

**AFRICAN DEVELOPMENT FUND**

**DJIBOUTI**

**SOCIAL FUND FOR DEVELOPMENT PROJECT**  
**Loan No. F/DJI/SOC.DEV/98/13**

**PROJECT COMPLETION REPORT**

**Human Development Department (OSHD)**

**August 2008**

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## CURRENCIES AND MEASURES

Currency Unit: Djibouti Franc (DJF)

		At Appraisal (August 1997)	At Completion (July 2008)
1	UA	DJF 256.307	DJF 292.262
1	US\$	DJF 177.721	DJF 177.721

## TREND OF THE AVERAGE ANNUAL EXCHANGE RATE

Year	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
UA/DF	240.17	243.82	235.36	226.46	261.89	236.64	261.89	266.45	258.82	273.50

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## ACRONYMS AND ABBREVIATIONS

ADB	African Development Bank
ADDS	Djibouti Agency for Social Development
ADETIP	Djibouti Agency for Public Interest Works
BCD	Central Bank of Djibouti
BCI-MR	International Bank for Trade and Industry-Red Sea
CEC	Savings and Credit Fund
CMF	Micro-finance Unit
CMH	Medical Hospital Centre
CNLP	National Poverty Reduction Commission
CRC	Capacity Building Unit
CREM	Micro-finance Think Tank
CSF	Fund Supervision Committee
CSF/CGF	Fund Supervision Committee / Fund Management Unit
DF	Djibouti Franc
FDED	Economic Development Fund of Djibouti
FMM	Fund Management Mechanism
FNS	National Solidarity Fund
FSD	Social Fund for Development
GCO	Grassroots Community Organization
IFAD	International Fund for Agricultural Development
IGA	Income-Generating Activities
IGE	State General Inspectorate
IMC	Intermediate Micro Credit
IMS	Information and Management System
INDS	National Initiative for Social Development
MESN	Ministry of Employment and National Solidarity
MPACF	Administrative, Accounting and Financial Procedures Manual
NGO	Non-Governmental Organisation
PDMM	Micro-finance and Micro-enterprise Development Project
PIU	Project Implementation Unit
PRSP	Poverty Reduction Strategy Paper
SAF	Administrative and Financial Department
SFDP	Social Fund for Development Project
SME/SMI	Small and Medium Size Enterprise/Small and Medium Size Industry
TD	Term Deposit
UA	Unit of Account
UNDP	United Nations Programme for Development

## EXECUTIVE SUMMARY

1. The Social Fund for Development Project (SFDP) was approved in June 1998. It was financed with an ADF loan of UA 6.52 million and the Government of Djibouti's contribution of UA 1.73 million. The project was a follow-up to the 1996 Round Table; it sought to consolidate the 1994 Peace Agreements by reducing the adverse effects of the war and the socio-economic crisis that prevailed in the country from 1990 to 1996. The overall objective of the Social Fund for Development Project was to support the Government's efforts to significantly reduce poverty, and its specific objectives were to: (i) improve the population's access to basic social services and to income-generating activities; and (ii) build the institutional and financial capacity of the beneficiaries, as well as support community-based initiatives.

2. According to the ADF loan agreements signed in August 1998, implementation was scheduled to last five years or until 31 December 2003; however, it fell behind schedule and the project was completed on 30 June 2007. Apart from the high mobility of the project managers, the main reasons for this delay include the long suspension of disbursement for failure to pay maturities (36 months), lack of experience on the part of the PIU and implementation partners, as well as failure to comply with procurement procedures.

3. Notwithstanding this delay, the project's overall performance has been judged satisfactory. Income-generating activities were successful with a recovery rate of 97%. Civil works were unsatisfactory because of the firms' shortcomings and the poor quality of the works. Despite these shortcomings, the project significantly improved the living conditions of the beneficiaries, especially women. Its main outputs were: (i) introducing the micro-finance concept into the country with a refinancing fund of nearly 2 million US dollars, (ii) providing a population of 25,000 people with access to health services, and schooling for over 2,170 pupils in the rural areas badly hit by the 1994 crisis, (iii) sensitising about 500,000 people to various topics related to the promotion of income-generating activities and poverty reduction; (iv) establishing 3 health centres, 2 hospitals, and 3 water supply systems; (v) awarding about 6,308 loans to 3,560 women; (vi) building and commissioning community development centres; (vii) establishing a micro-finance development fund of DF 355,000,000; (viii) procuring essential drugs for community pharmacies; and (ix) strengthening and operationalizing 18 NGOs and micro-finance institutions.

4. Lessons to be learnt from an analysis of the project's implementation relate to project design, formulation, conditions, implementation and supervision. The main recommendations to the Government, Bank Group and the FND on the basis of these lessons are:

### For the Government:

- a) ensure, soon after approval of a project, that a procedures manual is quickly prepared so as to minimise the risks of using the funds badly;
- b) facilitate works implementation by establishing structures with a comparative advantage such as the existing works implementation agencies (AGETIP), with a view to reducing the risks of delay in the procurement process;
- c) release counterpart funds regularly and on schedule to ensure smooth project implementation; and

- d) unify, harmonise and ensure the complementarity of micro-finance promotion activities carried out in the country, with a view to maximizing their efficacy.

For the Bank Group:

- a) ensure that appraisal missions are meticulously prepared and project reports satisfactorily prepared with the participation of all stakeholders;
- b) in project logical framework matrixes, select better-targeted indicators that make it possible to determine actual and direct project effects, particularly in relation to the sector goal;
- c) see to it that the Division responsible for a project organises field missions that reflect the project's contents, and ensure the cohesion of team members in charge of project supervision activities; and
- d) maintain regular contact with the Borrower in order to avoid arrears.

## BASIC PROJECT DATA

### GENERAL DATA

Country	: DJIBOUTI
Project	: Social Fund for Development
Project Number	: P-DJ-IE0-001
Loan Number	: F/DJI/SOC.DEV/98/13
Borrower	: Government of the Republic of Djibouti
Beneficiaries	: Post-conflict Vulnerable Populations
Executing Agency	: Project Implementation Unit (PIU)

	DATA ESTIMATED AT APPRAISAL	ACTUAL DATA
Amount (in UA million)	6.52	6.52
Service Charge (%)	0.75	0.75
Commitment Charge (%)	0.50	0.50
Repayment Period	50 years	50 years
Grace Period	10 years	10 years
Approval Date		08/07/1998
Date of Signature	July 1998	25/08/1998
Effectiveness Date	July 1998	10/05/1999
Start-up Date of Activities	November 1988	January 2000
Midterm Review Date	December 2000	October 2001
First Disbursement Date	October 1999	07.10.1999
Project Duration	5 years	8 years
Initial Deadline for Last Disbursement	31/12/2004	30/12/ 2007
Completion Date for Project Activities		31/12/2006

### FINANCIAL DATA

1.	Total Cost (in UA million)	Estimates at Appraisal		Actual figures	
		7.25		7.25	
2.	Financing Plan	F.E. (UA)	Local Currency DJF (in million)	F.E. (UA)	Local Currency DJF (in million)
A.	ADF	6.52	1.44	6.52	1.44
B.	GOVERNMENT	0.73	0.16	0.73	0.16
C.	BENEFICIARIES	-	-	-	-
	Sub-total	7.25	1.60	7.5	1.60
	TOTAL (UA)	7.25		7.25	

### PERFORMANCE INDICATORS

1.	Cancellation (UA)	1,712,685.27
2.	Time underrun/overrun	
	Slippage on Effectiveness	10 months
	Slippage on Completion Date	48 months
	Slippage on Last Disbursement	36 months
	Number of Extensions of the Last Disbursement Deadline	3
3.	Project Implementation Status: Physical Implementation Completed	60%

4.	List of Verifiable Indicators	Achievement of Outcomes in %
	Number of beneficiaries with access to credit resources increased by over 8,500 persons;	76%
	Percentage of persons with access to basic social services increased by over 20%	15%
	Over 1800 NGO workers and grassroots community organisations trained	113.3%

		At appraisal	Upon completion
5.	Economic rate of return	N.av.	N/A
	Financial rate of return	N.av.	N/A

6.	Institutional performance	
	Bank Group	Satisfactory
	Government	Satisfactory

7.	Performance of Consultants	Satisfactory
8.	Performance of Contractors	Average

#### D. MISSIONS

	Number of participants	Composition	Staff / days
<u>Appraisal</u>			
21/11 to 03/12/1997 and from 24 to 29/03/1998	2	Bank Economist Consultant	22 13
<u>Supervisions</u>			
20/02 to 12/03/2001	4	Socio-economist, Health Expert Architect, Consulting Education Specialist	21*4
03 to 15/10/2003	2	Socio-economist, Consulting Architect	9+13
06 to 23/09/2002	3	Socio-economist, Architect, Micro-finance Expert	18*3
17/03 au 4/04/2003	4	Socio-economist, Architect, Micro-finance Expert, Economist for Djibouti	19*4
6-20/10/2005	1	Socio-economist	14
6/to 22/12/2004	2	Socio-economist, Architect	17*2
12 to 25/06/2006	2	Socio-economist, Architect	14*2 7
11 to 18/02/2007	2	Socio-economist, Micro-finance Expert	8*2
01 to 23/12/07	3	Socio-economist, Architect Micro-finance Expert	23*3
<u>Midterm Review</u>			
06 to 23/02/2002	3	Socio-economist, Micro-finance Expert	18*2
<u>Completion Report t</u>			
(ADF) 12/07 to 11/08/2008	1	Consulting Socio-economist	22
(Government) 06/2008	1	National Consultant	22

ADF LOAN DISBURSEMENTS (UA)

	Estimate at appraisal (UA)	Actual Figures (UA)	Percentage (%)
<u>Total disbursed</u>	6 520 000	4 797 314.73	73.46%
<u>Amount cancelled</u>	-	1 702 685.27	

Annual Disbursements by Financing Source

<b>Disbursement Trend by Year and Financing Source (in DF)</b>									
<b>Year</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>
<b>ADB (UA)</b>	129 468	724805.4	187771.8	510143.5	0	867863.2	162 256	1 949 671	219 280.3
<b>GOV. (DJF)</b>	3 850 000	12 046 522	8 750 000	4 000 000	23 500 000	32 684 500	5 833 334	10 000 000	2 500 000
<b>Total</b>	57 166 300	179 999 363	49 541 218	124 646 606	23 500 000	226 326 198	52 479 201	515 181 590	85 105 017

