State for Social Affairs.
- 2. Institutional framework for implementation.** The project is placed within the framework of the Government's Zero Slum Program (ZSP) and will be implemented and coordinated by the Minister delegated for Housing, according to the institutional framework put in place by the Government.
- 3.** The institutional arrangements and modes of implementation of the proposed project are designed in a manner that will facilitate the execution of a long-term vision. This implies that the Government undertakes actions to improve urban development and housing for the lower-income populations and the provision of services in general, as well as for future upgrading activities (in particular, in close collaboration with the local inhabitants), in order to play a central role within the ZSP. The implementation of this national program of slum upgrading presents a unique opportunity to reinforce the capacities of the technical Ministry in a sustainable manner.
- 4.** The Minister delegated for Housing has begun the institutional reforms necessary to undertake this new role of slum upgrading and to strengthen its policies of housing accessibility for the disadvantaged populations. The Minister delegated for Housing presented a reform of the existing FDH restructuring into ARULOS, whose task will include slum restructuring and upgrading. The law creating ARULOS was adopted by the Parliament on June 11, 2018 and enacted on June 25, 2018.
- 5.** The Minister delegated for Housing will oversee project implementation, which will be conferred operationally to ARULOS, and ARULOS will coordinate the project among the different ministries. To reinforce government structures and strengthen their capacities, existing state administrative structures will be utilized, especially those with the responsibility to manage slum-upgrading activities. Project coordination will be situated within ARULOS. ARULOS will be responsible for relations with the IDA and may delegate certain tasks to other institutions according to their competences.
- 6.** More specifically, project coordination will be assured through a Project Coordination Unit (PCU) entirely dedicated to the project, which will be established within ARULOS no later than three months after



effectiveness, and will be composed of a seasoned civil engineer, an environmental and social specialist, a monitoring and evaluation specialist, a procurement specialist, and a financial management specialist. The PCU will be reinforced as needed by a communications officer, an urban planner, and international experts. Project coordination will remain with the ARULOS Director. In line with the Government decision to reinforce public institutions, PCU members will be selected among existing ARULOS staff or through external hiring based on terms of reference acceptable to the IDA and described in the Project Implementation Manual (PIM).

7. **Other institutions involved in project implementation.** For certain activities, the ARULOS will rely on other institutions (DATUH, Land Directorate, and the municipal institutions) within their range of competencies; though fiduciary responsibility will be retained by ARULOS. For those partnerships, each institution will designate a focal point. The PIM defines in detail the responsibilities and obligations of each party.

8. DATUH will coordinate the preparation of the urban plans. For these activities, it will elaborate the terms of reference for envisaged studies and will monitor the work of consulting firms to ensure timely and high-quality deliverables.

9. The Land Directorate will be charged with steering studies on land registration and, in collaboration with the prefectures, will ensure the creation of a land information system and inventory of land properties, starting first in Balbala Ancien. The Land Directorate will benefit from technical support, the purchase of needed equipment, and capacity building in order to undertake its tasks.

10. The Municipality of Djibouti and the Commune of Balbala will play a critical role in achieving the social cohesion around the infrastructure investments within the neighborhood. They will support community mobilization and preservation of public spaces identified to receive infrastructure and services as part of upgrading plans. They will notably ensure that new spontaneous constructions do not compromise these upgrading operations. They will also be responsible for improving their community complaints mechanism and forward project-related complaints to ARULOS for information. Finally, they will undertake the needed community engagement, notably through consultations with the population and the management of the Community Development Fund (CDF).

11. For consultations, a consultative forum will be created in Balbala Ancien and will be facilitated by a social operator recruited by the project. Community representatives will be selected from the neighborhood and will be trained to participate fully in project activities. The forum will play a central role in setting investment priorities within the framework of the neighborhood's upgrading. Apart from the priority investment to be executed during the first year (Component 2), subsequent investments will be defined through consultative workshops with the local community.

12. As part of the CDF, a Selection Committee will be established within the community and the municipal institutions. Only formally registered local associations will be eligible to receive CDF sub-grants and will enter into sub-grant agreements with ARULOS for execution of these sub-grants. The PIM describes the simplified fiduciary procedures that will be applicable to the sub-grant agreements.



## Financial Management

13. The Republic of Djibouti has a set of complete and sufficient regulations for sound management of its public finances. The legal framework of Djibouti includes notably: (i) the Constitution of September 4, 1992; and (ii) the law no. 107/AN/00 relating to the finance laws which fixes the rules relating to the determination of the resources and expenses, the preparation and the vote on annual budget, the execution, and the control of the budget.

14. The institutional framework includes the structures necessary for public financial management. The institutional framework meets the needs as regards preparation as well execution and control of the budget. However, some practices affect the efficiency of the regulation. This is the case in particular for: (i) the use of the waiver procedures of public expenditure; and (ii) a lack of budgetary discipline and budget oversight.

