



**AFRICAN DEVELOPMENT BANK
AFRICAN DEVELOPMENT FUND**



**REPUBLIC OF DJIBOUTI
PORTFOLIO REVIEW REPORT**

**COUNTRY PROGRAMMES DEPARTMENT
EAST REGION**

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ACRONYMS AND ABBREVIATIONS

ADB	:	African Development Bank
ADF	:	African Development Fund
ARPP	:	Annual Report on the 1998 Portfolio Performance
BDD	:	Banque de développement de Djibouti
BEPE	:	Education Projects Implementation Office
CES	:	Collège d'enseignement secondaire (Secondary School)
CSP	:	Country Strategy Paper
DF	:	Djibouti Franc
DINAS	:	Direction nationale de la statistique
DO	:	Development Objective
DP	:	Directorate of Planning
DPW	:	Directorate of Public Works
EDD	:	Electricité de Djibouti
EPFP	:	Economic Policy Framework Paper
ESAF	:	Enhanced Structural Adjustment Facility
EU	:	European Union
IMF	:	International Monetary Fund
LIC	:	Lycée industriel et commercial
NTF	:	Nigeria Trust Fund
OPEC	:	Organisation of Petroleum Exporting Countries
PPER	:	Project Performance Evaluation Report
RN1	:	Route nationale n° 1
SA	:	Standby Arrangement with the IMF
SR	:	Status Report
TAA	:	Technical Assistance Account
TAF	:	Technical Assistance Fund
UA	:	Unit of Account

UNDP : United Nations Development Programme

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CURRENCY EQUIVALENTS (As at 28 February 1999)

Currency unit	=	Djibouti franc (DF)
UA 1	=	DF 246.991
UA 1	=	USD 1.36556
USD 1	=	DF 177.721

EXECUTIVE SUMMARY

1. The present portfolio review report examines the status of projects financed by the Bank Group in Djibouti. After a recapitulation of the global volume of commitments and their sectoral breakdown, it reviews the status of on-going projects and assesses the possibility of achievement of their development objectives. This report is based on the results of the Bank's supervision missions between January and October 1998.

2. Djibouti's economy is very little diversified. It leans essentially on services activities (transport, communications, commerce, tourism and banks), which account for over two-thirds of GDP. After an average annual drop of 1.9 % between 1984 and 1996, Djibouti's GDP increased by a mere 0.5 % in 1997 and was, according to estimates, to record 0.6 % growth in 1998. To cope with this situation, the Government embarked on the implementation of economic reforms sustained since 1996 by an IMF standby arrangement (SA). To move the reform process forward, mainly through the initiation of structural reforms, the Government is about to enter into an agreement with the principal international finance institutions (the Bank Group, the IMF and the World Bank) on an economic policy framework paper (EPFP) for the 1999-2002 period. This agreement, which should enable the Government to benefit from an enhanced structural adjustment facility (ESAF) from the IMF and policy-based financial assistance from the World Bank and the Bank Group, could be concluded in the second quarter of the current year.

3. Bank Group operations in Djibouti started in September 1979. As at 31 March 1999, the Bank Group had approved in favour of the country 12 loans and eight (8) grants for the financing of 10 projects, one (1) line of credit, two (2) institutional supports and six (6) studies, for a total amount net of cancellations, of 82.2 million Units of Account (UA) only. According to the annual report on the 1997 portfolio performance (ARPP), Djibouti represented 1 % of the Bank Group's portfolio in 1997 (0.4 % of the commitments). Of these 19 projects and studies, 11 are completed (5 projects, 5 studies and 1 institutional support), two (2) have been cancelled and six (6) are being implemented. Total disbursements on all the operations amount to UA 63.5 million, i.e. a disbursement ratio of about 77.2%. On-going operations as at 31 March (deadline used to determine on-going operations), represented a total commitment of UA 35.5 million net of cancellations. Disbursements on these projects amounted to UA 18.03 million, or a disbursement ratio of around 50.7%.

4. In terms of project performance, Djibouti may be regarded as a country with a very high failure rate. Indeed, the Project Performance Audit Reports (PPAR) prepared in recent years for three projects financed by ADF (Djibouti town drainage and irrigation project, Djibouti and Dikhil towns water supply project and the «Lycée industriel et commercial» construction project, indicate that the performance of two of these three projects (the Djibouti drainage and irrigation project, and the Djibouti and Dikhil towns water supply project) was unsatisfactory, with a failure rate estimated at 66 %. According to the results of the present review, the performance of on-going Bank Group operations in

Djibouti is unsatisfactory with an overall mark of 1.7. This mark is, however, an improvement on the situation that prevailed during the previous review (carried out in August 1996), when the aggregate portfolio mark was one.

5. The portfolio performance analysis according to the concept of risk projects, shows that 100% of the portfolio examined in 1998 (100% of the commitments) comprised risk projects. These indicators show a deterioration compared to 1997 when 71% of the portfolio (95% of the commitments) was made up of risk projects.

6. An analysis of the overall portfolio performance according to the different criteria shows that performance is satisfactory for the category activities and outputs and unsatisfactory for the other criteria, namely compliance with the loan agreement conditions, procurement of goods and services, financial performance and impact on development. In the sectors, the performance of the only on-going project in the agricultural sector is considered satisfactory. That of all the others, especially utilities, multi-sector, social and industry, is deemed unsatisfactory.

7. The national institutional capacity in the area of project management and implementation is inadequate. Clearly, it should be improved upon. This observation is backed up by the long delays in the implementation of projects. The Bank Group's operational strategy in Djibouti for the 1996-1998 period sought to sustain the adjustment efforts of the Government. Within the framework of this strategy were financed a poverty reduction project and the Study on the Djibouti town strategic drainage plan. A review of the Bank Group's overall experience in Djibouti shows that so far, the performance of operations in the social sector has been satisfactory whereas in the utilities sector, the performance of previous operations has been considered rather unsatisfactory. From the co-ordination standpoint, the Government's efforts should be strengthened. Regarding the repayment of Bank Group loans, the country was under arrears sanction in recent years, which inevitably affected the implementation of projects.

8. It therefore appears that the enhancement of performance, as far as compliance with the loan agreement conditions and mastery of the procurement rules are concerned, should be the focal points of the efforts to enhance the Bank Group's portfolio performance in Djibouti. Efforts should also be made to fully achieve the desired impact of projects on development (this is also subject to the rapid implementation of projects) and to improve the familiarity of the executing agencies with the disbursement procedures of the Bank. All these obviously require a strengthening of the capacities of the executing agencies. The following recommendations could be made :

The Government should:

- (1) more than in the past ensure that the loan agreement conditions (including the submission of status reports and audit reports) are

promptly fulfilled in order to avoid delays in the implementation of projects and facilitate a better monitoring of projects by the Bank;

- (2) beef up the Bank Group's project co-ordination unit in the Ministry of Finance, Economy and Planning in charge of Privatization, as well as equip the project executing agencies with material and human resources;
- (3) pay greater attention to the timely payment of maturities on Bank Group loans in order to avoid the imposition of sanctions, which delay the implementation of projects;
- (4) ensure the availability of counterpart funds and open, according to the recommendations of the Bank, special accounts in local banks for the operating of projects;
- (5) proceed without further delay to the auditing of the accounts of the following projects: Water Supply in Four Urban Centres, Road Maintenance, and Integrated Fisheries Development, given that the auditing of the Education II and Institutional Support projects in the DP and DINAS is in progress;
- (6) have a vocational integration component envisaged in future education and training projects;
- (7) Attach importance to the collection and preservation of data on the various projects implemented in the country, with a view to facilitating evaluations.

The Bank should

- (1) have disbursement vouchers sent regularly to the executing agencies;
- (2) prior to the launching of any project, organize a seminar focusing on the understanding of the project, as well as the rules and procedures for the procurement of goods, services and disbursement. The staff of the executing agencies and the prospective beneficiaries should participate in this seminar;
- (3) enter into consultation with the Government and, after verification of the outstanding payment, cancel the unutilized balance of completed or inactive projects for which this cancellation procedure has not yet been initiated by the Bank. These projects are: Studies of Solid Wastes, Institutional Support to DEP and SAB, Development Planning Study of the Drinking Water Supply Infrastructure;

- (4) speed up the utilization of the balance on the Study of the pedagogical and architectural programmes of the Technical College for the conduct of audits not yet effected;
- (5) envisage during project appraisal, and where necessary, a component for the monitoring and evaluation of project implementation.

9. The action plan for the enhancement of portfolio performance seeks to reduce the proportion of risk projects from 100% as of now to less than 60% at the next portfolio review in 2001. Achievement of this objective will entail increase in the overall portfolio score, according to the criterion of the proportion of risk projects, from 1 as of now to 2. The strategy for achieving this objective will seek (i) to ensure that projects which will be approved between 1999 and 2001 do not have the status of problem projects or potentially problem projects; (ii) to strengthen the national institutional capacity through training of the staff of the executing agencies; (iii) greater firmness of the Bank in the application of the loan agreement provisions for the suspension of disbursements where the audit reports or periodic status reports of projects are not submitted; and (iv) a more preventive approach of the country team, consisting in identifying, very early, obstacles to the implementation of projects and intervening promptly to solve them. The matrix of the plan of action for portfolio enhancement is given in Annex 2.

I. INTRODUCTION

This document examines the status of Bank Group portfolio in Djibouti from the dual point of view of project implementation and achievement of the development objectives. To facilitate the understanding of this review, the document analyzes the country's recent economic situation, gives a detailed review of the status of each of the on-going projects, and assesses (i) the country's project management and implementation capacity, (ii) the strategy and experience of the Bank Group in Djibouti, (iii) the status of the co-ordination between the partners of the country, and (iv) the relationships of the country with the Bank Group from the point of view of loan repayment. This report was prepared on the basis of the information obtained during the various supervision missions of Bank Group projects in Djibouti between January and December 1998. The previous review report on Bank Group portfolio in Djibouti was approved by the Board of Directors in September 1996 (ref. ABD/BD/WP/96/95 and ADF/BD/WP/96/68).

II. RECENT ECONOMIC TREND

2.1 Economic Performance

After having recorded an average annual contraction of 1.9 % between 1984 and 1996, Djibouti's GDP increased by only 0.5% in 1997 and was, according to estimates, to record a 0.6 % growth in 1998. It therefore appears that the economic performance of the country in the past two years has not been adequate enough to produce a real impact on the difficult economic situation the country is going through. In public finance, the budget deficit (commitment basis net of budgetary grants, and excluding the effect of demobilization), which attained an annual GDP average of 17.4 % between 1992 and 1995, stood at 5.8 % of GDP in 1996 and 7.5 % of GDP in 1997. It was estimated at 1.90 % of GDP end September 1998. Traditionally low in Djibouti owing to the currency board system practised by the country, which limits money creation, inflation was estimated to have reached 2.6 % in 1997 and would stand at 2 % in 1998. Externally, the balance of payments current account deficit (net of budget transfers) was estimated at 9.1 % of GDP in 1998, up in relation to 1996 and 1997 when it stood at 5.9 % and 6.4 % of GDP, respectively. This marked deterioration of the current account in 1998 occurred despite the increase in service exports, which led to increased traffic as a result of the border conflict that broke out between Ethiopia and Eritrea. It reflects mainly the impact of the new generators imported in the second quarter of 1998 by the Electricity of Djibouti (EDD). External reserves represented about 2.9 months' imports in 1998, slightly down compared to 3.4 months' imports in 1997. The principal debt analysis ratios show that in 1997, Djibouti's debt represented 172.2 % of the exports of goods and services and 60.9 % of its GDP, and that the debt service ratio stood at 5.5 % in 1997. The tightening observed these recent times in the State treasury however gave rise to the appearance in 1998 of external payment arrears. The country is currently under sanction for non-payment of the January 1999 maturities.