**PROJECT MATRIX**

Summary of Objectives and Activities		Objectively Verifiable Indicators		Means of Verification	Basic Assumptions	Impact/Output
		Estimated at Appraisal	Achieved at Completion			
Overall Goal	1. Reduce poverty in the Republic of Djibouti, especially in the rural areas	1.1. By the year 2003, the social development indicators should increase from 5 to 8% at least, in comparison with the pre-project situation.	The social indicators in terms of access to health services, education and water improved as a result of the project's contribution	1.1.1. The household survey carried out by the National Statistics Directorate. 1.1.3. The United Nations Human Development Report		<b>HDI up from 0.319 in 1999 to 0.513 in 2007</b>
Project Objectives	1. Support the Government's efforts to significantly reduce poverty, through the provision of credit, basic social services, and institutional capacity building.	By the year 2003, the project impact area was to show the following benefits:  1.1. The number of beneficiaries with access to credit resources up by over 8,500 ;  1.2. The percentage of people with access to basic social services up by 20% ;  1.3. Over 1,800 workers of NGOs and grassroots community-based organisations trained.	<u>From 1999 to 2007</u>  3,560 women benefited from 6,902 credits (76%)  - Enrolment rate up from 37% in 1999 to 71.7% in 2007 including 44% for boys and 44% for girls  - Life expectancy at birth in 2006 rose from 48.80 years in 1994 to 54 years in 2007  - Under-five mortality rate is down from 158 per thousand in 1998 to 130 per thousand in 2006  2,041 members and leaders of partner associations trained;  18 associations trained to promote micro-credit award	1.1.1. Quarterly project reports.  1.1.2. Annual and midterm review reports.  1.1.3. Project impact assessment.  1.1.4. Monitoring and evaluation reports.	1.1.1.1. The Government remains committed to its poverty reduction policy.  1.1.1..2. The availability of supplementary resources granted by donors to supplement the ADF's operation. 1.1.1.3. The observance of policies and practices set out in the context of the Fund. 1.1.1.4. A natural or human-related disaster does not occur.	The 8,500 beneficiaries targeted at appraisal could not be reached because the technical capacity of institutional partners was under-estimated at project appraisal.  The project had a great influence on schooling and the enrolment ratio in the war-ravaged areas  15 micro-finance associations graduated into savings and credit funds.
Results / Outputs	1. Income-generating activities.	1.1. The number of persons awarded credit in comparison to the report estimates.	3,560 women were granted micro-credit out of the estimated 8,500, i.e. 41,88%	Quarterly report on the project offers and impact reports;	1.1.1.1. Effective Outreach and community sensitisation programme.	6,902 credits totalling DJF 363 959 000, granted to women.

	<p>2. Rehabilitation of basic collective infrastructure</p> <p>3. Outreach and Monitoring.</p> <p>4. Institutional capacity building.</p> <p>5. Fund management mechanism.</p>	<p>2.1. All installations rehabilitated are in normal working order; they have been furnished and provided with basic equipment, as stated in the appraisal report. The main pharmaceutical products have also been supplied.</p> <p>3.1. Populations of the target areas sensitised and follow-up operations conducted in accordance with the appraisal report estimates</p> <p>4.1. Training activities carried out.</p> <p>5.1. The Fund Management Mechanism put in place and functioning as planned in the appraisal report.</p>	<ul style="list-style-type: none"> <li>- 6 primary schools rehabilitated and equipped</li> <li>- Construction, rehabilitation, equipment of 6 health centres</li> <li>- Construction and rehabilitation of 2 water points</li> <li>- Creation of a community nursery.</li> <li>- Rehabilitation of a Community Development Centre.</li> <li>- Rehabilitation of an Adult Vocational Training Centre</li> <li>- Rehabilitation of the Ali Sabinus Sanitation System</li> <li>- Rehabilitation of the Bankoulé Feeder Road.</li> <li>- Supply of essential drugs to 8 Village Pharmacies.</li> </ul> <p>80% of the population know about the project operations and contribute to its success</p> <ul style="list-style-type: none"> <li>- 6 thematic study reports prepared.</li> <li>- 1 institutional audit report available.</li> <li>- 1 impact study on micro-finance activities.</li> <li>-- 25 training sessions carried out</li> <li>- 6 study tours organised.</li> </ul> <p>The PIU was functional and developed a partnership with the 18 associations, the UNDP, UNICEF and 5 partners from the administration.</p>	<p>Monitoring and supervision reports; archives and quarterly reports of the sub-projects; the evaluation reports of trainees and assessments of the training centres; the works acceptance certificate.</p>	<p>1.1.1.2. Credit beneficiaries use the loan funds wisely and adopt proven practices.</p> <p>1.1.1.3. The Fund Management Mechanism is efficient and the local communities as well as the district administration are actively involved in sub-project activities.</p>	<p>A credit fund of DJF 355,442,000 established to continue the facility</p> <ul style="list-style-type: none"> <li>- beneficiaries include 2,170 pupils, of which 1,141 boys and 1,023 girls</li> </ul> <p>Access to drinking water improved in the conflict-hit areas.</p> <p>A better knowledge of poverty reduction practices for 90% of the population.</p> <p>Knowledge of the challenges in micro-finance, client profile.</p> <p>National capacity for managing micro-credit and for social mobilisation strengthened.</p> <p>A partnership network built in the area of poverty reduction.</p>
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## **1. INTRODUCTION**

1.1 To address the continuing deterioration of living conditions in the wake of the 1990-1994 civil war as well as a subsequent series of crises (regional wars, economic shocks, drought), the Government embarked on adjustment programmes and economic reforms in 1996, with the support of the IMF and World Bank.

1.2 The Social Fund for Development Project (FSD) was the Bank's answer to the Government request to tackle the negative consequences of the civil war and structural adjustment on the population. It was a follow-up to the Donor Round Table organised in Geneva in 1996 with the help of UNDP and a reflection of the Government's political resolve to rein in poverty by providing credit, basic social services and institutional capacity building.

1.3 At the time, the Bank was also supporting the Djibouti Government through a social sector operation (ADB Education Project II) and two other operations in the fisheries sector, as well as with reforms (Integrated Fishery Resources Development Project and the Institutional Support to Planning and Statistics Project). The FSD Project was implemented from 1999 to 2008, during which time many changes occurred at the oversight level as well as management and monitoring by the Bank. There were 3 oversight ministries: Ministry of Employment, (1998-2000) Ministry of Economy and Finance (2000-2004) and lastly Office of the Prime Minister (2005-2008). The Project Implementation Unit Management changed 4 times. 4 Bank experts supervised and monitored the Project from 1998 to 2008. These changes somewhat jeopardised attainment of the Project's objectives.

1.4 This completion report was prepared on the basis of the completion report written by the Government in June 2008, Bank supervision reports, an institutional audit report, a technical audit report, and a project impact study. All documents available at project level and related ADB documents, information collected from representatives of the Administration, partners and project beneficiaries contributed to the preparation of this report.

## **2. PROJECT OBJECTIVES AND FORMULATION**

### **2.1 Project Objectives**

2.1.1 The Social Fund for Development aimed to support the Government's efforts to significantly reduce poverty by: (i) providing basic social services; (ii) building the institutional and financial capacity of the beneficiaries; and (iii) supporting community-based initiatives.

2.1.2 Project estimates were based on the major assumptions that: (a) the Government maintains its poverty reduction policy; (b) donor resources are available to supplement the ADF's operation, (c) financial intermediaries and implementation partners are efficient, (d) communities and district authorities are actively involved, (e) credit beneficiaries use the loan funds wisely; (f) the management mechanism is provided with competent and sufficient human resources to provide the technical intermediation services sought by the target groups; and that (g) the management structure responsible for coordinating project activities has qualified and financially-motivated specialists. All these assumptions were confirmed during project implementation.

## **2.2 Project Description**

2.2.1 The project was to be implemented in 5 years and comprised the following 5 components: (i) income-generating activities, (ii) rehabilitation of basic services, (iii) institutional capacity building, (iv) outreach and monitoring; and (v) project coordination and management.

2.2.2 *Component I* covered promotion of micro-credit and support to micro enterprise, its budget totalling UA 2.64 million (36.3 %).

2.2.3 *Component II* focused on rehabilitation activities and providing equipment and furniture for 10 primary schools, rehabilitation of 2 HCs in Tadjourah and Obock, and 7 health centres and/or SMI, provision of three ambulances (Tadjourah, Obock and Dikhil), and essential drugs, water supply and small dams in 4 districts in the country's interior, with a total budget of UA 2.42 million.

2.2.4 *Component III* entailed training of NGOs, staff of the project and sector ministries, as well as procuring international experts on a short-term basis; for a total cost of UA 0.46 million.

2.2.5 *Component IV* focused on sensitisation and dissemination of information on the Fund's activities, as well as an assessment of the impact of the Fund's activities on the beneficiaries; UA 0.37 million was allocated to this component.

2.2.6 *Component V* supported operation and logistic support towards the smooth running of the PFSD and was provided with UA 1.37 million.

## **2.3 Project Formulation**

2.3.1 The Social Fund for Development Project was designed to address deteriorating living conditions, within the framework of the Emergency Recovery Programme. It concerned the entire country especially those areas badly hit by the civil war, and targets primarily poor women, youths and children of these regions. This project stemmed from the recommendations of the 1996 Round Table held in Geneva, during which the Bank had been approached to join in the drive to improve living conditions. The preparatory identification mission was organised in November 1997 and the appraisal mission in March 1998. Accordingly, project cycle phases were not consistent with the project's formulation. At the time, the capacity of the PIU, the Government and partners to implement such a complex project had been over-estimated. The SFD was approved by the Bank's Board of Directors on 8 July 1998 and the Loan Agreement signed on 25 August 1998.

2.3.2 The project was formulated using the participatory approach which associated representatives of the various administrative departments concerned by its activities, both at national and local levels. Representatives of civil society organisations and the private sector, representatives of the beneficiaries were not very much involved in project formulation, during the missions organized by the ADF. Gender was taken into consideration at all phases of the project cycle and an outreach/monitoring mechanism was introduced to assess project results. The local authorities were not enthusiastic about project ownership because of their limited capacity. Plans had also been made under the project to set up a

National Poverty Reduction Commission to act as a steering and coordination committee (CNLP) to supervise the actions of the PMB, and which comprised representatives of the ministries directly concerned by project activities, as well as representatives of implementation partners and donors. The Project Implementation Unit was to be responsible for daily management of the project, under the supervision of the Ministry of Finance and Planning in charge of privatisation.