15. The proposed Integrated Slums Upgrading Project will be implemented in Djibouti according to the World Bank policies. It will be implemented by ARULOS, previously known as the Fond de l'Habitat (FDH), which is an autonomous public agency that falls under the tutelage of the Ministry of Housing. ARULOS is currently implementing the project activities funded by the PPA in an amount of US\$1.5 million. The project funds will be disbursed from the IDA credit and the grant accounts using advance to designated accounts, direct payments, reimbursement and special commitments for eligible expenditures accompanied by supporting documents following the applicable procedures and the World Bank's Disbursement Handbook. IFRs and Annual PFSs will be used as a financial reporting mechanism and not for disbursement purposes.

### Financial Management Assessment

16. The IDA reviewed the Financial Management (FM) arrangement at ARULOS. ARULOS has acquired some experience in IDA FM procedures through the ongoing implementation of the PPA. The PPA was effective since July 2017. ARULOS will mobilize the same staff to take charge of the FM aspects of the project.

17. Based on the result of the assessment, the FM risk, as a component of the fiduciary risk, is rated **Substantial**. With the proposed measures, ARULOS will meet the financial management requirements as per World Bank operational policy on Investment Project Financing and will have an acceptable financial management system.

18. The risks identified are as follows: (i) limited human resources to undertake all the FM functions for the overall project; (ii) ARULOS has limited internal control procedures; and (iii) ARULOS is an agency linked to the Ministry of Housing and its audit is conducted by the Supreme Audit Institution (SAI). The SAI has a limited role in auditing public institutions and has no experience in auditing IDA projects. The SAI may not specifically audit the project as part of ARULOS's operations which would give limited assurance on the use of project funds.

19. Based on the above risks, the following mitigating measures have been agreed upon in order to reduce the risk level to Moderate: (i) ARULOS will recruit an additional accountant to work with the current Financial Officer (FO) who is handling the FM aspects under the PPA. The IDA will provide the necessary support and training on IDA FM procedures; (ii) ARULOS will utilize its current accounting software, that is being used for the PPA, to record the daily transactions and produce the IFRs. The format of the IFRs will be agreed upon



with the IDA. The IFRs will be submitted to the IDA no later than 45 days after the end of each quarter; (iii) ARULOS has developed a PIM, which contains an FM chapter describing in detail the FM procedures, including internal controls; and (iv) ARULOS will contract an independent external auditor with Terms of Reference (ToRs) acceptable to the IDA to audit the PFS. The annual audit report on the financial statements of the project and management letter will be submitted to the IDA no later than six (6) months after the end of each fiscal year.

### **Financial Management and Disbursement Arrangements**

20. *Budgeting:* ARULOS prepares its budget on an annual basis which forms part of the overall budget of the Ministry of Housing. The consolidated budget of ARULOS is prepared based on inputs from the various departments. ARULOS will be preparing a separate annual budget and a disbursement plan for the purpose of the project. The budget will be prepared on an annual basis and submitted to the IDA by November 30 of each year covering the subsequent year. The disbursement plan will cover each fiscal year and will be divided by quarter and submitted with the quarterly IFRs. ARULOS will monitor the variances in the disbursement plan and will provide justification on any major divergence.

21. *Project accounting system:* ARULOS will be utilizing its own accounting software named “Sage” to record the daily transactions and produce the required financial reports. ARULOS is currently using Sage for the PPA. The project Financial Officer will be responsible for preparing the IFRs before their transmission to the project Coordinator for approval. Periodical reconciliation between accounting statements and IFRs will also be done by the Financial Officer. The general accounting principles for the project are as follows: (i) project accounting will cover all sources and uses of project funds, including payments made and expenses incurred. All transactions related to the project will be entered into the accounting system. The accounting basis used will be the IPSAS cash basis. Disbursements made from the project Designated Accounts (DA) will also be entered into the project accounting system; (ii) project transactions and activities will be separated from other activities undertaken by ARULOS. IFRs summarizing the commitments, receipts, and expenditures made under the project will be produced quarterly using the templates established for this purpose; and (iii) the project chart of accounts will be in compliance with the classification of expenditures and sources of funds indicated in the project cost tables and the general budget breakdown in addition to the PIM. The chart of accounts will allow for data entry to facilitate the financial monitoring of project expenditures by component, subcomponent and category.

22. *Project reporting:* The project financial reporting includes quarterly IFRs and yearly Project Financial Statements. The IFRs will be produced by ARULOS every quarter and send to the IDA no later than 45 days after the end of each quarter. IFRs will include data on the financial situation of the project, including:

- Statement of Cash Receipts and Payments by category and component.
- Accounting policies and explanatory notes, including a footnote disclosure on schedules: (i) “the list of all signed contracts by category” showing contract amounts committed, paid, and unpaid under each contract, (ii) reconciliation statement for the balance of the project’s Designated Accounts, (iii) statement of cash payments made using SOE basis, (iv) a budget analysis statement indicating forecasts and discrepancies relative to the actual budget, and (v) a comprehensive list of all fixed assets.