2.2 Recent Economic Reforms

2.2.1 To cope with the economic and financial difficulties (see 2.1 above), which considerably worsened in the first half of the decade, the Government undertook to implement an economic reform programme sustained since 1996 by an IMF Standby Arrangement. These reforms have until now been applied to State financial operations; they aim at macro-economic stabilization through reduction of the budget deficit. On the structural plane, some preparatory reform works have been completed and the labour code has been revised with liberalization in view, in order to enable market forces to play a greater role in the determination of job requirements. However, the Government is about to reach an agreement with its development partners on an economic policy framework paper (EPFP). This would provide the basis of an IMF enhanced structural adjustment facility (ESAF) that could begin in the third quarter of 1999. The reforms contained in the EPFP will focus on the budgetary procedures and expenditure, tax system, financial sector, public enterprises, social sector, agriculture, infrastructure, payment of State arrears, external sector, civil service, justice and environment.

2.2.2 Under the financial stabilization initiated since 1996, measures aimed at increasing public revenues and curbing public expenditure have been implemented. Measures seeking to increase revenues focused primarily on an improvement of tax administration (intensification of tax recovery efforts and change of the rates of certain taxes). In terms of expenditure, emphasis has been laid on the control of the payroll, particularly through reduction in the number and salaries of civil servants. Therefore, the Government pursued with determination the implementation of the demobilization programme of a part of the military and security staff and, in the first quarter of 1998, reduced the salaries of civil servants.

2.3 Impact of the Reforms on the Performance of Bank Group-financed projects

2.3.1 It is predictable that the stabilization measures implemented by the Government, as well as the structural reforms proposed under the EPFP, will in the long term have a positive impact on the quality of implementation of projects financed by the Bank Group in the country. Thus these reforms aimed at creating the conditions of return to growth in the country, will foster an environment globally more favourable to the implementation of projects. On the other hand, the stabilization of public finance should enable the Government to make full contribution to the financing of projects within the deadlines.

2.3.2 In the short term, however, some of the measures implemented could have a negative impact on the quality of implementation of projects. Likewise, measures to cut down the payroll by reducing salaries in the civil service (by around 6.9 %) were initiated in early 1998. These measures could demotivate the staff of the project executing agencies. Such a trend would certainly have a considerable negative impact on the performance of the staff of the executing agencies, and consequently on the implementation of projects.

III. BANK GROUP PORTFOLIO REVIEW

3.1 Bank Group Operations

Volume of portfolio

3.1.1 Bank Group operations in the Republic of Djibouti started in September 1979. As at 1st December 1998, 20 operations had been approved for the financing of 10 projects, one line of credit, two institutional supports and six studies, totalling UA 82.2 million. About 95.1 % of the operations (UA 78.2 million) have been approved on the concessional resources of the African Development Fund (ADF) and the remainder (UA 4 million) on the resources of the Nigeria Trust Fund (NTF). Of the 20 operations approved, 10 are completed, two have been cancelled and eight are under implementation.

Sectoral distribution

3.1.2 The sectoral distribution of the portfolio is given in Table 3.1. It shows that public utilities, with 36.3 % of the financing, come first among sectors that benefited from Bank Group support. Then come by order of importance education (27.5 %), agriculture (15.1 %), multi-sector (10 %), transport (6.9 %) and industry (4.1 %). This breakdown reflects the Government's priorities, which the Bank Group supports.

Table 3.1: Sectoral Breakdown of Operations
(Status as at 01 December 1998, million UA)

Sectors	ADF	TAF	TAA	NTF	TOTAL	%
Agriculture	11.9	0.5			12.4	15.1
Transport	4.3	1.4			5.7	6.9
Utilities	25.4	2.1	2.3		29.8	36.3
Industry	3.4				3.4	4.1
Social	18.6			4.0	22.6	27.5
Multi-sector	6.5	1.7			8.2	10.0
Total	70.1	5.7	2.3	4.0	82.2	100.0

Disbursement status

3.1.3 As at 31 March 1999, the total amount disbursed was UA 63.5 million, i.e. a disbursement ratio of about 77.2%. The disbursement ratios are 79.8% and 25.3% on operations financed by ADF and the NTF, respectively. As indicated in Table 3.2, transport, utilities, agriculture and industry recorded the highest disbursement ratios. These high disbursement ratios are explained by the fact that with the exception of the Study on the Djibouti Town Strategic Drainage Plan approved in March 1998, and the Social Development Fund project approved on 8 July 1998, all the other portfolio projects were approved before 1992.

Table 3.2: Sectoral Breakdown of Disbursements
(Status as at 31 March 1999, million UA)

Sectors	Total Commitments approved (net of	Amount disbursed	% disbursed

	cancellations)		
Agriculture	12.4	11.5	92.7
Transport	5.7	5.5	96.5
Utilities	29.8	28.6	96.0
Industry	3.4	2.8	82.4
Social	22.6	13.6	60.2
Multi-sector	8.2	1.4	17.1
Total	82.2	63.5	77.3

3.2 Review of on-going operations

Commitments

3.2.1 Under the present review, the on-going operations in 1998 are those that showed a positive balance as at 31 December 1997, and whose last disbursement deadline expires after this very date. According to this definition, Bank Group portfolio in Djibouti comprises projects under implementation in 1998, namely seven (7) operations for the financing of five (5) projects and one (1) study in the sectors of agriculture, utilities, industry, multi-sector and social. As at 31 March 1999, these projects under implementation represented a total commitment (approvals), net of cancellations, of UA35.5 million, including UA 31.5 million on ADF resources and UA 4 million on NTF resources. Djibouti is therefore a country with a small portfolio. According to the PPAR, Djibouti represented 1% of Bank Group portfolio (0.4 % of the commitments) in 1997. It can also be remarked that the number of projects examined by the review was relatively stable in 1998 compared to 1997 (7 in 1997 and 6 in 1998). Nonetheless, the volume of commitments dropped from UA 46.58 million in 1997 to UA 31.61 million in 1998. The drop is mainly owing to the portfolio outflow in respect of the water supply and road maintenance projects.

3.2.2 Table 3.3 shows the sectoral distribution of on-going projects. It appears that agriculture has the lion's share of on-going financings (33.5%), followed by social (32.4%), multi-sector (23.1%), industry (9.5 %) and utilities (1.4 %).

Table 3.3: Sectoral Breakdown of on-going projects
(31 March 1999, million UA)

Sectors	ADF	TAF	NTF	TOTAL	%	Number of Operations	Average age of the Operations (years)
Agriculture	11.9			11.9	33.5	1	8
Utilities		0.5		0.5	1.4	1	1
Industry	3.4			3.4	9.5	1	11.6
Multi-sector	8.2			8.2	23.1	2	2.3
Social	7.5		4.0	11.5	32.4	2	6.3
Total	31.0	0.5	4.0	35.5	100.	7	6.4

Disbursements

3.2.3 As at 31 March 1999, the amounts disbursed on on-going operations were UA 17.1 and UA 0.93 million from the ADF and NTF windows, respectively. The corresponding disbursement ratios are 54.4 % and 25.3 %.

Table 3.4 shows the disbursements and the corresponding disbursement ratios by sector for the on-going operations. The highest disbursement ratios for agriculture (92.4 %) and industry (81.9 %) are explained by the age of the projects in these two sectors, which are 8 and 11 years, respectively.

Table 3.4: Disbursements by sector on on-going operations
(As at 31 March 1999, million UA)

Sectors	Total approved (net of cancellations)	Total disbursed	% disbursed
Agriculture	11.9	11.0	92.4
Utilities	0.5	0	0%
Industry	3.4	2.8	81.9
Multi-sector	8.2	1.3	16.5
Social	11.5	2.9	25.2
Total	35.5	18.1	50.9

3.3 Agricultural Sector

Overview of the sector and Bank Group Operations

3.3.1 The agricultural sector accounts for less than 3% of GDP of the Djibouti economy. The unfavourable climatic conditions mainly characterized by aridity of the soil and low rainfall (about 125-mm per annum) limits the development possibilities of rainfed agriculture. Fishery is a potential still untapped owing mainly to the low institutional supervisory capacity of the sector, lack of a representative domestic demand and inadequate long-term resources that could be invested in the sector. Fish production was, for example, estimated at 800 tons in 1998 as against a potential estimated at 33,000 tons per annum. Livestock development is also confronted with the same constraints.

3.3.2 Since the beginning of its operations in Djibouti, the Bank Group has approved three operations (two loans and one grant) in the agricultural sector. A loan approved in 1988 for the financing of the fishing port project, in the amount of 7.15 million ADF Units of Account, was cancelled in 1989 because of the Government's wish to change the project site and enlarge it into an integrated fisheries development project, including such components as the training and equipment of fishermen, improvement of the marketing channels and the promotion of domestic consumption. Following this cancellation, the project was re-defined to become the present integrated fisheries development project, which is being implemented. The grant approved for this sector was for the financing of an institutional support to the Directorate of livestock and fisheries, and to a livestock feeds company. This operation was completed and its PCR prepared in 1999. It follows from the said PCR that the results achieved by the project in terms of physical realizations are overall satisfactory. Only one operation financed by the Bank Group is still being implemented in this sector.

Integrated Fisheries Development Project

<u>Loan amount:</u> UA 11.918 million	<u>Source:</u> ADF	<u>Disbursed:</u> UA 10.67 million <u>Balance:</u> UA 1.34 million
<u>Approval date:</u> 21/05/91	<u>Signature date:</u> 11/03/92	<u>Effectiveness date:</u> 15/01/93
<u>Last disbursement deadline:</u> 31/12/00		<u>Executing Agency:</u> Ministry of Agriculture, Livestock and Fisheries in charge of Water Resources
<u>Project Objectives and project description:</u> The project seeks to increase fish protection, improve the population's animal protein intake, reduce the country's food dependency on the exterior, improve the working conditions of fishermen and create jobs in the sector. The project has the following components: (A) port infrastructure (B) port facilities (C) miscellaneous installations and equipment (D) supervision and inspection (E) technical assistance (F) promotion of marketing and fish marketing (G) credit component and (H) support to the management unit.		