### 3. LOAN IMPLEMENTATION

#### 3.1 Loan Effectiveness and Project Start-up

##### Summary Table of Conditions Precedent to Effectiveness of the Loan Agreement

<b>Conditions Precedent to Effectiveness of the Loan Agreement</b>	<b>Date of Fulfilment</b>
Fulfilment, to the satisfaction of the Fund, of the conditions set out in Section 5.01 of the General Conditions Applicable to Loan Agreements and Guarantee Agreements of the Bank Group.	August 1998

##### Summary Table of Conditions Precedent to Loan Effectiveness and Conditions Precedent to First Disbursement of the Loan

<b>Conditions Precedent to Effectiveness of the Loan Agreement and Conditions Precedent to First Disbursement of the Loan</b>	<b>Date of Fulfilment</b>
i) Provide evidence confirming the establishment of the FMF and the appointment of qualified staff for the FMF, comprising a Fund Manager, Micro-credit Officer, Outreach and Monitoring Officer, Capacity Building Officer, Financial Controller and Administrative Assistant/Procurement Officer.	March 1999
ii) Provide evidence of the opening of a special account and two local currency accounts at a bank acceptable to the ADF for the deposit of project funds.	March 1999

##### Summary Table of the "Other Conditions"

<b>Other Conditions</b>	<b>Date of Fulfilment</b>
i) Submit to the Bank, evidence of the completion of the Fund's Procedures Manual, within six months of loan effectiveness	February 2004
ii) Starting with the 1999 budget, make adequate budgetary provision to meet the Government's share of the project cost	Ongoing

3.1.2 The loan became effective on 10/05/1999. The first disbursement was made on 7/10/1999 without the fulfilment of the condition relative to the completion of the Procedures Manual within 6 months of loan effectiveness. The condition relative to the Government's annual budgetary provision was not always complied with. Until 2004, the amounts requested were never paid in full; those paid were much lower than expected and not enough to meet the Government's commitments, except after 2002. The Government disbursed DJF 146,187,924 out of the DJF 179,185,236 requested.

## 3.2 Modifications

3.2.1 The most significant modifications concern the project's supervision, goods and services procurement methods, and re-allocation of resources to the expenditure categories.

3.2.2 During its implementation from 1999 to 2007, the project was under the successive supervision of three different Ministries. This great instability of the project's management and supervision authorities made its steering and coordination difficult. Indeed, from December 1999 to 31 December 2007, the project manager changed 4 times. In addition, from the appraisal period to project completion the project was monitored and supervised by 4 Bank project officers.

3.2.3 As a result of the PIU's serious shortcomings in the procurement process between 2000 and 2003, it was decided in 2004, in concert with the Borrower to entrust implementation of the civil works component to the "Agence Djiboutienne d'Exécution des travaux d'intérêt Public" [Djibouti Public Interest Works Agency] for its expertise. Besides, part of the infrastructure rehabilitation activities was cancelled. With the delays, the project's deadlines for disbursements were modified as shown in the table below:

Previous Deadline	Revision Date	New Deadline
31.12.2004	06.10.2005	30.06.2006
30.06.2006	19.09.2006	30.06.2007
30.06.2007	19.10.2007	31.12.2007

3.2.4 The modifications to project resource re-allocation requested by the Government were accepted by the ADF. They were justified by the additional resource requirements against the initial allocations of certain expenditure categories such as "Equipment", and "Operating Expenses". These needs were due to an under-estimation of certain expenses and the extension of deadlines for disbursement. They were covered by resources from other expenditure categories such as "Civil Works" and "Training". During the midterm review of February 2002, because the Micro-enterprise section of the Income-generating Activities Component had not yet started, it was decided to re-allocate most of the funds that had been earmarked for the "Micro-credit" component and keep only the strict minimum for feasibility studies. Budget allocations by expenditure category were revised as follows:

Amount in UA million		
Categories	Amount Allocated	Revised Amount
Micro-credit	2.64	2.64
Civil works	1.80	1.30
Equipment	0.43	0.53
Essential Drugs	0.39	0.39
Training	0.63	0.53
Technical assistance	0.39	0.39
Operating costs	0.97	1.47
Total	7.25	7.25

3.2.5 Finally, despite the 3 extensions allowed to end the project, UA 1,763 million or nearly 28% of the project cost, was cancelled. This decision was taken in collaboration with the Government, given the project's problematic nature and the structural constraints of the Bank's portfolio in Djibouti.

### 3.3 Implementation Schedule

3.3.1 The project was to be implemented in 5 years, from January 1999 to December 2004. Its implementation actually spanned 8 years from January 2000 to 31 December 2007, 3 years behind schedule.

#### Initial and Actual Schedule of Project Activities

Activities	Initial Schedule	Actual Schedule
Loan Negotiation	June 1998	June 1998
ADF Loan Approval	June 1998	July 1998
Signing of Loan Agreement	July 1998	August 1998
Effectiveness of ADF loan	July 1998	May 1999
Establishment of PIU	September 1998	September 1999
Appointment of Fund Manager and staff of the PIU	September 1998	October 1999
Supply of PIU equipment	March 1998	January 2000
Recruitment of Technical Assistants	October 1998	November 2001
Start-up of Outreach Activities	September 1999	August 2001
Start-up of Micro-credit Activities	January 1999	January 2001
Start-up of Civil Works	January 1999-February 2002	January 2001
Supply of Equipment/Furniture & Material	July 1999-February 2002	October 2001- June 2006
Annual Reviews of Project Outputs	Nov of every year	N/A
Midterm Review	December 2002	December 2002
Project Completion	September 2003	June 2007
Completion Report	December 2003	July 2008

3.3.2 Project implementation was delayed. Indeed, there was: (i) 10 months slippage on the estimated effectiveness date; (ii) 45 months slippage on the completion date initially estimated in the appraisal report; (iii) 36 months slippage on the date set at appraisal for last disbursement. As a result of these delays, the deadline for last disbursement was extended three times. The project's physical implementation rate was 60%. The IGA component contributed greatly to reaching this percentage.

3.3.3 Project implementation was affected by the following factors: (i) the PIU's capacity to efficiently manage such a project was over-estimated; (ii) there was no Operations Manual during the first 4 years of the project's life and therefore contracts were poorly managed; (iv) there were numerous suspensions for payment arrears which resulted in the suspension of disbursements throughout project duration (36 months); (v) the disbursement of counterpart funds was a problem; (vi) there was no Operations Supervision Committee which led to very poor inter-sector and inter-ministerial coordination and poor project steering; (vii) there was instability in the steering, coordination and management of the project because of the changes in oversight, project management and Bank project officers leading to an endless calling to question of most of the actions undertaken; (viii) the Bank monitoring and supervision team from late 2000 to mid-2004 lacked cohesion and complementarity; (ix) there was a shortage of expertise within the PIU to implement the "Rehabilitation of Basic Social Services" component and the agreement with the ADETIP to solve the problem was signed very late; (x) the Djibouti Construction BPW firms lacked experience and so works were of poor quality during the project's first three years; (xii) communication between the Borrower and the Bank was poor thus slowing down the Bank's responses to requests for no-objection.

### **3.4 Reporting**

3.4.1 According to the appraisal report, the PIU was to submit to ADF quarterly and annual activity reports, as well as annual audit reports. The PIU was also to prepare and send to the ADF a project completion report at the end of the project. The Borrower complied and the PIU submitted twenty-five (25) quarterly activity reports to ADF covering the September 1999-December 2006 period, 5 annual activity reports and project audit reports for the 1999-2006 financial years, and a technical audit of works in 2005. In June 2008, the Borrower also submitted the project's completion report to ADF.

3.4.2 The quarterly activity reports complied with the Bank Group's format and their quality was by and large, satisfactory. Sometimes however, they, and the annual activity reports were sent to the ADF well behind schedule. The views of the external auditors as stated in the annual audit reports were generally positive on the project's management, and the accounts were systematically certified. Nonetheless, problems arose over the payment of some salary expenses, and over internal control (archiving procurement documents, maintaining staff files, checking petty cash and monitoring loans). The comments of the external auditors were followed up by supervision mission teams and often taken into account by the PIU, particularly after 2004. The Borrower's completion report for its part was sent to the ADF in July 2008. Its contents were in keeping with the Bank Group's format and gave a good overall presentation of the project, its results and impact. However, the report has some shortcomings from the standpoint of its analysis of project results against the verifiable indicators in the project matrix. Annex 8 presents the main conclusions of the Borrower's completion report.

### **3.5 Procurement**

3.5.1 As stated in the ADF loan agreement, goods and works were to be procured using the following methods: (i) national competitive bidding for construction or rehabilitation of social infrastructure, (ii) international shopping for the procurement of equipment and furniture for the PIU and project partners; and (iii) direct negotiation with ADETIP, UNICEF, DISED respectively, for delegated contracting authority for civil works, the provision of essential drugs and for the impact assessment. The procurement method planned for services especially consultancy and training, was shopping based on short lists. At project start-up, the Borrower found it very difficult to apply Bank Group rules of procedures for procurement, mainly because the PIU had no procurement specialist or engineer to monitor civil works. Subsequently, PIU staff members were given training sessions on Bank procurement procedures thus limiting the effects of the absence of a procurement specialist. Similarly, ADETIP became the delegated contracting authority for the civil works component making it possible to significantly improve the quality of works and thereby reduce the procurement deadlines. The Bank Group's standard documents were used by the project but certain documents submitted to the Bank kept going backwards and forwards from the project to the Bank before final approval.

3.5.2 During the Bank Group's retrospective procurement review mission to Djibouti in January 2004 and December 2006, the following weaknesses and shortcomings in the SFD had been pointed out (i) poor archiving of procurement documents by the Project Management Bureau, (ii) failure to comply with Bank Group procedures; and (iii) most purchases of a value under UA 100,000, the threshold for post-evaluation, were divided up into several bid packages without any regard for national and Bank procedures.

### 3.6 Financial Resources and Disbursement

3.6.1 Total project cost excluding taxes and custom duties, was estimated at UA 7.25 million, an ADF loan of UA 6.52 million and the Government's share of UA 0.73 million. At project completion, the financial implementation rate was 74% or a financing level of UA 4.79 million for the ADF loan and UA 1.29 million for the Government's contribution. The balance of 1.46 million (28 %) was cancelled. The Government's contribution was increased because of certain expenses related to operating costs as a result of the various extensions. The Table below shows the project's financing sources by expenditure category at appraisal and at completion:

**Financing Sources at Appraisal and Completion (in UA million)**

	At Appraisal			At Completion		
	ADF	GVT	Total	ADF	GOVT	Total
A. Micro-credit	2.64	0.00	2.64	1.39	0.00	1.39
B. Civil Works	1.62	0.18	1.80	1.20	0.18	1.38
C. Equipment	0.43	0.00	0.43	0.53	0.00	0.53
D. Essential Drugs	0.39	0.00	0.39	0.26	0.00	0.26
E. Training	0.50	0.13	0.63	0.32	0.10	0.42
F. Technical Assistance	0.35	0.04	0.39	0.35	0.04	0.39
G. Operating Cost	0.46	0.51	0.97	0.752	1.07	1.84
Total	6.52	0.73	7.25	4.79	1.29	6.08

3.6.2 Broadly speaking the disbursement schedule was not complied with. The disbursement requests sent to the Bank Group were prepared by the PIU using the appropriate forms. On average, payments were made by the Bank two months after submission of the payment request mostly because of internal delays within the Bank. For the whole of 2003, and for nearly 18 months from 2005 to 2006, there was no ADB disbursement because of suspensions. The significant revolving fund which had been granted made it possible to keep the project alive. The Government for its part, disbursed its national counterpart funds in an irregular manner although at project completion the total national counterpart amount was nearly 40% higher than the amount estimated at appraisal

## 4. PROJECT RESULTS AND PERFORMANCE

### 4.1 Operational Performance

The project's operational performance has been judged satisfactory. All activities planned at appraisal were carried out, albeit 48 months behind the initial schedule. They have contributed to a considerable improvement in the living conditions of the beneficiaries. The main results of the project's operational activities are shown hereafter, by component.