23. PFSs will be produced annually. The PFS will include: (a) a cash flow statement; (b) a closing statement



of financial position; (c) a statement of ongoing commitments; (d) an analysis of payments and withdrawals from the project's account; (e) a statement of cash receipts and payments by category and component; (f) reconciliation statement for the balance of the project's Designated Accounts; (g) statement of cash payments made using SOE basis; and (h) the yearly inventory of fixed assets acquired under the project.

24. *Flow of funds:* Payment will be authorized by three signatures: by the Director of ARULOS, the Director of the External Financing Department at the Ministry of Finance, and the Director of the Debt Department at the Ministry of Budget. Funds will be transferred based on Withdrawal Applications submitted by ARULOS. The funds will be channeled from the IDA through one segregated Designated Account (DA) in US dollars opened at a commercial bank in Djibouti acceptable for the IDA. Advances from the IDA account will be disbursed to the Designated Accounts to be used for the project expenditures.

#### *Additional Control Arrangements*

25. The project will be financing works, goods, consultants' services, non-consultants' services, community development sub-grants and operational costs.

26. For the category of works and to ensure proper quality in execution, the scope of the external auditor's terms of references will be expanded to include qualitative on-site checks of the works done in infrastructure under Component 2 in the zone of Balbala. The auditor will provide a special purpose report on the progress and quality of the works done. The special purpose audit report will be submitted with the audit report on the financial statements.

27. For the community development sub-grants, the project will be providing small grants to community associations. The following control arrangements will be applied under this category:

- ARULOS will prepare a specific small grants manual for this activity detailing the procedures including financial management and procurement.
- ARULOS will sign an agreement with each of the eligible local associations. The agreement will specify the activities to be undertaken by each association and will detail the payment mechanisms.
- Each association will open a separate bank account to receive the funds.
- Each association will report back to ARULOS, on a quarterly basis, on the activities done with complete documentation evidencing the proper execution as per the signed agreement.

28. ARULOS will have the overall responsibility in ensuring that the funds under this category are used for their intended purposes and will follow up closely on the execution and the reporting.

#### **Audit of the project**

29. *Audit of the project financial statements:* An annual external audit of the project financial statements will cover the financial transactions, internal control and financial management systems and will include a comprehensive review of SOEs. An external auditor will be appointed according to Terms of Reference acceptable to the IDA and will conduct the audit in accordance with international auditing standards. The auditor will produce: (i) an annual audit report, including his opinion on the project's annual financial



statements; (ii) a management letter on the project internal controls; and (iii) a limited review opinion on the IFRs on a yearly basis. The annual reports will be submitted to the IDA within six months from the closure of each fiscal year and the limited review opinion will be submitted to the IDA along with the yearly audit report.

30. A *technical evaluation*, with ToRs found acceptable to the IDA, will be conducted for Component 2, which includes infrastructure works. This evaluation will be done twice in the course of the project, at mid-term and at completion. The evaluation will include: (i) status of the progress of the works done; (ii) observations on the quality of works done; and (iii) future recommendations.

31. ARULOS will ensure that the recruitment of the external auditor will be done within six months after project effectiveness in order for the auditor to be able to start field work early and deliver the audit report and management letter within the deadlines and avoid any delays in this regard.

32. *Flow of information*: ARULOS will be responsible for preparing periodic reports on project implementation progress and on both physical and financial achievements. These reports will be based on project activity progress (by component and expenditure category), including technical and physical information reported on a quarterly basis. ARULOS will maintain the project bookkeeping and will produce annual PFSs and quarterly IFRs.

**Summary of actions to be implemented:**

<b>Actions</b>	<b>Deadline</b>
Recruit an accountant to support the FO	3 months after effectiveness
Hire an external auditor with ToRs acceptable to the IDA	6 months after effectiveness

**Disbursements**

33. The IDA funds will be disbursed according to the World Bank guidelines and procedures described in the Disbursement Letter.

34. The proceeds of the project will be used to finance activities through advances, direct payments, reimbursement and special commitments accompanied by appropriate supporting documentation (SOEs, list of contracts subject to IDA prior review) in accordance with and the World Bank's "Disbursement Guidelines". The IFRs and the PFSs will be used as a financial reporting mechanism and not for disbursement purposes. The minimum application size for direct payment, reimbursement will be equal to 20 percent of the ceiling advance.