3.3.3 Compliance with the loan agreement conditions: The loan effectiveness conditions were fulfilled behind schedule. The delay was in part owing to the sanctions imposed on the country in 1993, and to the situation of social instability prevailing in the country between 1991 and 1994. Fulfilment of one of the «other conditions», namely «submit for ADF approval a management agreement of the credit component with a financial institution within 12 months of the entry into force of the loan» had been postponed with the consent of ADF. The drafting of the agreement had to wait for the arrival of a maritime credit. It was not possible to identify a financial institution capable of, and/or interested in, the management of the credit component of the project. Consequently, the management agreement of the credit component has not yet been submitted to the Bank. The last project supervision mission, which visited Djibouti from 19 February to 7 March 1999, noted the difficulty the project is encountering in identifying a financial institution capable of, and interested by, the management of the lending of boats. It is planned that a supervision committee and a loan management unit be established. On the other hand, the quarterly status reports and yearly audit reports of the project accounts are not regularly furnished. The contract for the auditing of project accounts is being finalized. During the same mission mentioned above, the date of 30 September 1999 was fixed for transmission to the Bank of all the outstanding audit reports, including the 1998 report. Performance in the compliance with the conditions is deemed unsatisfactory.

3.3.4 Performance in the procurement of goods and services: On 29 April 1997, the Bank approved the granting of the contract for the recruitment of technical assistance to SEPIA, a French firm. However, owing to sanctions, it was only in November 1998 that the technical assistance services started. The rehabilitation of the Obock Fishing School, entrusted to the company Meike Ahmed Abdallah for a period of nine months, started in September 1998. As at the date of the report, 90 % of the works projected had been implemented. The training of young fishermen will start by September 1999. However, the project unit has assisted a local NGO (Nomad-Aid), which benefited from a Japanese Government grant for the training of about twenty demobilized combatants in traditional fishing. Under the training of the project staff, the candidate for training in marketing is currently undergoing her training at UQUAM, Montreal in Canada. She will be back in late 1999. The Djibouti-French company, TECHNO-PRO, has been selected for the supply of

fishing boats. The last project supervision mission (March 1999) insisted on the necessity for the project to ensure compliance with the specifications, in particular the quality of the boats, which must be accepted only after a valuation by a specialized firm, sanctioned by a certificate of compliance with construction for each boat delivered. The Djibouti-Burkinabé AFRIQUE Audit Consulting/ACECA Firm has been selected to audit the project. The contract is being finalized. It was planned that the promotion of fish marketing and consumption would be through the credit component intended for women who would be very active in the sector. However, according to the preliminary findings of the study on maritime credit, as noted by the last supervision mission, (March 1999), the number of women operating in the fisheries sector is very limited. In relation to the Credit Component, and according to the preliminary findings of the study on maritime credit conducted by the credit expert, it has not been possible to identify a financial institution capable of, and/or interested by, the implementation of the credit component. The last supervision mission discovered that. There were often delays in the procurement process of goods and services. Nonetheless, the performance of the executing agency on this indicator would have been very satisfactory if sanctions had not been frequent. The performance is considered satisfactory.

3.3.5 Financial performance: The project disbursement flows were on the whole regular excepting during the periods when the country was under sanction. As at 1st December 1998, 89 % of the loan resources had been disbursed. On the other hand, the local counterpart was not always regular and the amount was not adequate. The financial performance of the project is satisfactory.

3.3.6 Activities and output: Port infrastructure works, as well as the facilities and equipment of the Djibouti fishing port, which started in February 1995, and whose implementation represents about 80% of the project cost, are fully completed. The fishing port was inaugurated on 21 June 1997 and its final acceptance took place on 9 December 1998. The management of the fishing port will be entrusted to a private operator, GLOBAL DEVELOPPEMENT-COFREPÊCHE, a Franco-Djibouti consortium selected following an international competitive bidding (IC). To that end, a protocol of agreement for the management contract of the fishing port was concluded between the Consortium and the Government of Djibouti on 9 December, valid for three months. The entry into force of the management contract, which is being finalized, is planned to be within a maximum of three months, starting from the signature date of the protocol of agreement. However, the implementation of the technical assistance, training, promotion of fish marketing and consumption, and credit components is behind schedule because of the sanctions imposed on the country (see 3.3.2 for fuller detail). The project implementation unit is operational despite the problem of working capital (absence of a special account in a local bank; the inadequate State contribution to the functioning of the project, etc), which heavily penalizes the implementation of the project and affects its performance. All in all, the performance in terms of activity and output is deemed satisfactory.

3.3.7 Impact on development: The provision of this port facility, the training and equipment of fishermen will have an obvious satisfactory impact on economic development in Djibouti.

3.3.8 Overall evaluation: The evaluation hereunder shows an assessment of the overall performance of the project, which is considered satisfactory.

Indicators	Compliance with the conditions	Performance in the Procurement of G&S	Financial performance	Activities & output	Impact on development	Overall evaluation
Evaluation	1.7	2	2.3	2.8	2	2.2

3.4 Utilities

Overview of the sector and Bank Group operations

3.4.1 Apart from telecommunications which are functioning satisfactorily, the utilities sector is very little developed in Djibouti. Electric energy is produced by thermal power stations and is characterized by high costs and frequent cuts. The water resources of the country are limited. It is estimated that about 86 % of the urban population has access to drinking water, compared to 42 % of the rural population. Regarding sanitation, the proportion of the population with access to the drainage of waste water is about 63 %. The disposal of rainwater poses a problem difficult to solve in Djibouti town (where about 75 % of the total population of the country live) because of the even relief of the town. Therefore, the rare rains which fall on the town often cause flooding.

3.4.2 The utilities sector has benefited most from Bank Group financings (see paragraph 3.1.20). Since the inception of its operations in Djibouti, the Bank Group has approved eight operations in this sector (four loans and four grants). A loan for the financing of Djibouti town drainage project was cancelled. The cancellation was in response to the demand of the Government which, wishing to include an irrigation component in this project, had requested the approval of a new drainage and irrigation project in Djibouti. All the other operations have been completed with the exception of the study on the Djibouti town strategic drainage plan, approved in March 1998, and which is being implemented. The Bank's experience in this sector in Djibouti has so far been unsatisfactory. Thus, the PPER prepared for the Djibouti town drainage and irrigation project, and the Djibouti and Dikhil towns water supply project concluded that the overall performance of these two projects was not satisfactory. Concerning the water supply project, the PPER attributed its unsatisfactory performance to the delay in the start-up of the project, lapses in the commercial management of the Office national des eaux de Djibouti (ONED), bad utilization of the project structures by the beneficiary populations, and the political situation characterized by a civil war in the country from 1991 to 1994. Nevertheless, this project had institutional and social impacts deemed satisfactory, in that it contributed to (i) strengthen the management capacity of ONED, and (ii) develop Balbala district, decongest Djibouti town as well as reduce water-borne diseases. The failure of the

drainage and irrigation project was due in particular to the weakness of the technical design of the structures and the inaccuracy of the bidding documents.

Study on the Djibouti Town Strategic Drainage Plan

<u>Loan amount:</u> UA 0.53 million	<u>Source :</u> TAF	<u>Disbursed:</u> 0 <u>Balance:</u> UA 0.53 million
<u>Approval date:</u> 11/3/98	<u>Signature date :</u> 08/4/98	<u>Effectiveness date:</u> 20/12/98
<u>Last disbursement deadline:</u> 31/12/00	<u>Executing Agency:</u> Directorate of Town Planning and Housing	
<u>Study objectives and description:</u> The objective of the study is to furnish the Djibouti authorities with a strategic planning document of the Djibouti town drainage sub-sector. The components of this study are: (i) definition of the priority and indicative investment programmes, (ii) definition of the institutional and financial framework, (iii) implementation study of the priority programme, and (iv) environmental impact study of the priority programme.		

3.4.3 Compliance with loan agreement conditions: The conditions precedent to entry into force were fulfilled and the study entered into force on 20 December 1998. Performance on this criterion is considered satisfactory.

3.4.4 Performance in the procurement of goods and services: The consultant who will conduct the study is being selected, and the executing agency of the study seems to conform to the relevant Bank Group rules and procedures. The Bank has already approved the short list. The bidding document is being finalized. However, the process is already far behind schedule in relation to the initial timetable. Performance on this criterion is considered unsatisfactory.

3.4.5 Financial performance: The availability of foreign exchange resources will not pose any problem to the implementation of the study. Other aspects of the financial performance, such as disbursements and cost management cannot be analyzed yet because the study has just entered into force and there has been no disbursement yet. Financial performance is at present considered very satisfactory.

3.4.6 Activities and output: The Board approved the study on 19 February 1998 and the protocol of agreement was signed on 11 March 1998. The short list for the services of consultants, as well as the bidding document are being prepared and are about six months late in relation to the initial schedule envisaged at appraisal. Performance on this criterion is deemed unsatisfactory.

3.4.7 Impact on development: The study should contribute to a more sustainable management by (i) proposing services or infrastructure for all segments of the population, especially the underprivileged classes (ii) defining the conditions precedent to their implementation, and (iii) proposing measures to protect the receiving environments, as well as measures to manage water and recycle waste. The impact on development is considered satisfactory.

3.4.8 Overall evaluation: In view of the foregoing, the overall performance of this study is at present considered unsatisfactory (see Table below).

Indicators	Compliance with the conditions	Performance in the procurement of G&S	Financial performance	Activities & output	Impact on development	Overall evaluation
Evaluation	3	1	3	1	2	1.9

3.5 Industry

Overview of the sector and Bank Group Operations

3.5.1 The industrial sector is very narrow in Djibouti and accounts for around 5% of GDP. This narrowness is due to a number of factors, notably the high cost of inputs and local labour and the inadequate capacities in both the private and public sectors. The banks and insurance companies together account for about 10 % of GDP. The banking sector in Djibouti is dominated by two banks, which manage about 85 % of the deposits. The mineral resources found in the country (perlite, gypsum and diathermite) are not yet mined.

3.5.2 To date, the Bank Group has approved only one operation in this sector, namely the loan for the financing of the line of credit to Banque de développement de Djibouti (BDD).

Line of credit to Banque de développement de Djibouti (BDD)

<u>Loan amount</u> : UA 3.408 million	<u>Source</u> : ADF	<u>Disbursed</u> : UA 2.790 million <u>Balance</u> : UA 0.618 million
<u>Approval date</u> : 18/8/87	<u>Signature date</u> : 30/10/87	<u>Effectiveness date</u> : 04/12/88
<u>Last disbursement deadline</u> : 31/01/99	<u>Executing Agency</u> : Banque de Développement de Djibouti	
<u>Project objectives and description</u> : This line of credit is intended for the financing of the foreign exchange cost of the sub-projects of the various national SME projects in the operational sectors of the BDD, which will be selected with ADF approval.		

3.5.3 Compliance with loan agreement conditions: The line of credit became effective after a long delay in relation to the schedule envisaged at appraisal. The half-yearly reports on the implementation of the project were never transmitted to the Bank. In view of the lack of information on the exact utilization of the line of credit, the portfolio review report (PRR) prepared in 1996, recommended the suspension of any disbursement and the prior auditing of the accounts of the line of credit. The audit was conducted in 1998 by Ernst&Young Nairobi, and the provisional reports thereof were transmitted to the Bank. These reports attest the worrying financial position of the BDD,

which no longer offers the necessary reimbursement guarantees. The reports also show that the audited financial statements of the BDD had never been transmitted to the Bank.