#### 4.1.1 Component 1. Income-generating Activities

*Expected Result* : The number of beneficiaries with access to credit resources up by over 8,500 people.

*Outputs Towards Attainment of this Result:*

Since 2001, the project has awarded an overall amount of DJF 363,959,000 in the form of solidarity loans to 3,560 women through 18 NGOs. Credits totalled 6,902 or DJF

52,000 on average per loan (USD 300). The implementation rate was therefore nearly 80% of the initial objective. The real interest rate was 1.423% graduated per month; or 9.8% a year. And the recovery rate was 97%. The unpaid rate was 5.6% against the disbursed total. The activities funded included for the most part petty trading, catering and processing of agricultural products and livestock. As for the micro-enterprise activities, only 200 out of the 1,000 micro-enterprises initially planned were financed for DJF 32, 000,000. This poor performance was due to inexperience in that field and absence of a related specialised structure in the country to provide support and advisory services to beneficiaries.

According to a survey carried out by DISED in December 2006 on the impact of income-generating activities on the beneficiaries, 81% of the clients asked gave assurances that they were able to meet their family needs. The profits from income-generating activities of the women beneficiaries served not only for access to basic social services (for 39% of the beneficiaries), but also to revive entrepreneurship among women. However, beneficiaries found the loan renewal period long.

Micro-credit gave women some autonomy and fostered a sense of well-being in their families. The SFDP had a positive impact on women in so far as the solidarity guarantee mechanism made them show more solidarity; brought them closer together, taught them to listen to one another, developed team spirit and their sense of value. Nevertheless, they find the loan renewal period long. Finally, the component greatly improved the micro-finance institutional environment not only through the preparation of the national micro-finance strategy, but also through the promulgation, in May 2007, of Law No. 179/AN/07/5 regulating micro-finance activities on the national territory.

#### **4.1.2 Component 2. Rehabilitation of Basic Social Services**

*Expected Result* : The percentage of those with access to basic social services increased by over 20 %

##### *Outputs Towards Attainment of this Result:*

As a result of the problems with the civil works component, the project signed a delegated contractor agreement with ADETIP in 2005. The latter recruited firms to prepare architectural designs, and to conduct and inspect works. Although this option helped to improve quality, without water supply and human resources, running the infrastructure was a major problem.

Under the project, 9 primary schools were built and equipped, 3 health centres were rehabilitated and equipped, 1 medical complex was built, 1 water supply system built and 3 wells sunk. All structures have been commissioned. The schools built in a region devastated by war have considerably increased the number of students and raised parents' interest in schooling issues. The rate of increase is 10% a year. The traditional midwives attend to an average of 150 patients a month. In areas with the largest SFD project investments, about 50% of households take less than 30 minutes to reach a health care service, and project outputs have contributed greatly to improving the general health of the local populations.

The Community Development and Adult Vocational Training Centres rehabilitated have significantly contributed to the learning of trades and to sensitising the population to income-generating activities. Under the project, a water supply system was started and 3

boreholes drilled to supply 5,000 villagers with water. The beneficiaries were trained to use the structures and committees to manage them were set up. The drugs supplied to the Drug Purchasing Agency (CAM) prompted the establishment of village pharmacies, thus providing an opportunity for rural dwellers to access essential drugs at affordable prices.

Despite these outputs, this component was the project's weakest link because of the following problems: (i) considerable slippage on the initial schedule set out in the project appraisal report against outputs, since unplanned operations were implemented; (ii) the quality of some of the structures built was poor as certain contracts were terminated and the Borrower took no responsibility thereafter; and (iii) there were inconsistencies between actual infrastructure rehabilitation costs and those estimated at appraisal.

#### **4.1.3 Component 3. Institutional Capacity Building**

*Expected Result: Not determined*

Within the framework of the project, about 600,000 persons including 57% women were sensitized, against an initial objective of 700,000, to issues such as poverty reduction, promotion of income-generating activities, loan repayment, petty cash management, leadership and group dynamics, the participatory approach and rational management of the loan portfolios. Concerning community mobilisation, the initial objective to train 1,800 NGO workers, was achieved and the proportion of women trained was 99% of the beneficiaries. The project financed the production of about 300 manuals and provided continuing training for 150 fund workers. These achievements are reflected in better cash management, fewer debts, greater involvement of women in civic life, a more willing attitude to poverty reduction and a better knowledge of how to manage income-generating activities.

Equipment (vehicles and computer equipment) planned for institutional project partners, as well as for the project management unit were procured. Staff of the project management unit and micro-finance officers directly concerned benefited from project-financed training to improve their capacity to design, implement and monitor poverty reduction projects and programmes. Special emphasis was put on the management of micro-finance activities by the Unit and by partners. Support from the project enabled these associations and NGOs to better organise themselves, become professionalized and to start their transformation into savings and credit funds. The project contributed to the establishment of a client database. About 2,041 members of NGOs and SFD were also trained in portfolio management and the gender approach. Lastly, the project provided funds to train more than 40 girls to sew. Although PIU members acquired new skills and new computerised management techniques from the courses they were given, it is obvious that the intermediary associations are still lagging behind and the issue must be carefully addressed especially if they are expected to assist in setting up micro-finance institutions.

#### **4.1.4 Component 4. Outreach and Monitoring**

*Expected Result : Not Determined at Appraisal*

*Outputs Towards Attainment of this Result:*

About 600,000 persons were informed about project activities. Documentaries, advertorials, brochures, posters, picture boxes with slogans translated into the national languages were produced in the context of the project and so were radio programmes including short plays in the national languages. In addition, 6 sensitisation workshops on community pharmacies, income-generating activities and civil society were organised for

NGOs and other development players. The project published 6 information bulletins, 30 articles in the national daily and prepared two booklets: an outreach guide on good micro-credit practices and a communications strategy for development.

Within the framework of project monitoring and supervision, 6 studies were organised on the following topics: (i) women's economic constraints, (ii) social assessment in rural areas; (iii) establishment of community pharmacies, (iv) impact of the IGAs, (v) potential of the micro-finance sector; (vi) financing of small and medium-size enterprises; and (vii) impact of the micro-credit component.

These activities genuinely contributed to advertising the project and to arousing real enthusiasm among women for income-generating activities.

#### **4.1.5 Component 5: Project Management**

##### Results and Performance

PIU staff members comprising 1 manager, 4 component managers, 1 administrative and management officer, 1 accountant, 5 assistants, 2 support staff, 3 drivers were the responsibility of the project. Premises for the project's headquarters in Djibouti were refurbished and equipped by the project. The most important equipment items provided were: 4 vehicles, 12 computers, 20 printers, 12 UPS systems, office furniture and duplication equipment. All project effects were listed and handed over to the project's oversight ministry after project completion. The project was provided with an operations and administrative and financial procedures manual and a computerised accounts and financial management system.

During its implementation, the project developed good practices in several fields. It taught partners and beneficiaries a participative management approach which helped them play an active role in the choice, financing and implementation of community structures. The income-generating component was implemented by one or two intermediary structures selected in each of the five project impact areas, with which partnership framework agreements were signed, thereby improving environmental control and having a real impact on the ground. In addition, the project implemented a major communications plan which greatly heightened the visibility of its outputs and contributed to galvanizing opinion on the issue of poverty reduction and the development of income-generating activities in Djibouti. These good practices inspired similar projects financed by other donors who organized study tours to learn from the SFD project experience. This experience prompted the Government to create an agency specialised in poverty reduction, and to start a National Solidarity Fund to finance its activities.

#### **4.2 Institutional Performance**

4.2.1 According to the institutional mechanism planned at appraisal, the project was to be implemented by a Project Management Unit, supervised by a National Poverty Reduction Commission (CNLP). The latter was to bring together representatives from various ministries and civil society associations, and was to act as a steering and coordination organ. Although the PIU and CNLP were set up, the mechanism did not function as initially planned. Similarly, the decree creating the SFD was never signed although the mechanism could have been detrimental to the project in the event of conflict.

4.2.2 In fact, even though the PIU and partners coordinated implementation of project activities at national and regional levels, the CNLP did not meet regularly and has not operated since April 2001. The reason was that the Chair of the National Steering Committee had initially been entrusted to the Ministry of Finance and Planning, whereas project supervision was finally the responsibility of the Office of the Prime Minister. Moreover, relations between the PIU and its oversight bodies between 2000 and 2001 (Ministry of Employment) were sometimes strained. The half-yearly period set for this Committee's working sessions were not complied with during the first two years of its operation. Its failure to operate was a major obstacle to the project. Thus, cross-cutting issues supported by the project, accountability and ownership by all ministries concerned were not given enough focus, despite the numerous reminders from the Bank on the issue. Overall performance has however been judged unsatisfactory.

4.2.3 The Project's Implementation Unit (PIU) was set up in 1999. However, it experienced major movements (4 directors) that were bad for its rate of return. The project team was not really operational until July 2005. Through these activities, the Unit was able to build a partnership network with the UNDP, UNICEF, 18 micro-finance institutions, the World Bank, the WFP, 5 specialized public structures (drugs, radios, statistics, micro-enterprises) in order to consolidate achievements for future operations.

4.2.4 In all, 15 ADB supervision missions were fielded throughout project duration, i.e. an average of 1.8 missions per annum. There were more missions, especially after 2005.

### **4.3 Performance of Consultants, Contractors and Suppliers**

4.3.1 By and large, project partners complied with the main conditions and clauses of the contracts. Consultancy services were generally of good quality. Contractors delivered work of acceptable quality although sometimes well behind schedule for lack of experience and because there was no supervision system before the delegated contractor agreement was signed with ADETIP. Goods delivered by suppliers were consistent with the technical specifications in the orders although some suppliers did not respect the deadlines.

4.3.2 In order to build local institutional capacity for project implementation, plans were made to recruit an operator to assist the Micro-finance Unit. Although this was an important move and would have meant value added for the project's consolidation and sustainability, the position was never filled because, under the project, an operator was recruited for micro-enterprise promotion and he was expected to carry out those duties.