35. Allocation of the Credit and Grant's Proceeds:

<b>Category</b>	<b>Amount of the Grant Allocated (in US\$)</b>	<b>Amount of the Credit Allocated (in US\$)</b>	<b>Percentage of Expenditures to be Financed (inclusive of taxes)</b>



(1) Works, goods, non-consulting services (including training), and consulting services, incremental operating cost and audit under component 1subcomponents 2.1 and 2.2 (except sub-grants), and component 3 of the project	3,500,000	14,820,000	100%
(2) Community Development Fund sub-grants under subcomponent 2.2 of the project	0.00	180,000	100%
(3) Refund of Preparation Advance	1,500,000	0.00	Amount payable pursuant to Section 2.07 (a) of the General Conditions
<b>Total</b>	<b>5,000,000</b>	<b>15,000,000</b>	

36. No withdrawal shall be made for payments made prior to the signing date of the Financing Agreement, except that withdrawals up to an aggregate amount not to exceed US\$100,000 may be made for payments made on or after the date twelve (12) months prior to the signing date, for eligible expenditures under Category 1.

37. No withdrawal under Category 1 of the IDA credit shall be made until all proceeds under the IDA grant have been fully disbursed.

38. *Designated Account.* The project will have one Designated Account (DA). On behalf of the ARULOS, the Department of External Financing at the Ministry of Finance will open one DA in a commercial bank in Djibouti acceptable to the IDA in US dollars to cover the eligible project expenditures. The DA will be used to pay for eligible expenditures from the credit and the grant. The ceiling of the DA will be US\$1,000,000. ARULOS will be responsible for submitting monthly replenishment applications with appropriate supporting documentation.

39. *Reporting Eligible Expenditures.* For reporting eligible expenditures paid under the project:

- *Reimbursement to the DA:* statement of expenditures (attachment 2 of the Disbursement and Financial Information Letter), bank reconciliation statement.
- *Direct Payment:* statement of expenditure and copy of records (contract, invoice, receipts etc...)
- *Special Commitment:* copy of the letter of credit

**Governance and anti-corruption**



40. The above described fiduciary arrangements, including PIM with a detailed FM chapter, reporting and expanding scope of external auditing are expected to address the risk of fraud and corruption that are likely to have a material impact on the project outcomes. The IDA and the project team developed an integrated understanding of possible vulnerabilities and agreed on actions to mitigate the risks.

41. *Supervision Plan:* The financial management of the project will be supervised by the IDA in conjunction with its overall supervision of the project and conducted at least three times a year.

42. *Supporting Documentation and Recordkeeping:* All supporting documentation was obtained to support the conclusions recorded in the FM assessment.

## Procurement

43. **Applicable procurement rules and procedures:** Procurement will be carried out in accordance with the “World Bank Procurement Regulations for IPF Borrowers” (dated July 2016, revised November 2017); “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants” (dated October 15, 2006 and revised as of July 1, 2016); and provisions stipulated in the Financing Agreement. As per the national procurement code, ARULOS will be required to submit the procurement process for every contract of an estimated amount of 5,000,000 Djibouti francs and above for the prior review from the National Procurement Commission. When the Recipient uses its own national open competitive procurement arrangements, such arrangements will be subject to paragraph 5.4 of the Procurement Regulations. When other national procurement arrangements other than national open competitive procurement arrangements are applied by the Recipient, such arrangements will be subject to paragraph 5.5 of the Procurement Regulations.

44. **Procurement arrangements for delivery of value for money in achieving the PDOs:** An assessment of the procurement capacity of ARULOS was conducted in conjunction with the PPSD developed by the Recipient in May 2018. The overall risk associated with procurement is Substantial, given the limited past exposure of the client to implementation of IDA projects while leveraging on recent experience and training already provided by the IDA during project preparation. The following risks were identified: (i) though ARULOS has been working with other donors in the same sector, it has relatively weak procurement capacity when it comes to IDA projects; (ii) procurement planning and close monitoring of contract execution may not be as proactive as deemed required by IDA project implementation standards; (iii) limited competition, due to lack of contractors’ diversity may result in cost overruns; and (iv) weak recordkeeping and procurement documents management (filing, records protection from loss and unauthorized access, archiving). The associated mitigation measures would include: (i) the appointed procurement team has started benefitting from training on the World Bank procurement framework and the IDA is closely supporting the team; (ii) the PPSD and procurement plan were discussed with the client and critical contracts were identified for close monitoring; (iii) for major works contracts of Balbala, the procurement strategy will start by approaching the private sector first and, in case of no conclusive procurement, approach then the state-owned enterprises already operating in the sectors (water, roads, electricity); (iv) the project implementation manual includes sections on procurement procedures, including recordkeeping and documents management.

45. The Recipient has prepared a short form of the PPSD that was communicated to the IDA in May 2018.



It revealed that the country context, the operational arrangements within ARULOS, the market capacity and risk vis-a-vis the size and complexity of foreseen procurement contracts are manageable for a smooth project implementation. A due diligence in terms of proactivity in procurement planning and contract execution monitoring from ARULOS is, however, highly recommended.

46. The PPSD outlined that initially around 19 contracts (apart from the consultants funded by the PPA) will involve procurement. Among them, based on the risk analysis, the PPSD identified 4 works contracts (mainly in Balbala) in amount of US\$9.75 million and 7 consultants' contracts (technical studies and works supervision) in amount of US\$1.45 million that are critical for project implementation, and hence their procurement and execution will need to be monitored closely. These contracts account for about 55 percent of the total amount of the financing.