3.5.4 Performance in the procurement of goods and services: N.A

3.5.5 Financial performance: The Bank financed the entire foreign exchange cost. The amount disbursed as at 1st December 1998 was UA 2.79, i.e. 82 % of the loan granted to the line of credit. This relatively high ratio is explained by the long period over which disbursements were made. In August 1998, the Bank and the Government agreed to cancel the undisbursed line of credit balance. However, to facilitate payment of the bill of the consultant who performed the audit, the Bank extended the last disbursement deadline to 31 January 1999. In March 1999, the Loan Administration Department was informed to proceed with the partial cancellation of the said balance with the exception of the audit contract amount. All in all, the financial performance of the line of credit is unsatisfactory.

3.5.6 Activities and output: The line of credit was implemented much behind schedule in relation to the initial timetable. This explains why the disbursement deadline of the last line of credit was extended five times. According to the provisional reports referred to in paragraph 3.5.3 above, disbursements made by the Bank helped finance 45 sub-projects: 15 in agriculture (17.9 % of the fund released), 2 in industry (8.1 %), 14 in craft industry (35.7 %), 6 in tourism (7.2 %) and 8 in the professions (31.1 %). These very reports also show that for most of the projects, it was not possible to recall the prior agreement of the Bank and that in certain cases, the funds were released by BDD before the Bank's approval. As part of the preparation of this audit, 37 of the 45 sub-projects were visited. At the time of the visits, 7 of the sub-projects were no longer operational. The performance is considered unsatisfactory.

3.5.7 Impact on development: The inadequacies of the supervision reports of the sub-projects financed from the line of credit, and of the annual audit reports of the line of credit do not make it possible to accurately assess the impact on development. However, generally speaking, the impact of the line of credit on development is not perceptible. The performance here is deemed unsatisfactory.

3.5.8 Overall evaluation: The line of credit was very slowly utilized. The various reports were not sent to the Bank. The overall evaluation is unsatisfactory.

Indicators	Compliance with the conditions	Performance in the procurement of G&S	Financial performance	Activities & output	Impact on development	Overall evaluation
Evaluation	1	N.A	1.7	1	1	1.2

3.6 Multi-sector

Overview of the sector and Bank Group Operations

3.6.1 Djibouti's economy is very little diversified. It leans essentially on the services (transport, communications, commerce, tourism and banks), which account for over two-thirds of GDP. Agriculture and industry are confronted with the constraints indicated earlier, which handicap their development (see paragraphs 3.3.1 and 3.5.1 respectively). Concerning the macro-economic and structural environment in general, Djibouti's economy is plagued by a certain number of imbalances. To mitigate the negative effects of these imbalances, enhance the efficiency of the economy and reactivate growth, the Government is preparing, with the assistance of its development partners, an EPFP spanning the period 1999-2002. Discussions are still under way and could come to a successful conclusion in the second quarter of 1999 (see paragraph....).

3.6.2 To date, the Bank Group has approved two operations in the multi-sector in Djibouti, namely a grant for the financing of an institutional support to the Directorate of Planning and the National Directorate of Statistics (which was completed on 31 December 1998), and a loan for the financing of the social development fund, which is being implemented.

Institutional Support to the Directorate of Planning and the National Directorate of Statistics

<u>Loan amount:</u> UA 1.686 million	<u>Source :</u> ADF	<u>Disbursed:</u> UA 1.35 million <u>Balance:</u> UA 0.33 million
<u>Approval date:</u> 17/09/90	<u>Signature date:</u> 08/5/91	<u>Effectiveness date:</u> 29/11/91 29/11/91
<u>Last disbursement deadline:</u> 31/12/98	<u>Executing agency:</u> Project Implementation Unit	
<u>Project objectives and description:</u> The project seeks to improve the management of the national economy and to define the regional role Djibouti could play. The project has the following components: (i) technical assistance, (ii) studies, (iii) training, (iv) equipment, (v) operating expenses, (vi) local staff, and (vii) rehabilitation of the premises of the Directorate of Planning.		

3.6.3 Compliance with the loan agreement conditions: The grant entered into force behind schedule in relation to the timetable planned. Compliance with the general conditions, especially those relating to the submission of quarterly status reports and the carrying out of audits, is unsatisfactory. Compliance with the other conditions stipulated in the appraisal report is satisfactory.

3.6.4 Performance in the procurement of goods and services: On the whole, goods and services were procured in accordance with Bank Group rules and procedures. However, the implementation unit seems to lack a mastery of Bank rules for the procurement of works. The list of project goods and services was modified in May 1997 with a view to envisaging a rehabilitation component of the building of the Directorate of Planning. The project implementation unit was so late in the procurements that it was finally not

possible to implement this component before the closing of the project on 31 December 1998. The same was true of the procurement of office equipment for the Directorate of Planning and the National Directorate of Statistics.

3.6.5 Financial performance: Apart from the difficulties encountered by the executing agency in preparing disbursement requests addressed to the Bank, the availability of the foreign exchange resources of the projects does not pose any problem. As at 1st December 1998, the disbursement ratio was 80.07%. The local counterpart was provided in accordance with the appraisal report. In addition, the project cost was within the financial package envisaged. In September 1998, the Government was notified of the final closure of the project as at 31 December 1998. Following verification of the outstanding payments, the undisbursed balance was cancelled.

3.6.6 Activities and output: Project implementation was considerably behind schedule before it was revived in the wake of a Bank supervision mission, which took place in May 1997. On that occasion, the Government and the Bank defined a work revival programme for the Directorate of Planning (DP) and the National Directorate of Statistics (DINAS). The planned technical assistance is now completed. All the experts carried out their assignments. The recruitment and training of the local staff was effected, and the equipment of DP and DINAS with computer equipment and rolling stock is completed. The project also financed the preparation of an Input-Output Matrix (IOM) of the Djibouti economy, that of a national survey of the enterprises (ENADE-97), the preparation of provisional national accounts for the 1990-1996 period, and of the public investment programme (PIP).

3.6.7 Impact on development: The strengthening of the DP and DINAS will certainly have a positive impact on the country's development management, and consequently on development.

3.6.8 Overall evaluation: The overall performance of this project is considered unsatisfactory.

Indicators	Compliance with the conditions	Performance in the procurement of G&S	Financial performance	Activities & output	Impact on development	Overall evaluation
Evaluation	1.3	1.5	2.8	1.7	2	1.8

Social Development Fund

<u>Loan amount:</u> UA 6.52million	<u>Source :</u> ADF	<u>Disbursed:</u> 0 <u>Balance:</u> UA 6.52 million
<u>Approval date:</u> 08/7/98	<u>Signature date :</u> 25 August 1998	<u>Effectiveness date:</u> Not yet in force
<u>Last disbursement deadline:</u> 30/9/2003	<u>Executing Agency:</u> Co-ordination and monitoring unit of the poverty reduction action (Ministry of Finance)	
<u>Project objectives and description:</u> The purpose of the project is to sustain efforts made by the Government to reduce poverty considerably through the granting of credits, supply of basic social services and the strengthening of institutional capacities by using an approach induced by demand, which gives priority to the active participation of the communities and support to community initiatives. The project components are (i) Income generating activities, (ii) basic social services, (iii) strengthening of institutional capacity, (iv) guidance and monitoring, and (iv) project management unit.		

3.6.9 This project has not yet entered into force because of non-fulfilment by the Government of one of the effectiveness conditions, namely recruitment of the staff of the project executing agency. The Bank also had some difficulties in identifying a qualified consultant to prepare the project operations manual. As it has not yet entered into force, this project is not evaluated in the present review.

3.7 Social

Overview of the sector and Bank Group Operations

3.7.1 The share of public expenditure allocated to education represents about 3.5% of GDP. In spite of the efforts made since the country's accession to independence in 1977, the results of the system are still to be improved. Thus, the literacy rate remains high at 48.8 % for men, and 72.4 % for women, 86.5 % in the rural area and 53.9 % in the urban area, according to the 1993 national report on the population. With regard to health, the indicators for the country are less favourable compared to those of most other African countries. Life expectancy at birth is for example estimated at 49 years as against 52 years in sub-Saharan Africa (SSA) and 67 years in the middle income countries of the lower tranche. At close to 103 for 1000, infant death rate remains high. Mother and child health problems, tuberculosis, HIV infection and malaria pose the biggest public health problems in the country. Health care offer is mainly provided by the public sector, which gives greater priority to the curative than preventive aspect. Free medicare has considerably limited the role of the private sector. In 1997, six physicians and three pharmacists were in private practice.

3.7.2 To date, the Bank Group has approved four operations in this sector, including a grant and three loans, all for education. The grant financed the study of the pedagogical and architectural programmes of the « Lycée industriel et commercial », which was later financed by the Bank from an ADF loan. This project has been completed and the PPER prepared in 1997 considered its overall performance satisfactory, while recommending that the Government should take steps to safeguard the achievements of the project. The only project currently under way in this sector is therefore the Education II project approved in 1992. It is financed by both an ADF loan and NTF loan.

Education II

<u>Loan amount</u> ADF: UA 7.55 million NTF: UA 4.00 million	<u>Source</u> : ADF and NTF	<u>Disbursed</u> ADF: UA 1.43 million NTF: UA 0.93 million <u>Balance</u> ADF: UA 6.12 million NTF: UA 3.07 million
<u>Approval date</u> ADF: 15/12/92 NTF: 14/12/92	<u>Signature date</u> : 13/5/93	<u>Effectiveness date</u> : 03/01/97
<u>Last disbursement date</u> : 30/6/00	<u>Executing Agency</u> : Ministry of Education	
<u>Project objectives and description</u> : The project seeks to beef up primary and secondary education and enhance the quality of the training of trainers. Furthermore, it seeks to raise the level of women's education, promote the enrolment of girls and develop education relating to teaching. It has the following components (i) strengthening of primary education, (ii) development of secondary education, (iii) improvement of the training of trainers, (iv) education and environmental awareness, (v) training and productive activities in favour of women, and (vi) Project Implementation Office (PIU).		

3.7.3 Compliance with loan agreement conditions: Loan effectiveness was much behind schedule owing partly to bureaucracy and partly to the country's financial difficulties, which did not make it possible to fulfil within the deadline the effectiveness condition relating to the strengthening of the project executing agency (PEA). Compliance with the general conditions relating to the auditing of accounts and the submission of status reports is also unsatisfactory, so is compliance with other conditions.

3.7.4 Performance in the procurement of goods and services: Since the appointment of technical assistants (architects and procurement experts), the PEA has been striving to follow Bank rules for the procurement of goods and services. Performance in this sector is satisfactory.

3.7.5 Financial performance: The fact that Bank bore the foreign exchange costs signifies that there was no difficulty in making foreign exchange resources available to the project. As at 1st December 1998, the disbursement ratio of ADF resources was 18.9 % for the NTF resources. The Government's local currency contribution was also irregularly made. The sanctions imposed on Djibouti in 1990 for Bank Group loan arrears affected the implementation of the project. This situation created an enormous impasse and bureaucracy in the payment of the contractors and suppliers. This discouraged them and

made them reluctant to bid for the other works. For all these reasons, the financial performance is unsatisfactory.

3.7.6 Activities and output: The initial provisional timetable of the project fixed the start-up of works in March 1993 and for a period of three months. At the time the project was to be completed, only one fifth of the planned activities was implemented. This project was hard hit and behind schedule owing in part to the sanctions imposed on Djibouti. For instance, the bulk of the construction works (for the Balbala Secondary School component) could not start owing to sanctions. Likewise, several other components and categories of expenditure (certainly smaller in amount but large-scale from the socio-economic standpoint) were also delayed because of sanctions. Among them are equipment, furniture, training and technical assistance. Therefore, the borrower requested and obtained ADF approval for the extension of the last disbursement deadline to 30 June 2000. The performance of the consultants, suppliers and project management appears satisfactory.