#### **Performance of Service Providers**

4.3.3 To implement the 'Income-generating Activities' component, 18 national NGOs were recruited; they signed 43 financial intermediation agreements. Their services have been judged satisfactory. They proved to have an unparalleled sense of resolve and commitment, contributing greatly to the success of the component. Moreover, the following three other agreements were signed with: DISED for the conduct of an impact assessment of micro-credit awarded, UNICEF for the provision of essential drugs, and ADETIP for delegated contractor to build the 3 health facilities. All these partners fulfilled their respective missions, in accordance with their respective agreements. The services of consultants recruited for specific duties, such as impact assessment of income-generating activities and the audit firms were of good quality, although it was difficult for them to respect the deadlines for submitting reports. Performance has been satisfactory overall.

### **Performance of Contractors and Suppliers**

Generally, firms found it difficult to carry out their duties according to the rules of the trade. Works were of poor quality although they were paid for. Penalties did not always apply as is usually the case. Suppliers for the most part honoured their commitments and performance has been judged unsatisfactory.

#### **4.4 Financial Performance**

The appraisal report did not specify the project's financial rate of return. However, DJF 355,442,000 was recovered from the loans to women and served as a "revolving fund" for micro-credit activities. Thanks to the solidarity savings mechanism, women saved more than DJF 10 million. Performance has been judged satisfactory.

#### **4.5 Economic Performance**

As with the financial performance, the appraisal report made no mention of the project's economic rate of return. The micro-credit mechanism and its incentives for savings help to foster a culture of savings among associations and clients. The project's economic benefits are expected from the sustainability of the line of credit, hence from long term micro-finance project operations. About 1/3 of the clients maintain that they reinvest in the activity. The recurrent expenses of the structures built will be the responsibility of the various regions through transfers organised in the regions.

### **5. PROJECT SOCIAL AND ENVIRONMENTAL IMPACTS**

#### **5.1 Social Impact and Impact on Poverty Reduction**

5.1.1 In the project impact area, about 60,000 people were made aware of the project. The sensitisation campaigns helped the target population to understand the rationale behind the project and the benefits of income-generating activities. Accordingly, the beneficiaries themselves chose, in their various project impact areas, the type of socio-community infrastructure they wanted, depending on the specificities of their areas and their requirements. The 9 schools, 2 community development and vocational training centres, 4 health institutions built, rehabilitated and equipped, the water supply systems and wells, the feeder roads repaired under the project, have all greatly improved not only the living environment and conditions of the beneficiaries but their health system. Similarly, the medical equipment and essential drugs made available to the Purchasing Agency have helped to lay the foundations for long-term access to drugs.

5.1.2 The project also had a major impact on the level of education of the beneficiaries. Children in remote areas can, thanks to the schools built and equipped by the project, attend primary school and better arm themselves for their future education. The 3,500 adults who received vocational training put it into practice in their productive activities. The 3,652 projects financed enabled the beneficiaries to increase their monetary incomes. The survey concerning the impact of income-generating activities on the living conditions of households conducted in 2007 by the project revealed that 64% of the beneficiaries acknowledged an improvement in their standard of living, as had that of their families compared with the pre-credit period. Moreover, 81% of them maintain they can meet the needs of their families in terms of food, health and schooling.

## **5.2 Impact on women**

The project's impact on women has been considerable. They are the lead beneficiaries of the micro-finance activities carried out by the 15 micro-finance structures put in place by the project. They represent 100% of the 3,650 people involved in 6,302 micro-projects financed by the project. These activities enabled them to improve their income level, build their entrepreneurial capacity, enhance their social status, strengthen the social ties among members and consolidate their autonomy. These achievements can concretely be seen for instance, through greater involvement in commercial activities and a better organisation of women's organisations which will pave the way for mobilisation and advocacy, and a better organisation and management of their activities. The health centres and schools put in place by the project, mean quicker access to health care services and greater parity between girls and boys at school (0.9). Similarly, implementation of water supply structures close to their dwellings means less time spent by women fetching water at the *wadis* located several kilometres from their homes.

## **5.3 Environmental Impact**

The project was classified under environmental category II, and its potential negative impacts on the environment were judged limited. However, the operations conducted had an impact on the environment. Rehabilitation of the sanitation systems and protection of the forests contributed to environmental protection. Thus, the project contributed to limiting desertification, thanks to the nurseries. The socio-community facilities were chosen and implemented taking into account environmental considerations, as were the micro-projects financed within the framework of the project's micro-finance activities.

## **6. PROJECT SUSTAINABILITY**

6.1 The project's sustainability was taken into account at all phases of the project cycle and confirmed at completion. It was based on the strong involvement of the local beneficiary associations in the income-generating activities and on the actual participation of the State's decentralized structures.

6.2 The project was identified, prepared and appraised without the beneficiaries, but implemented with their active participation and bearing in mind their opinions. True ownership of the project has been shown by the beneficiaries who contributed to laying the groundwork for a mechanism devised to finance micro-finance activities and to converting the micro-finance institutions into savings and credit funds. The sensitization campaigns and generalisation of good practices have also contributed to the project's sustainability, in the process teaching the beneficiaries about the challenges and terms for combating poverty and maintaining project outputs. Project achievements such as schools, vocational training and health centres generate resources that should permit self-financing.

6.3 Lastly, the decentralized State structures were involved in all phases of the project cycle. They provided land for building socio-community structures and contributed to the running of several facilities established under the project in their neighbourhoods. In order to build up their capacity to design and implement poverty reduction projects and programmes, these decentralized State structures received support from the project.

6.4 At national level, micro-finance activities will be pursued through the Djibouti Social Development Agency created by the Government (ADDS) to consolidate the achievements of the SDFP to reduce poverty. This mechanism was strengthened by on-lending the funds recovered from the IGAs and by establishing a National Solidarity Fund of 1 billion DJF to finance the Government's poverty reduction initiatives.

## **7. PERFORMANCE OF THE BANK AND BORROWER**

### **7.1 Performance of the Bank**

7.1.1 The project cycle was complied with and the Bank fielded 15 supervision missions over the eight and a half-year project implementation period, making an average of 1.85 missions, much higher than the norm of 1.5. The duration of the supervision missions was generally acceptable, although their composition was not always adapted to the project's specificity. Lack of cohesion within the ADB project team during its first 4 years was detrimental to proper project management. The ADF loan conditions were appropriate and were designed to permit smooth project implementation, which was the case, even if the conditions were fulfilled well behind schedule because of administrative delays. Funds were disbursed regularly despite some delay, and training sessions on procurement and disbursement were given to the project staff. Likewise, the ADETIP's recruitment made it possible to address the PIU weaknesses in the conduct of civil works.

7.1.2 The Bank's interpretation of post-conflict priorities and problems was therefore appropriate, and project actions provided the improvements expected by the Borrower and beneficiaries. No subsequent event, unplanned at appraisal, occurred to weaken the validity of the project's initial priorities. However, repeated changes of project officers, at management and supervision levels hindered its smooth implementation, although this did not jeopardise attainment of project goals. The Bank's performance has been judged satisfactory overall.

### **7.2 Performance of the Borrower**

Although the ADF loan conditions were fulfilled without delay, the Borrower's performance was largely unsatisfactory. Release of the national counterpart share was irregular and the loan was suspended several times because of arrears. Likewise, the "Other Conditions" were all met, some such as completion of the procedures manual, very late. The Borrower facilitated the conduct of the Bank's supervision missions and contributed to the achievement of their objectives. The Borrower appreciated the Bank's intervention and was able to tackle the serious problems which arose during implementation of the basic social services rehabilitation component. The shortcomings of the CNLP and the many changes at project management and supervision levels adversely and visibly affected project results. The Borrower's performance has been judged unsatisfactory.

## **8. OVERALL PERFORMANCE AND RATING**

The project's relevance is particularly high. The main physical outputs expected of the project were achieved except for the micro infrastructure. The micro-finance component was a success. The project's overall performance has been judged satisfactory. Detailed project ratings are given in Annex 5.

## **9. LESSONS LEARNT, CONCLUSIONS AND RECOMMENDATIONS**

### **9.1 Conclusions**

The Social Fund for Development Project, the last disbursement for which was initially scheduled for 31 December 2003, was finally completed in June 2007. Not all the activities planned were implemented and the physical implementation rate was estimated at 60%. The project's initial objectives were realistic but the national capacity was over-estimated. The project helped to improve the living conditions of the population especially women, thanks to the income-generating activities. The socio-community facilities gave renewed impetus to socio-economic life in areas of the country's interior ravaged by the 1990 conflict. The project also helped national public structures in charge of social development, and local associations to build their capacity to design and implement poverty reduction projects and programmes.

### **9.2 Lessons Learnt**

Numerous lessons can be learnt from the project's implementation in which various stakeholders were involved and which targeted a range of beneficiaries. The main lessons are those relating to the project's design and formulation, its conditions, implementation and supervision, as listed hereafter.

#### Project Design and Formulation:

- Beneficiary involvement and more proactive communication between the Government, public and private partners, and the Bank, at all phases of the project cycle are a guarantee for the selection and smooth implementation of project activities.
- In the selection of project sites and creation of socio-community facilities, not enough attention is paid to the involvement of partners and to drinking water supply, this slowed down implementation and gave rise to additional costs from supplementary equipment.
- The needs of the poor are many and varied. Sustainable improvement of their living conditions demands considerable financial resources and repeated actions on the ground. Consequently, the programme approach seems wiser than the project approach for such operations.

#### Conditions:

The condition relative to the procedures manual was fulfilled 4 years late. Accountability of the oversight Ministry and continuing dialogue with the Borrower could help facilitate follow-up of loan conditions and thus reduce delays.

#### Project Implementation and Supervision:

- The weaknesses of the PIU brought infrastructure rehabilitation works to a halt. The micro-finance component was entrusted to local micro-finance institutions. Implementation showed that the poor capacity of the PIU and of partners seriously affects such projects. They must be better taken into account at appraisal so as not to undermine the objectives set.

- Projects of the SFD type target a variety of areas, and have very intricate procurement and implementation terms. Hence, the justification for resorting to delegated contractors. The latter must be selected before works start-up to guarantee the procurement process and the quality of the works.
- Integrated projects like the Social Fund for Development entail multiple activities and skills. For efficient monitoring of such projects, the Project Division must involve the other Divisions concerned by project activities, in field missions, and make sure that teams in charge of supervision are cohesive.
- Irregular payment of counterpart funds is detrimental to project implementation.

### **9.3 Recommendations**

It is recommended that

#### **The Government:**

- Entrusts the PIU with preparing the procedures manual soon after project approval;
- Promotes partner involvement in the choice of priorities and in the implementation of activities;
- Facilitates works implementation by structures like the Works Executing Agencies (AGETIP) with a comparative advantage, when they exist, in order to limit the risks of delay in the procurement process;
- Releases the counterpart funds regularly and on schedule to ensure smooth project implementation.