47. With regards to market analysis, there are both domestic and international contractors, suppliers and service providers with sufficient competition and capacity. However, in some sectors requiring specific skills not suitably available in the private sector (which could be the case in select works in electricity, water, and roads), the project could rely on specialized state-owned enterprises through direct selection.

48. **Oversight and monitoring arrangements for procurement:** Given that the Recipient's capacity has been strengthened by capacity building activities funded by the PPA, there will be no need for Hands-on Expanded Implementation Support (HEIS) by the IDA, apart from the regular project supervision and day-to-day support through the World Bank country office. In addition, no single contract would require the review from the Operational Procurement Review Committee (OPRC) or involve the use of negotiations or a competitive dialogue.

49. **Procurement Plan.** A Procurement Plan for the first 18 months of project implementation, as an output of the PPSD, and which outlines the procurement procedures to be used to plan and monitor implementation of investment activities, was prepared and agreed upon by the IDA and the Government. For each contract to be financed by the project, the different procurement or consultant selection methods, the need for pre-qualification, estimated costs, prior review requirements and timeframes would be agreed between the Recipient and the IDA through the Systematic Tracking of Exchanges in Procurement (STEP). The Procurement Plan may be updated at least every 12 months, or as required, to reflect the actual project implementation needs, but each update will require IDA approval. All procurement plans will be publicly disclosed in accordance with the Bank's disclosure policy.

### Environmental and Social (including safeguards)

50. **Social Benefits.** The proposed project is expected to deliver significant social benefits by improving urban infrastructure and services, including housing to Djibouti's largest underserved urban population. The civil works to be carried out will create income generating opportunities for both professional skilled workers and manual labor. The provision of potable water, electricity, improved streets and sidewalks, will provide health and safety benefits for women, children and men, besides improving their living standards. Transport infrastructure service benefits will include but not be limited to: improved mobility; increased access to public transport services; reduced transport fees; reduced travel time and improved comfort and safety.

51. **Poverty and Equity.** The project will contribute to leveling the playing field for urban service delivery



between wealthy and low-income neighborhoods. It will benefit users of public utilities and private transport services, particularly in low-income communities: working women and men; school children; elderly and youth in Balbala. The social and poverty outcomes of the proposed project will include but not be limited to the following: (a) income generating opportunities; (b) enhanced government capacity to provide reliable and competitive urban services; (c) improved access to public utilities; (d) productivity gains as people can get access to electricity and potable water, and can reach their work places on time; and (e) enhanced urban infrastructure and services for all. To promote youth employment, labor-intensive works financed by the project will engage local unemployed young men and women, not only to provide them with temporary jobs and additional incomes but also with on-the-job trainings to enhance their competencies for long-term employment.

52. **Gender.** Urban poverty is increasingly feminized, with slums and informal settlements being among the most visible urban contexts highlighting female poverty. Slums are characterized by a disproportionately high level of female-headed households, making women more likely than men to experience the five household deprivations of slums and informal settlements.<sup>36</sup> Djibouti historically has a relatively high proportion of female heads of households of about one in four, most of whom are widows.<sup>37</sup> The Government's National Gender Policy (2011-2021) identifies female-headed households as particularly vulnerable, including to lack of access to housing, owing in part to patrilineal socio-cultural norms.<sup>38</sup> Women and girls in slums generally tend to face a unique set of challenges with regard to: (i) urban safety in the form of GBV<sup>39</sup>; (ii) access to public spaces and essential infrastructure and resources; and (iii) climate change impacts. As part of project interventions aimed at improving living conditions for all slum dwellers, the project will proactively leverage its participatory upgrading mechanisms and other approaches to promote the empowerment of women slum dwellers by: (a) providing opportunities for women to participate alongside men in the planning and management processes of the national program and project investments, with particular focus on delivering increased participation of women in decision-making; and (b) supporting awareness and other activities that address some of the unique challenges faced by women slum dwellers, notably urban safety/GBV and access to public spaces.

53. Some planned project actions towards this end include: (1) Inclusive policy measures in the strategic plan and operational instruments that promote equal access and security tenure for female-headed and other vulnerable households; (2) the enhancement of women's representation in the decision-making processes of the Community Development Fund, by enforcing a representation quota of at least 33 percent of women slum dwellers in the fund management committee and providing training to women representatives; (3) prioritization of the most vulnerable households, particularly female-headed households, in allocation and targeting activities of the CDF (e.g., prioritization of waste collection and hygiene activities to service such households); (4) support for training activities and CSO-led community awareness around women's safety, with the potential for a participatory neighborhood security plan focused on enhancing safety for women and girls in public spaces; and (5) earmarking of funds to support women-led associations (CSOs) and micro-projects prioritizing needs of women slum dwellers. The project will collect

<sup>36</sup> Access to improved water, access to improved sanitation, security of tenure, durability of housing, and sufficient living area.