3.7.7 Impact on development: The bureaucracy encountered by the implementation of this project could compromise the expected positive impact of the project on development. The performance is deemed unsatisfactory.

3.7.8 Overall evaluation: The overall performance is considered unsatisfactory.

Indicators	Compliance with the conditions	Performance in the procurement of G&S	Financial performance.	Activities & output	Impact on development	Overall evaluation
Evaluation	1	2	1.4	1.5	1	1.5

3.8 Overall Portfolio Performance

3.8.1 Table 3.8 below gives the overall performance of the portfolio of on-going projects in relation to each of the performance criteria. For each criterion, the score indicated represents the weighted average of the marks awarded to the various projects. The weighting represents the share of the corresponding project in the on-going commitments scored in the present review. It therefore appears that the overall mark of the portfolio is 1.7. Although it translates an improved performance compared to the situation in 1996, i.e. at the time of the previous review (or a global mark of 1), the overall portfolio performance remains unsatisfactory.

3.8.2 An analysis of the portfolio performance using the concept of risk project has also been undertaken in the present review. The definition of risk project is that adopted in the PPAR. The results of this analysis show that (i) two projects, namely the line of credit to BDD (the undisbursed balance of which is being cancelled) and the Education II project are problem projects from the points of view of status and achievement of their development

objectives, and that (ii) the other three projects noted, especially Institutional Support to the Directorate of Planning and the National Directorate of Statistics (which was completed on 31 December 1998), the Integrated Fisheries Development project and the study of the Strategic Drainage Plan approved in March 1998 are potentially problematic. This shows that the entire portfolio noted in 1998 (100 % of the commitments) consisted of risk projects. This situation represents a deterioration in relation to 1997 when about 71 % of the portfolio (95 % of the commitments) was made up of risk projects. These 1997 indicators come from the PPAR. If account is taken of the fact that the proportion of problem projects remained relatively stable in 1998 compared to 1997 (40 % in 1998 as against 43 % in 1997), the increase in the proportion of risk projects is therefore explained by the increase in the proportion of potentially problem projects, which jumped from 29 % in 1997 to 60 % in 1998. A deeper analysis also shows that this increase in the proportion of potentially problem projects is mainly owing to the fact that two operations (institutional support to DP and DINAS, and the study of Djibouti town strategic drainage plan) have acquired the status of potentially problem projects. On the whole, the proportion of risk projects is larger in Djibouti than in the global portfolio of the Bank where it is estimated at 43 % in 1997 by the PPAR. In this perspective, we can look forward to a decrease in the proportion of risk projects as a problem project (the line of credit to BDD) and a potentially problem project (institutional support to DP and DINAS) will be removed from the portfolio in 1999.

3.8.3 The evaluation of the overall portfolio performance in relation to each of the other performance criteria is indicated in Table 3.8 below. It appears that performance in Activities and Output is satisfactory with a global mark of 2, and that performance in the impact on development is unsatisfactory with an overall mark of 1.5. The aspects which hamper portfolio performance most appear to be unsatisfactory compliance with the loan agreement conditions (1.3), inadequate mastery of the Bank's rules for the procurement of goods and services (1.7) and financial performance (1.9).

3.8.4 In the sectors, the performance of the only on-going project in the agricultural sector (the integrated fisheries development project) is considered satisfactory with a mark of 2.2. The performance of all the other sectors is unsatisfactory. Then come, in a decreasing order of performance, utilities and multi-sector (1.9 each), social (1.4) and industry (1.2). It therefore appears that in the foreseeable future, efforts at strengthening the project executing agencies should give priority, in this order, to project managers in the social sector, multi-sector, utilities and agricultural sector.

Table 3.8. Overall Portfolio Performance Evaluation

Indicators	Compliance with the conditions	Performance in the procurement of G&S	Financial performance	Activities & output	Impact on development	Overall evaluation
Evaluation	1.3	1.7	1.9	2	1.5	1.7

IV. EVALUATION OF THE PROJECT MANAGEMENT AND IMPLEMENTATION CAPACITY

4.1 All in all, it can be noted that the project management and implementation capacity is inadequate. This is borne out by the long delays in implementing projects in Djibouti. Consequently, efforts are still to be made to strengthen the country's capacity to implement projects. The strengthening of the executing agencies with human resources and working equipment, the training of their staff in the Bank Group's rules and procedures for the procurement of goods and services, should be the main focus of the efforts at strengthening the country's ability to implement projects.

4.2 It can also be noted that the announced restructuring of the French presence in the country, which should lead to a reduction of this presence, could have an impact on the country's ability to implement projects given the contribution of the French technical assistance to the strengthening of the institutional capacities of the country. The Bank Group should take this development into account in the programming of future operations.

4.3 Overall, 50% of the recommendations made by the previous 1996 portfolio review (five over ten) were implemented. Three of the eight general recommendations have been implemented. Thus, the special accounts have now been opened for Bank Group-financed projects in order to mobilize resources disbursed by the Bank, as wished for. This is however not yet the case of the integrated fisheries development project owing to bureaucracy. The Bank has conducted a study of the sector prior to a possible operation in the drainage sector. In effect, having noted that the inadequacy of prior studies was one of the causes of the failure of previous operations, the review had recommended that the design and preparation of operations be improved upon through the financing of prior studies. Finally, the Bank has envisaged a capacity-strengthening component in the social development fund project. This is in line with the recommendation to finance institutional strengthening projects in order to lessen the problems posed by low institutional capacity in Djibouti. The general recommendations not implemented since the last 1996 review concern the yearly auditing of all projects, the establishment of a monitoring and co-ordination unit of projects financed by the Bank Group in Djibouti, the organization of training seminars on the rules and procedures for the procurement of goods and services, the definition of the conditions precedent to evaluations and to Board presentation in order to speed up the implementation of operations, the adoption by the Government of an education programme on the negative effects of that with a view to improving labour output. The two specific recommendations on (i) the suspension of disbursements and the auditing of the line of credit to BDD, and (ii) the choice of an appropriate management method for the port under the integrated fisheries development project, have been implemented.

4.4 With regard to the audits, it can be noted that their performance did not follow an annual rate as recommended. The tendency was rather to perform the audits of several years once. Such was the case of the BDD audit performed in 1998, and which covered the period running from the beginning

of project implementation to the suspension of disbursements in 1996. It will also be the case of the audits of the following projects: Road Maintenance, Integrated Fisheries Development, Education II and Institutional Support to DP and DINAS, which are at various implementation stages. The Bank had approved that the balance of the study on the pedagogical and architectural programmes of the Lycée Technique (Technical College) be utilized to finance these audits. It appears that this balance has not yet been utilized as the audit of the BDD was financed from the very balance of the line of credit.

4.5 As part of the efforts initiated by the Bank, the financial supervision mission visited Djibouti in October 1998 and, among others, assisted the Authorities in the financial monitoring of project resources, as well as in the procedure for opening accounts with commercial banks. A mission to launch the social development fund project also enabled the Bank to explain to the managers of this project the Bank's rules for the procurement of goods and services. These efforts should be pursued and reinforced. In 1998, there were six field supervision missions for the seven projects of the portfolio. If we take into account the fact that two projects were approved in 1998, we obtain a ratio of 1.2 supervisions per project.

V. EVALUATION OF THE LOAN STRATEGY AND EXPERIENCE

5.1 The current Bank Group operational strategy in Djibouti spans the period 1996-1998, and was devised and approved by the Boards of Directors in October 1996. The utilization rate of the indicative allocation of ADF VII (96.4 %) may be considered satisfactory. This strategy, as defined in the 1996-98 CSP, sought to sustain the Government's adjustment efforts and poverty reduction. The sectoral priorities adopted under this strategy were the multi-sector and public utilities. In the multi-sector, the Bank's strategy sought to sustain the efforts of the Government in (i) the implementation of economic reforms through a policy-based operation, (ii) poverty reduction and (iii) the strengthening of national capacities in the fields of macro-economic analysis, planning and the provision of a reliable data base that can assist in the design of consistent economic and social programmes. In the public utilities sector, this strategy envisaged a drainage project with a view to improving the people's living and health conditions, thereby alleviating poverty.

5.2 The overall financial package of ADF VII resources earmarked for financing the Bank Group's 1996-1998 strategy in Djibouti amounted to UA 7.31 million, including UA 6.66 million for project lending and UA 0.64 for the operations of the Technical Assistance Fund (TAF). Under the implementation of the 1996-1998 strategy, the Bank financed the study of the Djibouti town strategic drainage plan in the utilities sector (for a package of UA 530,000) and the poverty reduction project (the social development fund project for a financial package of UA 6.52 million). The utilization rate of the indicative ADF VII allocation (96.4 %) can be considered to be satisfactory. Table 4.3 shows the implementation percentages, by sector, of the 1996-1998 lending programme. The gaps observed are explained by the unequal

preparation status of the various operations. In effect, it became necessary to conduct a study prior to the drainage project initially planned.

Table 4.3: Implementation of the 1996-98 lending programme
(million UA)

Sectors	Programmed	Implemented	% Implemented
Public utilities	5.4	0.53	9.8
Multi-sector	6.8	6.52	95.9
Total commitments	12.2	7.05	57.8

5.3 On the other hand, owing to delays in the negotiation of a medium-term adjustment programme that could be supported by the international financial community, the economic reforms support project envisaged by the Bank could not be appraised and presented to the Board of Directors during the period 1996-1998.

5.4 It was in the social sector that the Bank Group achieved the greatest success in its previous operations in Djibouti. Thus, in the education sub-sector, the PPER of the LIC (Lycée industriel et commercial) considered the overall performance of the project satisfactory. The project had a social, institutional and development impact deemed satisfactory. Among the recommendations of the PPER was the necessity for the Bank to assist the Government in extending and strengthening the output of this project. In the public utilities sector, the PPERs prepared for the two previous Bank Group operations (Djibouti town Drainage and Irrigation project, and the Djibouti and Dikhil towns Water Supply project) concluded that the overall performance of these two projects were not satisfactory. However, the social impact and institutional performance of the water supply project were deemed satisfactory. All in all, the PPERs available consider the financial and economic performances unsatisfactory. In addition, the Government's efforts to ensure the sustainability of projects financed by the Bank Group should be stepped up. The Project Completion Report (PCR) of the institutional support to the livestock and fisheries Directorate, prepared in 1999, considered the results of this project globally satisfactory in terms of its physical achievements.

VI. COORDINATION WITH OTHER DEVELOPMENT PARTNERS

6.1 The operations of the development partners are mainly co-ordinated by the Ministry of Economy, Finance and Planning in charge of Privatization. The privatization resulted primarily in the organization, in collaboration with UNDP, of a Round Table of the country's partners, which took place in Geneva from 29 to 30 May 1997. This meeting was the occasion for the Government to present its economic and social reforms programme, and for its partners to reaffirm their support to the development efforts of the Government. The other State structures also provide co-ordination in their respective sectors. It is essential that the Government's efforts to provide co-ordination with the resident representatives of the donors be improved.