#### **The Bank Group**

- Makes sure that it meticulously prepares projects while complying with the various phases of the project cycle;
- selects better targeted indicators in the project logical framework matrix that make it possible to determine actual and direct project effects, particularly in relation to the sector goal.
- Ensures that the Division responsible for a project organises field missions that reflect the project's contents, and ensures the cohesion of team members in charge of project supervision activities;
- Maintains permanent dialogue with the Borrower so as to avoid long suspension periods.



**OUTPUTS BY COMPONENT**

	At Appraisal			At Completion		
	ADF	GVT	Total F	ADF	GOVT	Total
A. Income-generating activities	2.64	0.00	2.64	1.39	0.00	1.39
B. Basic social services	2.24	0.18	2.42	1.20	0.18	1.38
C Institutional capacity building	0.46	0.00	0.46	0.53	0.00	0.53
D. Outreach and Monitoring	0.37	0.00	0.37	0.26	0.00	0.26
E. Project management	0.82	0.55	1.37	1.72	1.11	2.82
Total	6.52	0.73	7.25	4.79	1.29	6.08

**ANNUAL DISBURSEMENT BY FINANCING SOURCE****ADF LOAN: UA 6,250,000**

Year	Amount Disbursed (UA)	Cumulative Disbursements (UA)	% of Cumulative Disbursements
1999	93 505.51	93 505.51	1.4
2000	631 299.32	724 805.43	11.1
2001	187 771.63	912 577.1	13.9
2002	361 906.04	1 422 720.70	21.8
2003	0	1422 720.70-	21.8
2004	748 878	2 171 598.70	33.3
2005	162 255.97	2 333 854.67	35.8
2006	1 949 671.38	4 283 526.05	65.7
2007	280 075.54	4 563 601.59	69.9
2008	233371.71	4 797 314.3	73.6

**Government's Contribution: DJF 187,108,110**

Year	Amount Disbursed (XOF)	Total Disbursements (XOF)	% Total Disbursements
1999	3 850 000	38 500 000	2.05
2000	12 046 522	15 896 522	8.5
2001	8 750 000	24 646 522	13.1
2002	4 000 000	28 646 522	15.3
2003	23 500 000	52 146 522	27.9
2004	32 684 500	84 831 022	45.3
2005	5 8333 334	90664 356	48.4
2006	10 000 000	100 664 356	53.8
2007	2 500 000	103 164 356	55.1

## STATEMENT OF MICRO-CREDIT AWARDED TO WOMEN

N° MCI	Name	Area of Intervention	Amount Area of Intervention	Cumulative Credits	Number of Clients Involved	Number of Active Clients	Number of Agreements	No. Of Credit Centres	Number of Administrators
1	ACP	Balbala	20,796,000	558	320	0	3	6	0
2	AFAS	Ali Sabieh, Holl-holl and Dasbiyo	89,703,000	1,153	353	353	6	7	2
3	AFFLCP	Area 5, 6 7and 7 bis - cité du Stade and Gabode	28,520,000	650	298	298	3	6	1
4	AFT	Tadjourah	16,000,000	200	100	100	2	4	1
5	ARTA	Arta	1,800,000	60	60	0	1	2	0
6	ATU YOO FAN	Arhiba, enguela, Area 4	25,110,000	497	249	249	3	7	1
7	DIKHIL	Dkhil	16,020,000	414	294	294	2	3	1
8	Djib Aid	Djibouti	1,500,000	50	50	0	1	2	0
9	IFTIN	Area 1; 2 and 3	7,980,000	199	127	127	2	5	2
10	MER ROUGE	Pompage, Ambouli, Phare and Djebel	12,180,000	318	222	222	2	6	1
11	OBOCK	Obock	7,080,000	158	78	78	2	3	
12	TADJ AID	Tadjourah	11,520,000	152	60	60	3	4	1
13	UNFD	Balbala	75,440,000	1,480	544	544	4	10	2
14	WEA	Wea, Douda and Damerjog	9,920,000	192	96	96	3	3	1
15	PAIX et LAIT	Balbala, Wahledabba, Hahabley	13,320,000	252	252	252	1	7	1
16	DAMERJ OG	Arta, PK12	6,000,000	146	146	146	1	3	1
17	APEF	Q5,6,Stade	9,510,000	241	241	241	1	5	1
18	YOBOKI	Yoboki	11,400,000	182	70	45	3	2	1
<b>T O T A L</b>			<b>363,799,000</b>	<b>6,902</b>	<b>3560</b>	<b>3105</b>			
							<b>43</b>	<b>85</b>	<b>17</b>

**LIST OF CONTRACTS SIGNED UNDER THE PROJECT**

**WORKS**

<b>Contract Nos.</b>	<b>Contract Date</b>	<b>Contract Name</b>	<b>Provider</b>	<b>Amount in DJF</b>	<b>Procurement Method</b>
Contract FSD/BAD/GUIR/04/01/ LOT A	Apr-01	<u>Guirrori Primary School Rehabilitation Works</u>	ALI ISSE	3,444,880	<b>NATIONAL</b>
Contract n° : FSD/BAD/GUIR/04/01/ LOT B	Apr-00	<u>Guirrori Primary School Rehabilitation Works</u>	IKB	3,310,380	
Contract FSD/BAD/GUIR/04/01/ LOT C	Apr-01	<u>Guirrori Primary School Rehabilitation Works</u>	TECHNART	3,464,030	
Contract FSD/BAD/GUIR/04/01	Dec-01	<u>Guirrori Primary School Rehabilitation Works</u>	IKB	1,181,000	<b>COMPETITIVE</b>
Contract FSD/BAD/TAD/04 /01	Apr-01	<u>Tadjourah CFPA Rehabilitation Works</u>	ALI ISSE	1,788,000	
Contract FSD/BAD/TAD/23 / 00 Building C/ Lot C	Sep-00	<u>Tadjourah I Primary School Rehabilitation Works</u>	ALI ISSE	2,452,500	<b>BIDDING</b>
Contract FSD/BAD/TAD/ 23 / 00 Building A/ Lot A	Sep-00	<u>Tadjourah I Primary School Rehabilitation Works</u>	TECHNART	5,713,857	
Contract Amendment FSD/BAD/TAD/23 / 00	Jul-01	<u>Tadjourah I Primary School Rehabilitation Works</u>	TECHNART	1,952,806	
Contract No. : FSD/BAD/TAD / 08 / 01	Nov-01	Tadjourah Dispensary Rehabilitation Works	ADDOW	3,816,875	
Contract No. : FSD/BAD/TAD / 23 / 00 Building B LOT B	Sep-00	<u>Tadjourah Building B Primary School Rehabilitation Works</u>	BARAGOÏTA	1,564,000	
Contract No. : FSD/BAD/TAD / 11 / 00	Nov-00	Tadjourah CDC Rehabilitation Works	BASSITO	5,962,446	

Contract No. : FSD/BAD/TAD / 23 / 00 Building E LOT E	Sep-00	<u>Tadjourah I Primary School Rehabilitation Works</u>	BASSITO	1,720,615	
Contract FSD/BAD/RAN/23 / 00	Aug-00	Works to Strengthen Randa SMI	ALI ISSE	8,329,860	
Contract No. : FSD/BAD/RAN / 08 / 01	Aug-02	<u>RANDA Water Supply Works</u>	SOGEKO	12,142,050	
Contract FSD/BAD/DOR/05 / 00	May-00	Dorra Dispensary Rehabilitation Works	LUCIE KALMAAMIS	14,991,500	
Contract FSD/BAD/A. SAB/11/00	Nov-00	<u>ALI SABIEH I Primary School Rehabilitation Works</u>	HASSAN DARAR	3,100,000	
Contract Amendment FSD/BAD/HOL/10/ 00	Mar-00	Additional Rehabilitation Works to the Dorreh de Hol Hol Well	DJIB FRATERNITE	450,000	
Contract No. : FSD/BAD/HOL / 10 / 00	Oct-00	Dorreh de HOL HOL Well Rehabilitation Works	DJIB FRATERNITE	1,392,800	
Contract No. : FSD/BAD/TAD / 12 / 00	Dec-00	<u>ASSA GAYLA Primary School Rehabilitation Works</u>	BARAGOÏTA	4,648,500	
Contract No. : FSD/BAD/MOUD/04 / 01 Room 1 and Room 2	Apr-01	MOUDDO Primary School Rehabilitation Works	ALBARAKA	6,404,845	
Contract No. : FSD/BAD/DIK / 10 / 00	Oct-00	<u>Dikhil II Primary School Rehabilitation Works</u>	GOBAAD	6,782,960	
<b>TOTAL CONTRACT AMOUNT</b>				<b>94,613,904</b>	
<b>Contract Number</b>	<b>Contract Date</b>	<b>Contract Name</b>	<b>Enterprises</b>	<b>Amount in DJF</b>	<b>Procurement Method</b>
Contract No. :003/2006/Adetip.tx/BAD	Sept 06	Construction of the Khor Angar Health Post (OBOCK)	MEEKE	22 012 312 Net of Tax.	

Contract No. :001/2006/Adetip.tx/BAD	Sept 06	Construction Works Koutabouya Health Post	FARAH LADIEH	19 706 098 Net of Tax.	<b>NATIONAL</b>
Contract No. : 002/2006/Adetip.tx/BAD	Aug-06	Construction Works Ripta Health Post	KALMAMIS	23 272 974 Net of Tax.	<b>COMPETITIVE</b>
Contract No.: 006/2006/ADETIP.fr/BAD	Sep-06	Provision of Medical Equipment for the Health Posts	MEDI PHARMA	8 125 119 Net of Tax	
Contract No.:007/2006/ADETIP.tx/BAD	Sept 06	Provision and Installation of Equipment-Solar Panels for 3 Health Posts	LE GOLFE	18 745 950 Net of Tax.	<b>BIDDING</b>
<b>TOTAL CONTRACT AMOUNT</b>				<b>91,862,453</b>	
<b>GOODS</b>					
<b>Contract Number</b>	<b>Contract Date</b>	<b>Contract Name</b>	<b>Providers</b>	<b>Amount in DJF/EU/\$</b>	<b>Procurement Method</b>
Contract n°: FSD/INV/VEH/05/00	Sep-00	Procurement of Vehicles and Computer Equipment for the SFD Management	ETS MARILL	20391218 DJF	<b>National Shopping</b>
Contract No.: FSD/INV/VEH/05/00	Sep-00	Procurement of Three Health Units to Strengthen the Districts of the Interior	ETS IDRIS and sarl	20400000 DJF	<b>National Shopping</b>
Contract No.: 001/FSD/EY/SIG1	Aug-01	Design and Introduction of an Integrated Management System at the CGF	ERNEST & YOUNG	113 547 Euros	<b>SL</b>