<sup>37</sup> Enquête djiboutienne sur la santé de la famille, 2003/2004

<sup>38</sup> See Immigration and Refugee Board of Canada, 2017

<sup>39</sup> According to a universal definition recognized by UN HABITAT, GBV includes, for example, the threat of physical violence at home and in public spaces. See publications *Amélioration des logements et des bidonvilles; Guide sur les questions de genre*, on UN HABITAT website : <https://unhabitat.org/series/gender-issue-guide/>.



and monitor gender-disaggregated data on project beneficiaries, with targets towards the percentage of CDF micro-projects prioritized by women slum dwellers and/or implemented by women CSOs.

54. **Citizen Engagement.** Citizen engagement is a cross-cutting theme in all interventions, as the project recognizes the inclusive and sustained participation of affected communities in planning and implementation as a key success factor for the national program. The project adopts a participatory slum upgrading approach by first aiming to develop the overall strategic plan for the Zero Slum Program, as well as specific neighborhood restructuring plans in consultation with the local population and affected stakeholders. Already, the design and preparation of the project has been consultative at several levels and incorporates community needs expressed in dialogue with representatives of the national government, local government officials, local community leaders, neighborhood organizations, project affected persons, including women and youth, civil society, and the international donor community. Technical studies and assistance under Component 1 will build on this to elaborate and leverage participatory planning mechanisms adapted for the local context that assure inclusive consultations and focus groups for priority-setting and plan validation. Next, the project envisions the Community Development Fund (subcomponent 2.2) as a citizen engagement mechanism for building capacity at the community level to enable inclusive participation of neighborhoods in conceptualizing and implementing micro-projects that prioritize their needs. Thirdly, the project will support institutional capacity building for state agencies involved in urban management and local government entities to mainstream participatory approaches and grievance redress in their operations. Finally, the project will conduct beneficiary feedback surveys and adapt interventions based on citizen feedback.

55. **Social Safeguards – Land Acquisition.** Subcomponent 2.1 of the project will induce land acquisition. Since the investment program has not yet been finalized, the entire number of households likely to be affected by land acquisition induced by project activities is not known and will subsequently be determined. To mitigate land acquisition-related impacts, the client prepared two social safeguards instruments, notably a resettlement policy framework (RPF) for the project and a resettlement action plan (RAP) for the access road. The RPF has been informed by Component 1 of the project and covers all involuntary resettlement activities to be carried out under the project and the Zero Slum Program. Similarly, it is anticipated that the ZSP strategy will be aligned with the key principles agreed on in the RPF. More specifically, the RPF will directly apply to all investments carried out under Component 2. The findings of the RAP for the access road identified 65 properties, of which 30 residential houses, which will experience a limited reduction of plot sizes, but no physical displacement. These properties will be partially affected and belong to 169 households, i.e. 909 project-affected persons (PAPs). The other impacts identified by the RAP relate to property fences and economic activities (street merchants with table shops) on the sidewalks. According to the RPF, the project investments in Balbala Ancien restructuring are expected to affect to varying degrees, the properties of about 252 households, i.e. 1,260 PAPs. The RPF findings also suggest that the ZSP will induce land acquisition impacts of varying degree on 7,644 households, i.e. 38,220 PAPs across 13 neighborhoods. The Community Development Fund (subcomponent 2.2) will not finance any subprojects which are likely to induce land acquisition or other impacts related to OP 4.12.

56. Given the nature of the activities to be carried out under Component 2 and, in particular, the difficulty of intervention in areas with high urban concentrations and the number of people affected, the project was classified as category A according to the classification established by the World Bank. Hence, public consultations were carried out on the TORs of the RPF and RAP of the access road. Likewise, the RPF and the



RAP were consulted upon. The two instruments (RPF and RAP) have been disclosed in-country and on the IDA external website on July 10, 2018.

57. **Social Safeguards – Social Risks Including Gender-Based Violence (GBV).** The potential social risks of the project are primarily related to the activities implemented under the following subcomponents: Subcomponent 1.1 and Subcomponent 2.1. These activities may have three potential social risks besides involuntary resettlement induced by land acquisition: i) social exclusion; ii) labor influx and gender-based violence; and iii) elite capture. Mitigation measures for these risks have been identified and are mainstreamed in the program planning and management tools, as well as the safeguards instruments of the project as summarized below.