6.2 Outside the Round Table, Djibouti's development partners generally consult with each other and regularly exchange information for the co-

ordination of their operations. For example, the preparation mission of the Country Strategy Paper (CSP) for the period 1999-2001 had discussions with the development partners represented in Djibouti on their respective development operational programmes over this period. A recent joint Bank Group, IMF and World Bank mission also assisted the Government in the preparation of the EPFP, which defines the macro-economic and structural reforms the Government wishes to implement during the 1999-2002 period.

6.3 With regard to co-financing, the Bank Group has already had to co-finance projects in the country with other development partners. That was, for example, the case of the Education II project with OPEC and UNICEF. The Djibouti and Dikhil towns Water Supply project was also co-financed with the European Development Fund (EDF). The PPER of this last project considered the performance of the EDF satisfactory. In particular, it financed in full the component relating to the doubling of the Nagab-Loyada pipelines, despite a cost increase of UA 0.912 million. In addition, it had ONED execute the works of this component on force account, thereby contributing to the strengthening of the work execution capacity of the enterprise and to its financial viability. Concerning the Education II project, the performance of UNICEF was unsatisfactory in that this institution withdrew in the process, thus compelling the Bank to revise the list of goods and services of the project.

VII. REPAYMENT OF LOANS AND STATUS OF ARREARS

Before 1993, maturities were honoured regularly and on time. However, since 1993, the emergence of economic difficulties has led to the frequent appearance of payment arrears on Bank Group loans. Thus, in 1993, 1994 and 1996, the country was under sanction and even in chronic arrears of over six months between February and May 1998. The country is again under sanction since February 1999 for non-payment of the January 1999 maturities.

VIII. CONCLUSION AND RECOMMENDATIONS

8.1 It follows from the present review that the overall performance of the Bank Group portfolio in Djibouti is unsatisfactory with a mark of 1.8. The mark represents, however, a certain improvement in relation to the situation during the previous review when the overall mark was 1. This review focuses on eight on-going operations: two were approved in 1998, and the conditions of entry into force are still being fulfilled; three were to have been completed on 31 December 1998.

8.2 As indicated in the text, some of the recommendations made by the 1996 review are being implemented. However, delays in the implementation of projects, the still unsatisfactory mastery of the rules and procedures for the procurement of goods and services, the inadequate capacities of the executing agencies continue to be the principal problems that impede a good portfolio performance. It seems that because of these problems, projects have difficulties in achieving their development objectives. To remove these

constraints and contribute to the enhancement of portfolio performance, the following measures could be envisaged. Measures specific to the different projects are given in Annex 6.

The Government should:

- (1) more than in the past, ensure that the loan agreement conditions (including the submission of status reports and audit reports) are promptly fulfilled in order to avoid delays in the implementation of projects and facilitate a better monitoring of the projects by the Bank;
- (2) beef up the Bank Group's project co-ordination unit in the Ministry of Finance, Economy and Planning in charge of Privatization, as well as equip the project executing agencies with material and human resources;
- (3) pay greater attention to the timely payment of the maturities on Bank Group loans in order to avoid the imposition of sanctions, which delay the implementation of projects;
- (4) ensure the availability of counterpart funds and that each project has a special account opened, according to the recommendations of the Bank, to receive the fund disbursed by the Bank, thereby facilitating a good functioning of projects;
- (5) have audited without further delay the accounts of the following projects: Water Supply in Four Urban Centres, Road Maintenance, Integrated Fisheries Development, Education II and Institutional Support to DP and DINAS;
- (6) request whenever it is possible, the utilization of the loan balance;
- (7) have a vocational integration component envisaged in future education and training projects;
- (8) take measures to facilitate adaptation to the restructuring of the French presence;
- (9) Attach importance to the collection and preservation of data on the various projects implemented in the country, with a view to facilitating evaluations.

The Bank should

- (1) have disbursement vouchers sent more regularly to the executing agencies;

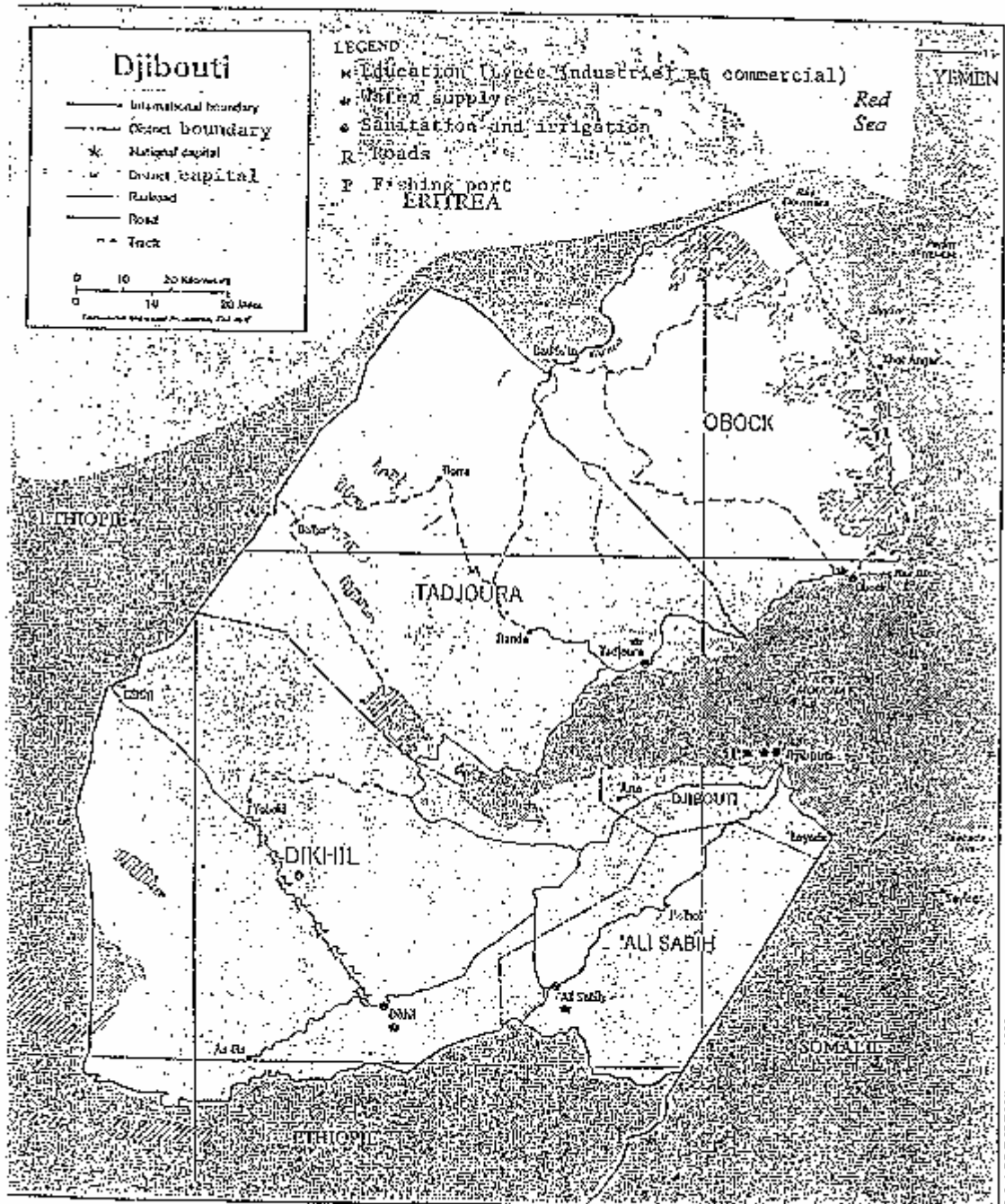
- (2) prior to the launching of any new project, organize a seminar focusing on the understanding of the project, the rules and procedures for the procurement of goods, services and disbursement. The staff of the executing agencies and the prospective beneficiaries should participate in this seminar;
- (3) enter into consultation with the Government and, after verification of the outstanding payments, cancel the unutilized balance of the completed or inactive projects, namely Institutional Support to DEP and SAB, Institutional Support to DP and DINAS, Water Supply in four urban centres;
- (4) speed up the utilization of the balance on the Study of the pedagogical and architectural programmes of the Technical College for the conduct of audits not yet effected;
- (5) envisage during project appraisal, and where necessary, a component for the monitoring and evaluation of project implementation.

8.3 Plan of Action for Portfolio Improvement

8.3.1 The improvement of portfolio performance requires a significant reduction in the proportion of risk projects in the portfolio. That is why the objective of the portfolio performance improvement plan will be to reduce the proportion of risk projects from 100 % in 1998 to less than 60 % at the next portfolio review, which will take place in 2001. If achieved, this objective will help increase portfolio rating, according to the criterion of the proportion of risk projects, from one (1) at present to two (2) in 2001. The effort to improve portfolio performance will be assisted by the movements of projects in the portfolio with the removal from the portfolio of a problem project (line of credit to BDD), a potentially problem project (institutional support to DP and DINAS), and the predictable approval of three new operations over the period 1999-2001. The objective of a portfolio performance improvement plan will therefore consist in ensuring that newly approved projects do not become problem projects or potentially problem projects. Achievement of this object will demand an active approach from the country team for Djibouti, anticipating obstacles to the implementation of projects and intervening promptly to solve them. A greater Government commitment to the rapid implementation of projects, as well as an effort to beef up the institutional capacities of the project executing agencies will be equally necessary. The matrix of the action plan for the improvement of portfolio performance over the period 1999-2001 is given in Annex 10.

DJIBOUTI

PRINCIPAL ADB GROUP PROJECT SITES IN DJIBOUTI



This map has been drawn by the African Development Bank Group exclusively for the use of readers of the report to which it is attached. The names used and the borders shown do not imply on the part of the Bank Group and its members any judgement concerning the legal status of a territory nor any approval or acceptance of these borders.