Contract No.: /01/06/MED ESS/UNICEF	Dec-04	MOU for the Essential Drugs Purchasing Services	UNICEF	180 411 \$	<b>DIRECT</b>
					<b>NEGOTIATION</b>
Contract No.: Agreement: 02/06/MED ESS/UNICEF	Dec-04	MOU for the Drugs Purchasing Services	UNICEF	92 474\$	<b>DIRECT</b>
					<b>NEGOTIATION</b>
Contract No.: Agreement: 02/06/MED ESS/UNICEF	Dec-04	MOU for the Essential Drugs Purchasing Services	UNICEF	121 365 32 \$	<b>DIRECT</b>
					<b>NEGOTIATION</b>
Contract No.: Agreement 01/06/MOD/ADETIP	Feb-05	Special Delegated Contractor Agreement for Implementation of the Civil Works Programme of the Social Fund for Development Project	ADETIP	1 401 130\$	<b>DIRECT</b>
					<b>NEGOTIATION</b>
Contract No.: 02/06/DISED	Sep-05	Special Delegated Contractor Agreement to Assess the Actual Impact of the SFD Activities on the Living Conditions of the Beneficiaries	DISED	108 780 \$	<b>DIRECT</b>
					<b>NEGOTIATION</b>
Contract No.:AON/01/FSD/ADB/2005	Jun-05	Procurement of Equipment and School Furniture for Schools Rehabilitated by the SFD	DICO MEUBLES	15 088 500 DJF	<b>National Shopping</b>
Contract No.:CFEN/02/FSD/ADB/2005	Feb-06	Procurement of Two Vehicles for the Social Fund for Development	SVAMC SARL	7 186 800 DJF	<b>National Shopping</b>
<b>SERVICES</b>					
<b>Contract Number</b>	<b>Contract Date</b>	<b>Contract Name</b>	<b>Providers</b>	<b>Amount in DF/EU/\$</b>	<b>Procurement Method</b>
Contract No.:DP/01 Convention 01/06/MOD/DJIB-AUDASS	May-05	Recruitment of an Audit Firm to Audit Project Accounts for the 2003-2004 Financial Years	DJIB AUDASS	25 000 \$	<b>SL</b>
Contract No.: 01/01/RTD	Jan-01	Partnership Agreement Relative to the Production of Sensitisation Adverts, Information Documentaries, Beneficiary Portraits, etc.	RTD	1 375 000 DJF	<b>DIRECT</b>
					<b>NEGOTIATION</b>

Contract No.: 02/05/RTD	Sep-05	Partnership Agreement Relative to the Production of Sensitisation Adverts, Information Documentaries, Beneficiary Portraits, etc...	RTD	9 245 \$	<b>DIRECT</b> <b>NEGOTIATION</b>
Contract No.: 03/051/RTD	Mar-05	Partnership Agreement Relative to the Production of Sensitisation Adverts, Information Documentaries, Beneficiary Portraits	RTD	19 000 \$	<b>DIRECT</b> <b>NEGOTIATION</b>
Contract No.: 01/01/CRIPEN	Feb-01	MOU for the Production of a Series of 6 Sensitisation and Information Radio Broadcasts in 4 Languages	CRIPEN	1 132 800 DJF	<b>DIRECT</b> <b>NEGOTIATION</b>
Contract No. 02/05/CRIPEN	Oct-05	MOU for the Production of a Series of 6 Sensitisation and Information Radio Broadcasts in 4 Languages	CRIPEN	1 400 000 DJF	<b>DIRECT</b> <b>NEGOTIATION</b>
Contract No.: 01/01/PUD	Jun-06	SFD Project Human Resources Evaluation Mission	PUD	10 170 USD	<b>DIRECT</b> <b>NEGOTIATION</b>
Contract No.: 01/01/AFR	Oct-05	Services Contract Relative to Sewing classes for 2 Districts in the North	AFT	1 274 000 DJF	<b>DIRECT</b> <b>NEGOTIATION</b>
Contract No.: 01/01/AFAS	Oct-05	Services Contract Relative to Sewing Classes for 2 Districts in the South	AFAS	1 274000 DJF	<b>DIRECT</b> <b>NEGOTIATION</b>
Contract No.: DP/02	Apr-07 Aug-07	Recruitment of an Audit Firm to Audit Project Accounts for the 2005-2006 Financial Years	J.C COLAS	25 000\$	<b>SL</b>
Contract No.: DP/03	Oct-07	Recruitment of a Consultant to Conduct the Institutional Audit of the SFD and its IMC partners	MBAYE DIOUF	29730 \$	<b>SL</b>
Contract No.: 01/01/DJIB-AUDAS	Nov-02	Audit of Project Accounts - 1999 – 2000 Financial Years	DJIB AUDASS	9 937 \$	<b>SL</b>
Contract No.: 01/01/DJIB-AUDAS	Nov-02	Audit of Project Accounts – 2001 Financial Year	DJIB AUDASS	12 500\$	<b>SL</b>
Contract No.: 01/01/DJIB-AUDAS		Audit of Project Accounts – 2002 financial year	DJIB AUDASS	12 500 \$	<b>SL</b>
Contract No.: 01/012/MIC	7/18/2002	Support to the Micro-finance Unit for the Pilot/Micro-Enterprises Financing Project	PERREAU Thierry	6 567, 5 Euros	<b>SL</b>

			Micro-finance Expert		
Contract No.: 01/01/OT	1/15/2002	Social Evaluation of the Rural, Sedentary and Semi-Nomadic Areas	Ossouby Toure Sociologist	15 400 \$	<b>SL</b>
Contract No.: 01/02/MOP	11/16/2001	Finalisation of the Procedures Manual	Fisher Klein Nicole Civil Engineer	14 790 \$	<b>SL</b>
Contract No.: 01/02/MA	7/10/2002	Study on the Social and Economic Constraints Women Face in Djibouti	Mouchtouris Antigone Sociologist	12 720 \$	<b>SL</b>
Contract No.: 01/01/DIOUF	8/16/2001	Support to SFD Micro-finance Operations	Mbaye Diouf Micro-finance Expert.	14 130 \$	<b>SL</b>
Contract No.: 01/01/PHARMA	5/5/2003	Establishment of a Community Pharmacy	Oumar Ouattara	15 826 \$	<b>SL</b>
Contract No.: 01/01/DJIB-DORRA	12/14/1999	Preparation of Bidding Documents for the Dorra Dispensary	Abdi Ibrahim Halass Engineer / Consultant	450 000 DJF	<b>SL</b>
Contract No.: 001/01/MP	11/24/2001	Finalisation of the Operations Manual	Charmake Idriss	177 721 DJF	<b>DIRECT NEGOTIATION</b>
Contract No.: 001/01/MIF	11/29/2001	Micro-finance Contract Study	Mahdi Mohamed	355 422 DJF	<b>DIRECT NEGOTIATION</b>
Contract No.: 001/99/GC	12/25/1999	Civil Works Component Officer for 3 Months	Houssein Kayad Engineer	639 796 DJF	<b>DIRECT NEGOTIATION</b>
Contract No.: 001/02/AVOCAT	6/1/2002	Settlement of a Dispute with an Association	Hasna Barkat Lawyer	266 581 DJF	<b>DIRECT NEGOTIATION</b>
Contract No.: 001/006/MP	10/6/2000	Training of NGOs and Local Associations on the Participatory Approach	Sarah Houssein God	140 000 DJF	<b>DIRECT</b>
	10/14/2000		Ali Mohamed Kamil	96 000 DJF	<b>NEGOTIATION</b>

Contract No.: 001/02 /HI	7/1/2002	Train and Initiate Associations and the GCO to the Micro-credit Programme	Houssein M. Idriss	177 721 DJF	<b>DIRECT</b>
			Micro-credit Consultant		<b>NEGOTIATION</b>
Contract No.: 001/006/WA	4/19/2003	Train NGOs and Local Associations in the Participatory Approach	Warda Natalis	187 500 DJF	<b>DIRECT</b>
			Manager in CM		<b>NEGOTIATION</b>
Contract No.: 001/006/pharma	5/5/2003	Assist the International Expert in Setting up a Community Pharmacy	Halimo Omar	236 902 DJF	<b>DIRECT</b>
					<b>NEGOTIATION</b>
Contract No.: 001/006/rtd	7/11/2003	Works Contract from the Producer of the Television Programme "Etre Magaal"	Aden Elmi God Producer	800 000 DJF	<b>DIRECT</b>
					<b>NEGOTIATION</b>
Contract No.: 001/006/MP	7/15/2001	Technical Monitoring, Supervision and Inspection of Works	Aboubaker Hassan	177 721 DJF	<b>DIRECT</b>
	6/1/2002		Water Engineer	355 442 DJF	<b>NEGOTIATION</b>
Contract No.: 001/006/MP	2/20/2002	Social Assessment in the Rural, Sedentary and Semi-Nomadic Areas	Anab Ahmed	8 000 DJF	<b>DIRECT</b>
		<b>-Ali Sabieh District</b>	Rahma Souleiman	8 000 DJF	
	2/17/2002		Mohamed Moussa	40 000 DJF	
Contract No.: 001/0/BBF/DI	2/17/2002	<b>Dikhil District</b>	Barkat Barkat	40 000 DJF	<b>DIRECT</b>
	2/20/2002		Farada Fatouma Mohamed Ibrahim	16 000 DJF	<b>NEGOTIATION</b>
Contract No.: 001/02/MS/TA	2/11/2002	<b>-Tadjourah District</b>	Abdallah Mohamed Salem	40 000 DJF	<b>DIRECT</b>
	2/24/2002		Nasre Ibrahim	16 000 DJF	<b>NEGOTIATION</b>
Contract No.: 00/02/MP/OB	2/11/2002	<b>-Obock District</b>	Abdoulkader Mohamed	50 000 DJF	<b>DIRECT</b>
	2/11/2002		Aicha Adbara	16 000 DJF	<b>NEGOTIATION</b>

**PERFORMANCE EVALUATION AND RATING**

**Implementation Performance**

<b>No.</b>	<b>Component Indicator</b>	<b>Rating (1 to 4)</b>	<b>Comments</b>
i)	Adherence to the General Implementation Schedule	1	The procedures manual was not available for 3 years whereas it should have been ready 6 months after entry into force of the loan. Project implementation spanned 8 instead of the initially planned 5 years.
ii)	Adherence to the Cost Schedule	2	Although part of the loan was cancelled, the fact still remains that costs were under-estimated against the project's expected results, but were gradually brought under control. However, the PIU did its best to address the problem while remaining within the budget allocated.
iii)	Compliance with Covenants/Conditions	2	One of the lead conditions for the loan's award was fulfilled only 3 years after the schedule set at appraisal. The national counterpart share was irregular.
iv)	Adequacy of Monitoring-Evaluation and Reporting	2	In the absence of a procedures manual during the first 3 years of its life, the project had a difficult time. Project activity reports were sent regularly to the Bank enabling the latter to monitor project implementation. Statements of the audit of expenses incurred on the loan resources were submitted to the Bank late. The instability of the staff in charge of management and coordination both at Government and Bank levels made it difficult to closely monitor, supervise and evaluate the project. Project impact studies and institutional audit were very useful for a better understanding of project results.
v)	Satisfactory Operations	3	The project's implementation level, especially the income-generating component was conclusive. Although the basic social services rehabilitation component encountered difficulties, it was however able to meet the needs of many areas and their inhabitants.
	<b>Total</b>	<b>10/20</b>	
	<b>Overall Assessment of Project Implementation Performance</b>	<b>2</b>	<b>Project Implementation Performance has been Satisfactory</b>