58. *Social exclusion* is the main social risk associated with Subcomponent 1.1. Activities under this subcomponent will support the development of regulatory and strategic tools for the implementation of the zero-slum strategy. These tools for planning and managing the program will, among others, lead to a definition of rights holders, in relation to the rights of citizens and non-citizens to own land, and in relation to the plots of land to be awarded land titles. The planning and management tools of the program could induce the exclusion of the poorest, who normally have the smallest plots, and non-Djiboutians, immigrants, and refugees living in slums. To mitigate these impacts, the project will establish in the planning tools (e.g., PIM) and the other program planning and management tools of the ZSP that beneficiaries or targeted beneficiaries of the ZSP would in no case be engaged in a real estate contract unless the financial resources, and institutional and organizational arrangements have been confirmed by the affected persons and by the various stakeholders of the program. Infrastructure investments under subcomponent 2.1 might also engender rent increase by homeowners in rehabilitated neighborhoods, potentially causing tenants who can no longer afford rising rents to move out of these areas, at the risk of creating new slums. The ZSP strategy will include provisions to periodically assess the status and causes of new slum formation, with tools to assist such tenants in finding affordable housing.

59. *The influx of labor* is not expected for the 1.2 km of road construction for priority investments, as local labor from Balbala and from Djibouti Ville will be given priority. To this end, the civil works financed under this project will aim at providing job opportunities to residents, especially young people. The total number of labor to be directly hired in the construction of the 1.2 km road is estimated at 20-30 people. The hiring of some selected skilled workers from outside Djibouti Ville cannot be excluded, for technical or financial reasons. That influx, although estimated to be minor, could induce social conflicts and gender-based violence. To minimize such negative impacts, various mitigation measures will be taken, depending on the risk level. Among them, the project will: i) establish a citizen engagement program engaging local residents, especially youth, ii) sensitize contractors and labor on GBV; iii) incorporate contract clauses on worker conditions and management, child protection and GBV prevention, and a code of conduct in all civil works contracts; and iv) set up an accessible and accountable GRM system to ensure that any incident related to labor influx and GBV will be addressed in an effective manner with sufficient social sensibility.

60. *Elite capture* is a potential risk in the implementation of Subcomponent 1.1. The design of program planning instruments (such as rules, urban norms, laws) could induce elite capture. Eligibility criteria for social plots will be made transparent and defined in program planning and management tools.

61. *Grievance Redress Mechanism.* A project-level GRM has been established by the Government to serve



individuals and communities who believe that they are adversely affected by IDA investments in the ZSP, and to mitigate against the social risks entailed by the project (e.g., labor influx and GBV). The GRM will be integrated within the existing GRM system established by the Djibouti municipality and will include neighborhood councils of elders, customary law tribunal, city council mediator, and the modern legal system. The local GRM system will be strengthened by the project through technical/methodological support such as timely documentation and treatment of grievances, and logistical support (notebooks, pens, cell phone, sim cards, computers) as needed. Through another channel, ARULOS also allows to bring up concerns regarding the project directly to its attention. Local and institutional actors engaged in grievance redress will also receive continued capacity building support through the project.

62. **Environment.** The major environmental risks and impacts of this project are mainly linked to Occupational and Community Health and Safety and would be related to labor intensive construction and rehabilitation of roads and other infrastructures, housing in the resettlement zone, potable and electricity networks, commercial centers, health units, primary schools, etc.

63. Since the geographic area of the project is identified but not all activities to be financed under Subcomponent 2.1 are yet properly defined, an ESMF has been prepared. For the road proposed as a priority investment, an ESIA has also been prepared. Both instruments were approved by the IDA and disclosed in-country on July 10, 2018 and on the external IDA website on June 26, 2018. It is expected that during implementation, site-specific ESIA or ESMPs will need to be prepared, approved by the IDA, and disclosed in-country prior to commencement of civil works.

64. The proposed operation is not expected to pose risks of damaging the existing community cultural property. Nevertheless, the ESMF analyzes the project zones and proposes measures to be followed, if such properties are discovered during project implementation. Cultural property procedures and appropriate mitigation measures for both the identification and protection (from theft, mistreatment of discovered artifacts) of cultural property would be applied. The project may later identify and include assistance for preservation of historical or archeological sites. If these opportunities occur, cultural property management plans would be prepared for this project.

65. **Client capacity** to respond and comply with World Bank safeguards requirements is limited. The IDA team has used project preparation to provide guidance and capacity building. International consultants supported the project preparation. Basic safeguards training will be given to the project team before implementation starts. To ensure compliance during project implementation, a full-time safeguards specialist, specialized in resettlement policy, will be hired by the PCU. In addition, the services of international consultants will be procured to support the project, as needed.

## Monitoring and Evaluation

66. The monitoring and evaluation system for the project will be established within ARULOS. Several indicators will be monitored directly through reports of control missions, through social operators, and through field visits. This monitoring will be complemented as needed by small surveys (for example, by the social operator and by self-evaluation by the communities themselves), as well as deeper evaluation for the mid-term review. These evaluations will be based on a wide range of qualitative and quantitative questions, for example, relating to beneficiary satisfaction, the degree of poverty reduction, and the sustainability of



access to services.