ANNEX 2

DJIBOUTI: 1999 PORTFOLIO REVIEW: SUMMARY OF BANK GROUP OPERATIONS (In million UA)
Status as at 31/3/1999

N°	Sectors/Operations	Origin of fund	Approval date	Signature date	Effectiveness date	Last disbursement date	Net loan/grant amount	Amount disbursed	Amount not disbursed	%	Disbursement status
PUBLIC UTILITIES											
1	Drainage of Djibouti town	ADF	26/09/79		12/10/79		0.220	0.220	0	100.0	Cancelled
2	Drainage and irrigation of Djibouti	ADF	23/06/83	09/05/84	12/10/84	30/06/94	6.355	6.355	0	100.0	Completed
3	Djibouti and Dikhil water supply	ADF	23/06/83	09/05/84	14/09/84	31/12/97	5.640	5.638	0	100.0	Completed
4	Djibouti geothermal exploration study	TAA	19/11/84	30/11/84	16/01/86	31/12/92	2.349	2.348	0	100.0	Completed
5	Water supply in four urban centres	ADF	28/10/86	08/01/87	06/09/89	31/12/97	13.180	12.772	0.408	96.9	Completed
6	Solid waste study	TAF	04/11/92	13/05/93	15/06/93	31/12/96	0.553	0.501	0.05	90.6	Completed
7	Drinking water supply infrastructure planning and development study	TAF	29/01/91	08/05/91	10/11/91	31/12/96	1.032	0.809	0.223	78.4	Completed
8	Djibouti town Strategic Drainage study	TAF	11/03/98	08/04/98	20/12/98	31/12/00	0.530	0.0	0.530	0.0	Under implementation
Sub-total							29.859	28.643	1.211	95.9	
EDUCATION											
9	Studies of the pedagogical and architectural programmes of the new vocational school project	TAA	24/02/86	7/5/86		31/12/96	0.876	0.678	0.198	77.4	Completed
10	Industrial and Commercial college	ADF	16/10/89	1/12/89	19/11/90	30/6/99	10.132	10.094	0.04	99.6	Under implementation
11	Education II	ADF	15/12/92	13/05/93	03/01/97	30/6/00	7.553	1.9	5.653	25.2	Under implementation
		NTF	14/12/92	13/05/93	03/01/97	30/6/00	4.000	1.01	2.99	25.3	Under implementation
Sub-total							22.561	13.682	9.516	57.4	
AGRICULTURE											
12	Fishing port	ADF	21/03/88		28/05/89		0		0.0	0.0	Cancelled
13	Institutional support to the Directorate of livestock and Animal Feeds Company (SAB)	TAF	29/10/90	11/04/91	28/07/93	31/12/96	0.543	0.515	0.028	94.8	Completed
14	Integrated fisheries development	ADF	21/05/91	11/03/92	15/01/93	31/12/00	11.918	11.001	0.917	92.3	Under implementation
Sub-total							12.461	11.185	1.276	89.7	
TRANSPORT											
15	Road maintenance	ADF	22/05/89	28/05/89	30/10/90	31/12/96	4.311	4.101	0.21	95.1	Completed
16	Road maintenance study	TAF	25/11/91	25/02/92	16/04/93	31/12/96	1.382	1.381	0.0	100.0	Completed
Sub-total							5.693	5.482	0.21	96.3	
INDUSTRY											
17	Line of credit to BDD	ADF	18/08/87	30/10/87	04/12/88	31/01/99	3.408	2.79	0.618	81.9	Completed
Sub-total							3.408	2.79	0.618	81.9	
MULTISECTOR and INSTITUTIONAL SUPPORT											
18	Institutional support to the Directorate of planning and the National Directorate of Statistics	TAF	17/09/90	08/05/91	29/11/91	31/12/98	1.686	1.37	0.316	81.3	Under implementation
19	Social development fund	ADF	8/7/98		25/8/98	30/9/03	6.52		6.52		Under implementation
Sub-total							8.206	1.35	6.987	14.9	
19	TOTAL						82.188	62.504	19.684		76.05

Annex 3

DJIBOUTI: SUMMARY OF ON-GOING OPERATIONS IN 1998 (in million UA)
(Status as at 31 March 1999)

Sectors/Operations	Origin of Fund	Approval date	Signature date	Effectiveness date	Last disbursement date	Net loan/grant amount	Amount disbursed	Amount not disbursed	% disbursed
<u>Public Utilities</u>									
Study of Djibouti town Strategic Drainage Plan	TAF	11/03/98	08/04/98	20/12/98	31/12/00	0.530	0.0	0.530	0.0
<u>EDUCATION</u>									
Education II	FAD	15/12/92	13/05/93	03/01/97	30/6/00	7.553	1.90	5.653	25.2
	FSN	14/12/92	13/05/93	03/01/97	30/6/00	4.000	1.01	2.99	25.3
<u>AGRICULTURE</u>									
Integrated Fisheries Development	ADF	21/05/91	11/03/92	15/01/93	31/12/00	11.918	11.00	0.918	89.5
<u>INDUSTRY</u>									
Line of Credit to BDD	ADF	18/08/87	30/10/87	04/12/88	31/01/99	3.408	2.79	0.618	92.3
<u>MULTISECTOR AND INSTITUTIONAL SUPPORT</u>									
Institutional support to the Directorate of Planning and the National Directorate of Statistics	TAF	17/09/90	08/05/91	29/11/91	31/12/98	1.686	1.37	0.316	81.3
Social Development Fund	ADF	8/7/98	25/8/98		30/9/03	6.52		6.52	0
TOTAL						35.62	18.07	17.50	59.7

OVERALL PORTFOLIO PERFORMANCE

Project	Previous mark	Current mark
Strategic Drainage Plan Study	-	1.9
Education II	1	1.5
Integrated Fisheries Development	1.2	2.2
Line of Credit to BDD	1.4	1.2
Institutional Support to the Directorate of Planning and the Directorate of Statistics	1	1.8
Social Development Fund	-	-
Average mark	1	1.7
3 = Very satisfactory, no problem		
2 = Satisfactory: a few problems; the Bank should rigorously control project activities.		
1 = Unsatisfactory: the Bank should ensure close monitoring, but no action is required for the time being		
0 = Very unsatisfactory: serious problems; the Bank's intervention is required		
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PERFORMANCE EVALUATION

<u>Country:</u>	Djibouti	<u>Signature date:</u>	11/03/92
<u>Project:</u>	Integrated Fisheries Development.	<u>Disbursement ratio:</u>	88.7%
<u>Loan amount:</u>	UA 11.918 million	<u>Last disbursement deadline:</u>	31/12/98
<u>Approval date:</u>	21/5/91		

INDICATORS	Marks	
	Current	Previous
<u>A. Project Status</u>		
1. Compliance with the effectiveness conditions	2	1
2. Compliance with the general conditions	1	-
3. Compliance with other conditions	2	1
<u>B. Procurement Performance</u>		
1. Procurement of goods	2	1
2. Procurement of services	2	1
<u>C. Financial performance</u>		
1. Availability of foreign exchange resources	3	2
2. Availability of local currency resources	1	2
3. Performance in disbursements	3	N.A
4. Cost Management/Recovery		
5. Performance of co-financiers		
<u>D. Activities and output</u>		
1. Compliance with the implementation schedule	2	0
2. Performance of the consultants or technical assistants	3	2
3. Performance of the suppliers	3	2
4. Performance of the project management	3	1
<u>E. Impact on development</u>		
1. Probability of achieving project objectives	2	1
2. Probability of seeing the benefits continue beyond the investment Phase	2	1
3. Probable contribution to the strengthening of the institutional capacities	2	2
4. Current rate of return		N.A
<u>F. Overall evaluation</u>		
1. Current	2.2	1.2
2. Evolution in time	2.1	2
3 = Very satisfactory, no problem		
2 = Satisfactory: a few problems; the Bank should rigorously control project activities		
1 = Unsatisfactory: the Bank should ensure close monitoring, but no action is required for the time being		
0 = Very unsatisfactory: serious problems; the Bank's intervention is required		
1996 Portfolio review		

PERFORMANCE EVALUATION

Country: Djibouti Signature date: 08/4/98
Project: Study of Djibouti town Disbursement ratio: 0%
Strategic Drainage Plan
Loan amount: UA 0.53 million Last disbursement deadline: 1/12/00
Approval date: 11/3/98

INDICATORS	Marks	
	Current	Previous
<u>A. Project Status</u>		
2. Compliance with the general conditions	n.a	
3. Compliance with other conditions	n.a	
<u>B. Procurement performance</u>		
1. Procurement of goods	n.a	
2. Procurement of services	1	
<u>C. Financial performance</u>		
1. Availability of foreign exchange resources	3	
2. Availability of local currency resources	n.a	
3. Performance in disbursements	n.a	
4. Cost Management/Recovery	n.a	
5. Performance of the co-financiers	n.a	
<u>D. Activities and output</u>		
1. Compliance with the implementation schedule	1	
2. Performance of the consultants or technical assistants	n.a	
3. Performance of the suppliers	n.a	
4. Performance of the project management	1	
<u>E. Impact on development</u>		
1. Probability of achieving study objectives	2	
2. Probability of seeing the benefits continue beyond the investment phase	2	
3. Probable contribution of the study to the strengthening		
3. Probable contribution of the study to the strengthening of institutional capacities	2	
4. Current rate of return		
<u>F. Overall Evaluation</u>		
1. Current	1.9	
2. Evolution in time	1.9	
3 = Very satisfactory, no problem		
2 = Satisfactory: a few problems; the Bank should rigorously control project activities.		
1 = Unsatisfactory: the Bank should ensure close monitoring, but no action is required for the time being		
0 = Very unsatisfactory: serious problems; the Bank's intervention is required.		
1996 Portfolio review report		

PERFORMANCE EVALUATION

<u>Country:</u>	Djibouti	<u>Signature date:</u>	30/10/87
<u>Project:</u>	Line of credit to BDD	<u>Disbursement ratio:</u>	81.9
<u>Loan amount:</u>	UA 3.408 million	<u>Last disbursement deadline:</u>	31/01/99
<u>Approval date:</u>	18/8/87		

INDICATORS	Marks	
	Current	Previous*
<u>A. Project Status</u>		
1. Compliance with the effectiveness conditions	1	0
2. Compliance with the general conditions	1	-
3. Compliance with other conditions	1	1
<u>B. Procurement performance</u>		
1. Procurement of goods	n.a	2
2. Procurement of services	n.a	2
<u>C. Financial performance</u>		
1. Availability of foreign exchange resources	3	3
2. Availability of local currency resources	n.a	3
3. Performance in disbursements	1	-
4. Cost Management/Recovery	1	0
5. Performance of the co-financiers		-
<u>D. Activities and output</u>		
1. Compliance with the implementation schedule	1	0
2. Performance of the consultants or technical assistants	n.a	n.a
3. Performance of the suppliers	n.a	1
4. Performance of the project management	1	1
<u>E. Impact on development</u>		
1. Probability of achieving the objectives of the line of credit	1	1
2. Probability of seeing the benefits continue beyond the investment phase	1	1
3. Probable contribution of the project to the strengthening of the institutional capacities	1	1
4. Current rate of return	1	n.a
<u>F. Overall evaluation</u>		
1. Current	1.2	1
2. Evolution in time	1.1	2
3 = Very satisfactory, no problem		
2 = Satisfactory: some problems; the Bank should rigorously control project activities		
1 = Unsatisfactory: the Bank should ensure close monitoring, but no action is required for the time being		
0 = Very unsatisfactory: serious problems; the Bank's intervention is required.		
* 1996 Portfolio review report.		

PERFORMANCE EVALUATION

Country: Djibouti
 Project: Institutional Support to DP and DINAS
 Loan amt.: TAF UA 1.686 million
 Approval date: 17/9/90

Signature date: 8/5 /91
 Disbur. ratio: 80.7
 Last disburs. deadline: 31/12/98

INDICATORS	Marks	
	Current	Previous*
A. <u>Project Status</u>		
1. Compliance with the effectiveness conditions	1	1
2. Compliance with the general conditions	1	
3. Compliance with the other conditions	2	1
B. <u>Procurement Performance</u>		
1. Procurement of goods	1	1
2. Procurement of services	2	1
C. <u>Financial Performance</u>		
1. Availability of foreign exchange resources	3	2
2. Availability of local currency resources	3	0
Performance in disbursements	2	-
4. Cost Management/Recovery	3	n.a
5. Performance of the co-financiers	n.a	
D. <u>Activities and Output</u>		
1. Compliance with the implementation schedule	1	0
2. Performance of the consultants or technical assistants	3	1
3. Performance of the suppliers	n.a	n.a
4. Performance of the project management	1	1
E. <u>Impact on Development</u>		
1. Probability of achieving the project objectives	2	1
2. Probability of seeing the benefits continue beyond the investment phase	2	1
3. Probable contribution of the study to the strengthening of the institutional capacities	2	1
4. Current rate of return	2	n.a
F. <u>Overall Evaluation</u>		
1. Current	1.8	1
2. Evolution in time	1.4	1
3 = Very satisfactory, no problem		
2 = Satisfactory: some problems; the Bank should rigorously control Project activities.		
1 = Unsatisfactory: the Bank should provide close monitoring, but no action is required for the time being		
0 = Very unsatisfactory: serious problems; the Bank's intervention is required.		
* 1996 Portfolio review report.		