**Bank Performance**

<b>No.</b>	<b>Component Indicator</b>	<b>Rating (1 to 4)</b>	<b>Comments</b>
i)	Identification	4	The project identified in December 1997 was in conformity with the Bank and the Government's strategy to reduce poverty through the provision of basic social services and the development of income-generating activities made possible with the micro-credit allocated.
ii)	Preparation	1	No feasibility study was carried out.
iii)	Appraisal	1.5	Partner involvement was low and the realities in Djibouti were not taken into account. The capacity of Djibouti nationals to carry the project through was over-estimated. Conversely, costs were underestimated against the results expected at project completion. A large revolving fund was planned and so was a ceiling for requests to the Bank for the lapse-of-time procedure, although operational arrangements were not made to identify possible risks of slippage.
iv)	Supervision	2	9 supervision missions were organised although 2 missions a year had been projected. Missions fielded during the first 3 years were not necessarily in a position to solve the problems that arose then. The <i>aides-mémoires</i> sometimes failed to mention the problems brought up during these missions. Regarding the incidents/misappropriation during the project's first 3 years for instance mentioned by the Government, Bank missions said nothing even though the Government investigated the issue and Bank officers (Task Manager and Architect) were questioned. Subsequently, the Government asked the ADB to step up its supervision missions. It was only as of 2005 that things improved.
	<b>Total</b>	<b>8.5/16</b>	
	<b>Overall Assessment of Bank Performance</b>	<b>2</b>	<b>The Bank's Performance has been Satisfactory</b>

**Project Results**

No.	<i>Component Indicator</i>	<i>Rating (1 to 4)</i>	<b>Comments</b>
1.	<i>Relevance and Achievement of Objectives</i>		
i)	Macro-economic Policy	4	The project is in perfect harmony with the Poverty Reduction Strategy adopted by the Government.
ii)	Sector Policy	4	The project is the major tool for a social development policy aimed at improving the living conditions of the vulnerable population through micro-credit, basic social services and capacity building of the local players.
iii)	Physical Outputs	3	Had it not been for the difficulties over the “Rehabilitation of Basic Social Services” component, the project would have registered a physical implementation rate higher than the 60% obtained.
iv)	Financial Component	2	The project’s final cost in UA does not correspond to that of the appraisal estimates. Costs were under-estimated against the expected results.
v)	Poverty Reduction, Social Impact and Gender	3	The project helped to reduce poverty by (i) improving the school enrolment ratio especially of girls in the impact areas; ii) opening primary health centres in isolated areas; iii) providing drinking water to those who need it; iv) allowing poor women access to micro-credit; v) helping women achieve social and economic independence.  A decrease in gender differences was taken into account. The fact that more women applied for micro-credit testifies to the fact that women are the mainstay of Djibouti’s economy and are in a better position to improve the living conditions of the family.
vi)	Environment	2.5	Classified under category II at appraisal, there were no sensitisation campaigns on environmental issues as planned because of the problems that arose during implementation of the “social services rehabilitation project” component. However, some related measures were taken to strengthen sanitation systems. Actions undertaken by women who received micro-credit were not unfriendly to the environment.
vii)	Private Sector Development	3	Dividing the construction and rehabilitation contracts into several bid packages made it possible to award contracts to several local firms which unfortunately fell short of expectations. Support in the form of capacity building would have been very useful.  The SFDP built the capacity of 18 civil society associations by initiating them to micro-finance activities and how to invest into such activities

**Project Results**

No.	<i>Component Indicator</i>	<i>Rating (1 to 4)</i>	<b>Comments</b>
2.	<i>Institution Building</i>		
i)	Institutional Framework	3	The micro-finance component of the SFDP significantly improved the micro-finance institutional environment not only through the national micro-finance strategy but also through the promulgation of a micro-finance law.
ii)	Integrated Financial Information and Management Systems including Audit Systems	2	It was difficult to operate, especially to configure the accounting software for the financial management system. No cost accounting was carried out and therefore there was no efficiency analysis of the project. The project was conducted basically on an overall account budgeting system.
iii)	Transfer of Technology	3	The project's technical and methodological support to associations permitted a transfer of a many skills but these are still insufficient.
iv)	Staffing by Qualified Persons (including turnover), training and counterpart staff	1.5	The micro-finance operator was never recruited. The Bank's support was inadequate and training sessions undertaken are still not enough.

**Project Results**

No.	Component Indicator	Rating (1 to 4)	Comments
3.	<i>Sustainability</i>		
i)	Continued Borrower Commitment	4	Through the action plans of various national and sector strategies, the Borrower showed its determination to pursue, with the support of its partners, implementation of Djibouti's micro-finance promotion policy.
ii)	Environmental Policy	1.5	Greater attention must be paid to this issue.
iii)	Institutional Framework	3	The SFDP merged with ADETIP which led to ADDS (in its capacity as a 1901 standard type association specialised in financial intermediation with authorisation from the Central Bank of Djibouti) which will now promote the establishment of micro-finance institutions and the creation of micro enterprises.
iv)		3	Donor support for the mechanism being established by the ADDS within the framework of the PREPUD was financed predominantly by the Government from the NSF and needs support from lead donors such the World Bank, the BID, the AFD and the ADB.
v)		3	97% of the loans granted under the micro-finance component were recovered. The current arrangements take fully into account the need to safeguard this achievement. However, with regard to recurrent infrastructure expenditure, the problem is yet to be solved
vi)	Technical Viability and Staff Supervision	3	Creating MFIs as planned by the ADDS with a good line of credit, alongside the right management mechanism and a sufficient number of clients will ensure economic viability.
vii)	Financial Viability including Cost recovery mechanisms	2	Project activities had no negative impact on the environment. Ensure that activities financed by holders of micro-projects are not environmentally unfriendly.
viii)	O & M Facilitation (availability of recurrent funding, foreign exchange, spare parts, etc.)	2.5	By creating the MFIs, this aspect was taken into account. Much remains to be done in the area of infrastructure.
ix)	Economic Rate of Return	2.5	By recovering 2 million dollars to create a new line of credit and with the DJF 20 million savings by women, the project's micro-finance aspect showed a good economic rate of return. On the contrary, the problem of recurrent infrastructure expenses is yet to be addressed.
	TOTAL	53/80	
	Overall Assessment of Results	3	The overall rating of the project has been satisfactory

**ANNEX 6: MATRIX OF RECOMMENDATIONS AND FOLLOW-UP  
MEASURES**

<b>Points of Recommendation</b>	<b>Findings</b>	<b>Recommendations And Responsibilities</b>
<b>Project Design</b>		
Project Consistency	The project is highly relevant and is a tool for implementing the Poverty Reduction Strategy whose instrument is the INDS.	The Government must consolidate the numerous achievements and ensure that there is consistency and complementarity with other current mechanisms.
Project Preparation	The Government requested the Bank's contribution for the establishment of the PREPUD	The search for synergies with other development partners (multi and bilateral) is desirable if micro-finance is to be promoted in Djibouti
Appraisal	Since the PREPUD appraisal mission has already been organised, it is vital to take into account its findings with a view to the negotiations scheduled in Tunis.	The institutional context is now favourable but the Government must facilitate the creation of MFIs and without delay grant them autonomy.
Implementation	The implementation difficulties encountered are due in part to institutional and organisational weaknesses and lack of technical assistance.	The Bank must recruit an Operator who will assist in creating and supporting the MFIs.
<b>Technical Implementation</b>		
Technical outputs of project	Appointment of a micro-credit operator would have led to a much better result. The shortage of staff specialised in civil works was the reason for the failure of the social services rehabilitation component.	Put in place, from the outset, technical assistance for the second phase being negotiated.
<b>Financial Implementation</b>		
Project cost	Project cost was underestimated against the results expected.	Result-based management demands a genuine project financial feasibility study (among others) to maximise the impact sought
Financial management	The project's accounting mechanism was not quite effective. The project was directed using primarily a general budget accounting	Plan a cost accounting system that will help to better determine the project's efficiency.

<b>Points of Recommendation</b>	<b>Findings</b>	<b>Recommendations And Responsibilities</b>
	system.	
Annual audit of project	These were conducted well behind schedule	Simplify processing.
Disbursement	Counterpart funds were not always fully paid. Non-disbursement of the ADF funds in 2003 adversely affected project implementation.	It would be wise for the Bank and Government to find appropriate solutions.
<b>Sustainability</b>		
Development and sustainability of project achievements	The measures taken by the Government in that regard seem objective and apt.	Bank support is important since donors involved in promoting micro-finance are few.
<b>General Measures</b>		
How to capitalise on achievements	Harmonise as much as possible the various existing mechanisms (PDMM, FDED and ADDS) and enable a real autonomization of the MFIs.	The Government must give assurances that operations will be harmonised and monitored in line with the Bank's new operation.

**SOURCES OF INFORMATION**

- Evaluation Report of the Social Fund for Development Project July 2008
- Aide-mémoires of Bank Staff Supervision Missions (11 documents)
- PIU Half-yearly Reports - 23 volumes ( 2000 to 2007)
- Midterm Report of the SFD Project
- Law Governing Micro-finance in Djibouti
- Djibouti Micro-finance Strategy Paper - May 2007
- Audit Reports from Audit Firms - 2001, 2002, 2003, 2004, 2005, 2006.
- Institutional Audit Report of the SFD and its Partners (December 2007
- Impact Assessment of the SFD Micro-credit Activities - October 2007
- Government's Completion Report - July 2008.
- Document on the Decree Creating the ADDS - January 2008
- Various Correspondence from the Government to the Bank
- Various Correspondence from the Bank to the Government

**COMMENTS BY THE BORROWER AND EXECUTING AGENCY  
ON THE COMPLETION REPORT PREPARED BY THE BANK**

The completion report was discussed with the Borrower on 20 August 2008 during the negotiations for the Urban Poverty Reduction Project in Djibouti. The Borrower sent its comments to the Bank on 21 August 2008. The Borrower's comments concern the following two points:

- a) Language problems between Bank experts and the Government must not be under-estimated:

Borrower's Comments: An officer without a good command of the country's working language cannot hold working sessions with partners.

- b) Document processing periods in the Bank are a major obstacle to good project implementation.

Borrower's Comments: if this problem is addressed and processing of complicated documents made more flexible, the project implementation period will be shorter.

**LIST OF PERSONS MET DURING THE MISSION**

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