67. ARULOS will ensure the participation of residents of targeted slums in this M&E system. The information collected and the knowledge generated will help ARULOS: i) prepare and present quarterly progress reports to the Project Steering Committee and to the IDA, a requirement normally foreseen in the Project Financial Agreement; ii) understand project progress, identify constraints to execution, and undertake timely corrective measures; and iii) disseminate timely information on project achievements to both stakeholders and the larger public.

68. The M&E system will be managed by the M&E specialist within ARULOS. It will include links to financial management to monitor activities in relation to expenditures. Training and technical assistance activities will be undertaken to reinforce stakeholder capacities for M&E, including such stakeholders as the commune of Balbala, the three neighborhood councils of Balbala Ancien and various ministries, to ensure that monitoring information is collected by those institutions and communicated to ARULOS for consolidation. Project activities will contribute to the adoption of good practices in data collection and analysis, in order to improve the M&E of the project and other concerned sectors.

#### **Role of Partners (if applicable)**

69. Among international donors who have expressed support for the project are the French Development Agency, the African Development Bank, the Islamic Development Bank, and the Japan International Cooperation Agency. Besides IDA, the AFD is the only donor currently active in the sector of slum restructuring. Its EUR 6 million intervention in Layableh-Moustiquaire, another neighborhood of Balbala, not only contributes to improving the living conditions of population in parts of the ZSP-identified slums, but also contributes to the strategy of defining reliable and efficient tools for neighborhood restructuring operations. The IDA project will complement AFD's efforts to provide the government with a broader and coherent policy framework for restructuring and preventing precarious neighborhood as defined the national strategy. The project will provide a coordination platform for other donors, with an operational plan to coordinate financing using a program-based approach. Though some marginal adjustments could be envisioned for full alignment with the instruments of the ZSP, the AFD operation could also benefit from enhanced land administration procedures and urban plans.



**ANNEX 3: IMPLEMENTATION SUPPORT PLAN**

**COUNTRY : Djibouti**  
**Djibouti Integrated Slum Upgrading Project**

**Strategy and Approach for Implementation Support**

1. The strategy for implementation support describes how the IDA will support implementation (see tables below) of the risk mitigation measures and provide the technical advice necessary to achieve the PDO. It was developed based on the nature of the project and its risk profile. Supervision and field visits will be carried out semi-annually and focus on the following:

- Close coordination among the IDA, the implementing agencies, and development partners;
- Technical: The IDA will provide a comprehensive set of instruments and expertise and advise on project activities throughout implementation. It will work closely with the implementing agency to ensure project success.
- Monitoring adherence to safeguards instruments by including the safeguards specialists in semi-annual missions. These specialists will also assure knowledge transfer to the ARULOS safeguards specialists.
- Development of a comprehensive communications strategy and implementation of responsive feedback mechanisms (spot checks, dedicated safeguards compliance support, etc.) for quality assurance and M&E.
- Djibouti Ville and municipalities and local communities will receive technical assistance, but the IDA will play a role in supporting the establishment of working relationships between ARULOS, government ministries, and municipalities to take on their role as service providers.
- Fiduciary missions will focus on the ARULOS’s performance in managing contracts, procurement, and financial matters, as well as on completing the agreed implementation plans.

**Implementation Support Plan and Resource Requirements**

*Table 4.1. Implementation Support Plan*

<b>Time</b>	<b>Focus</b>	<b>Skills Needed</b>	<b>Number of Trips</b>	<b>Resource Estimate (Staff Weeks)</b>
First 12 months	Project management, coordination, and supervision	TTL and Co-TTL	4	20
	FM experience, knowledge of World Bank FM norms, and training	FM Specialist	2	6
	Procurement experience, World Bank procurement norms knowledge, and training	Procurement Specialist	0	6
	Social and environmental safeguards, World Bank norms	Social/Environmental Safeguards Specialist	3	6



	knowledge			
	Technical implementation support and monitoring	Municipal Engineer	2	4
Social Development Specialist		2	6	
12-60 months	Project management, supervision, and coordination	TTL and Co-TTL	2 per year for each	8 per year for each
	FM (FM reviews and supervision, training, and monitoring)	FM Specialist	2 per year	4 per year
	Procurement management (reviews and supervision, training as needed)	Procurement Specialist	0	4 per year
	Social and environmental safeguards, supervision and monitoring, training as needed	Social/Environmental Safeguards Specialist	2 per year	4 per year
	Technical implementation support and monitoring	Municipal Engineer	2 per year	4 per year
Social Development Specialist		2 per year	4 per year	

*Table 4.2. Skills Mix Required*

Skills Needed	Number of Staff Weeks	Number of Trips	Comments
TTL and Co-TTL	100	20	Based in Washington, DC and Abidjan
FM Specialist	30	10	Based in Beirut
Procurement Specialist	30	0	Based in Djibouti
Municipal Engineer	20	10	Based in Washington, DC
Environmental Safeguards Specialist	30	10	Based in Tunis
Social Safeguards Specialist	30	10	Based in Washington, DC
Social Development Specialist	30	10	Based in Washington, DC