PERFORMANCE EVALUATION

Country: Djibouti Signature date: 13/05/93
 Project: Education II Disbursement ratio: ADF: 18.9%
 Loan amount: ADF: UA 7 million NTF: 22%
 NTF: UA 4 million Last disbursement deadline: 30/6/00
 Approval date: ADF: 15/12/92
 NTF: 14/12/92

INDICATORS	Marks	
	Current	Previous
A. Project Status		
1. Compliance with the effectiveness conditions	1	0
2. Compliance with the general conditions	1	
3. Compliance with other conditions	1	1
B. Procurement Performance		
1. Procurement of goods	2	1
2. Procurement of services	2	1
C. Financial Performance		
1. Availability of foreign exchange resources	2	1
2. Availability of local currency resources	1	0
3. Performance of disbursements	1	-
4. Cost Management/Recovery	1	n.a
5. Performance of the co-financiers	2	-
D. Activities and Output		
1. Compliance with the implementation schedule	1	0
2. Performance of the consultants or technical assistants	2	n.a
3. Performance of the suppliers	2	n.a
4. Performance of the project management	1	1
E. Impact on Development		
1. Probability of achieving the project objectives	1	1
2. Probability of seeing the benefits continue beyond the investment phase	1	1
3. Probable contribution of the study to the strengthening of the institutional capacities	1	1
4. Current rate of return	1	n.a
F. Overall Evaluation		
Current	1.5	0.8
2. Evolution in time	1.4	2
3 = Very satisfactory, no problem		
2 = Satisfactory: some problems; the Bank should rigorously control project activities.		
1 = Unsatisfactory: the Bank should provide close monitoring, but no action is required for the time being		
0 = Very unsatisfactory: serious problems; the Bank's intervention is required.		
* 1996 Portfolio review report		

Djibouti: Summary of actions required on the on-going projects

Project	Actions required	Party (ies) responsible
<p>Integrated Fisheries Development</p>	<p>Finalize the selection of the private operator in charge of the management and operating of the fishing port.</p> <p>Audit the project accounts.</p> <p>Pay the Government's contribution to the project.</p> <p>Request the extension of the last disbursement deadline from 31/12/98 to 31/12/99, so as to enable the implementation of the technical assistance, credit and training components.</p> <p>Have a special account opened in a local bank to ensure the smooth functioning of the project.</p> <p>Have the quarterly status reports sent to the Bank.</p> <p>Seek the assistance of the Bank in the formulation and implementation of a second phase of the project in order to consolidate the achievements of the first phase.</p>	<p>Government</p> <p>Government</p> <p>Government</p> <p>Government</p> <p>Government</p> <p>Government</p> <p>Government</p>
<p>Study of the Djibouti Town Strategic Drainage Plan.</p>	<p>The Protocol of Agreement having entered into force, finalize the preparation of the short list, and have the study started.</p>	<p>Government</p>
<p><u>Line of Credit to BDD</u></p>	<p>Speed up the payment of the consultant who performed the audit in order to facilitate the cancellation of the balance on the line of credit.</p>	<p>Government</p>

Djibouti: Summary of the actions required on the on-going projects

Project	Actions required	Party (ies) responsible
<u>Institutional Support to the Directorate of Planning and the National Directorate of Statistics.</u>	Finalize the auditing of the project accounts for the 1996, 1997 and 1998 fiscal years ;	Government
	Publish the results of the National Survey on Enterprises (ENADE-97) ;	Government
	Publish the national accounts prepared under the project;	
	Have the 1998 quarterly status reports on the project sent to the Bank;	
	Prepare the project completion report and submit it to the Bank.	Government
		Government
Education I	Ensure that the last orders placed under the project (accessories for machine tools, workshop fuses and miscellaneous furniture) are available for the LIC during the second quarter of 1999.	Government
Education II	Ensure the provision of national counterparts for the posts of Civil Engineering Expert and Procurement Expert, not later than early 1999;	Government
	Speed up the selection process of an audit firm;	Bank: should approve the extension of the presence of technical assistants.
	Approve a revision of the list of goods and services with a view to making a budget available for Component IV « Education and Sensitization on the Environment », following the withdrawal of UNICEF;	Government
	Pay funds into the special account that has been opened for the project in a local bank.	Bank

Djibouti: Summary of the actions required on the on-going projects

Project	Actions required	Parties responsible
<u>Social Development Fund</u>	Speed up fulfilment of the conditions for the entry into force of the Protocol of Agreement of the grant.	Government

Annex 7

DEFINITION OF RISK PROJECTS

1. A risk project is either a problem project or a potentially problem project, i.e. likely to encounter difficulties.
2. A problem project is a project that has a mark below 1.5 for the status or achievement of its development objectives. The status evaluates the project implementation status, and takes into account such factors as the fulfilment of the loan conditions, the contractors' performance and the availability of resources. The development objective assesses the probability for the project to achieve its development objectives, yield the expected benefits and provide institutional strengthening.
3. A potentially problem project is a project that is likely not to achieve satisfactory results or high marks in the future. Are classified in this category projects meeting at least two of the following criteria:
 - Period of time between the approval and entry into force of the loan exceeding:
 - 12 months for project loans;
 - 12 months for structural adjustment loans;
 - 12 months for technical assistance operations;
 - 0 or 1 for conditions precedent (point A1 of the project rating form);
 - 0 or 1 for procurements (point B2 of the project rating form);
 - 0 or 1 for the counterpart fund (point C2 of the rating form);
 - 0 or 1 for project management;
 - Countries with a high failure rate (PPAR deemed unsatisfactory or worse in at least 50% of the cases in the last seven years and a country considered non-performing).

**Djibouti: 1998 Portfolio Review: Rating of the PS and DO
of on-going Projects in 1998**

Sectors/Operations	Project Status (PS)	Dev. Obj.tives (DO)
<u>PUBLIC UTILITIES</u>		
Study of Djibouti town Strategic Drainage Plan**	2,4	2
<u>EDUCATION</u>		
Education II*	1.7	1
<u>AGRICULTURE</u>		
Integrated Fisheries Development**	2.7	2
<u>INDUSTRY</u>		
Line of Credit to BDD*	1.2	1
<u>MULTISECTOR AND INSTITUTIONAL SUPPORT</u>		
Institutional Support to the Directorate of Planning and the National Directorate of Statistics**	2.3	2
Social Development Fund	was not rated	
3 = Very satisfactory, no problem		
2 = Satisfactory: some problems; the Bank should rigorously control project activities.		
1 = Unsatisfactory: the Bank should provide close monitoring , but no action is required in the immediate future.		
0 = Very unsatisfactory: serious problems; the Bank's intervention is required		
* Problem projects		
** Potentially problem projects		

Criteria of potentially problem projects in progress in 1998

1. Study of the Djibouti town Strategic Drainage Plan
 - Time exceeding 12 months between approval and entry into force;
 - Procurement performance, 1;
 - Performance in project management, 1;
 - Djibouti is considered to be a country with a high failure rate (66%).

2. Integrated Fisheries Development
 - Time exceeding 12 months between approval and entry into force;
 - Availability of local currency, 1;
 - Djibouti is considered to be a country with a high failure rate (66%).

3. Line of Credit to BDD
 - Time exceeding 12 months between approval and entry into force;
 - Compliance with effectiveness conditions, 1;
 - Performance in project management, 1;
 - Djibouti is considered a country with a high failure rate (66%);
 - PS and DO rated as unsatisfactory for two consecutive years.

4. Institutional Support to DP and DINAS
 - Time exceeding 6 months between approval and entry into force;
 - Compliance with effectiveness conditions, 1;
 - Performance of the project management, 1;
 - Djibouti is considered a country with a high failure rate (66%).

**MATRIX OF THE ACTION PLAN TO IMPROVE THE 1999-2001
PORTFOLIO PERFORMANCE**

Objectives	Strategy(ies)	<u>Dates</u>	Party(ies) responsible
<p><u>1. Reduce the proportion of risk projects to less than 45% of the portfolio</u></p> <p>1.1 Ensure that the Social Development Fund does not become a potentially problem project;</p> <p>1.2 Ensure that projects that will be approved between 1999 and 2001 do not become problem or potentially problem projects during this period;</p>	<p>1.1 The Social Development Fund project should enter into force before August 1999; pay great attention to all aspects of the project during its implementation phase.</p>	<p>Next portfolio review in 2001.</p> <p>Before August 1999 for the entry into force and 1999-2003 for the implementation follow-up.</p>	<p>Government and the Bank</p> <p>Government and the Bank</p>
	<p>1.2 Ensure that these new projects enter into force within six months of their approval for TAF operations, and within 12 months for projects whose local counterpart is available, and that goods and services are procured in accordance with Bank rules.</p>	<p>1999-2001</p>	<p>Government and the Bank</p>

**MATRIX OF THE ACTION PLAN TO IMPROVE THE 1999-2001
PORTFOLIO PERFORMANCE**

Objectives	<u>Strategy (s)</u>	Dates	Party(ies) responsible
<p><u>2. Have the Education II project changed from the status of a problem project to that of a potentially problem project.</u></p>	<p>2.1 Organisation with the Government of a workshop on the Education II project. The purpose of this workshop will be to examine in detail all the problems arising from the status of problem project to this project.</p>	<p>Before June 2000.</p>	<p>Government and the Bank</p>
<p><u>3. Follow-up and resolution of the generic problems</u></p>	<p>3.1 Each Bank Group mission to this country will continue to include in its terms of reference, discussion with the Ministry of Finance and the supervising Ministry concerned, of the generic problems (audits, status reports, arrears sanctions) and/or of at least one of the recommendations made in paragraph 8.2 above;</p>	<p>1999-2001.</p>	<p>Bank: Prior to departure on each mission to Djibouti, the sectoral divisions of OCDE Department will include in their terms of reference the discussion with the Ministry of Finance and the supervising ministry concerned, and the status of the unresolved generic problems.</p>

**MATRIX OF THE ACTION PLAN TO IMPROVE THE 1999-2001
PORTFOLIO PERFORMANCE**

Objectives	Strategy(ies)	Dates	Party(ies) responsible
<u>3. Follow-up and resolution of the generic problems (contd.)</u>	3.2 Greater firmness of the Bank in the application of the provisions of Article VIII of the General Conditions Applicable to Loan Agreements and Guarantee Agreements (non submission of audit reports and status reports).	1999-2001	Bank;